

# 杭州順豐同城實業股份有限公司

## HANGZHOU SF INTRA-CITY INDUSTRIAL CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 9699

### GLOBAL OFFERING



Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers  
(in alphabetical order)

**BofA SECURITIES** 

 **CICC 中金公司**

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers  
(in alphabetical order)

**CREDIT SUISSE** 

 **华泰国际**  
HUATAI INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

 **CITIC SECURITIES**

**CMBI**  **招銀国际**

 **農銀國際**  
ABC INTERNATIONAL

 **富途證券**

## IMPORTANT

*If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.*

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## 杭州順豐同城實業股份有限公司

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

### GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	: 131,180,800 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 13,118,200 H Shares (subject to adjustment)
Number of International Offer Shares	: 118,062,600 H Shares (subject to the Over-allotment Option and adjustment)
Offer Price	: Not more than HK\$17.96 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: RMB1.00 per H Share
Stock code	: 9699

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers  
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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and our Company on or before Tuesday, December 7, 2021 or such later time as may be agreed between the parties, but in any event, no later than Thursday, December 9, 2021. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and our Company are unable to reach an agreement on the Offer Price by Thursday, December 9, 2021, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK\$17.96 per Offer Share and is expected to be not less than HK\$16.42 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK\$17.96 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price is lower than HK\$17.96. The Joint Global Coordinators (for themselves and on behalf of the Underwriters), may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at <https://www.sf-cityrush.com/> as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

We are incorporated, and all of our businesses are operated, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors," "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of the Articles of Association." Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in the section headed "Risk Factors."

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Joint Global Coordinators (for themselves and, on behalf of the Hong Kong Underwriters), in their sole and absolute discretion, shall be entitled by notice (in writing) to terminate the Hong Kong Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting – Hong Kong Underwriting Arrangements – Hong Kong Public Offering – Grounds for Termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered and sold (a) in the United States to qualified institutional buyers ("QIBs") (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

November 30, 2021

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## IMPORTANT

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Your application must be for a minimum of 200 Hong Kong Offer shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>
200	3,628.20	7,000	126,986.88	80,000	1,451,278.63	900,000	16,326,884.63
400	7,256.39	8,000	145,127.86	90,000	1,632,688.46	1,000,000	18,140,982.92
600	10,884.59	9,000	163,268.84	100,000	1,814,098.29	2,000,000	36,281,965.84
800	14,512.79	10,000	181,409.83	200,000	3,628,196.58	3,000,000	54,422,948.76
1,000	18,140.98	20,000	362,819.66	300,000	5,442,294.88	4,000,000	72,563,931.68
2,000	36,281.97	30,000	544,229.49	400,000	7,256,393.17	5,000,000	90,704,914.60
3,000	54,422.94	40,000	725,639.32	500,000	9,070,491.46	6,000,000	108,845,897.52
4,000	72,563.93	50,000	907,049.15	600,000	10,884,589.75	6,559,000*	118,986,706.97
5,000	90,704.91	60,000	1,088,458.98	700,000	12,698,688.04		
6,000	108,845.90	70,000	1,269,868.80	800,000	14,512,786.34		

\* Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any subject application is liable to be rejected.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at <https://www.sf-cityrush.com/>.*

Hong Kong Public Offering commences . . . . . 9:00 a.m. on Tuesday, November 30, 2021

Latest time for completing electronic applications under the **HK eIPO White Form** service through one of the below ways:<sup>(2)</sup>

- (1) the **IPO App**, which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)

- (2) the designated website [www.hkeipo.hk](http://www.hkeipo.hk). . . . . 11:30 a.m. on Tuesday, December 7, 2021

Application lists open<sup>(3)</sup> . . . . . 11:45 a.m. on Tuesday, December 7, 2021

Latest time to (a) completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on Tuesday, December 7, 2021

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close<sup>(3)</sup> . . . . . 12:00 noon on Tuesday, December 7, 2021

Expected Price Determination Date<sup>(5)</sup> . . . . . Tuesday, December 7, 2021

Announcement of Offer Price, the level of applications in the Hong Kong Public Offering; the indication of level of interest in the International Offering; and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at <https://www.sf-cityrush.com/><sup>(6)</sup> on or before . . . . . Monday, December 13, 2021



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## EXPECTED TIMETABLE<sup>(1)</sup>

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The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website and the website of the Stock Exchange at <https://www.sf-cityrush.com/> and [www.hkexnews.hk](http://www.hkexnews.hk), respectively . . . . . Monday, December 13, 2021
- Results of allocations in the Hong Kong Public Offering will be available at the "IPO Results" function in the **IPO App** or at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a "search by ID" function . . . . . Monday, December 13, 2021

H Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before<sup>(7)</sup> . . . . . Monday, December 13, 2021

**HK eIPO White Form** e-Auto Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before<sup>(8)(9)</sup> . . . . . Monday, December 13, 2021

Dealings in H Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . . Tuesday, December 14, 2021

The application for the Hong Kong Offer Shares will commence on Tuesday, November 30, 2021 through Tuesday, December 7, 2021, being longer than normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicant(s) without interest on Monday, December 13, 2021. Investors should be aware that the dealings in the H Shares on the Stock Exchange are expected to commence on Tuesday, December 14, 2021.

*Notes:*

- (1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section headed "Structure of the Global Offering" in this prospectus.
- (2) If you have already submitted your application under **HK eIPO White Form** service through the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) and obtained a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You will not be permitted to submit your application through the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (3) If there is/are a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 7, 2021, the application lists will not open or close on that day. Please refer to the paragraph headed “How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this prospectus.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed “How to Apply for Hong Kong Offer Shares – 6. Applying through CCASS EIPO Service” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Tuesday, December 7, 2021, and in any event, not later than Thursday, December 9, 2021. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or before Thursday, December 9, 2021, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Tuesday, December 14, 2021. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications, and also in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application.
- (9) Applicants who have applied for Hong Kong Offer Shares through CCASS EIPO service should refer to the section headed “How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of H Share Certificates and Refund Monies – Personal Collection – If you apply through CCASS EIPO service” in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of H Share Certificates and Refund Monies”.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will publish an announcement as soon as practicable thereafter.

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## CONTENTS

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.*

*You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Joint Sponsors, Joint Global Coordinators and Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering.*

	<i>Page</i>
<b>EXPECTED TIMETABLE</b> .....	i
<b>CONTENTS</b> .....	iv
<b>SUMMARY</b> .....	1
<b>DEFINITIONS</b> .....	38
<b>GLOSSARY OF TECHNICAL TERMS</b> .....	53
<b>FORWARD-LOOKING STATEMENTS</b> .....	55
<b>RISK FACTORS</b> .....	57
<b>WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES</b> ....	92
<b>INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING</b> .....	97
<b>DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</b> .....	103
<b>CORPORATE INFORMATION</b> .....	110

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## CONTENTS

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<b>INDUSTRY OVERVIEW</b> .....	112
<b>REGULATORY OVERVIEW</b> .....	129
<b>HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE</b> .....	152
<b>BUSINESS</b> .....	174
<b>CONNECTED TRANSACTIONS</b> .....	226
<b>DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT</b> .....	244
<b>RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS</b> .....	261
<b>SUBSTANTIAL SHAREHOLDERS</b> .....	277
<b>SHARE CAPITAL</b> .....	281
<b>FINANCIAL INFORMATION</b> .....	286
<b>FUTURE PLANS AND USE OF PROCEEDS</b> .....	339
<b>CORNERSTONE INVESTORS</b> .....	344
<b>UNDERWRITING</b> .....	350
<b>STRUCTURE OF THE GLOBAL OFFERING</b> .....	361
<b>HOW TO APPLY FOR HONG KONG OFFER SHARES</b> .....	373
<b>APPENDIX I</b> <b>ACCOUNTANT’S REPORT</b> .....	I-1
<b>APPENDIX II</b> <b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b> .	II-1
<b>APPENDIX III</b> <b>TAXATION AND FOREIGN EXCHANGE</b> .....	III-1
<b>APPENDIX IV</b> <b>SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS</b> .....	IV-1
<b>APPENDIX V</b> <b>SUMMARY OF THE ARTICLES OF ASSOCIATION</b> .....	V-1
<b>APPENDIX VI</b> <b>STATUTORY AND GENERAL INFORMATION</b> .....	VI-1
<b>APPENDIX VII</b> <b>DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION</b> .....	VII-1

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares. Please note that the listing of the Company constitutes a spin-off of SF Holding and is subject to the approval of the CSRC. The Company applied for listing under Rule 8.05(3) of the Listing Rules, and listing of the Company was approved by: (i) SF Holding’s shareholders at an extraordinary shareholders’ general meeting on June 15, 2021; and (ii) the CSRC in its approval letter dated September 30, 2021. For the purpose of this prospectus, “intra-city on-demand delivery” means on-demand delivery within a particular city region.*

## OVERVIEW

### Who We Are

We started as a business unit of SF Holding Group, focusing on the emerging opportunities of intra-city on-demand delivery services. Since 2019, we have operated as an independent legal entity to capture the growth opportunities brought about by the new consumption trends. The on-demand delivery service providers in China can be categorized into on-demand delivery service platforms affiliated with centralized marketplaces and third-party on-demand delivery service platforms. The former mainly serves merchants registered on centralized marketplaces, helping with delivery to consumers of the centralized marketplaces, while third-party on-demand delivery service platforms fulfill orders acquired from non-related parties or parties unaffiliated with centralized marketplaces. We have rapidly grown into the largest third-party on-demand delivery service platform in China, with our market share in terms of order volume<sup>(1)</sup> being 10.4%, 10.9% and 11.1%, respectively, in 2020, the 12 months ended March 31, 2021, and the three months ended March 31, 2021, according to the iResearch Report.

The following charts show our scale of business:



**1,070 million**

Annual orders in LTM 5M 2021<sup>(2)</sup>



**222,000+**

Annual active merchants in LTM 5M 2021



**7.5 million**

Annual active consumers in LTM 5M 2021



**537,000+**

Annual active riders in LTM 5M 2021



**1,000+**

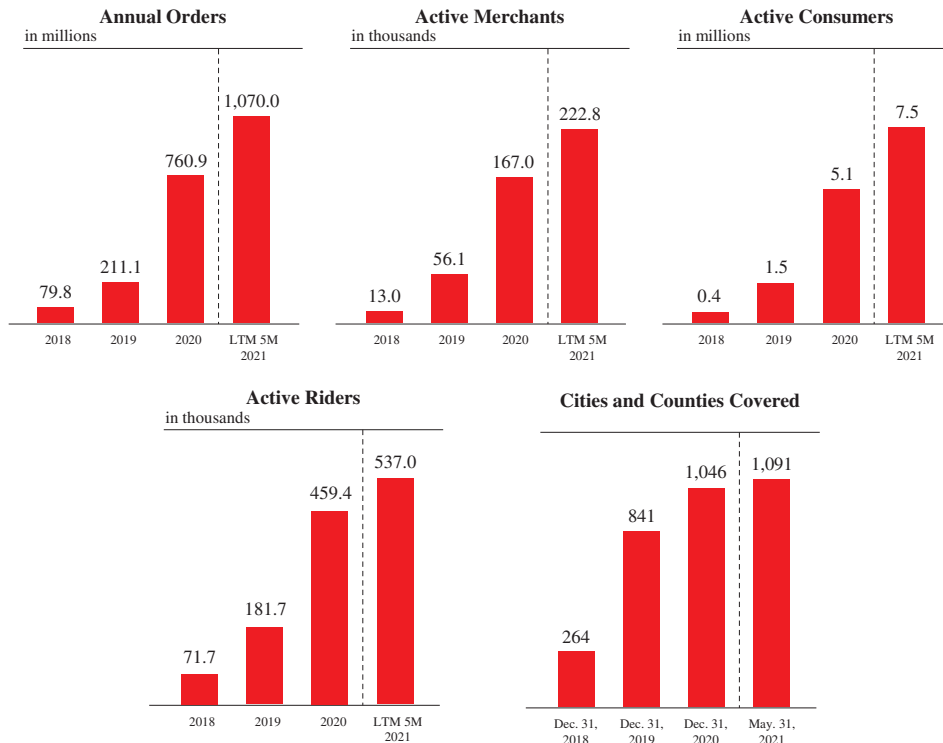
Cities and counties covered in China



**2,000+**

Merchant brands served by us

## SUMMARY



### Notes:

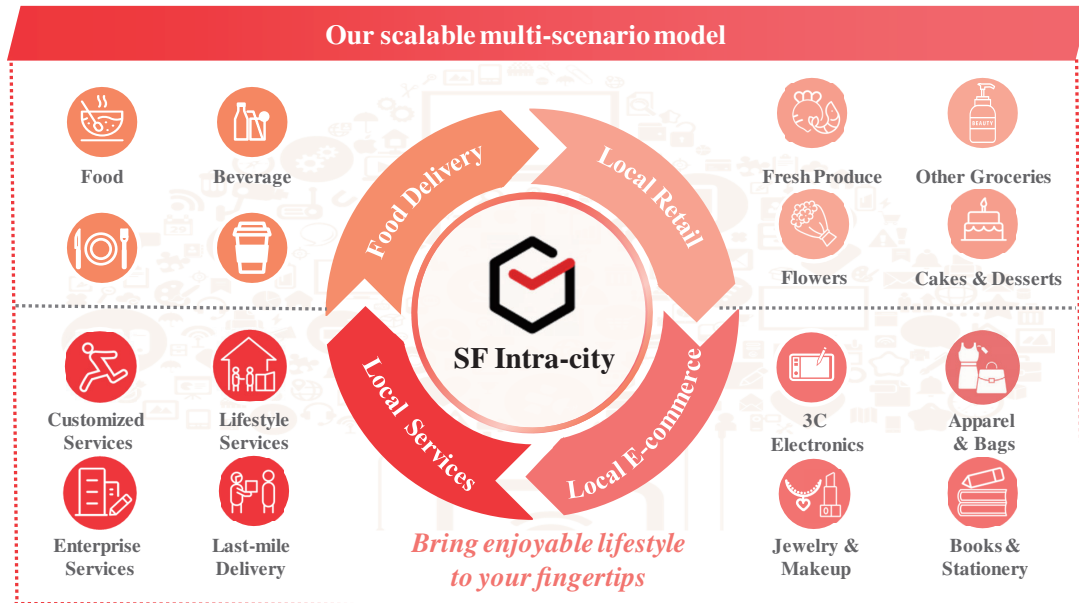
- (1) Unless otherwise stated in this prospectus, the calculation of order volume for the purpose of determining market share in this prospectus takes into account the number of orders sourced independently by the market players. The calculation for our number of orders excludes orders from both last-mile delivery service and intra-city delivery service attributable to SF Holding, while for other market players, the calculation generally excludes orders for these two services offered to related parties, but includes those offered to other Independent Third Parties.
- (2) “LTM 5M 2021” refers to the 12 months ended on May 31, 2021.

### Our Multi-scenario Business Model

We have adopted a multi-scenario business model featuring full coverage of delivery scenarios for all types of products and services. Our extensive service coverage, ranging from mature scenarios such as food delivery to growth scenarios such as local retail, local e-commerce and local services, has enabled us to respond to the evolving customer needs brought about by the development and upgrade of the local consumer market. With our emphasis on fairness and inclusiveness in serving businesses of all types and sizes in the industry, we are capable of offering delivery options which cater to a full range of budget, delivery coverage, service time and time sensitivity. We believe that we have strong competitive edge in the overall on-demand delivery service industry in China under the emerging trend of “bring all you need to your side” of the new consumption era. See “Business – Our Multi-scenario Business Operation.”



## SUMMARY



- **Food delivery:** A mature scenario serving as the demand bedrock for on-demand delivery services. It generally covers the delivery of food and beverages. We serve merchants such as Laoniangjiu (老娘舅) and Heytea (喜茶).
- **Local retail:** A growth scenario driven by the trend of online and offline integration in the retail industry. It generally covers delivery of fresh produce, flowers, cakes and desserts and other groceries. We primarily serve merchants in the fast-moving consumer goods industry such as Rainbow (天虹).
- **Local e-commerce:** A growth scenario driven by the needs of e-commerce merchants to improve on-demand supply capabilities to acquire local market traffic. It generally covers delivery of 3C electronics, apparels and bags, jewelry, cosmetics, books and stationery. We primarily serve online channels of retailers such as Bestseller (綾致) and Xiaomi (小米).
- **Local services:** A growth scenario driven mainly by the needs of consumers and businesses for on-demand customized services. We primarily run errands for consumers. For example, we help consumers deliver and fetch laundry, and fetch clothes from local retail stores for consumers' try-on. We also fulfill other business needs such as assisting advertisers in checking whether outdoor advertisements are properly displayed.

## SUMMARY

We serve multi-scenario customer needs across various industries and product categories by providing both (i) intra-city delivery for merchants and consumers, and (ii) last-mile delivery, mainly for logistics companies. The following table sets out our revenue breakdown for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2018		2019		2020		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Intra-city on-demand										
delivery service	993,274	100.0	2,107,014	100.0	4,841,920	100.0	1,429,491	100.0	3,038,103	99.8
Intra-city delivery										
service	973,139	98.0	1,928,889	91.5	3,220,164	66.5	1,024,950	71.7	1,848,244	60.7
To Merchants	924,247	93.1	1,796,841	85.3	2,740,666	56.6	933,526	65.3	1,427,506	46.9
To Consumers	48,892	4.9	132,048	6.2	479,498	9.9	91,424	6.4	420,738	13.8
Last-mile delivery										
service	20,135	2.0	178,125	8.5	1,621,756	33.5	404,541	28.3	1,189,859	39.1
Others	–	0.0	–	0.0	1,446	0.0	–	0.0	7,487	0.2
<b>Total</b>	<b>993,274</b>	<b>100.0</b>	<b>2,107,014</b>	<b>100.0</b>	<b>4,843,366</b>	<b>100.0</b>	<b>1,429,491</b>	<b>100.0</b>	<b>3,045,590</b>	<b>100.0</b>

We generate a substantial majority of our revenue from providing intra-city on-demand delivery service. We use differentiated pricing models for our intra-city delivery service to merchants and consumers and last-mile delivery service. For example, we charge a fixed fee for each order placed by merchants as adjusted by variables prescribed in our respective agreements with them, and we charge service fees for each order placed by consumers calculated based on our intelligent pricing algorithm. See “Business – Our Digitalized Business Process – Pricing.” We have determined that we act as a principal as defined by IFRS 15. Accordingly, we recognize revenue deriving from both intra-city delivery business and last-mile delivery business on a gross basis at a fixed rate or a pre-determined amount for each completed delivery, with the amount paid to the labor suppliers recorded in cost of revenue. See Note 2.20(a) of Appendix I to this prospectus.

We also generate revenue from other businesses by offering online group catering options to enterprise customers. Specifically, we offer a wide selection of high-quality staff meals, banquet catering, high tea and employee welfare catering through our Fengshi platform in collaboration with merchants. We recognize both aggregated fee for platform service and delivery service as revenue once a transaction is completed. See Note 2.20(b) of Appendix I to this prospectus.

See “Financial Information – Critical Accounting Policies and Estimates – Revenue Recognition.”

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## SUMMARY

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### **Competitive Landscape and Market Opportunities**

The road freight service is the backbone of China's logistics service industry and represents the addressable market of goods being transported by vehicles on the roads. Based on the distance of delivery, the road freight service industry can be categorized into two segments: the intra-city logistics service and the inter-city logistics service. The intra-city logistics service industry in China primarily consists of intra-city express delivery service, intra-city freight delivery service and on-demand delivery service. The on-demand delivery service industry is expected to remain highly competitive with rapid market changes and high demand for technology innovation. As market players compete for market share and expand their rider pool, they may offer more incentives to merchants, consumers and riders. This could affect our profitability if we match their pricing strategies to compete for market share and rider capacity. In addition, the third-party on-demand delivery service market is highly fragmented. According to the iResearch Report, the aggregate market share of China's top six third-party on-demand delivery service providers in terms of order volume was approximately 35.6% and 36.6%, respectively, in 2020 and the 12 months ended March 31, 2021. However, the fragmentation of the market also provides great potential for market consolidation. With strong network effects and economies of scale, leading third-party on-demand delivery service providers are well positioned to gain an increasing market share. According to the iResearch Report, we were the largest third-party on-demand delivery service provider in China with a 10.4%, a 10.9% and an 11.1% market share in 2020, the 12 months ended March 31, 2021 and the three months ended March 31, 2021, respectively.

Compared to our competitors, we have strengths in attracting and retaining customers. We are committed to offering customer-centric solutions. Our market leadership and large order volume provide us with customer insights, enabling us to continuously bring superior experience for customers and enhance their loyalty to our brand. As of May 31, 2021, we had served over 2,000 merchant brands, served approximately 532,500 registered merchants and delivered superior and efficient on-demand local lifestyle services to approximately 126.1 million registered consumers. Our strong and expanding national network helps us build a broad customer base, which produces valuable customer insights supporting our exploration of new scenarios, and thereby enriches our multi-scenario business model. The expansion of scenario coverage brings higher order volume, allowing us to attract more riders with substantial earning potential, which in turn facilitates the continuous scale-up of our fulfillment capabilities. Our fulfillment in-time rate reached above 95% during the Track Record Period. Improved order fulfillment capabilities enable us to timely capture opportunities from fast-growing segments and attract more merchants with expanding delivery solution offerings and better experience. Such network effects bring about sustainable and growing customer base, order fulfillment capabilities and order volume, enabling us to compete effectively.

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## SUMMARY

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We have also accessed the last-mile delivery service market. As a sub-segment under on-demand delivery service industry, the last-mile delivery service features the typical characteristics of on-demand delivery service, including that it is point-to-point delivery without intermediate steps, and that it is typically completed within several hours by one rider with dynamic and optimized delivery route.

See “Industry Overview – China’s Intra-City Logistics Service Industry.”

The new consumption era presents three transformative trends to the landscape of the on-demand delivery industry.

***Calling for third-party on-demand delivery platform.*** Under the trend of digitalization, merchants are increasingly seeking to strengthen their ties with customers and build proprietary customer acquisition channels. A third-party on-demand delivery service provider would empower merchants with healthy growth prospects by enabling their direct interaction with consumers.

***Multi-scenario delivery needed for extended boundaries of local consumption.*** The local consumer market is diversifying, expanding from food delivery into non-food segments. A nimble and extensible on-demand delivery service platform would be well-positioned to capture the booming market opportunities.

***Increasing pursuit of tailored services.*** As competition intensifies, merchants seek to win the customer mindshare through not only desirable products, but also customized and quality delivery services that enhance overall satisfaction level. Merchants hence increasingly opt for professional delivery platforms specialized in customized services.

### Our Value Propositions

We offer differentiated value propositions to our merchants, consumers and riders, as well as to the industry.

- **Merchants:** We empower merchants of varied sizes with our open and inclusive on-demand delivery network as well as our professional and comprehensive solution offerings. Merchants choose to embrace tailored service packages to enhance their own customer satisfaction and branding. We have become the go-to third-party on-demand delivery service provider.
- **Consumers:** By providing professional, reliable and around-the-clock on-demand services covering varied everyday scenarios, we have acquired substantial consumer mindshare and increased consumer loyalty.

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## SUMMARY

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- **Riders:** We treat our riders with care and respect, as we strongly believe that rider satisfaction is critical to the sustainability of our business. We offer riders attractive earning opportunities and sustainable and flexible working arrangements across diverse delivery scenarios.
- **Industry and Society:** With our independence and the resulting fairness and inclusiveness, we have contributed to the healthy competition in our industry. Meanwhile, we have become the trusted partner of fast-growing emerging businesses, as we timely cater to their needs for professional, flexible and customized on-demand services.

Our platform enjoys powerful and self-reinforcing network effects and economies of scale:

- **Network effects:** Our extensive scenario coverage brings higher order volume and allows us to attract more riders, which in turn enhances our fulfillment capabilities and capacity to attract more merchants. With deepened penetration and expansion of business coverage, we receive more orders and realize strong network effects which drive a virtuous cycle of growth.
- **Economies of scale:** Our balanced multi-scenario order mix enables us to rapidly grow order volume and order density, leading to optimized rider scheduling throughout the day. Leveraging the variations in peak hours and order density across service scenarios, we effectively smooth out the volume and load for a rider to minimize order congestion while maximizing fulfillment efficiency.

### Our Technologies

We process in our daily operations a massive volume of data including, in particular, transaction data. For example, our total number of orders was 513.7 million in the five months ended May 31, 2021. In addition, we have a complex order structure with orders from diverse scenarios for delivering varied items, and a mixed rider pool which requires efficient order recommendation and dispatching to ensure order fulfillment quality. Therefore, we need a reliable and scalable technology architecture to support our efficient operations.

We have applied big data and AI technologies in our CLS to achieve higher operational efficiency and lower delivery cost. Our CLS primarily enables us to effectively manage our business processes, in particular order recommendation and dispatching, and supports our other daily management needs such as rider management. In addition, through APIs, our CLS facilitates easy order placing and order monitoring mainly for our merchants and consumers, while also facilitating easy order responding and delivery task management, mainly for riders. The core functions of our CLS include business forecast and planning, integrated order recommendation and dispatching and real-time operation monitoring.

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## SUMMARY

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### Our Performance

We achieved significant growth during the Track Record Period. Our revenue grew from RMB993.3 million in 2018 to RMB2,107.0 million in 2019, and further to RMB4,843.4 million in 2020. Our revenue grew from RMB1,429.5 million in the five months ended May 31, 2020 to RMB3,045.6 million in the five months ended May 31, 2021. Our total number of orders grew from 79.8 million in 2018 to 211.1 million in 2019, and further to 760.9 million in 2020, representing a CAGR of 208.7%. Our total number of orders grew by 151.2% from 204.5 million in the five months ended May 31, 2020 to 513.7 million in the five months ended May 31, 2021.

We had gross losses, net loss and net operating cash outflow during the Track Record Period. We had gross loss of RMB231.4 million, RMB336.2 million, RMB188.5 million and RMB27.7 million in 2018, 2019, 2020 and the five months ended May 31, 2021, respectively, with net loss of RMB328.4 million, RMB469.8 million, RMB757.7 million and RMB352.9 million in the same periods. Net cash used in our operating activities was RMB366.5 million, RMB655.9 million, RMB563.5 million and RMB281.7 million in 2018, 2019, 2020 and the five months ended May 31, 2021, respectively. We currently expect such positions may continue for another three to five years until we achieve greater economies of scale. For detailed strategies and measures we plan to take to achieve long-term profitability, see “Financial Information – Business Sustainability.”

### OUR STRENGTHS

We believe the following competitive strengths contribute to our success and position us for continued growth:

- Largest and fast-growing third-party on-demand delivery service platform
- Distinct network effects and economies of scale enabled by a multi-scenario business model
- Superior customer experience through our customer-centric approach
- Diverse rider pool ensuring efficiency, quality and stability
- Continuous technology innovation and digitalized operation
- Well-recognized “SF” brand and strong synergy with SF Holding Group
- Entrepreneurial and experienced management

See “Business – Our Strengths.”



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## SUMMARY

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### OUR STRATEGIES

We intend to pursue the following strategies to further grow our business:

- Continue to explore and expand new delivery service scenarios
- Continue to enhance value creation for merchants, consumers and riders
- Continue to strengthen our delivery capabilities to drive sustainable growth
- Continue to improve operational efficiency and optimize solution offerings through technological innovations
- Continue to attract and retain talents and improve management efficiency

See “Business – Our Strategies.”

### OUR SUPPLIERS

Our suppliers are primarily outsourcing firms that place riders with us. Purchases from our five largest suppliers, all of which were Independent Third Parties, in each of 2018, 2019, 2020 and the five months ended May 31, 2021 represented 39.2%, 51.2%, 80.2% and 86.3%, respectively, of our total purchase amount for the same periods, with our largest supplier accounting for 23.5%, 32.4%, 32.7% and 39.2%, respectively, of our total purchase amount in the same periods. None of our Directors, their associates or any shareholders of our Company, who or which to the knowledge of the Directors owned more than 5% of our Company’s issued share capital, had any interest in any of our five largest suppliers during the Track Record Period.

See “Business – Our Suppliers.”

### OUR CUSTOMERS

Our major customers are primarily merchants. See “Business – Our Multi-scenario Business Operation – Intra-City Delivery Service – Intra-city Delivery Service to Merchants.” Revenue from our five largest customers in each of 2018, 2019, 2020 and the five months ended May 31, 2021 represented 67.8%, 67.1%, 61.2% and 61.1%, respectively, of our total revenue for the same periods. Revenue from our largest customer in each of 2018, 2019, 2020 and the five months ended May 31, 2021 represented 22.7%, 19.4%, 33.6% and 38.6%, respectively, of our total revenue for the same periods. Revenue from SF Holding Group in each of 2018, 2019, 2020 and the five months ended May 31, 2021 represented 2.9%, 13.1%, 33.6% and 38.6%, respectively, of our total revenue for the same periods. The revenue contribution by SF Holding Group increased during the Track Record Period, primarily because (i) demand for intra-city delivery services increased, reflecting the rapid growth of the on-demand delivery industry; and (ii) with the rapid expansion of our service network coverage

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## SUMMARY

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and our consistent and high-quality delivery, we are able to increase the provision of last-mile delivery subject to our assessment of delivery capacity, scale of order volume and the service fee paid by SF Holding Group. All of our five largest customers in each year or period during the Track Record Period except for SF Holding Group were Independent Third Parties. For last-mile delivery service, the revenue contribution from Independent Third Parties is expected to be relatively smaller than that from SF Holding Group in the near future. We have been providing, and will continuously expand our provision of, last-mile delivery service to Independent Third Parties with time-sensitive delivery demands, including express and logistics companies and vertical e-commerce groups. During the Track Record Period, the revenue of our last-mile delivery service attributable to Independent Third Parties was nil, RMB2.8 million, RMB42.1 million and RMB47.0 million, respectively. For risks relating to our major customers, see “Risk Factors – Risks Relating to Our Business and Industry – Loss of our major customers could materially and adversely affect our business, financial condition and results of operations.”

Other than SF Holding Group, none of our Directors, their associates or any shareholders of our Company, who or which to the knowledge of the Directors owned more than 5% of our Company’s issued share capital, had any interest in any of our five largest customers during the Track Record Period.

See “Business – Our Customers.”

## **SOCIAL RESPONSIBILITY, ENVIRONMENTAL AND OCCUPATIONAL HEALTH AND SAFETY MATTERS**

Leveraging our resources and expertise, we have promoted and will continue to promote corporate social responsibility and sustainable development, mainly focusing on environmental protection and rider care.

We are committed to operating our business in a manner that protects the environment and improves environmental sustainability. For example, we strive to minimize pollutant emissions generated by our riders in the process of delivery by recommending them to use new energy and electric vehicles. As of May 31, 2021, approximately 98% of our active riders fulfilled orders through new energy and electric vehicles or public transportation. We are also actively seeking collaboration with merchant customers to explore systematic plans for eco-friendly and recyclable packaging, aiming to lower the packaging cost, improve the capability of environmental protection and contribute to carbon neutrality.

For occupational health and safety matters, we have workplace safety measures in place. For example, we set an upper limit of ongoing orders that each rider can take. We offer riders regular safety trainings in relation to safety risks and the mitigating measures. We have cooperated with SF Foundation (順豐公益基金會) and launched the “Care for Millions of Riders (百萬騎手關愛計劃)” project, providing education support for riders’ children and financial aids for medical needs of riders’ families. As a result of our efforts on improving workplace safety, the number of personal injury accidents that riders have claimed under “rider comprehensive insurance” as a percentage of total number of orders was 0.00175% and 0.0013% in 2020 and the five months ended May 31, 2021, respectively.

## SUMMARY

See “Business – Social Responsibility, Environmental and Occupational Health and Safety Matters.”

### SUMMARY OF KEY FINANCIAL INFORMATION

The following tables set out summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant’s Report set out in Appendix I to this prospectus. The summary financial data set out below should be read together with our consolidated financial statements and the related notes, as well as the section headed “Financial Information.” Our financial information was prepared in accordance with IFRS.

#### Selected Income Statement Data

The following table sets out a summary of our results of operations for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Revenue	993,274	2,107,014	4,843,366	1,429,491	3,045,590
Cost of revenue	<u>(1,224,646)</u>	<u>(2,443,219)</u>	<u>(5,031,872)</u>	<u>(1,487,594)</u>	<u>(3,073,250)</u>
<b>Gross loss</b>	<u>(231,372)</u>	<u>(336,205)</u>	<u>(188,506)</u>	<u>(58,103)</u>	<u>(27,660)</u>
Selling and marketing expenses	(12,158)	(33,715)	(111,016)	(24,636)	(76,780)
Research and development expenses	(3,281)	(4,271)	(69,374)	(20,650)	(47,278)
Administrative expenses	(114,129)	(203,877)	(418,017)	(133,256)	(216,261)
Other income	–	7,165	18,081	6,723	11,201
Other (losses)/gains, net	(4)	152	441	506	5,961
Net (reversals of)/impairment losses of trade and other receivables	<u>(616)</u>	<u>(2,669)</u>	<u>(850)</u>	<u>606</u>	<u>(2,322)</u>
<b>Operating loss</b>	<u>(361,560)</u>	<u>(573,420)</u>	<u>(769,241)</u>	<u>(228,810)</u>	<u>(353,139)</u>
Finance income	–	751	2,978	915	6,671
Finance costs	<u>–</u>	<u>(10,282)</u>	<u>(17,927)</u>	<u>(13,807)</u>	<u>(6,464)</u>
Finance (costs)/income, net	<u>–</u>	<u>(9,531)</u>	<u>(14,949)</u>	<u>(12,892)</u>	<u>207</u>

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## SUMMARY

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	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
<b>Loss before income tax</b>	<u>(361,560)</u>	<u>(582,951)</u>	<u>(784,190)</u>	<u>(241,702)</u>	<u>(352,932)</u>
Income tax credit	<u>33,163</u>	<u>113,156</u>	<u>26,513</u>	<u>26,513</u>	<u>–</u>
<b>Loss and total comprehensive loss for the year/period</b>	<u><u>(328,397)</u></u>	<u><u>(469,795)</u></u>	<u><u>(757,677)</u></u>	<u><u>(215,189)</u></u>	<u><u>(352,932)</u></u>

### Non-IFRS Measure

We adopt the adjusted net loss for the year/period (with share-based compensation expenses adjusted), which is not required by or presented in accordance with IFRS as an additional financial measure to supplement our consolidated financial statements. Believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company, by eliminating potential impacts of items that our management does not consider indicative of our operating performance. We believe that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

We define adjusted loss for the year/period as loss for the year/period adjusted by adding back share-based compensation expenses. Share-based compensation expenses are non-operational expenses arising from granting restricted shares to selected employees, the amount of which may not directly correlate with the underlying performance of our business operations. Thus, the expenses are neither related to our ordinary course of business nor indicative of our ongoing core operating performance. We therefore believe that these items should be adjusted for when calculating our adjusted net loss in order to provide potential investors with a complete and fair understanding of our core operating results and financial performance, so that they can assess our underlying core performance undistorted by items unrelated to our ordinary course of business operations, especially in (i) making period-to-period comparisons of, and assessing the profile of, our operating and financial performance, and (ii) making comparisons with other comparable companies with similar business operations. We have made the adjustments consistently during the Track Record Period complying with Guidance Letter HKEX-GL103-19 issued by the Stock Exchange. However, our presentation of such non-IFRS measure may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

## SUMMARY

The following table reconciles our adjusted net loss (non-IFRS measure) for the year/period (with share-based compensation expenses adjusted) to loss for the year/period, with its most directly comparable financial measure calculated and presented in accordance with IFRS, for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Reconciliation of net loss to adjusted net loss (non-IFRS measure)</b>					
Net loss for the year/period	<u>(328,397)</u>	<u>(469,795)</u>	<u>(757,677)</u>	<u>(215,189)</u>	<u>(352,932)</u>
<b>Add:</b>					
Share-based compensation expenses	<u>–</u>	<u>11,653</u>	<u>152,726</u>	<u>38,134</u>	<u>55,534</u>
<b>Adjusted net loss (non-IFRS measure) (unaudited)</b>	<u><u>(328,397)</u></u>	<u><u>(458,142)</u></u>	<u><u>(604,951)</u></u>	<u><u>(177,055)</u></u>	<u><u>(297,398)</u></u>

Our cost of revenue mainly consists of: (i) labor outsourcing costs, which represents expenses charged by outsourcing firms relating to outsourced riders; and (ii) employee benefit expenses relating to riders employed by us. We engage outsourcing firms to provide substantially all of the riders for our operations, supplemented by employee riders. Fulfillment cost, defined as the sum of labor outsourcing costs and employee benefit expenses in relation to the riders, accounted for more than 97% of the cost of revenue during the Track Record Period. Our cost of revenue increased from RMB1,224.6 million in 2018 to RMB2,443.2 million in 2019, and further to RMB5,031.9 million in 2020. Our cost of revenue increased from RMB1,487.6 million in the five months ended May 31, 2020 to RMB3,073.3 million in the five months ended May 31, 2021. Such increases in cost of revenue were in line with our revenue growth during the respective period.

## SUMMARY

The financial impact of share-based compensation expenses is expected to be approximately RMB200 million in 2021 assuming the Global Offering happened in December 2021.

Our net loss increased from 2018 to 2020 and from the five months ended May 31, 2020 to the five months ended May 31, 2021, mainly due to our continuous investment in our business development and customer acquisition, technology advancement and expansion of our general business supporting team.

### Selected Balance Sheet Data

The following table sets out selected information from our consolidated statements of financial position as of the dates indicated:

		As of December 31,			As of
	2018	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	RMB'000	2021
Total non-current assets	61,001	246,883	326,489	344,249	
Total current assets	161,347	691,976	1,087,031	2,332,076	
<b>Total assets</b>	<u>222,348</u>	<u>938,859</u>	<u>1,413,520</u>	<u>2,676,325</u>	
Total non-current liabilities	–	18,467	25,714	28,591	
Total current liabilities	754,344	1,036,779	1,022,342	748,315	
<b>Total liabilities</b>	<u>754,344</u>	<u>1,055,246</u>	<u>1,048,056</u>	<u>776,906</u>	
<b>Net (liabilities)/assets</b>	<u>(531,996)</u>	<u>(116,387)</u>	<u>365,464</u>	<u>1,899,419</u>	
<b>Total (deficits)/equity and liabilities</b>	<u>222,348</u>	<u>938,859</u>	<u>1,413,520</u>	<u>2,676,325</u>	
<b>Net current (liabilities)/assets</b>	<u>(592,997)</u>	<u>(344,803)</u>	<u>64,689</u>	<u>1,583,761</u>	

See “Financial Information – Discussion of Certain Key Balance Sheet Items.”



## SUMMARY

We had net liabilities of RMB532.0 million and RMB116.4 million as of December 31, 2018 and 2019, respectively, primarily due to our losses incurred during such periods. Our net liabilities position as of December 31, 2019 improved from that as of December 31, 2018, and turned into net assets position as of December 31, 2020 and as of May 31, 2021, primarily due to: (i) an increase in cash and cash equivalents as a result of fundraising from Pre-IPO Investments, and (ii) the repayment of outstanding borrowings.

Our net current liabilities decreased from RMB593.0 million as of December 31, 2018 to RMB344.8 million as of December 31, 2019, primarily due to: (i) an increase in trade receivables; (ii) an increase in amounts due from related parties; and (iii) a decrease in amounts due to related parties; partially offset by an increase in borrowings.

Compared with our net current liabilities of RMB344.8 million as of December 31, 2019, our net current assets were RMB64.7 million as of December 31, 2020, primarily due to: (i) an increase in trade receivables; (ii) an increase in cash and cash equivalents; (iii) a decrease in amounts due to related parties; and (iv) a decrease in borrowings; partially offset by: (i) an increase in trade payables; and (ii) an increase in other payables and accruals.

Our net current assets increased from RMB64.7 million as of December 31, 2020 to RMB1,583.8 million as of May 31, 2021, primarily due to: (i) an increase in our cash and cash equivalents as a result of fundraising from Series B Pre-IPO Investments; and (ii) the repayment of outstanding borrowings.

### Selected Data of Consolidated Cash Flow Statements

The following table sets out our cash flows for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Operating cash flows					
before changes in					
working capital	(352,814)	(534,906)	(571,697)	(174,396)	(269,158)
Changes in working					
capital	(13,695)	(121,789)	5,949	54,393	(19,228)
Interest received	–	751	2,978	915	6,617
Income tax paid	–	–	(685)	(685)	–

## SUMMARY

	Year ended December 31,			Five months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
Net cash used in operating activities	(366,509)	(655,944)	(563,455)	(119,773)	(281,715)
Net cash used in investing activities	(57,778)	(115,958)	(28,417)	(20,255)	(426,687)
Net cash generated from financing activities	424,287	843,188	784,054	278,750	1,453,736
Net increase in cash and cash equivalents	–	71,286	192,182	138,722	745,334
Cash and cash equivalents at the beginning of the year/period	–	–	71,286	71,286	263,468
Cash and cash equivalents at the end of the year/period	–	71,286	263,468	210,008	1,008,802

See “Financial Information – Liquidity and Capital Resources – Cash Flow.”

We had negative cash flows from our operating activities during the Track Record Period, primarily due to our continuous investment in our business development and customer acquisition, technology advancement and expansion of general business supporting team. We expect our net operating cash outflows position to improve concurrently with our profitability as we outgrow the early development stage, mainly through the following measures:

- (i) expanding customer base and order volume by further deepening penetration into existing service scenarios and expanding into new service scenarios and geographic regions. The expansion of our business has led to a revenue growth at a CAGR of 120.8% from 2018 to 2020, thus contributing to growth of our cash inflow from operating activities;

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## SUMMARY

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- (ii) narrowing gross loss and gross loss margin by increasing economies of scale, optimizing order structure, enhancing technology capabilities and increasing volume mix of orders fulfilled by crowd-sourced riders who are typically not full-time riders and are engaged by outsourcing firms as contractors. See “Business – Our Service Network And Riders – Our Rider Pool.” All these measures are expected to help our cash inflow from operating activities attributable to revenue to offset and finally outgrow the cash outflow in relation to cost of revenue. During the Track Record Period, our gross loss margin narrowed from 23.3% in 2018 to 3.9% in 2020, and further to 0.9% in the five months ended May 31, 2021; and
- (iii) enhancing operating leverage by reducing administrative expenses and research and development expenses as a percentage of revenue as our business scale expands, thus alleviating the pace of cash outflow in relation to the operating expenses, compared to the cash inflow from operating activities attributable to revenue.

For detailed strategies and measures we plan to take to achieve long-term profitability, see “Financial Information – Business Sustainability.”

We also expect to improve our cash flow position by continuous enhancement of our working capital efficiency. Our trade receivables turnover days improved from 59 days in 2018 to 32 days in the five months ended May 31, 2021, primarily due to (i) our enhanced debt collection efforts using a dedicated team; and (ii) more stringent credit terms resulting from enhanced relationships with our customers. We plan to continue to enhance our working capital management through (i) further strengthened receivables collection efforts through dedicated team; and (ii) further negotiation of stringent credit terms as we create more values for our customers.

In the five months ended May 31, 2021, our net cash used in operating activities was RMB281.7 million, which was primarily attributable to our loss before income tax of RMB352.9 million, as adjusted by: (i) non-cash and non-operating items, primarily comprising share-based compensation expenses of RMB55.5 million and amortization of intangible assets of RMB17.8 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables and contract liabilities of RMB82.4 million, and such cash inflow was partially offset by an increase in trade receivables, other receivables and prepayments of RMB104.0 million.

In 2020, our net cash used in operating activities was RMB563.5 million, which was primarily attributable to our loss before income tax of RMB784.2 million, as adjusted by: (i) the non-cash and non-operating items, primarily comprising share-based compensation expenses of RMB152.7 million and amortization of intangible assets of RMB33.8 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables, and contract liabilities of RMB257.7 million, and such cash inflow was partially offset by an increase in trade receivables, other receivables and prepayments of RMB244.9 million.

## SUMMARY

In 2019, our net cash used in operating activities was RMB655.9 million, which was primarily attributable to our loss before income tax of RMB583.0 million, as adjusted by: (i) the non-cash and non-operating items, primarily comprising amortization of intangible assets of RMB20.7 million and share-based compensation expense of RMB11.7 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables, and contract liabilities of RMB292.2 million, and such cash inflow was partially offset by an increase in trade receivables, other receivables and prepayments of RMB414.0 million.

In 2018, our net cash used in operating activities was RMB366.5 million, which was primarily attributable to our loss before income tax of RMB361.6 million, as adjusted by: (i) the non-cash and non-operating items, primarily amortization of intangible assets of RMB7.0 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables, and contract liabilities of RMB108.4 million, and such cash inflow was partially offset by an increase in trade receivables, other receivables and prepayments of RMB122.1 million.

### Key Financial Ratios

The following table sets out our key financial ratios for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
				2020	
				(unaudited)	
Revenue growth (%)	N/A	112.1	129.9	N/A	113.1
Gross loss margin <sup>(1)</sup>					
(%)	(23.3)	(16.0)	(3.9)	(4.1)	(0.9)
Net loss margin <sup>(2)</sup>					
(%)	(33.1)	(22.3)	(15.6)	(15.1)	(11.6)
Non-IFRS measure:					
adjusted net loss					
margin <sup>(3)</sup> (%)	(33.1)	(21.7)	(12.5)	(12.4)	(9.8)

Notes:

- (1) Gross loss margin equals gross loss for the year/period divided by revenue for the year/period and multiplied by 100%.
- (2) Net loss margin equals net loss for the year/period divided by revenue for the year/period and multiplied by 100%.
- (3) Adjusted net loss margin (non-IFRS measure) equals adjusted net loss (non-IFRS measure) for the year/period divided by revenue for the year/period and multiplied by 100%.

See “Financial Information.”

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## SUMMARY

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### BUSINESS SUSTAINABILITY

We had gross losses, net loss and net operating cash outflow during the Track Record Period, and we currently expect such positions may continue for another three to five years until we achieve greater economies of scale. China's third-party on-demand delivery service industry is fast growing with annual order volume expected to increase from 3.0 billion in 2020 to 16.3 billion in 2025, representing a CAGR of 40.1%, according to iResearch.

To pave the way for long-term success in the fast-growing market, we have been focusing on growing our customer base, expanding our geographic coverage of service network and developing a diverse and integrated rider pool, rather than seeking short-term financial return or profitability. We have been able to secure orders from Independent Third Parties during the Track Record Period; in particular, our number of orders attributable to Independent Third Parties amounted to 78.8 million, 192.9 million and 314.8 million in 2018, 2019 and 2020, respectively, and increased from 96.7 million in the five months ended May 31, 2020 to 178.8 million in the five months ended May 31, 2021. Due to the successful implementation of such strategies, we have experienced a robust business growth during the Track Record Period. Along with business growth, we have demonstrated a clear trajectory of profitability margin improvement. Our gross loss margin narrowed significantly from 23.3% in 2018 to 0.9% in the five months ended May 31, 2021, reflecting our improved operational efficiency with strong network effects and economies of scale.

Despite our continuous growth in revenue and volume and our narrowing gross loss margin, we have incurred operating losses, net loss and net operating cash outflow during the Track Record Period, mainly due to our continuous investment in our business development and customer acquisition, technology advancement and expansion of our general business supporting team.

Despite further narrowing gross loss and gross loss margin, our operating loss, net losses and net operating cash outflow may expand in absolute amounts in 2021, compared to 2020, due to our continued geographical expansion into new cities where the profitability tends to be lower due to the lack of economies of scale, and increased investments in business development and customer acquisition, technology advancement and expansion of our general business supporting team, as well as a one-off considerable increase of share-based compensation in relation to our Global Offering.

Our net current liabilities and net liabilities position as of December 31, 2019 improved from that as of December 31, 2018, and turned into net current asset and net asset position as of December 31, 2020 and as of May 31, 2021. Such improvement was primarily due to: (i) an increase in cash and cash equivalents as a result of fundraising from Pre-IPO Investments, and (ii) the repayment of outstanding borrowings. We expect to retain our consolidated net current asset and net asset position upon Listing. However, we may turn to net current liabilities/net liabilities position if our profitability deteriorates after Listing.

## SUMMARY

In the long term, we aim to achieve profitability by: (i) expanding customer base and order volume; (ii) controlling our operating costs, narrowing gross loss and gross loss margin; and (iii) enhancing operating leverage. With our improved profitability, we also expect our operating cash flow to improve concurrently. However, due to the fast-evolving business environment and competitive landscape, we are not able to predict when or if we will be able to start generating positive cash flow and profits.

### Growing Customer Base and Order Volume

We believe that expanding our customer base and order volume is essential to monetizing our business, thereby increasing revenue and improving profitability.

The following table sets out the number of active merchants and active consumers for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
Active merchants ( '000)	13.0	56.1	167.0	62.8	147.5
Active consumers ( '000)	411.1	1,463.8	5,138.7	1,580.4	4,513.4

The following table sets out our order volume for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
Order volume (million)	79.8	211.1	760.9	204.5	513.7

Such growth was driven by: (i) our deepening penetration into existing service scenarios; (ii) our expansion into new service scenarios; and (iii) our geographical expansion, especially in lower-tier cities. We started to serve the local retail, local e-commerce and local services scenarios in 2018, subsequently achieving annual order volume growth at a CAGR of 424.1%, 105.7% and 152.5%, respectively, from 2018 to 2020. The growth of order volume for local retail, local e-commerce and local services continued to be strong at 272.4%, 143.1% and 223.2%, respectively, from the five months ended May 31, 2020 to the same period in 2021. In addition, the number of cities and counties covered by our service network increased from over 200 as of December 31, 2018 to over 1,000 as of May 31, 2021. With the same growth drivers, we expect to continue to increase our customer base and order volume in the future, and the strong network effect of our business model can accelerate such growth.



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## SUMMARY

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### Narrowing Gross Loss and Gross Loss Margin

Our gross loss margin narrowed from 23.3% in 2018 to 3.9% in 2020 and further to 0.9% in the five months ended May 31, 2021, primarily due to a decrease in average fulfillment cost per order. Fulfillment cost, defined as the sum of labor outsourcing costs and employee benefit expenses in relation to the riders, accounted for more than 97% of the cost of revenue during the Track Record Period. Our labor outsourcing costs accounted for over 100% of our revenue in 2018, 2019 and 2020; as such, we may incur additional loss for each parcel delivered in the future until we achieve greater economies of scale as our business expands. The following table sets out the average fulfillment cost per order for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
Average fulfillment cost per order (RMB)	15.0	11.3	6.5	7.1	5.9

The decrease in unit fulfillment cost and the improvement in gross loss margin were and is expected to be continuously driven by: (i) increasing economies of scale; (ii) optimization of order structure; (iii) enhancing technology capabilities; and (iv) increasing volume mix of orders fulfilled by crowd-sourced riders. See “Financial Information – Business Sustainability – Narrowing Gross Loss and Gross Loss Margin.”

To gauge our delivery efficiency enhancement, we have tracked the average volume of orders delivered per active rider per year. This number increased notably from approximately 1,113.4 orders in 2018 to 1,507.8 orders in the five months ended May 31, 2021, representing a significant improvement in efficiency, leading to margin improvement.

### Enhancing Operating Leverage

Our administrative expenses and research and development expenses primarily comprise of employee benefits. As our business scale is rapidly expanding, we expect the ratio of such expenses to our revenue to decline as the relevant headcounts and compensation do not grow at the same rate as revenue. The table below demonstrates the improvement during the Track Record Period. For research and development expenditure, we take the holistic approach of looking at the total research and development expenditure, including both the expensed and capitalized portion, as a percentage of revenue.

## SUMMARY

	Year ended December 31,				Five months ended May 31,			
	2018		2019		2020		2020	2021
	% of		% of		% of		% of	
	RMB'000	revenue	RMB'000	revenue	RMB'000	revenue	RMB'000	revenue
	(unaudited)							
Research and development								
expenditure	(57,901)	5.8	(70,373)	3.3	(136,698)	2.8	(38,530)	2.7
Expensed portion	(3,281)	0.3	(4,271)	0.2	(69,374)	1.4	(20,650)	1.4
Capitalized portion	(54,620)	5.5	(66,102)	3.1	(67,324)	1.4	(17,880)	1.3
Administrative expenses	(114,129)	11.5	(203,877)	9.7	(418,017)	8.6	(133,256)	9.3

We expect our research and development expenses to grow in absolute amounts as we (i) expand and strengthen our research and development team by incentivizing and retaining our research and development personnel, as well as attracting top experts, senior engineers and specialized talents in areas such as AI, big data and technology infrastructure; (ii) optimize existing systems and develop system for new businesses to enhance our service quality and operational efficiency; (iii) enhance our technology capabilities and infrastructure, such as subscription of SaaS cloud solution and purchasing network security solutions and fundamental operating systems to improve the function and scale of our technology infrastructure, to drive long-term service innovation; and (iv) develop solutions and services to better serve our customers, such as upgrading our intelligent order recommendation and dispatching system to improve our capability of multi-scenario operation and strengthening our information security management to enhance data protection. Supported by our strong technology capabilities and infrastructure, we are able to provide better customer experience, which helps deepen our penetration of various service scenarios, and to optimize delivery efficiency, leading to continuous growth in order volume.

Our selling and marketing expenses may increase both in absolute amounts and as a percentage of revenue in the short term as we continue to strengthen our brand promotion and expand the business development team to enlarge our customer base. Specifically, such increase may be primarily due to (i) our strengthened brand promotion and marketing activities to promote our service offerings, including online social media activities and offline advertisement display to help enhance customer mindshare and brand recognition, which is key to the growth of our business scale, in particular our to-consumer services; and (ii) the expansion of business development team to enlarge our customer base as we continue to broaden our geographic presence nationally and generally incur higher labor outsourcing costs and employee benefits for on-the-ground business development teams when we first enter a new city or a new business district to establish our market position. As we have more established nationwide footprints and increased brand recognition, we expect the selling and marketing expenses to revenue ratio to gradually decline in the medium to longer term.

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## SUMMARY

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Our Directors are of the opinion that we possess sufficient working capital, including sufficient cash and liquidity assets, supplemented by strong fund-raising capabilities to meet our present requirements and for the next 12 months from the date of this prospectus, estimated based on our improved profitability conditions during the Track Record Period, taking into account the cash and cash equivalent on hand, internally generated funds, and the estimated net proceeds received from the Global Offering. Taking into account the above, as well as based on the written confirmation from the Company in respect of working capital sufficiency, review of the accountants' report, the financial due diligence conducted on the historical financial information of the Group during the Track Record Period and the discussion with the Directors, the Joint Sponsors concur with the Directors' view.

In addition, as evidenced by our Pre-IPO Investments and other historical fund-raising activities, we have a good track record in being able to raise money from renowned investors to finance our business. See "History, Development and Corporate Structure – Principal Shareholding Changes of Our Company and Pre-IPO Investments – Pre-IPO Investments." We believe that the Global Offering and other potential external financing sources, including those to which we will gain access after Listing, will provide additional funding for our business expansion operations.

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering and to be converted from Unlisted Foreign Shares upon Listing on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue of approximately RMB4.84 billion (equivalent to approximately HK\$5.89 billion) in 2020 exceeds HK\$500 million, and (ii) our expected market capitalization at the time of Listing, which, based on the low-end of the indicative Offer Price range, exceeds HK\$4 billion.

### GLOBAL OFFERING STATISTICS

	<b>Based on an Offer price of HK\$16.42 per Share</b>	<b>Based on an Offer price of HK\$17.96 per Share</b>
Market capitalization of our Shares <sup>(1)</sup>	HK\$15,327.4 million	HK\$16,764.9 million
Market capitalization of our H Shares <sup>(2)</sup>	HK\$3,798.6 million	HK\$4,154.9 million
Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(3)(4)</sup>	HK\$4.90	HK\$5.13

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## SUMMARY

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*Notes:*

- (1) The calculation of market capitalization is based on 933,457,707 Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization of our H Shares is based on 231,341,342 H Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised, comprising 131,180,800 H Shares to be issued pursuant to the Global Offering and 100,160,542 H Shares to be converted from Unlisted Foreign Shares.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in “Financial Information – Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” and on the 853,457,707 Shares expected to be in issue immediately after completion of the Global Offering.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share presented above have not taken into account the 80,000,000 Shares to be issued and granted pursuant to the Pre-IPO Restricted Share Scheme subsequent to May 31, 2021. However, had such the 80,000,000 Shares to be issued and granted pursuant to the Pre-IPO Restricted Share Scheme subsequent to May 31, 2021 been taken into account, such that 933,457,707 Shares were in issue immediately following the completion of the Global Offering, the unaudited pro forma adjusted consolidated net tangible assets per Share would have been RMB3.77 (equivalent to HK\$4.58) (based on the Offer Price of HK\$16.42 per Share) and RMB3.94 (equivalent to HK\$4.79) (Based on the Offer Price of HK\$17.96 per Share), respectively. This does not take into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares that may be issued and granted or repurchased by the Company pursuant to the general mandates.

## DIVIDEND

No dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period.

Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association and the relevant PRC laws. We currently do not have any fixed dividend pay-out ratio. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. As confirmed by our PRC Legal Adviser, according to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

See “Financial Information – Dividend.”

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## SUMMARY

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### RISK FACTORS

Our business and the Global Offering involve certain risks as set out in the section headed “Risk Factors” in this prospectus. You should read that section in its entirety carefully before you decide to invest in our H Shares. Some of the major risks we face include:

- We operate in a new and fast-evolving industry, which makes it difficult to evaluate our business and prospects.
- We face intense competition, and any failure to compete effectively could materially and adversely affect our customer base, market share and profitability.
- We had gross losses, net losses and negative cash flows from operating activities during the Track Record Period, which may continue in the future. Our limited operating history and evolving business model also make it difficult to evaluate our business, financial performance and prospects.
- Loss of our major customers could materially and adversely affect our business, financial condition and results of operations.
- Any failure in efficient order fulfillment could damage our reputation and business.
- Failure to continue to improve our technology systems or develop new technologies to adapt to changing operational needs could harm our business, financial condition and results of operations.
- If we are unable to attract, train and retain qualified personnel, our business, financial condition and results of operations may be materially and adversely affected.

See “Risk Factors.”

### FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$2,129.3 million from the Global Offering after deducting the underwriting fees and other estimated expenses in connection with the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK\$17.19 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$16.42 to HK\$17.96 per Offer Share in this prospectus. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 35% of the net proceeds, or HK\$745.3 million (equivalent to approximately RMB612.8 million), is expected to be used for research and development and technology infrastructure;

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## SUMMARY

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- approximately 20% of the net proceeds, or HK\$425.9 million (equivalent to approximately RMB350.2 million), is expected to be used to expand our service coverage, including scenario coverage and geographical coverage, and to expand the rider pool;
- approximately 20% of the net proceeds, or HK\$425.9 million (equivalent to approximately RMB350.2 million), is expected to be used for funding the potential strategic acquisition of and investment in upstream and downstream businesses along the industry value chain, which we may seek from time to time to supplement and expand our business operations;
- approximately 15% of the net proceeds, or HK\$319.4 million (equivalent to approximately RMB262.6 million), is expected to be used for marketing and branding; and
- approximately 10% of the net proceeds, or HK\$212.8 million (equivalent to approximately RMB175.1 million), is expected to be used for working capital and general corporate uses.

See “Future Plans and Use of Proceeds.”

### LISTING EXPENSES

Listing expenses consist of professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We expect to incur listing expenses of approximately HK\$125.7 million (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised), which accounts for approximately 5.6% of the gross proceeds from the Global Offering. We estimate the listing expenses to consist of approximately HK\$62.5 million underwriting-related expenses, HK\$27.8 million fees and expenses of legal advisors and accountants, HK\$7.8 million sponsor fees and HK\$27.6 million other fees and expenses. Among the total listing expenses, approximately HK\$91.2 million will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the Global Offering, and the remaining HK\$34.5 million will be expensed in our consolidated statements of comprehensive income. Our Directors do not expect such expenses to materially impact our results of operations in 2021.

### RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

#### Our Controlling Shareholders

As at the Latest Practicable Date, SF Taisen was entitled to exercise the voting rights attached to approximately 75.10% of the total issued share capital of the Company, among which, SF Taisen was (i) directly interested in approximately 42.82% of our total issued share capital, (ii) indirectly interested in approximately 9.35% and 14.59% of our total issued share capital through Intra-city Tech and SF Holding Limited, respectively, and (iii) entrusted by

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## SUMMARY

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Ningbo Shunxiang to exercise the voting rights attached to approximately 8.34% of the Shares held by Ningbo Shunxiang pursuant to the Voting Power Entrustment Agreement. Immediately following the completion of the Global Offering, SF Taisen, directly and indirectly will be entitled to exercise approximately 64.54% of the voting rights of the Company, assuming the Over-allotment Option is not exercised (or approximately 63.21% of the voting rights of the Company assuming the Over-allotment Option is fully exercised). As of the Latest Practicable date, SF Holding Limited was wholly owned by SF Taisen, and Intra-city Tech was indirectly owned as to 80.95% by SF Taisen through SF Technology, a wholly-owned subsidiary of SF Taisen. For purpose of further enhancing the decision-making efficiency at the general meetings of the Company and ensure the effective implementation of the strategy of the Group, on June 1, 2021, SF Taisen and Ningbo Shunxiang entered into the Voting Power Entrustment Agreement, pursuant to which SF Taisen is entrusted to exercise the voting power attached to the entire 66,891,800 Shares held by Ningbo Shunxiang on behalf of Ningbo Shunxiang, therefore, Ningbo Shunxiang is deemed to be acting in concert with SF Taisen by virtue of the Voting Power Entrustment Agreement. SF Taisen is wholly owned by SF Holding. SF Holding is a joint stock company listed on Shenzhen Stock Exchange (stock code:002352.SZ), and was held as to approximately 55.07% by Mingde Holding, which in turn was held by Mr. Wang Wei as to approximately 99.90% as of the Latest Practicable Date. As such, Mr. Wang Wei and Mingde Holding will be deemed to be Controlling Shareholders after the Listing, and together with SF Holding, SF Taisen, SF Technology, SF Holding Limited, Intra-city Tech and Ningbo Shunxiang, will constitute a group of Controlling Shareholders of our Company. As a subsidiary of SF Holding, our relationship with SF Holding Group is highly synergistic and mutually beneficial. We, taking advantage of our on-demand delivery capacity, provide cost-effective services to the Remaining Group for both intra-city delivery and last-mile delivery, which is mutually beneficial and reflects that the relationship between our Group and the Remaining Group is, in substance, more akin to cooperation, rather than competition.

### **Business delineation with our Controlling Shareholders**

We believe that our Group's business can be clearly delineated from the business of the Remaining Group, as we operate under a different business model from that of the Remaining Group. We are mainly engaged in providing intra-city on-demand delivery services with higher-level of customization to customers to fulfill their dynamic, point-to-point (without any intermediate steps), instant, time-sensitive or spontaneous delivery needs on an on-demand basis while SF Holding Group serves as an integrated logistics service provider in China, providing customers across diverse industries with end-to-end, integrated supply chain solutions with different and longer timespans across its worldwide logistics network and multimodal transportation platforms covering trucks, rail transit and aviation. Specifically, our business models can be clearly distinguished from the Remaining Group, among others, in the following respects:

- Industry positioning as intra-city on-demand delivery service provider



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## SUMMARY

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- Mutually non-substitutable fulfillment solutions offered by our Group and the Remaining Group, of which our Group is capable of satisfying the customers' dynamic, point to point, instant, time-sensitive or spontaneous delivery needs on an on-demand basis within a specified city or a short distance without any intermediate steps such as transition, transportation, sorting or storage steps compared to the delivery solutions offered by the Remaining Group
- Asset-light business model of third-party on-demand delivery service platform
- Target customers with a more instant, time-sensitive or spontaneous demand for delivery
- Dynamic pricing model which varies depending on real-time status

For details of the business delineation between our Group and the Remaining Group, see "Relationship with our Controlling Shareholders – Delineation of Business and Competition."

### **Connected transactions with our Controlling Shareholders**

We have entered into certain continuing connected transactions with SF Holding Group. See the section headed "Connected Transactions" for further details of, and the reasons for entering into, these transactions.

We have entered into the Intra-City On-demand Delivery Service Cooperation Framework Agreement with SF Holding Group, pursuant to which our Group will provide intra-city delivery service and last-mile delivery service to SF Holding Group. Our revenue generated from the transactions under the Intra-City On-demand Delivery Service Cooperation Framework Agreement accounted for approximately 2.88%, 9.31%, 33.46% and 38.56% of our total revenue for the three years ended December 31, 2018, 2019, 2020 and the five months ended May 31, 2021, respectively. Given (i) the business relationship between our Group and SF Holding Group are mutually beneficial, (ii) our Group has an independent customer base as well as access to customers, and has had increasing orders from Independent Third Parties during the Track Record Period as disclosed in "Business – Our Multi-scenario Business Operation", (iii) SF Holding Group also selects and engages other last-mile delivery service providers in the market, (iv) we expect that the revenue contribution from SF Holding Group as a percentage of our total revenue will decline in the near to mid term, and (v) our increasing number of customers who are Independent Third Parties and our own access to these independent customers, our Directors believe that the Intra-City On-demand Delivery Service Cooperation Framework Agreement will not give rise to any business dependence or reliance issue between our Company and SF Holding Group. For details, see "Relationship with our Controlling Shareholders – Operational Independence."



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## SUMMARY

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Despite our Group recorded loss during the Track Record Period, our Group provided last-mile delivery services to SF Holding Group considering (i) it is beneficial for us to provide last-mile delivery services to SF Holding Group as the orders from SF Holding Group's last-mile delivery demand increases the Group's overall order volume and order density, which are instrumental to enhance and improve riders' long-term loyalty to the Group. It also allows the Group to leverage on this additional source of order volume with an aim to increase the order density and to ramp up the Group's business scale in the new geographical locations relatively more quickly and achieve a lower average fulfilment costs per order through optimization and stabilization of rider pool in new locations; and (ii) the decrease of average service fee per order of the last-mile services our Group provided to our customers (including SF Holding Group and Independent Third Parties) during the Track Record Period, was driven by the decline of delivery cost as the last-mile order volume and the resulting economies of scale increased throughout Track Record Period. By charging relatively stable mark-up on top of the rider commission fee, together with the decreasing delivery cost, the provision of last-mile services to SF Holding Group is helpful to improve our profitability conditions, and has narrowed and is expected to continue narrowing our loss-making going forward. For details, see "Business – Our Multi-scenario Business Operation."

We have entered into the Trademark License Agreement with SF Taisen, pursuant to which SF Taisen agreed to grant a non-exclusive right to our Group to use the Licensed Trademarks on a royalty-free basis for the First Five years. Upon expiry of the First Five Years, the parties will consider extending the arrangement on a royalty-free basis, which is subject to negotiations between us and SF Taisen on arm's length basis, provided that such licensing fee (if payable) shall not, in any event, exceed 0.5% of the total revenue of our Group for the respective financial year deducting those generated from the transactions between SF Taisen and any member of it and our Group. For details, see "Connected Transactions – Exempt Continuing Connected Transaction."

## THE INCORPORATION OF OUR COMPANY AND OUR BUSINESS DEVELOPMENT

We commenced our intra-city on-demand delivery services as a business unit of SF Holding Group in 2016 and have since then provided service to a number of key accounts. Focusing on the intra-city on-demand delivery services, we expanded our business to all municipalities, most of the provincial capital cities, second-tier cities and some lower-tier cities in 2017 and officially launched intra-city on-demand delivery services to consumers and small- to medium-sized merchants in 2018. On June 21, 2019, our Company was incorporated as an independent legal entity to succeed the above-mentioned business.

## PRE-IPO RESTRICTED SHARE SCHEME

For the purpose of incentivizing the Group's core employees, as well as promoting the long-term development of the Group and maintaining the Group's competitive advantages, we adopted the Pre-IPO Restricted Share Scheme. Pursuant to the Pre-IPO Restricted Share Scheme, Ningbo Shunxiang and Sharp Land were designated as employee share ownership platforms for the Pre-IPO Restricted Share Scheme to hold the maximum number of 70 million

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## SUMMARY

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Shares and 20 million Shares, respectively, for and on behalf of the participants who are our key employees with direct or significant contributions to our Group. Ningbo Shunxiang is deemed to be acting in concert with SF Taisen and is one of our Controlling Shareholder pursuant to the Voting Entrustment Agreement. Sharp Land is managed by Mr. Sun Haijin, the executive Director and chief executive officer of our Company and is wholly held by Mr. Tsang Hoi Lam, the executive Director, chief financial officer and one of the joint company secretaries of the Company. When it comes to voting at the general meeting of the Company, Sharp Land and Mr. Sun Haijin have acted and will act independently from our Controlling Shareholders. Neither Mr. Sun Haijin nor Mr. Tsang Hoi Lam holds any position within the Remaining Group. Therefore, Sharp Land is not considered as one of our Controlling Shareholders. Our Company's unvested Shares held by Ningbo Shunxiang and Sharp Land are considered to be controlled by our Group and accounted for as treasury stock, i.e. "shares held for employee share scheme" in Note 26 to the consolidated statements of financial positions of the Group as set out in Appendix I. See "History, Development and Corporate Structure – Principal Shareholding Changes of Our Company and Pre-IPO Investments – Subscription by Employee Shareholding Platforms of our Company" and "Appendix VI – Statutory and General Information – 5. Pre-IPO Restricted Share Scheme" for details.

### PRE-IPO INVESTMENTS

As of the Latest Practicable Date, the Pre-IPO Investors hold approximately 22.41% of our issued share capital. Immediately following the completion of the Global Offering, the Pre-IPO Investors will hold 19.26% of our total issued share capital (assuming the Over-allotment Option is not exercised), or approximately 18.86% of our total issued share capital (assuming the Over-allotment Option is exercised in full). All the special rights granted shall automatically lapse and/or be terminated upon Company's submission of listing application, and our Shares held by the Pre-IPO Investors are subject to a statutory lock-up period of 12 months after the date of Listing. All of the Pre-IPO Investors, to the best knowledge and belief of our Directors, are Independent Third Parties. For details regarding the background of the Pre-IPO Investors, see "History, Development and Corporate Structure – Pre-IPO Investments."

### IMPACT OF THE COVID-19 PANDEMIC

Since December 2019, the COVID-19 pandemic has materially and adversely affected the global economy. To deal with the COVID-19 pandemic, the PRC government imposed measures including various degrees of travel restrictions and lockdowns across the PRC, and quarantine arrangements for travelers, which may cause potential delays in our business activities, commercial transactions and general uncertainties. In response, we have taken prompt measures to mitigate these effects, including arranging remote working, enforcing self-quarantine and disinfection measures on-site, and providing disinfection and protective equipment such as masks and hand sanitizers for our employees. We also established a pandemic quick response team and corresponding pandemic management system, under which all departments cooperated and responded promptly to regional needs, provided policy and materials support, IT and technology support and secured continuous business operation.

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## SUMMARY

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Although we did not experience any material interruption or suspension of services and businesses, some of our customers, particularly small- to medium-sized merchants in the catering industry, have experienced temporary closure of their stores, which in turn affected their purchases of our delivery services. To mitigate impacts brought about by their temporary closure, we have been committed to expanding our service coverage into multi-scenarios. Despite the impact of the COVID-19 outbreak, our revenue increased from RMB2,107.0 million in 2019 to RMB4,843.4 million in 2020. As of December 31, 2020 and May 31, 2021, we had cash and cash equivalents of RMB263.5 million and RMB1,008.8 million, respectively. We believe our liquidity is sufficient to successfully navigate an extended period of uncertainty resulting from the COVID-19 pandemic.

We have not experienced material rider capacity shortage or material disruptions from the temporary closure of certain stores of our merchants due to the COVID-19 pandemic. As a result, the COVID-19 pandemic has not caused material adverse impact on our results of operations, financial condition or our development plans. Instead, changes in consumption habits brought about by the COVID-19 pandemic such as the increasing trend of local online purchase induced growing demand for our on-demand delivery services. See “Industry Overview – Continuous Expansion of On-demand Delivery Service Coverage Driven By the New Consumption – The Impact of the COVID-19 Pandemic.” Our total number of orders grew significantly from 211.1 million in 2019 to 760.9 million in 2020. However, such shift in consumption patterns associated with the COVID-19 pandemic may be non-recurring and non-sustainable. National or global economic downturns resulting from the outbreak (or any escalation of outbreak, in particular of any new variant of the coronavirus) may potentially have a negative impact on our strategy, which may materially and adversely affect our business, financial condition and results of operations. Although we cannot accurately predict the forthcoming movement of the COVID-19 pandemic, we will continuously monitor the COVID-19 situation as well as relevant regulatory and administrative measures adopted by local governments, evaluate any potential impact of the COVID-19 pandemic, and adjust our precautionary measures accordingly.

### **IMPACT OF THE RECENT REGULATORY DEVELOPMENT**

#### **Impact of the Recent Regulatory Changes in relation to Data Security and Protection**

We are subject to PRC laws and regulations in relation to the protection of personal data and information. Recent changes in the PRC regulations since 2019 have emphasized on data security protection and cybersecurity review measures, which includes (i) the Regulation on Cyber Protection of Children’s Personal Information (兒童個人信息網絡保護規定) issued on August 22, 2019; (ii) the Announcement of Special Campaigns against Mobile Internet Application Programs Collecting and Using Personal Information in Violation of Laws and Regulations (關於開展App違法違規收集使用個人信息專項治理的公告) issued on January 23, 2019; (iii) the Shenzhen Special Economic Zone Data Regulations (深圳經濟特區數據條例) issued on July 6, 2021; (iv) the Standing Committee of the National Peoples’ Congress issued the Personal Data Protection Law of the People’s Republic of China (中華人民共和國個人信息保護法) issued on August 20, 2021; (v) the Measures for Cyber Security Review (網絡安全

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## SUMMARY

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審查辦法) that took effect in June 2020 and its revised version of the Measures for Cyber Security Review (Revised Draft for Comments) (網絡安全審查辦法(修訂草案徵求意見稿) (the “Draft Measures”)); (vi) the Data Security Law of the People’s Republic of China (中華人民共和國數據安全法) that took effect on September 1, 2021; (vii) the Opinion on Severely Punishing Illegal Activities in Securities Market (關於依法從嚴打擊證券違法活動的意見) issued on July 6, 2021; (viii) the Measures on Security Assessments for the Cross-border Transfer of Data (a Consultation Draft for Public Comments) (數據出境安全評估方法(徵求意見稿)); (ix) the Administrative Provisions on Internet Information Service Algorithm Recommendation (Consultation Draft) (互聯網信息服務算法推薦管理規定(徵求意見稿)); and (x) the Administration Regulations on Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿) (the “Draft Administration Regulations”)) issued on November 14, 2021. See “Regulatory Overview – Regulations on Information Security and Privacy Protection” and “Regulatory Overview – Regulations Relating to Strictly Combatting Illegal Securities Activities.”

According to the Draft Administration Regulations, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out the following activities: (1) the merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (2) data processors that handle the personal information of more than one million people intends to be listed abroad; (3) the data processor intends to be listed in Hong Kong, which affects or may affect national security; (4) other data processing activities that affect or may affect national security. However, the Draft Administration Regulations provides no further explanation or interpretation for “affects or may affect national security.” As advised by our PRC Legal Adviser, the PRC government authorities may have wide discretion in the interpretation of “affects or may affect national security.” In addition, the Draft Administration Regulations will also regulate other specific requirements in respect of the data processing activities conducted by data processors through internet in the view of personal data protection, important data safety, data cross-broader safety management and obligations of Internet platform operators. For example, in one of the following situations, data processors shall delete or anonymise personal information within fifteen business days: (1) the purpose of processing personal information has been achieved or the purpose of processing is no longer needed; (2) the storage term agreed with the users or specified in the personal information processing rules has expired; (3) the service has been terminated or the account has been cancelled by the individual; and (4) unnecessary personal information or personal information without the consent of the individual, which was collected inevitably due to the use of automatic data collection technology. For the processing of important data, specific requirements shall be complied with, for example, processors of important data shall specify the responsible person of data safety, establish a data safety management department and file to competent cyberspace administration within fifteen business days after the identification of their important data.

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## SUMMARY

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Data processors that process personal information of more than one million people shall also comply with the provisions on important data safety of the Draft Administration Regulations for important data processors. The processors of important data or data processors who are listed overseas shall carry out data security assessments by themselves or by entrusting data security service agencies every year, and submit the previous year's data security assessment report to competent cyberspace administration before January 31 of each year. When providing overseas data collected and generated within the territory of PRC, if such data includes important data, or if the data processor is a critical information infrastructure operator or processes personal information of more than one million people, the data processors shall go through the security assessment of data cross-border transfer organized by the national cyberspace administration.

In particular, the Draft Measures provides that a data processor who controls personal information of over one million people must report to the Cybersecurity Review Office for cybersecurity review if it intends to be listed in a foreign country. In addition, the Draft Administration Regulations reiterates the circumstances under which a data processor shall apply for cybersecurity review, adding that a data processor must report to the Cybersecurity Review Office for cybersecurity review if its listing in Hong Kong affects or may affect national security. As advised by our PRC Legal Advisor, assuming the Draft Measures and Draft Administration Regulations were to become effective in their current forms in the future, we are not required to undertake the cybersecurity review for the Listing as a data processor who controls personal information of over one million people because Hong Kong is not a "foreign country" pursuant to the Draft Measures. In addition, as all data held by us are stored in Mainland China and our Listing plan in Hong Kong will not change such practice, based on our PRC Legal Advisor's opinion, we are of the view that the cross-border data transfer requirements as set out in the Draft Administration Regulations do not apply to us assuming it were to become effective in its current forms in the future. However, as the Draft Administration Regulations provide no further explanation or interpretation on what "affects or may affect national security," uncertainties remained as to whether we would be deemed as "affecting or may affect national security" and thus be subject to the cybersecurity review. Failure to comply with the cybersecurity review requirements may prevent us from using certain network products and services and subject us to government enforcement actions and investigations, fines and penalties. As of the date of this prospectus, we had not received any investigation, notice, warning, or sanctions from applicable government authorities in relation to national security, had not been involved in any investigations on cybersecurity review made by the Cyberspace Administration of China (CAC) on the national security basis or any other basis, nor had we received any inquiry, notice, warning, or sanctions in such respect.

In addition, part of the Opinion on Severely Punishing Illegal Activities in Securities Market (關於依法從嚴打擊證券違法活動的意見) issued on July 6, 2021 stresses on data management and security for data transmitted cross-border. See "Regulatory Overview – Regulations Relating to Strictly Combatting Illegal Securities Activities." All our businesses are operated in the PRC, and all data related to our business are stored in servers within the territory of the PRC and there is no cross-border data transmission in our operations.

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## SUMMARY

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In light of the strengthened protection on data security, we have implemented relevant data collection, retention and safeguard procedures that comply with relevant data security laws. For example, we obtain users' express authorization and consent before data collection and strictly follow the internal policy to encrypt all sensitive data. We store the obtained data on our encrypted servers separately through data isolation technology for a time period varying from 30 days to one year, and will permanently delete the data once the relevant users close their accounts. Riders are also bound by confidentiality obligations to secure customers' information such as name, address and order details. We also have established the confidentiality and archives management system relating to overseas issuance and listing of securities in material compliance with the Provisions on Strengthening Confidentiality and Archives Administration Relating to Overseas Issuance and Listing of Securities, and will further update our system to ensure compliance with all applicable laws and regulations. See "Business – Data Protection."

Taking into consideration of the opinion of our PRC Legal Advisor, we are of the view that the aforementioned laws and regulations in effect or proposed in relation to data security, including the Draft Measures and Draft Administration Regulations assuming they were applicable and have come into effect in current forms, will not have material adverse impacts on the Group's business operations and financial performance, and will not affect the Company's compliance with applicable laws and regulations in any material aspects as of the date of this prospectus on the basis that: (i) we have implemented comprehensive data collection, retention and safeguard procedures that comply with relevant data, see "Business – Data Protection;" (ii) we had not experienced any data leakage that would adversely affect our business operation as of the Latest Practicable Date; (iii) we have been closely monitoring the regulatory changes and have taken measures to modify and improve our internal procedures, and will continue to monitor the regulatory changes and seek guidance from the relevant regulators to ensure continuous compliance with data-security-related laws and regulations; (iv) we had not received any enquiry or notice of investigation in relation to data security as of the date of this prospectus; and (v) we have obtained all necessary approvals and authorization in the PRC in relation to the Listing, including the approval from CSRC dated September 30, 2021, and have not received any further enquiry from CSRC thereafter due to the recent issuance of the Draft Measures and Draft Administration Regulations. However, both our PRC Legal Advisor and we cannot preclude the possibility that new rules or regulations promulgated in the future will impose additional compliance requirements on us. The Joint Sponsors' PRC Legal Advisor concurs with the opinion of our PRC Legal Advisor.

On the basis of the PRC Legal Advisor's view and the due diligence with the management of the Company, nothing has come to the attention of the Joint Sponsors which would cause them to disagree with the Directors' views that the changes in laws and regulations in data security and protection mentioned above will not have a material adverse impact on the Company's business operations and listing plan.

As there might be newly issued explanations or implementation rules on the existing regulations, laws and opinions, we will actively monitor future policy changes to ensure strict compliance with all applicable laws and regulations.



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## SUMMARY

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### **Impact of the Recent Regulatory Development in relation to Protection of Labor Rights**

We are subject to PRC laws and regulations in relation to the protection of labor rights. Recent development in the PRC regulations includes the Guiding Opinions on Safeguarding the Rights and Interests of Workers in New Employment Patterns (關於維護新就業形態勞動者勞動保障權益的指導意見) and the Guiding Opinions on the Implementation of the Responsibility of Online Catering Platforms to Effectively Safeguard the Rights and Interests of Take-out Food Delivery Workers (關於落實網絡餐飲平台責任切實維護外賣送餐員權益的指導意見 or the “Guidelines”) issued on July 16, 2021. See “Regulatory Overview – New Employment Patterns on Internet Platforms.” In addition, on August 18, 2021, the Ministry of Transport proposed at the State Council policy briefing that it will work with relevant departments to accelerate the implementation of the Guiding Opinions on Safeguarding the Rights and Interests of Workers in New Employment Patterns (關於維護新就業形態勞動者勞動保障權益的指導意見 or the “Guiding Opinions”) to protect the rights and interests of drivers and other groups in the ride-hailing industry. See “Risk Factors – Risks Relating to Our Business and Industry – Changing or inconsistent enforcement of social insurance premium and housing provident funds payment schemes under the Labor Contract Law may materially and adversely affect our financial condition and results of operations.”

We have built the structure of our rider pool and implemented various rider safety and welfare policies that comply with the recent regulations in the following aspects: (i) we have entered into labor agreements with our employee riders, which stipulate the rights and obligations of both parties; (ii) we are only responsible for social insurance and housing provident funds for our employee riders and we have required our outsourcing firms to pay social insurance and housing provident funds for riders who have contractual labor relations with them, whereas neither us nor the outsourcing firms are responsible for these payments for crowd-sourced riders; (iii) we have workplace safety measures in place; for example, we set an upper limit of ongoing orders that each rider can take, which ensures sufficient time buffer for riders to fulfill their orders and lowers their safety risk. We offer riders regular safety trainings in relation to safety risks and mitigating measures. See “Business – Our Service Network And Riders – Our Rider Pool – Rider Care” and “Regulatory Overview – Regulations on Employment and Social Welfare.” Based on the above reasons and according to our PRC Legal Advisor, our Directors are of the view that the introduction of the recent Guidelines will not have a material adverse impact on the Group’s business. In addition, on August 18, 2021, the Ministry of Transport proposed at the State Council policy briefing that it will work with relevant departments to facilitate implementing the Guiding Opinions to improve labor conditions and protect the labor rights and interests of ride-hailing drivers. As the proposed measures made by the Ministry of Transport focus on the protection of labor rights of riders engaged with ride-hailing platforms to which we have no business exposure, our Directors are of the view that the proposal does not apply to our business. Our Directors and PRC Legal Advisors are of the view that the proposal by the Ministry of Transport will not have a material adverse impact on our business. On the basis of the PRC Legal Advisor’s view and the due diligence with the management of the Company, nothing has come to the attention of the Joint Sponsors which would cause them to disagree with the Directors’ views that the introduction of the recent Guidelines and the proposal by the Ministry of Transport will not have a material adverse impact on the Group’s business.

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## SUMMARY

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### **Impact of the Recent Regulatory Development in relation to Environmental Protection**

The recent regulatory development in relation to environmental protection emphasized more on carbon neutrality. For example, on March 5, 2021, the Government Work Report at the fourth session of the 13th National People's Congress emphasized carbon neutrality and the necessity to build a clean, low-carbon, safe and efficient energy system. See "Regulatory Overview – Laws and Regulations relating to Environmental Protection."

As we are dedicated to providing high-quality delivery service to our customers in the service industry, we do not engage in any manufacturing activities, nor do we own any manufacturing facilities or fleet of vehicles; thus, our risk of causing greenhouse gas emissions and other environmental pollution is considerably low. Despite that, we are committed to operating our business in a manner that protects the environment and improves environmental sustainability. For example, we strive to minimize pollutant emissions generated by our riders in the process of delivery by recommending them to use new energy and electric vehicles. As of May 31, 2021, approximately 98% of our active riders fulfilled orders through new energy and electric vehicles or public transportation. In addition, we provide eco-friendly packaging such as recyclable paper bags, cups and delivery boxes for our Fengshi Platform. We are also actively seeking collaboration with merchant customers to explore systematic plans for eco-friendly and recyclable packaging, aiming to lower the packaging cost, improve the capability of environmental protection and contribute to carbon neutrality. See "Business –Social Responsibility, Environmental and Occupational Health and Safety Matters." We will continuously monitor relevant regulatory changes and timely update our environmental protection policies to comply with evolving laws and regulations.

Despite the recent regulatory development, as of the date of this prospectus, we had not received any enquiries from relevant competent authorities in relation to data security, environmental protection, or the Guidelines and the Guiding Opinions in respect of labor rights protection.

### **RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE**

#### **Forecast Loss in 2021**

We had net losses during the Track Record Period and expect our net losses to increase substantially in 2021, taking into account the share-based compensation and listing expenses expected to incur upon the Listing, as well as the increases in cost of revenue, selling and marketing expenses and research and development expenses due to the continual expansion of our Group. Among others, the financial impact of share-based compensation expenses is expected to be approximately RMB200 million in 2021 assuming the Global Offering happened in December 2021.



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## SUMMARY

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### **No Material Adverse Change**

Based on the information available to our Directors, our business operations remained stable after the Track Record Period. Our revenue for the eight months ended August 31, 2021 was approximately 92% higher than our revenue for the same period in 2020, which was primarily attributable to the increase in our order volume. For the eight months ended August 31, 2021, our order volume increased by 118.5% as compared to the eight months ended August 31, 2020. Our unaudited interim financial statements for the eight months ended August 31, 2021 have been reviewed by our reporting accountants in accordance with the International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board. After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since May 31, 2021, being the end date of the periods reported in Appendix I to this prospectus, and there is no event since May 31, 2021 that would materially affect the information as set out in the Accountant’s Report in Appendix I to this prospectus.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the meanings set forth below. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.*

“Articles of Association” or “Articles”	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
“Asia Strategic II”	Goldman Sachs Asia Strategic II Pte. Ltd., a private limited company incorporated in Singapore, one of our Shareholders
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Company
“Authorized Representative(s)”	the authorized representative(s) of our Company
“BAI GmbH”	BAI GmbH, a limited company incorporated in accordance with the laws of Germany, one of our Shareholders
“BAI HK”	BAI Capital HK Investment Holding Limited, a limited company incorporated in Hong Kong, one of our Shareholders
“Beijing Xinrunheng”	Beijing Xinrunheng Equity Investment Partnership (Limited Partnership), (北京信潤恒股權投資合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders
“Board” or “Board of Directors”	the board of Directors of our Company
“Board Committee(s)”	the Board committees of our Company, namely the Audit Committee, the Remuneration Committee, and the Nomination Committee
“Broad River Logistics Fund”	Broad River Logistics Fund (金豐博潤(廈門)股權投資合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

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## DEFINITIONS

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“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only, except where the context requires, references in this prospectus to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “SF Intra-city”	Hangzhou SF Intra-city Industrial Co., Ltd. (杭州順豐同城實業股份有限公司), a joint stock company with limited liability established under the laws of the PRC on June 21, 2019
“Company Law” or “PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“Compliance Advisor”	has the meaning ascribed to it under the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Wang Wei, Mingde Holding, SF Holding, SF Taisen, SF Holding Limited, SF Technology, Intra-city Tech and Ningbo Shunxiang, as the case may be
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Daotong Changjing”	Beijing Daotong Changjing Investment Management Center (Limited Partnership) (北京道同長菁投資管理中心(有限合伙)), a partnership incorporated in the PRC, one of our Shareholders
“Directors”	the directors of our Company
“Domestic Shares”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Duckling Fund”	Duckling Fund, L.P., a limited partnership incorporated in Cayman Islands, one of our Shareholders
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“Exchange Participant(s)”	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider designated by our Company
“Green Juice II”	Green Juice II (Hong Kong), Limited, a limited company incorporated in Hong Kong, one of our Shareholders

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## DEFINITIONS

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“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
“Guoke Junlian”	Shaoxing Keqiao Guoke Junlian Yuxin Venture Capital Investment Partnership (Limited Partnership) (紹興柯橋國科君聯譽新創業投資合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Stock Exchange
“H Share Registrar”	Tricor Investor Services Limited
“ <b>HK eIPO White Form</b> ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the <b>IPO App</b> or the designated website at <a href="http://www.hkeipo.hk"><b>www.hkeipo.hk</b></a>
“ <b>HK eIPO White Form Service Provider</b> ”	the <b>HK eIPO White Form</b> service provider designated by our Company as specified in the <b>IPO App</b> or on the designated website at <a href="http://www.hkeipo.hk"><b>www.hkeipo.hk</b></a>
“HK\$”, “HK dollars” or “Hong Kong dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 13,118,200 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in “Structure of the Global Offering”)

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## DEFINITIONS

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“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in “Structure of the Global Offering”) at the Offer Price (plus brokerage, SFC transaction levies and Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus as further described in “Structure of the Global Offering – Hong Kong Public Offering”
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting – Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated November 29, 2021 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Joint Sponsors and the Hong Kong Underwriters, as further described in “Underwriting – Hong Kong Underwriting Arrangements”
“Huangshan SAIF”	Huangshan SAIF Tourism Cultural Industry Development Fund (Limited Partnership) (黃山賽富旅遊文化產業發展基金(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders
“Idea Flow”	Idea Flow Limited, a limited company incorporated in Hong Kong, one of our Shareholders
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Independent Third Party(ies)”	any entity(ies) or person(s) who, to the best of the knowledge, information and belief of our Directors, is/are not a connected person(s) of our Company within the meaning ascribed thereto under the Listing Rules

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## DEFINITIONS

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“International Offer Shares”	the 118,062,600 H Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to adjustment as described in “Structure of the Global Offering”)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into by, among others, our Company and the International Underwriters in respect of the International Offering on or around the Price Determination Date
“Intra-city Tech”	Beijing SF Intra-city Technology Co., Ltd. (北京順豐同城科技有限公司), a limited company incorporated in the PRC, one of our Controlling Shareholders
“IPO App”	the mobile application for the <b>HK eIPO White Form</b> service which can be downloaded by searching “ <b>IPO App</b> ” in App Store or Google Play or downloaded at <a href="http://www.hkeipo.hk/IPOApp">www.hkeipo.hk/IPOApp</a> or <a href="http://www.tricorglobal.com/IPOApp">www.tricorglobal.com/IPOApp</a>
“iResearch”	Shanghai iResearch Co., Ltd, an independent market research and consulting company
“iResearch Report”	the industry report commissioned by us and independently prepared by iResearch, summary of which is set forth in “Industry Overview”

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## DEFINITIONS

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“Jiaxing Fengrong”	Jiaxing Fengrong Equity Investment Partnership (Limited Partnership) (嘉興豐榮股權投資合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders
“Joint Bookrunners”	China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited, Credit Suisse (Hong Kong) Limited, Huatai Financial Holdings (Hong Kong) Limited, CLSA Limited, CMB International Capital Limited, ABCI Capital Limited and Futu Securities International (Hong Kong) Limited
“Joint Lead Managers”	China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited, Credit Suisse (Hong Kong) Limited, Huatai Financial Holdings (Hong Kong) Limited, CLSA Limited, CMB International Capital Limited, ABCI Securities Company Limited and Futu Securities International (Hong Kong) Limited
“Joint Global Coordinators”	China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited, Credit Suisse (Hong Kong) Limited and Huatai Financial Holdings (Hong Kong) Limited
“Joint Sponsors”	China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited (in alphabetical order)
“Latest Practicable Date”	November 21, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of our H Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or around Tuesday, December 14, 2021, on which our H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange



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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from, and operated in parallel with, GEM of the Stock Exchange
“Mandatory Provisions”	the “Mandatory Provisions for Articles of Association of Companies to be Listed Overseas” (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
“Maximum Offer Price”	HK\$17.96 (being the high end of the indicative Offer Price range stated in this prospectus)
“Mingde Holding”	Shenzhen Mingde Holding Development Co., Ltd. (深圳明德控股發展有限公司), a company incorporated in the PRC, one of our Controlling Shareholders
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“NASDAQ”	the NASDAQ Stock Market in the United States
“Nation Sky”	Nation Sky Investments Limited, a limited company incorporated in British Virgin Islands, one of our Shareholders
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國發展與改革委員會)
“New Hope Asia-Pacific Investment”	New Hope Asia-Pacific Investment Holdings Limited (新希望亞太投資控股有限公司), a limited company incorporated in the PRC, one of our Shareholders

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## DEFINITIONS

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“Ningbo Shunxiang”	Ningbo Shunxiang Tongcheng Venture Capital Investment Partnership (Limited Partnership) (寧波順亨同成創業投資合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Controlling Shareholders
“Nomination Committee”	the nomination committee of our Company
“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of not more than HK\$17.96 and expected to be not less than HK\$16.42, at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in “Structure of the Global Offering – Pricing of the Global Offering”
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 19,677,000 additional H Shares at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in “Structure of the Global Offering”
“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC GAAP”	generally accepted accounting principles of the PRC
“PRC Legal Advisor”	Jia Yuan Law Offices, the PRC legal advisors to our Company

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## DEFINITIONS

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“Pre-IPO Investments”	the Series A Pre-IPO Investment, Series A+ Pre-IPO Investment and Series B Pre-IPO Investment, see “History, Development and Corporate Structure – Pre-IPO Investments” for details
“Pre-IPO Investor(s)”	the pre-IPO investors who participated in our Series A, Series A+ and Series B Pre-IPO Investments, see “History, Development and Corporate Structure – Pre-IPO Investments” for details
“Price Determination Date”	the date, expected to be on or around Tuesday, December 7, 2021, but no later than Thursday, December 9, 2021, on which the Offer Price is fixed for the purpose of the Global Offering
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“province”	each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC
“Redland Yuechuan”	Shenzhen Redland Yuechuan Private Equity Investment Fund Partnership Enterprise (Limited Partnership) (深圳市紅土岳川股權投資基金合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders
“Regulation S”	Regulation S under the U.S. Securities Act
“Remaining Group”	SF Holding and other members of the SF Holding Group (excluding the Group)
“Remuneration Committee”	the remuneration committee of our Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“SAT”	State Administration of Taxation of the PRC (中國國家稅務總局)

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## DEFINITIONS

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“SCNPC”	the Standing Committee of the NPC
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SF Finance”	SF Holding Group Finance Co., Ltd. (順豐控股集團財務有限公司), a limited company incorporated in the PRC, a wholly owned subsidiary of SF Taisen
“SF Holding”	S.F. Holding Co., Ltd. (順豐控股股份有限公司), a joint stock company established in the PRC, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ), one of our Controlling Shareholders
“SF Holding Group”	SF Holding and its subsidiaries
“SF Holding Limited”	SF Holding Limited, a limited company incorporated in Hong Kong, one of our Controlling Shareholders
“SF Taisen”	Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司), a limited company established in the PRC, one of our Controlling Shareholders
“SF Technology”	SF Technology Co., Ltd. (順豐科技有限公司), a limited company established in the PRC, one of our Controlling Shareholders
“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Fengpaida”	Shanghai Fengpaida Supply Chain Co., Ltd. (上海豐湃達供應鏈有限責任公司), a limited company incorporated in the PRC, one of our subsidiaries
“Shanghai Fengzan”	Shanghai Fengzan Technology Co., Ltd. (上海豐贊科技有限公司), a limited company incorporated in the PRC, one of our subsidiaries
“Shanghai Shengye”	Shanghai Shengye Equity Investment Fund Co., Ltd., (上海盛業股權投資基金有限公司), a limited company incorporated in the PRC, one of our Shareholders

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## DEFINITIONS

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“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Share(s), Unlisted Foreign Share(s) and H Share(s)
“Shareholders(s)”	holder(s) of our Share(s)
“Sharp Land”	Sharp Land Development Limited, a limited company established in Hong Kong, one of our Shareholders
“Shenzhen Intra-city”	Shenzhen SF Intra-city Logistics Co., Ltd. (深圳市順豐同城物流有限公司), a limited company incorporated in the PRC, one of our subsidiaries
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Shenzhen Zhongplus”	Shenzhen Zhongplus Internet Technology Co., Ltd. (深圳市眾普拉斯網絡科技有限公司), a limited company incorporated in the PRC, one of our subsidiaries
“Shining Star”	Shining Star Fund, L.P., a partnership incorporated in Cayman Islands, one of our Shareholders
“Shunda Tongxing”	Beijing Shunda Tongxing Technology Co., Ltd. (北京順達同行科技有限公司), a limited company incorporated in the PRC, one of our subsidiaries
“Special Regulations”	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stonebridge 2020”	Stonebridge 2020 (Singapore) Pte. Ltd., a private limited company incorporated in accordance with the laws of Singapore, one of our shareholders

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## DEFINITIONS

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“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	member(s) of our Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
“TB Bullet”	TB Bullet Fast Holdings (HK) Limited, a limited company incorporated in Hong Kong, one of our Shareholders
“Tengyuan Investment”	Jiaxing Tengyuan Investment Partnership (Limited Partnership) (嘉興騰元投資合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders
“Tianwo Kangzhong”	Ningbo Meishan Free Trade Port Zone Tianwo Kangzhong Enterprise Management Partnership (Limited Partnership) (寧波梅山保稅港區天沃康眾企業管理合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders
“Track Record Period”	the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2021
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Unlisted Foreign Share(s)”	unlisted ordinary share(s) of RMB1.00 each in the share capital of our Company held by SF Holding Limited, Sharp Land, Shining Star, Duckling Fund, Green Juice II, Asia Strategic II, Stonebridge 2020, BAI GmbH, Idea Flow, TB Bullet, Nation Sky and BAI HK before the Listing and held by SF Holding Limited, Sharp Land and Duckling Fund (as to 2,424,170 Shares) after Listing

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## DEFINITIONS

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“US”, “U.S.” or “United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of the United States
“VAT”	value added tax
“Voting Power Entrustment Agreement”	the voting power entrustment agreement entered into between Ningbo Shunxiang and SF Taisen, pursuant to which Ningbo Shunxiang entrusted SF Taisen to exercise the voting rights attached to the entire 66,891,800 Shares held by Ningbo Shunxiang
“Xingrui Yongying”	Fuzhou Economic and Technological Development Zone Xingrui Yongying Equity Investment Partnership (Limited Partnership) (福州經濟技術開發區興睿永瀛股權投資合夥企業(有限合夥)), a partnership incorporated in the PRC
“Yingcang Fengchi”	Ningbo Yingcang Fengchi Enterprise Management Partnership (Limited Partnership) (寧波盈倉豐馳企業管理合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders
“Yinghe Fengrui”	Ningbo Yinghe Fengrui Venture Capital Investment Partnership (Limited Partnership) (寧波盈和豐瑞創業投資合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders
“Zhixin Xinming”	Shanghai Zhixin Xinming Investment Partnership (Limited Partnership) (上海摯信信明投資合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders
“%”	per cent

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## DEFINITIONS

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In this prospectus, the terms “associate,” “connected person,” “connected transaction,” “controlling shareholder,” “holding company” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and, in the event of any inconsistency, the Chinese versions shall prevail.



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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains definitions of certain terms used in this document in connection with our Company and our business. Some of these may not correspond to standard industry definitions.*

“3C electronics”	computer, communication, and consumer electronics
“AI”	artificial intelligence
“active consumer(s)”	the number of unique consumer accounts that purchase a particular service at least once during the prescribed period
“active merchant(s)”	the number of unique merchant accounts that purchase a particular service at least once during the prescribed period
“active rider(s)”	the number of unique rider(s) who fulfill at least one order during the prescribed period
“API”	application programming interface
“CAGR”	compound annual growth rate
“CLS”	City Logistics System. This system utilizes big data analytics and AI technologies, featuring core functions including business forecast and planning, integrated order recommendation and dispatching and real-time operation monitoring
“crowd-sourced riders”	the riders engaged by the outsourcing firms as contractors. As a form of flexible employment, crowd-sourced riders do not have employment relationship with us or the outsourcing firms, can accept orders during random hours a day as a part-time job, and can choose to accept delivery tasks from other platforms
“fulfillment in-time rate”	a ratio calculated by the number of orders that are delivered to the right recipients in time over the total number of orders placed
“fulfillment rate”	a ratio calculated by the number of orders that are delivered to the right recipients over the total number of orders placed

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## GLOSSARY OF TECHNICAL TERMS

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“third-party on-demand delivery service”	an on-demand delivery service that fulfills orders acquired from non-related parties or parties unaffiliated with centralized marketplaces
“intra-city on-demand delivery”	on-demand delivery within a particular city region
“registered consumers”	the accumulated consumer accounts on our platform
“registered merchants”	the accumulated merchant accounts on our platform
“registered riders”	the accumulated rider accounts on our platform
“SaaS”	software as a service

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## FORWARD-LOOKING STATEMENTS

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This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- various business opportunities that we may pursue;

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## FORWARD-LOOKING STATEMENTS

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- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate; and
- all other risks and uncertainties described in “Risk Factors.”

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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## RISK FACTORS

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*An investment in our H Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment.*

*These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-looking Statements” in this prospectus.*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**We operate in a new and fast-evolving industry, which makes it difficult to evaluate our business and prospects.**

Our business operation is subject to the general condition of China’s on-demand delivery service industry, which may fluctuate significantly. Recent years have witnessed rapid industry evolution driven by technology updates and accelerated market penetration. The growth momentum of China’s on-demand delivery service industry may not be sustained in the future and is subject to various factors beyond our control, including the development of on-demand delivery infrastructure, the development of mobile internet and technology, the evolving changes in customer needs, general economic conditions, people’s spending power and changes and uncertainties of relevant laws, rules and regulations. See “Industry Overview.” Any fluctuation or downturn in the overall development of China’s on-demand delivery service industry may reduce order volume or our ability to price favorably. In addition, during economic downturns, whether in China or globally, reduced consumer spending will likely reduce demand for on-demand delivery services and exert downward pressure on our rates and margins, and materially and adversely affect our business, financial condition and results of operations.

**We face intense competition, and any failure to compete effectively could materially and adversely affect our customer base, market share and profitability.**

The on-demand delivery service industry is, and is expected to remain, highly competitive with rapid market changes and technology evolution. With our multi-scenario operation capabilities, we compete with a broad range of companies, such as other on-demand delivery service providers. According to the iResearch Report, the aggregate market share of China’s top six third-party on-demand delivery service providers in terms of order volume was approximately 35.6% and 36.6%, respectively, in 2020 and the 12 months ended March 31,

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## RISK FACTORS

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2021. According to the iResearch Report, our market share among China's third-party on-demand delivery service providers in terms of order volume was 10.4%, 10.9% and 11.1%, respectively, in 2020, the 12 months ended March 31, 2021, and the three months ended March 31, 2021. Our competitors may have more diverse service portfolios, greater financial, technological or marketing resources, better brand recognition, stronger relationships with business and strategic partners, broader customer bases or longer operating histories. As a result, they may be able to respond more quickly and effectively to opportunities, technologies, regulatory requirements or customer demand than us. As competition intensifies, we may need to increase our marketing resources and incur higher selling and marketing expenses. We may also have to offer more incentives to our merchants, consumers and riders, which could materially and adversely affect our profitability. If we fail to anticipate or react to these competitive challenges effectively, or at all, our growth and market share could decline and our results of operations may be materially and adversely affected. All of these make it difficult to evaluate our business and prospects due to a level of uncertainty.

**We had gross losses, net losses and negative cash flows from operating activities during the Track Record Period, which may continue in the future. Our limited operating history and evolving business model also make it difficult to evaluate our business, financial performance and prospects.**

We had gross losses, net losses and negative cash flows from operating activities during the Track Record Period and may not be able to achieve or maintain profitability or positive cash flow in the future. We had gross loss of RMB231.4 million, RMB336.2 million, RMB188.5 million and RMB27.7 million in 2018, 2019, 2020 and the five months ended May 31, 2021, respectively. We had net loss of RMB328.4 million, RMB469.8 million, RMB757.7 million and RMB352.9 million in 2018, 2019, 2020 and the five months ended May 31, 2021, respectively. Net cash used in our operating activities was RMB366.5 million, RMB655.9 million, RMB563.5 million and RMB281.7 million in 2018, 2019, 2020 and the five months ended May 31, 2021, respectively.

Our costs and expenses may likely increase in the future since we expect to enhance our delivery capabilities, develop and launch new service offerings, expand our customer base in the existing market and penetrate into new markets, and continue to solidify, invest and innovate in our technology infrastructure. Any of these efforts may incur significant capital investment and costs, bring different revenue and cost structures, and take time to achieve profitability. In addition, these efforts may be more costly than we expect and may not result in increased revenue or growth in our business. Our ability to achieve profitability depends on our ability to improve our market position, expand our customer base, maintain competitive pricing, increase our operational efficiency and obtain financing, which may be affected by numerous factors beyond our control. If we are unable to generate adequate revenue growth and manage our costs and expenses, we may not be able to achieve profitability or positive cash flow on a consistent basis, which may impact our business growth and materially and adversely affect our financial condition and results of operations.

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## RISK FACTORS

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In addition, we commenced commercial operations in 2016 and thus have limited historical financial data. It is difficult to predict our future revenues and appropriately budget for our costs and expenses, and the evaluation of our business and predictions of our future performance may not be accurate as a longer operating history cannot be provided for comparative purposes. In the event that actual results differ from our evaluation, or we adjust our estimates in future periods, our results of operations and financial position may be materially affected, investors' perceptions of our business and prospects could differ materially from their expectations, and the market price of our H Shares could fluctuate.

We have been exploring business boundaries and diversifying our services. We successfully expanded our customer base during the Track Record Period. However, our evolving business makes it difficult to evaluate the risks and challenges we may encounter. The risks and uncertainties we may face include challenges to our ability to expand our service offerings to enhance the experience of our varied platform participants, to attract new customers and riders in a cost-effective manner, to anticipate and respond to macroeconomic changes and changes in local markets where we operate, to successfully expand our geographic reach, to forecast our revenue and cost of sales and manage capital expenditures for our current and future operations. If we fail to address the risks and challenges that we face, our business, financial condition and results of operations may be materially and adversely affected.

**Loss of our major customers could materially and adversely affect our business, financial condition and results of operations.**

Revenue from our five largest customers in each of 2018, 2019, 2020 and the five months ended May 31, 2021 represented 67.8%, 67.1%, 61.2% and 61.1%, respectively, of our total revenue for the same periods. Revenue from our largest customer in each of 2018, 2019, 2020 and the five months ended May 31, 2021 represented 22.7%, 19.4%, 33.6% and 38.6%, respectively, of our total revenue for the same periods. All of our five largest customers in each year or period during the Track Record Period except for SF Holding Group were Independent Third Parties. We expect to cooperate with our major customers in the foreseeable future. Any reduction in the number of orders placed by any of these major customers, and any loss or deterioration in our relationships with any of these customers could materially and adversely affect our revenue and cash flows from operating activities. Also, if we fail to manage such reduction in revenue or deterioration of our relationships with major customers, our business, financial condition and results of operations could be materially harmed.

**Any failure in efficient order fulfillment could damage our reputation and business.**

High-quality order fulfillment is crucial to our firm commitment to efficiently serving multi-scenario customer needs. We utilize our technology system to optimize each workstream in our order fulfillment and to closely monitor their timing. See “Business – Our Digitalized Business Process.” However, our fulfillment in-time rate is subject to factors beyond our control, including regional traffic conditions and weather conditions, road blockage for events, and other unanticipated incidents. We may experience rider shortages in peak hours or in remote areas, where the number of riders may not be sufficient to meet the order demand. If we are unable to provide our services in a timely, reliable and safe manner, our reputation and customer loyalty could be materially and adversely affected.

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## RISK FACTORS

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**Failure to continue to improve our technology systems or develop new technologies to adapt to changing operational needs could harm our business, financial condition and results of operations.**

The on-demand delivery service industry features rapid technological evolution, including continuous introductions of new technologies to support more effective and efficient order fulfillment. Any technology developments in the on-demand delivery service industry may propel both incumbents and new market players to adopt cost-effective technologies even more rapidly. Our business operations and growth depend, in part, on our ability to identify, develop, acquire or license advanced technologies and respond to technological innovations and emerging business models in a cost-effective and timely way. Any failure on our part to act effectively in any of these areas may materially and adversely affect our business, financial condition and results of operations.

Moreover, enhancing existing technologies and incorporating new technologies into our services may involve numerous challenges, substantial capital and personnel resources and significant time, and we may not be able to meet these challenges effectively due to various factors, some of which are beyond our control. For instance, our ability to provide big data analysis relies, in part, on the extensive customer data on our platforms. If we fail to retain or expand our customer base, the amount of data available to us for analysis would be affected, and our ability to provide big data analysis may be materially and adversely affected. We may not be able to effectively develop or integrate new technologies on a timely basis or at all, which may reduce customer satisfaction. In addition, new technologies may not successfully integrate with our services, and, even if integrated, may not function as expected. Our failure to continue to improve our technology systems or develop new technologies on a timely basis may affect our ability to retain or grow the customer base or generate revenue, and have a material adverse effect on our business, financial condition and results of operations.

**If we are unable to attract, train and retain qualified personnel, our business, financial condition and results of operations may be materially and adversely affected.**

We intend to hire additional qualified employees to support our business operations and planned expansion. Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly technical and operational personnel with expertise in the on-demand delivery service industry or other areas we expand into. The effective operation of our managerial and operating systems, fulfillment infrastructure, customer service center and other back-office functions also depends on the hard work and quality performance of our management and employees. However, we cannot assure you that we will be able to attract or retain qualified staff that we need to achieve our strategic objectives.



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## RISK FACTORS

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We also intend to expand our rider base. However, if we are unable to manage delivery capacity effectively, optimize the order dispatching process, provide incentives or increase delivery charges for special delivery tasks, or fully utilize the riders' delivery capacity in a timely manner, we may not be able to attract and retain riders, resulting in insufficient delivery resources, increased costs, and lower delivery service quality in certain regions of our network.

**We operate in a labor-intensive industry, and an overall contraction in the availability of riders in the labor market or any labor unrest may negatively affect our business.**

We operate in a labor-intensive industry. We primarily engage outsourcing firms to place riders with us to support our order fulfillment. As of May 31, 2021, we had approximately 2.8 million registered riders. Failure by us or by the outsourcing firms engaged by us to maintain a stable and dedicated workforce may result in disruption or delays in the services provided to customers. We and outsourcing firms may need to hire additional or temporary workers to handle the significant increase in orders during holidays and other peak seasons throughout the year. During these periods, we have observed an increasingly competitive and tight labor market. In general, this will result in increased labor costs.

Further, we and outsourcing firms engaged by us compete with other companies in our industry as well as other labor-intensive industries for labor, and such competition may affect the overall stability performance of our delivery network. Some of these outsourcing firms may be pressured to increase compensation and social welfare benefits for their personnel. If these outsourcing firms are unable to offer competitive salaries and benefits, or pay on time or in full, they may lose their personnel, resulting in insufficient delivery resources, disgruntled employees, and lower delivery service quality.

**We are exposed to risks related to concentration of suppliers. We engage outsourcing firms to provide substantially all of the riders for our operations and have limited control over such riders. Our relationship with such riders may be challenged and we may be liable for violations of applicable PRC labor laws and regulations by outsourcing firms.**

We engage outsourcing firms that place substantially all of the riders with us to support our order fulfillment. See "Business – Our Suppliers." Purchases from our five largest suppliers accounted for 39.2%, 51.2%, 80.2% and 86.3% of our total purchase amount, respectively, in each of 2018, 2019, 2020 and the five months ended May 31, 2021, primarily because (i) concentrated purchases provide us with favorable purchase prices, and (ii) we believe that dispersing our purchases among three to five major suppliers should be sufficient to ensure our stable operation. However, we cannot assure you that there are suppliers at comparable prices within a reasonable period in the event of interruption of our major suppliers' business or our business relationship with them. In such a situation, our business, financial condition and results of operations may be materially and adversely affected. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material rider shortage or shortage of rider supply. In addition, we enter into agreements with outsourcing firms and do not have any employment relationship with these riders. We have limited control over such riders. Any failure in performance by such riders in accordance with our instructions, policies and guidelines could materially and adversely affect customer satisfaction and our reputation.

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## RISK FACTORS

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According to our agreements with outsourcing firms, we have required our outsourcing firms to pay social insurance and housing provident funds for riders who have contractual labor relations with them, and we are not liable to the riders if outsourcing firms fail to fulfill their contractual duties to these riders. However, riders may still file claims against us for outsourcing firms' violation of any laws and regulations or outsourcing firms' employment agreements with the riders as they provide their services on our platform. We may be subject to claims, lawsuits, arbitration proceedings, administrative actions and other legal and regulatory proceedings seeking to compensate riders for outsourcing firms' violation of any laws and regulations or outsourcing firms' employment agreements with the riders. We may be held liable for personal injuries and property damages caused by such riders to third parties, or injuries to such riders. Also, such legal and regulatory proceedings could cause us to incur significant additional expenses due to the potential application of labor and employment laws to compensate riders, including employee benefits, social security contributions and housing provident funds, as well as the application of relevant taxes and administrative fines. We may incur significant additional expenses and legal liabilities, and our reputation, business, financial condition and results of operations could be materially and adversely affected.

In addition, laws and regulations that govern such riders are subject to changes and divergent interpretations by authorities, and we face uncertainties. Any such changes and divergent interpretations could cause us to change our pricing methodologies and business model, and our business, financial condition and results of operations could be materially and adversely affected.

**If our expansion into new businesses or new geographical areas is not successful, our business, financial condition, results of operations and prospects may be materially and adversely affected. We may also fail to successfully make desirable strategic alliances, acquisitions or investments, and may not be able to achieve the benefits we expect from those alliances, acquisitions or investments that we do make. As a result, our historical growth may not be indicative of our future performance, and if we fail to effectively manage our growth, our business, financial condition and results of operations may be materially and adversely affected.**

We have a track record of successfully expanding into new service categories and new geographical areas. We are able to serve multi-scenario customer requirements covering mature scenarios, such as food delivery, and growth scenarios, such as local retail, local e-commerce and local services. As of May 31, 2021, our service network covered over 1,000 cities and counties in China. Such expansion contributed to our rapid growth since our inception. Our revenue grew from RMB993.3 million in 2018 to RMB4,843.4 million in 2020. Our revenue grew from RMB1,429.5 million in the five months ended May 31, 2020 to RMB3,045.6 million in the five months ended May 31, 2021. Our total number of orders grew from 79.8 million in 2018 to 760.9 million in 2020, representing a CAGR of 208.7%, significantly higher than the CAGR of 27.0% for the overall on-demand delivery service industry in China during the same period, according to the iResearch Report. Our total number of orders grew by 151.2% from 204.5 million in the five months ended May 31, 2020 to 513.7 million in the five months ended May 31, 2021.

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## RISK FACTORS

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However, expansion into new service categories and new geographical areas involves new risks and challenges. For example, for our expansion in new service categories, our lack of familiarity with, and relevant customer data relating to, those new services may make it more difficult for us to keep pace with evolving customer needs. Also, there may be one or more existing market leaders in any service category we decide to expand into, and they may compete more effectively by leveraging their experience, market insights and brand recognition. For our expansion in new geographical areas, we may face a long growth stage and our marketing and promotion strategies may not be effective in some local markets. We may also receive insufficient orders to allow a cost-efficient operation in less-developed areas. Expansion into new service categories and new geographical areas may significantly strain our management and resources. Failure to expand successfully may diminish investor confidence in our decision-making and execution capabilities, which could materially and adversely affect our business and prospects.

In addition, we may pursue selected strategic alliances and potential strategic acquisitions that are supplemental to our business and operations to capture opportunities that can help us further expand our service offerings and improve our technology system. We may engage in transactions including acquisitions, disposals or reorganizations in the future, which may increase our capital requirements, dilute our Shareholders' equity interest, cause us to incur debt or assume contingent liabilities, and subject us to other risks. In addition, strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance or default by counterparties, and increased expenses in establishing these new alliances, any of which may materially and adversely affect our business. In addition, we may have limited ability to control or monitor the actions of our strategic partners. To the extent that a strategic partner suffers any negative publicity as a result of its business operations, our reputation may be negatively affected due to our association with such party. The costs of identifying and completing strategic acquisitions may be significant, and the subsequent integration of newly acquired companies, businesses, assets and technologies would require significant managerial and financial resources and could result in a diversion of resources away from our existing business, which, in turn, could have an adverse effect on our growth and business operations. We may also incur significant expenses in obtaining necessary approvals from relevant government authorities in the PRC and globally. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, and exposure to potential unknown liabilities of the acquired business. The acquired businesses or assets may not generate the financial results we expect and may incur losses. The cost and duration of integrating newly acquired businesses could also materially exceed our expectations. Any such negative developments could have a material adverse effect on our business, financial condition and results of operations. As of the Latest Practicable Date, we had not identified any acquisition, disposal or reorganization target.

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## RISK FACTORS

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There is no assurance that we will be able to maintain our historical growth in the future. Our growth may slow down due to a number of reasons, including market saturation, reduced demand for our services, increasing competition, the emergence of alternative business models, our failure to attract more riders, changes in government policies, or changes in general economic conditions. If our growth decelerates, investors' perceptions of our business and prospects may be materially and adversely affected and the market price of our H Shares could decline. We cannot assure you that we will be able to effectively manage our future growth. We intend to achieve growth by enhancing our delivery capabilities, expanding our geographical coverage and securing our leading position in the on-demand delivery service industry, creating more value for merchants, consumers and riders, and continuing to invest and innovate in technologies. However, we cannot assure you that our growth initiatives will succeed. In addition, our rapid growth has placed, and may continue to place, significant demand on our management and our technology systems, as well as our administrative, operational and financial systems. Our ability to manage our growth effectively and to integrate new technologies, new customers and new business models into our existing business will also require us to continue to implement a variety of new and upgraded managerial, operational, technological and financial systems, procedures and controls. If we are not able to effectively manage the growth of our business and operations or execute our strategies effectively, our expansion may not be successful and our business and prospects may be materially and adversely affected.

**If we fail to grow our customer base, or if customer needs cease to grow or decline, our business, financial condition and results of operations may be materially and adversely affected.**

We value our customers, including merchants and consumers, as a vital part of our business. Our business has and will continue to depend on the size of our customer base and level of customer needs. As of May 31, 2021, we had approximately 532,500 registered merchants and 126.1 million registered consumers on our platform. A number of factors could adversely affect our customer engagement or growth, including:

- we may be unable to identify and meet evolving customer needs and industry changes in a timely and effective manner;
- we may be unable to effectively screen, supervise and train riders who directly interact with merchants and consumers, and any misconduct committed by them may result in customer dissatisfaction and harm our reputation;
- we may be unable to effectively develop or integrate new technologies on a timely basis or at all, which may reduce customer satisfaction;
- we may be unable to carry out our marketing and promotion efforts in an efficient and effective manner;

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## RISK FACTORS

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- we may be unable to prevent incidents that may lead to negative public perception of us or damage our reputation;
- we may encounter technical or other problems that prevent our services from operating in a smooth and reliable manner or which otherwise compromise customer experience;
- our competitors may offer services with better customer experience, which may erode our existing customer base or hinder our customer growth;
- we may fail to address customers' concerns related to privacy, data safety or security; and
- we may be compelled to compromise customer experience to comply with legislation, regulations, government policies or requests from competent authorities.

If our customer retention, engagement or growth is adversely affected by any of the foregoing or otherwise, our business, financial condition or results of operations may be materially and adversely affected.

**We are dependent on merchants' business performance and their continuing demand for our services is beyond our control.**

As of May 31, 2021, we had served over 2,000 merchant brands and served approximately 532,500 registered merchants. Our strong and stable relationships with merchants are crucial to our business and we are dependent on merchants' business performance, reputation and development in their respective markets, all of which are beyond our control. For example, if merchants' sales in a geographic market served by us decline, their corresponding needs for our services would decline. In addition, any changes in merchants' outsourcing strategies may reduce their needs for our services. For example, merchants may seek in-house on-demand delivery services. Merchants may see risks in relying on third-party service providers, or they may begin to define these activities as within their own core competencies and decide to provide on-demand delivery services by themselves. If merchants are able to improve the cost structure of their in-house on-demand delivery services, including in particular their labor-related costs, we may not be able to provide the merchants with an attractive alternative for their on-demand delivery service needs. Any loss or deterioration of our relationship with merchants may materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**We are subject to risks inherent in the on-demand delivery service industry, including personal injury, product damage, and transportation-related incidents.**

We operate a delivery business and face risks associated with transportation safety; for example, we may be unable to effectively manage or control item packaging, storage conditions in transit, and weather and traffic conditions, which may result in property damage and personal injuries. Items delivered may be stolen, damaged or lost for various reasons. In particular, delivery of fresh and perishable products entails inherent risks regarding item packing and stacking, storage condition in transit, and traffic condition. In addition, we cannot guarantee that all unsafe, restricted or prohibited items, such as flammables and explosives, toxic or corrosive items, will be detected and prevented from being accepted for delivery, and such substances may damage other items and cause personal injuries. Any such property damage and personal injuries could result in proceedings or actions against us by customers, riders or injured third parties. These proceedings or actions may subject us to significant penalties and negative publicity, increasing our costs, and severely disrupting our business.

**Any negative publicity concerning SF Holding Group could materially and adversely affect our business, financial condition and results of operations.**

We will remain as a subsidiary of SF Holding and continue to maintain a synergistic and mutually beneficial partnership with SF Holding Group. If SF Holding Group loses its market position or suffers any negative publicity, it could have an adverse impact on our business, marketing efforts, relationships with strategic partners, reputation and brand. Furthermore, as the “SF” brand is shared among the members of SF Holding Group including us, if we or these entities or our or their respective directors, management or other employees engage in any conduct that damages the “SF” brand or its corporate image, or if any material negative publicity is associated with any of them, for example, as a result of regulatory investigations into, or other proceedings involving, or wrongdoing or corruption or other practices engaged by, any such directors, management or employees, our brand image and reputation as well as our market value may be adversely affected.

**Our success depends, in part, on the integrity of our technology systems and infrastructure. Interruptions in these technology systems and infrastructure could materially and adversely affect our business, financial condition and results of operations.**

Our technology systems support the smooth performance of certain key functions of our business. However, our technology systems or infrastructure may not function properly at all times. We may be unable to monitor and ensure high-quality maintenance and upgrades of our technology systems and infrastructure, and customers and riders may experience service outages and delays. In addition, we may experience surges in online traffic and orders associated with promotional activities, which can place additional demand on our platform at specific times. Any disruption to our technology systems and resulting interruptions in the availability of our website, applications, platform or services could materially and adversely affect our business and results of operations.

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## RISK FACTORS

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Our technology systems may also experience telecommunications failures, computer viruses, failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures or others that may harm our technology systems, which may result in the unavailability or slowdown of our platform or certain functions, delays or errors in transaction processing, loss of data, inability to accept and fulfill orders and reduced attractiveness of our platform. Further, hackers, acting individually or in coordinated groups, may also launch distributed denial of service attacks or other coordinated attacks that may cause service outages or other interruptions in our business. Any of such occurrences could cause severe disruption to our daily operations. If we cannot successfully execute system maintenance and repair, our business and results of operations may be materially and adversely affected and we may be subject to liability claims.

**Our business depends on the continuing efforts of our key executives and certain other employees performing vital functions, and our business and growth prospects may suffer if we fail to retain or motivate them or recruit the right personnel for such responsibilities.**

Our business operations depend upon the continuing efforts of our management, particularly the members of our senior management named in this prospectus. If one or more members of our management are unable or unwilling to continue their employment with us, we may not be able to replace them in a timely manner, or at all. We may incur additional expenses to recruit and retain qualified replacements. In addition, our management may join a competitor or form a competing company. We can provide no assurance that we will be able to successfully enforce our contractual rights included in employment agreements with our management. As a result, our business may suffer the loss of services of one or more members of our management, and our financial condition and results of operations may be materially and adversely affected.

**If we fail to perform our contract obligations, our business, results of operations and financial condition may be materially and adversely affected.**

We had contract liabilities of RMB106,000, RMB6.0 million, RMB21.8 million and RMB39.6 million as of December 31, 2018, 2019 and 2020 and May 31, 2021, respectively, which were mainly attributable to intra-city on-demand delivery service provided for related parties and third parties. See “Financial Information – Discussion of Certain Key Balance Sheet Items – Current Assets and Liabilities – Contract Liabilities.” If we fail to fulfill our obligations with respect to our contract liabilities, it may lead to customer dissatisfaction with our delivery service and we may not be able to convert such contract liabilities into revenue as expected. Such circumstances could impact our cash and liquidity position, and materially and adversely affect our business, results of operations and financial condition.



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## RISK FACTORS

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**Any failure to obtain requisite approvals, licenses or permits applicable to our business operation may have a material and adverse impact on our business, financial condition and results of operations.**

Our business is subject to intense regulation. We currently hold a number of licenses and permits in connection with our business operation such as ICP License, Permit for Food Business Operations and Road Transport Business Permit to support our lawful operation. See “Business – Licenses, Permits and Approvals.” We cannot assure you that we can successfully obtain, maintain, update or renew all the required licenses, permits and approvals in the future in a timely manner or at reasonable operating costs. Failures to obtain, maintain, update or renew such licenses, permits and approvals may have a material and adverse impact on our business, financial condition and results of operations.

In addition, we may be required to seek additional licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on us meeting certain capital and other requirements, and our services may be subject to additional regulation and oversight, such as reporting to regulators, all of which could significantly increase our operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in the jurisdictions in which we operate regarding these activities may reduce the growth of our services and impair our business.

**We may revise pricing methodologies from time to time. If we fail to control our costs or price favorably, our long-term growth and competitiveness would be materially and adversely affected.**

We may revise our pricing methodologies from time to time. See “Business – Our Digitalized Business Process – Pricing.” While we have been and will continue to set prices and pricing packages based on our past operating experience, our assessments may not be accurate or there may be errors in our pricing algorithms, resulting in the underpricing or overpricing of our services. Any such changes to our pricing methodologies could materially and adversely affect our ability to attract or retain customers and riders.

To maintain competitive pricing, narrow our loss margin and finally achieve profit margin, we must continuously and effectively control our costs. We have implemented cost control measures. For example, delivery costs can be reduced through the optimization of routes. However, the measures we have adopted or will adopt in the future may not be as effective as expected. There can be no assurance that we will not be forced, through competition, regulation or otherwise, to reduce delivery fees we pay to riders, reduce the fees we charge our customers, or increase our marketing and other expenses to attract and retain customers and riders in response to competitive pressures. If we are not able to effectively control our costs based on market conditions, our profitability and cash flow may be materially and adversely affected.



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## RISK FACTORS

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### **Our business is subject to seasonality.**

Our business is subject to seasonal fluctuations, which primarily correlate to the seasonality patterns associated with China's on-demand delivery service industry. We typically experience sales peaks during holiday seasons, such as summer vacations, Valentine's Day, Mid-Autumn Festival and the Christmas and shopping events such as China's new online shopping events on November 11 and June 18. We may experience capacity and resource shortages in fulfilling orders during periods of such seasonal surge in our business. Seasonality also makes it challenging to accurately and timely estimate customer demand and manage our capacity accordingly. We make planning and spending decisions, including capacity management and other resource requirements based on our estimates of customer demand. Failure to meet demand associated with seasonality in a timely manner may materially and adversely affect our financial condition and results of operations. Our financial condition and results of operations for future periods may continue to fluctuate due to seasonality.

### **Privacy concerns or incidents relating to the use of information by us or third parties could damage our reputation and brand, or subject us to governmental regulation and other legal obligations, which could materially and adversely affect our business, financial condition and results of operations.**

As a technology-based platform, our business generates and processes a large quantity of personal, transaction and behavioral data. We face risks inherent in handling and protecting large volumes of data, including protecting the data temporarily hosted in our system, detecting and prohibiting unauthorized data sharing and transfers, preventing attacks on our system by outside parties, foiling any fraudulent behavior or improper use by our employees, and maintaining and updating our database. Any system failure, security breach or attempts by third parties to illegally obtain the data that results in any actual or perceived release of customer data could damage our reputation and brand, deter current and potential customers from using our services, affect our business, and expose us to potential legal liability.

Both our authorized personnel and riders handle orders and have access to relevant sensitive information, such as names and addresses of the sender and recipient of an order. The content of the item delivered may also constitute or reveal sensitive information. We have data security policies and measures in place. However, we cannot assure you that the information will not be misappropriated. Most of riders in our rider pool are not our employees, which makes it more difficult for us to implement adequate control over them.

We are subject to domestic laws and regulations relating to the collection, use, storage, transfer, disclosure and security of personally identifiable information with respect to our customers and employees, including any requests from regulatory and government authorities relating to this data. Further, PRC regulators have increasingly focused on regulation in the areas of data security and data protection; for example, the Measures for Cyber Security Review (Revised Draft for Comments) ("the Measures") expands the applicable scope of the cybersecurity review, and the Administration Regulations on Cyber Data Security (Draft for Comments) ("the Draft Administration Regulations") further reiterates the circumstances under

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## RISK FACTORS

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which the data processors shall apply for cybersecurity review. See “Regulatory Overview – Regulations on Information Security and Privacy Protection.” As both the Measures and the Draft Administration Regulations had not been formally adopted as of the Latest Practicable Date, uncertainties remained as to the interpretation of relevant regulatory provisions, including, for example, the determination of the scope of “listing in the foreign country” or what “affects or may affect national security” within the meaning of relevant provisions. Therefore, we cannot accurately predict the impact of these regulatory changes on us, if any, at this stage. We expect that these areas will continue to receive greater public scrutiny and attention from regulators, which could increase our compliance costs and subject us to heightened risks and challenges. The operative provisions and anticipated adoption or effective date of the laws and regulations may be subject to change with substantial uncertainty. Given the uncertainty on the interpretation and application of the Draft Administration Regulations and other evolving regulations on data protection, we may be subject to more stringent compliance requirements and may incur additional costs (for example, we may be subject to a cybersecurity review by the relevant competent authority or additional tax related requirements) in the future if there is any change to the existing laws or regulations or interpretations thereof. Failure to comply with any applicable cybersecurity and data privacy requirements may prevent us from using certain network products and services and subject us to government enforcement actions and investigations, fines and penalties. Further, any failure to continuously monitor relevant regulatory changes and timely update our data protection and retention policies to comply with evolving laws and regulations may materially and adversely affect our business, financial condition and results of operations.

### **Some of our services utilize third-party applications and services that we do not control.**

Some of our services utilize third-party applications and services to ensure the smooth performance of certain functions of our business. For example, we collaborate with social media access portal providers for embedding our mini-programs and payment processing providers. We also depend in part on mobile operating systems, such as Android and iOS, and their respective application marketplaces to make our applications available to merchants, consumers and riders. Any interruption or delay, most of which are beyond our control, in the functionality of these third-party applications and services may lead to interruptions to our system, website or mobile application slowdown or unavailability, delays or errors in transaction processing, loss of data, or the inability to accept and fulfill orders. In addition, if any third-party application and service providers withdraw their authorization to us, or their services become limited, restricted, curtailed or less effective in any way or become unavailable to us for any reason, our customer base and customer engagement may be harmed. We may not be able to promptly find alternative ways to offer services in a timely, reliable and cost-effective manner, or at all, which may materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**We rely on assumptions and estimates to calculate certain key operating metrics, and inaccuracies in such metrics may harm our reputation and may materially and adversely affect our business, financial condition and results of operations.**

We rely on certain key operating metrics, such as order volume and fulfillment in-time rate, to evaluate the performance of our business. We cannot assure you of the indicative value of our key operating metrics which are derived from and calculated using various assumptions and estimates that may be different from those used by competitors due to differences in data availability, sources and methodology. Any material inaccurate data analytics may lead to inappropriate operational and strategic decisions, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

**We rely on third-party online payment channels for payment collection. Any interruption of their services or unintended leakage of confidential information may materially and adversely affect our business, financial condition and results of operations.**

We rely on major third-party payment channels such as WeChat Pay and Alipay to facilitate and collect customers' payment for our services. We are subject to various risks and uncertainties associated with these third-party online payment channels. Any interruption in their payment services could materially and adversely affect our payment collection, and, in turn, our revenue.

In all online payment transactions through third-party payment channels, the secured transmission of customers' confidential information, including credit card and bank account numbers, personal information and billing addresses, over public networks, is essential for maintaining customer confidence. We do not have control over the security measures of the third-party payment channels, and their security measures may not be adequate at present or may not be adequate with the expected increased use of online payment systems. We may be exposed to litigation and possible liability if we fail to safeguard customers' confidential information, which could harm our reputation and our ability to attract or retain customers, and may have a material adverse effect on our business.

Furthermore, these payment channels are subject to various laws and regulations regulating electronic funds transfers and virtual currencies, which could change or be reinterpreted in a way that will materially and adversely affect their compliance. If these payment channels experience any non-compliance incidents, they may be subject to fines and higher transaction fees and even lose their ability to accept online payments from our customers, which in turn would materially and adversely affect our ability to monetize our customer base.

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## RISK FACTORS

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**Any negative publicity against us, our Controlling Shareholders and their affiliates, our brand, management, business partners, riders and services, regardless of its veracity, may harm our brand or reputation and could materially and adversely affect our business, financial condition and results of operations.**

We believe that building a strong brand and reputation as an effective, safe, reliable and affordable platform, and continuing to increase the strength of the network effects, are critical to our business and competitiveness. The successful maintenance and enhancement of our brand recognition and reputation have contributed, and will continue to contribute, significantly to our success and growth.

Any negative publicity involving us, our management, our business partners and riders, whether or not justified, such as complaints and incidents in relation to customer experience, quality of delivery services, and actual or perceived deterioration of our service quality, may harm our brand and reputation, which might result in loss of customers. In particular, with the increased use of social media, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for us to respond and mitigate effectively. We may not be able to defuse any negative publicity about us, our management or our services to the satisfaction of our customers and business partners. Negative publicity about our brand may also require us to engage in defensive media campaigns and legal actions, which may increase our marketing or legal expenses and divert our management's attention, and may materially and adversely affect our brand image, our business, financial condition and results of operations.

**We are subject to a broad range of laws and regulations, many of which are evolving, and failure to manage the increased costs associated with such laws and regulations could materially and adversely affect our business, financial condition and results of operations.**

Our business is subject to governmental supervision and regulation by relevant PRC governmental authorities such as the Ministry of Industry and Information Technology, the State Administration for Market Regulation, the Ministry of Commerce and the Ministry of Transport. Together, these governmental authorities promulgate and enforce regulations that cover many aspects of our day-to-day operations, including online and mobile commerce and payments, cybersecurity and privacy laws, labor and employment, intellectual property, consumer protection, taxation, competition, mobile application accessibility, money transmission, service liability and personal injury. Local regulatory authorities conduct periodic inspections, examinations and inquiries in respect of our compliance with relevant regulatory requirements. In addition, regulatory bodies may view matters or interpret laws and regulations differently than they have in the past, or in a manner adverse to our business. Any failure to manage the increased costs associated with such laws and regulations could materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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In addition, new laws and regulations may be enforced from time to time, and substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to our businesses. For example, we are facing recent regulatory development in relation to data security, environmental protection and protection of labor rights, and the potential regulatory changes in these areas may increase the Company's delivery cost and operating expenses, which may impact its margins and delay its expected timing to achieve profitability. As such, we need to actively monitor future policy changes to ensure strict compliance with evolving laws and regulations and may face increasing costs. Also, if the regulatory or administrative authorities impose new requirements, relating to, among other things, new and additional licenses, permits and approvals or governance or ownership structures, we might face increased future compliance costs, heightened challenges and uncertainties, and restrictions upon our current or future operations. In addition, our success, or perceived success, and increased visibility may also drive some businesses that perceive our business model negatively to raise their concerns to local policymakers and regulators. These businesses and their trade association groups or other organizations may take action and employ significant resources to shape the legal and regulatory regimes, or seek to have a market presence in an effort to change such legal and regulatory regimes in ways intended to adversely affect or impede our business. If we are unable to manage these risks, our business and results of operations may be materially and adversely affected.

**We may be subject to claims, lawsuits and other proceedings that may materially and adversely affect our reputation, business, financial condition and results of operations.**

We may be subject to claims, lawsuits, arbitration proceedings, government investigations and other legal and regulatory proceedings in the ordinary course of business, including those involving personal injury, property damage, actions of riders on our platform, labor and employment, commercial disputes, customer complaints, intellectual property disputes, compliance with regulatory requirements and other matters. We may become subject to additional types of claims, lawsuits, government investigations and legal or regulatory proceedings as our business grows and as we deploy new service offerings. The results of any such claims, lawsuits, arbitration proceedings, government investigations or other legal or regulatory proceedings cannot be predicted with certainty. Any claims against us, whether meritorious or not, may be time-consuming, result in costly litigation, be harmful to our reputation, require significant management attention and divert significant resources. It is possible that a resolution of one or more such proceedings could result in substantial damages, settlement costs, fines and penalties that could materially and adversely affect our reputation and brand, business, financial condition and results of operations.

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## RISK FACTORS

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**Existing and new anti-monopoly laws and regulations may impose higher compliance cost on us and may materially and adversely affect our business, financial condition and results of operations.**

On February 7, 2021, the Anti-Monopoly Committee of the State Council promulgated the Anti-Monopoly Guidelines for the Sector of Platform Economy (關於平台經濟領域的反壟斷指南) (the Anti-Monopoly Guidelines), aiming to guide the supervision and prohibition of monopolistic conduct in connection with Internet platform business operations and further elaborate on the factors used for recognizing monopolistic conduct in the Internet platform industry. We believe that the impact of the Anti-Monopoly Guidelines on our business is not material. As of the Latest Practicable Date, we did not meet any of the presumptions of dominant market position prescribed in the Anti-Monopoly Guidelines or other relevant laws and regulations. We did not enter into any form of monopoly agreement with any third party and had not been subject to any anti-monopoly administrative penalties or regulatory actions as of the Latest practicable Date.

However, given the promulgation of the Anti-Monopoly Guidelines, competent authorities in the PRC may strengthen their supervision over anti-monopoly issues, and we may receive greater scrutiny and attention from regulators and more rigid investigations or reviews should our business further grow, which may increase our compliance cost and subject us to higher risks and challenges. In addition, the Anti-Monopoly Law requires that the anti-monopoly enforcement agency to be notified in advance of any concentration of undertaking if certain thresholds are triggered. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

**We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business.**

From time to time we may be subject to legal proceedings and claims relating to intellectual property rights in the ordinary course of our business. There are inherent uncertainties associated with these legal proceedings and any such proceedings or actions or claims, with or without merit, may be costly and distract our management from day-to-day operations. If the court rules against us, we may be prohibited from using such intellectual property rights, subject to fines and penalties, or forced to develop alternatives by entering into royalty or licensing arrangements with licensing fees. Any royalty or licensing arrangements that we seek in such circumstances may not be available to us on commercially reasonable terms, or at all. We may also incur substantial legal expenses in defending these third-party infringement claims against us, regardless of their merits. This exposure to liability could result in disruptions to our business that could materially and adversely affect our results of operations.

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## RISK FACTORS

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In addition, some of our employees were previously employed by other companies, including our current and potential competitors. We also intend to hire additional personnel to enrich our talent pool. If these employees are involved in our research and development of technologies similar to work products at their former employers, we may become subject to claims that either these employees or we have appropriated proprietary information or intellectual property of such employees' former employers. If we fail to successfully defend such claims against us, we may be exposed to liabilities which could have a material adverse effect on our business and reputation.

**We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.**

We regard our proprietary technologies, licensed trademarks, copyrights, patents, domain names, know-how and similar intellectual property to be critical to our business operations. We rely on a combination of intellectual property laws and measures, including confidentiality, invention assignment and non-compete agreements with our employees and others, to protect our proprietary rights. However, the functionality of our system might be reproduced and our source code might be copied. In addition, any of our intellectual property rights may be challenged, invalidated, circumvented or misappropriated.

Monitoring the unauthorized use of intellectual property is difficult and costly, and the steps we have taken may not fully prevent the infringement or misappropriation of our intellectual property rights. From time to time we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources, and may materially and adversely affect our business.

**We had net current liabilities and net liabilities as of December 31, 2018 and 2019, which can expose us to liquidity risk, and such positions may recur if our profitability deteriorates after the Listing.**

We had net current liabilities of RMB593.0 million and RMB344.8 million as of December 31, 2018 and 2019, respectively. The major components of our current liabilities during the Track Record Period were trade payables, amounts due to related parties and other payables and accruals. We also had net liabilities of RMB532.0 million and RMB116.4 million as of December 31, 2018 and 2019, respectively. Such positions can expose us to the risk of shortfalls in liquidity. This in turn would require us to seek adequate financing from sources such as external debt, which may not be available on commercially reasonable terms, or at all. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our financial condition, results of operations and prospects. The positions of net current liabilities and net liabilities may recur if our profitability deteriorates after the Listing. See "Financial Information – Discussion of Certain Key Balance Sheet Items."



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## RISK FACTORS

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**Our results of operations, financial conditions and prospects may be adversely affected by the recoverability of our trade receivables.**

Our net trade receivables increased significantly from RMB161.3 million as of December 31, 2018 to RMB406.3 million as of December 31, 2019, mainly due to a significant increase in trade receivables from third parties reflecting the increasing procurement of our services by merchants in 2019. Our net trade receivables increased from RMB406.3 million as of December 31, 2019 to RMB678.4 million as of December 31, 2020, mainly due to a significant increase in trade receivables from related parties reflecting the growth of our last-mile delivery services in 2020. Our trading terms with some of our customers are on credit. Our net trade receivables remained relatively stable as of December 31, 2020 and May 31, 2021, being RMB678.4 million and RMB642.5 million, respectively. We generally grant a credit period of 15 days to 90 days. Trade receivables are generally settled in accordance with the terms of the respective contracts. In 2018, 2019, 2020, and the five months ended May 31, 2021, our trade receivables turnover days were 59 days, 70 days, 51 days and 32 days, respectively. Credit risk for trade receivables arises when our customers default on their contractual obligations resulting in financial losses to us. We cannot assure you that we are or will be able to accurately assess the creditworthiness of each of our customers before entering into agreements or extending credit terms, neither can we guarantee that each of these customers will be able to strictly follow and enforce the payment schedules provided in the agreements. Any inability of our customers to pay us in a timely manner may adversely affect our liquidity and cash flows, which in turn has a material adverse effect on our business operations and financial condition.

**If we determine our intangible assets to be impaired, our business, results of operations and financial condition may be adversely affected.**

Our intangible assets amounted to RMB56.9 million, RMB102.3 million, RMB135.8 million and RMB144.4 million as of December 31, 2018, 2019 and 2020 and May 31, 2021, respectively, representing a significant portion of our non-current assets. See “Financial Information – Discussion of Certain Key Balance Sheet Items – Non-current Assets and Liabilities – Intangible assets.” We may have to make provisions for impairment losses for our intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment assessment of intangible assets is based on a number of assumptions made by our management. See “Financial Information – Critical Accounting Policies and Estimates – Impairment of Long-Term Assets.” If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to make a significant provision for our intangible assets and record a significant impairment loss, which could in turn adversely affect our results of operations. Any significant impairment of intangible assets could have a material adverse effect on our business, results of operations and financial condition.



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## RISK FACTORS

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**If we cannot obtain sufficient capital on acceptable terms to fund our operations, our business, financial condition and results of operations may be materially and adversely affected.**

We may require additional financing if we incur operating losses or for future growth and development of our business, including any investments or acquisitions we may decide to pursue. If our financing is insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and PRC regulations over foreign investment and the PRC on-demand delivery service industry. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in new operating and financing covenants that would restrict our operations. There can be no assurance that financing would be available in a timely manner or in amounts or on terms favorable to us, or at all. Any failure to raise required funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

**We may grant share-based compensation which may materially and adversely affect our business, financial condition, results of operations and the trading price of our H Shares in the future.**

We may grant employee share options, restricted stock units and other share-based compensation from time to time to our Directors, senior management and employees to recognize their contribution and to attract and retain key personnel. We had share-based compensation expenses of RMB11.7 million, RMB152.7 million and RMB55.5 million in 2019, 2020, and the five months ended May 31, 2021, respectively. See Notes 9 and 26 of Appendix I to this prospectus. The exercise of the share options we have granted or plan to grant will increase the number of our H Shares in circulation. Any actual or perceived sales of additional shares acquired upon the exercise of the share options we have granted or plan to grant may materially and adversely affect the trading price of our H Shares.

**Any deficiencies in telecommunication and internet infrastructure could impair the functioning of our technology system and the operation of our business.**

We rely on wireless and landline telecommunications networks to manage riders' accounts and customer data, facilitate data transmission and communications, and monitor our overall operational status. We cannot assure you that the development of information infrastructure will be adequate to support our operations and growth. In addition, in the event of any infrastructure disruption or failure, we may not be able to access alternative networks and services timely, or at all, which could have a material adverse effect on our business, results of operations and prospects.

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## RISK FACTORS

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**Changing or inconsistent enforcement of social insurance premium and housing provident funds payment schemes under the Labor Contract Law may materially and adversely affect our financial condition and results of operations.**

According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident funds accounts to pay social insurance premium and housing provident funds for employees. The amount we are required to contribute for the housing provident funds should be calculated based on each employee's average monthly salary level for the previous year. The amount we are required to contribute for the social insurance premium should be calculated based on each employee's monthly salary. Such amount is subject to a minimum and maximum level from time to time as prescribed by local authorities. The requirement of such plan has not been implemented consistently by the local governments in China, given the different levels of economic development in different locations.

Under the applicable PRC laws and regulations, competent authorities may examine whether an employer has made adequate payments of the requisite social insurance premium and housing provident funds, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. We have in the past failed to make full contributions to social insurance premium and housing provident funds for some of our employees. As of the Latest Practicable Date, we had not received any notice for payment of penalties or underpaid amounts of social insurance premium and housing provident funds from the competent authorities, and, as advised by our PRC Legal Advisor, the likelihood of us receiving any notice of penalties from any relevant competent authorities is remote. As advised by our PRC Legal Advisor, the maximum potential fine which our Group may be subject to would be approximately RMB61.53 million for the failure to sufficiently pay the social insurance premium and housing provident funds in due course during the Track Record Period. We made accumulative amount of provisions for underpaid social insurance premium and housing provident funds of RMB12.3 million, RMB24.4 million, RMB37.0 million and RMB49.5 million as of December 31, 2018, 2019 and 2020 and May 31, 2021, respectively. If we become affected by changing or inconsistent enforcement of social insurance premium and housing provident funds payment schemes, our financial condition and results of operations may be adversely affected.

In addition, recent regulatory development enhance protection of labor rights. Although we have no legal obligation to pay social insurance and housing provident funds for non-employee riders under current laws and regulations according to our PRC Legal Advisor, changes on relevant laws and regulations are unpredictable. For example, if relevant laws and regulations were changed to require our contributions of social insurance and housing provident funds for non-employee riders, our delivery cost and operating expenses may significantly increase, which may materially and adversely impact our margins and delay our expected timing to achieve profitability.

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## RISK FACTORS

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**We are subject to risk of recoverability of deferred income tax assets.**

The amount of our deferred income tax assets was nil as of December 31, 2018. We had deferred income tax assets of RMB114.5 million, RMB140.4 million and RMB140.4 million as of December 31, 2019 and 2020 and May 31, 2021, respectively. As deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses, our management is required to make judgement to assess the probability of future taxable profits. This requires significant judgment on the tax treatments of certain transactions and also assessment of the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered. Any changes in management's judgment as well as the future results of operations of the relevant entities would affect the carrying amounts of deferred income tax assets to be recognized and the recoverability of deferred income tax assets recognized in our consolidated financial statements, and therefore may materially and adversely affect our financial position and results of operations in the coming years.

**We have limited insurance coverage which could expose us to significant costs and business disruption.**

We have limited insurance coverage. We carry various policies, such as property insurance and public liability insurance. In line with general market practice, we do not maintain certain policies that are not available in the locations in which we operate, or that are not generally required by the law. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the amount of compensation is significantly less than our actual loss, our business, financial condition and results of operations may be materially and adversely affected.

**If our risk management system is not adequate or effective, and if it fails to detect potential risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.**

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, IT system, human resources and internal control management. However, due to the inherent limitations in the design and implementation of our risk management system, it may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place. Furthermore, our new business initiatives may give rise to additional risks that are currently unknown to us, despite our efforts to anticipate such issues. If our risk management system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

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## RISK FACTORS

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Our risk management also depends on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected, particularly with respect to the maintenance of our relevant approvals and licenses granted by governments.

**We face risks related to severe weather conditions and other natural disasters, health epidemics, such as the COVID-19 pandemic, and other outbreaks, which could materially and adversely affect our business, financial condition and results of operations.**

Areas or regions where we operate may be exposed to the outbreak of epidemics including COVID-19, swine influenza, avian influenza, Middle East respiratory syndrome (MERS-CoV) and severe acute respiratory syndrome (SARS-CoV). The outbreak of such epidemics may affect us in various ways. For example, people's demand for our services may be affected. Also, the availability of resources may be limited. In addition, government authorities may adopt certain hygiene measures, including quarantines, closures of our offices, travel and transportation restrictions, and import and export restrictions. Any of these circumstances may materially slow regional or national economic development in areas where we operate and may have a material and adverse effect on our business operations.

Specifically, we are not able to predict the impact of the COVID-19 pandemic due to uncertainties relating to the geographic spread of the virus, the severity of the disease and how long the pandemic may last. In response to the COVID-19 pandemic, the PRC government imposed measures including various degrees of travel restrictions and lockdowns across the PRC and quarantine arrangements for travelers, whether infected or not. As a result, our operations may be impacted by potential delays in business activities, commercial transactions and general uncertainties surrounding the duration of the government's extended business and travel restrictions. For example, the COVID-19 pandemic has resulted in temporary closures of certain stores of our customers, especially small- to medium-sized merchants, affecting their purchasing of our services. Furthermore, the COVID-19 pandemic may continue to spread throughout the PRC and globally and may materially and adversely affect economic development. National or global economic downturns resulting from the outbreak may have a negative impact on our strategy and our business, financial condition and results of operations may be materially and adversely affected.

Similarly, natural disasters, acts of war, terrorist activity, threats of war or terrorist activity, social unrest and corresponding heightened travel security measures instituted in response, as well as geopolitical uncertainty and international conflicts and tension, may affect regional and national economic development in areas where we operate and our business, financial condition and results of operations may be materially and adversely affected. In addition, we may not be adequately prepared in terms of contingency planning or have recovery measures in place to deal with a major incident or crisis. As a result, our operational continuity and our reputation may be materially and adversely affected.

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## RISK FACTORS

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### **RISKS RELATING TO DOING BUSINESS IN THE PRC**

**Changes in economic, political or social conditions or government policies in the PRC could materially and adversely affect our business, financial condition and results of operations.**

All of our business operations and assets are located in the PRC and, during the Track Record Period, all of our revenue was derived from our business in the PRC. Accordingly, our financial condition, results of operations and prospects are affected by economic, political and legal developments in the PRC. Economic reforms have resulted in significant economic growth in the PRC in the past few decades. However, any economic reform policies or measures in the PRC may from time to time be modified or revised. The PRC economy differs from the economies of most developed countries in many respects, including with respect to the level of government involvement, level of development, growth, control of foreign exchange and allocation of resources. Notwithstanding that significant growth over the past few decades, the growth has been uneven across different regions and among various economic sectors.

The PRC government exercises significant control over the PRC's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Although the PRC economy has grown significantly in the past decade, that growth may not continue, and any slowdown may have a negative effect on our business. Any adverse changes in economic conditions in the PRC, in the policies of the PRC government or in the laws and regulations of the PRC could have a material adverse effect on overall economic growth in the PRC. Such developments could materially and adversely affect our businesses, lead to a reduction in demand for our services and affect our competitive position.

**Uncertainties with respect to the PRC legal system could materially and adversely affect our business, financial condition and results of operations.**

As a PRC-incorporated company with all business operations located in the PRC, our operations are governed by PRC laws and regulations. The PRC legal system is based on statutory law. Prior court decisions may be cited for reference, but have limited precedential value. The prevalent PRC laws and regulations may not sufficiently cover all aspects of economic activities. As some of these laws and regulations are relatively new, and due to the limited volume of published court decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and not be as consistent or predictable as in other jurisdictions.

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## RISK FACTORS

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In addition, the legal protections available to us under PRC laws and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be prolonged and could result in substantial costs and diversion of our resources and management attention. Moreover, we cannot assure you that the PRC government will not amend or revise existing laws or regulations, or promulgate new laws or regulations, in a manner which materially and adversely affects our business, financial position or results of operations. For example, the PRC government may require additional approvals, licenses or permits for our business and operations, or impose stricter requirements or conditions for the maintenance or renewal of approvals, licenses or permits required for our business and operations. Any loss of or failure to obtain, maintain or renew our approvals, licenses or permits could disrupt our operations or subject us to fines or penalties imposed by the PRC government.

**You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in the PRC against us, our Directors, Supervisors or senior management.**

We are a company incorporated under the laws of the PRC and all of our assets are located in the PRC. In addition, most of our Directors, Supervisors and senior management reside in the PRC. As a result, it may be difficult for investors to effect service of process outside of the PRC upon us, our Directors, Supervisors or senior management or to enforce judgments obtained against us in courts outside the PRC.

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC only if the jurisdiction has a treaty with the PRC or if the jurisdiction has been otherwise deemed by the PRC courts to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, the PRC is not a party to treaties providing for the reciprocal enforcement of judgments of courts with foreign countries such as the United States and the United Kingdom, and enforcement in the PRC of judgments of a court in these jurisdictions may consequently be difficult or impossible. On July 3, 2008, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**2008 Arrangement**”). Under the 2008 Arrangement, where any designated PRC court or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 18, 2019, the Supreme People's Court of the People's Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**2019 Arrangement**”). The 2019 Arrangement regulates, among others, the scope and

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## RISK FACTORS

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particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in the Hong Kong Special Administrative Region. At present, the 2019 Arrangement has not come into force.

**Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.**

The value of the RMB against the Hong Kong dollar, U.S. dollar and other foreign currencies is affected by, among other things, changes in the PRC's foreign exchange policies and international economic and political developments. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which may result in further and more significant fluctuations in the value of the RMB against the Hong Kong dollar, U.S. dollar and other foreign currencies.

All of our revenue and expenses are denominated in RMB and fluctuations in exchange rates may adversely affect the value of our net assets and earnings. In addition, dividends from our H Shares will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the U.S. dollar, Hong Kong dollar or any other foreign currencies may result in a decrease in the value of the dividend earnings. Conversely, any depreciation of the RMB may adversely affect the value of our H Shares in foreign currency. Any significant fluctuation in the value of the RMB against foreign currencies could materially and adversely affect us and the value of your investment in our H Shares.

**We may be required to register our operating offices outside of our residence addresses as branch offices under PRC law.**

Under PRC law, a company setting up premises for business operations outside its residence address shall register and obtain business licenses for branch offices at the competent local administration for market regulation. We may expand our delivery network in the future to additional locations in China and may not be able to register branch offices in all places of our operation in a timely manner due to the relocation of branch offices from time to time. If the PRC regulatory authorities determine that we are in violation of the relevant laws and regulations, we may be subject to penalties, including fines, confiscation of income and suspension of operation. If we become subject to these penalties, our business, results of operations, financial condition and prospects could be adversely affected.



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## RISK FACTORS

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### **Governmental control of currency conversion may adversely affect the value of your investment.**

The PRC government imposes controls on the convertibility of the RMB into foreign currencies. We receive all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of operating costs and expenses and payments of dividends declared in respect of our H Shares, if any. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy our foreign currency-denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses, such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demand, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of the PRC.

### **Holders of our H Shares may be subject to PRC income tax obligations.**

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of our H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a rate of 20% under the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法) for the interests, dividends and bonuses they obtain from the PRC. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. Generally, in accordance with the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 Issued by the SAT (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知), domestic non foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, withhold individual income tax at the rate of 10%. When a tax rate of 10% is not applicable, the withholding company shall: (a) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (b) withhold such foreign individual income tax at the effective tax rate agreed on if the applicable tax rate is between 10% and 20%; or (c) withhold such foreign individual income tax at a rate of 20% if no taxation treaty is applicable.



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## RISK FACTORS

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For non-PRC resident enterprises that were established under foreign laws with no actual management body in the PRC but have establishments or premises in the PRC, or for those which have no establishments or premises in the PRC but whose income is derived from the PRC, under the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of Shares are ordinarily subject to PRC enterprise income tax at a rate of 20%. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) issued by the SAT, such tax rate has been reduced to 10%, subject to a further reduction under special arrangements or applicable treaties between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

Despite the arrangements mentioned above, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%.

In addition, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the PRC's tax authorities, including individual income tax on dividends paid to non-PRC resident Shareholders, and on gains realized on the sale or other disposition of our H Shares. The PRC's tax laws and regulations may also change. If there is any change to applicable tax laws and regulations or in the interpretation or application of such laws and regulations, the value of your investment in our H Shares may be materially affected.

**As some of our leased properties have title defects and did not complete registration procedures at relevant authorities, we may be required to cease occupation and the use of such leased properties.**

Some of our leased properties had title defects, which may subject us to challenges by third parties. As of the Latest Practicable Date, lessors of four of our leased properties in the PRC had not provided us with relevant authorization documents evidencing their rights to lease the properties to us and we are actively communicating with the lessors, requiring valid authorization for leasing. Any dispute or claim in relation to these properties, including lessors' alleged unauthorized lease of these properties, could force us to relocate our offices. In addition, one of our leased properties is located on an allocated state-owned land, for which the property owner failed to provide relevant documentation legitimating the lease of such allocated land. We would not be subject to any penalty therefrom but our lease agreement associated with such property might be terminated under relevant PRC laws and regulations. If any of our leases is terminated or becomes unenforceable as a result of challenges from third parties, we would need to seek alternative properties and incur relocation costs. Any relocation could lead to disruptions to our operations and adversely affect our business, financial condition and results of operations. In addition, as of the Latest Practicable Date, we had not

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## RISK FACTORS

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completed filing for the 27 properties we leased in the PRC but we are actively communicating with the lessors to facilitate the registration of these leased properties. According to the applicable PRC laws and regulations, property lease agreements shall be filed with the relevant local branches of the Ministry of Housing and Urban-Rural Development of the PRC. Our PRC Legal Advisor has advised us that the lack of registration for the lease agreements will not affect the validity of such lease agreements or result in reallocation of such properties under PRC law; however, the relevant government authority may require the parties to a lease to register the lease agreement within a given period, and a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease may be imposed on the parties to the lease for failing to rectify it within the given period. The estimated aggregate maximum penalty is RMB270,000 with respect to the unregistered leases of properties leased by us.

**Failure to obtain any of the government grants, especially the preferential tax treatments that may be available to us in the future, or the imposition of any additional taxes could materially and adversely affect our business, financial condition and results of operations.**

We had received government grants of RMB5.5 million in 2019, RMB15.4 million in 2020, and RMB9.6 million in the five months ended May 31, 2021, which were related to certain preferential value-added tax policies for the daily life service industry, effective in April 2019. See “Financial Information – Description of Major Components of Our Results of Operations – Other Income.” Nevertheless, the government agencies may decide to reduce, eliminate, cancel or require us to refund such tax preferences at any time. We cannot assure you of the continued availability of the tax preferences which we currently benefit from. The reduction, discontinuation or delay of such preferential tax treatment could materially and adversely affect our business, financial condition and results of operations.

### RISKS RELATING TO THE GLOBAL OFFERING

**There has been no prior public market for our H Shares and the liquidity and market price of our H Shares may be volatile.**

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, and may not be an indication of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares may be materially and adversely affected.

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## RISK FACTORS

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**The liquidity, trading volume and market price of our H Shares following the Global Offering may be volatile.**

The price at which our H Shares will trade after the Global Offering will be determined by the marketplace, which may be affected by many factors, some of which are beyond our control, including:

- our financial performance;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenue and cost structures that independent research analysts, if any, may publish;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment regarding the on-demand delivery service industry and companies;
- changes in laws and regulations in the PRC;
- our actual or perceived inability to compete effectively in the market; and
- political, economic, financial and social developments in the PRC and globally.

In addition, the Hong Kong Stock Exchange has from time to time experienced significant price and volume volatility that have affected the market prices for the securities of companies quoted on the Hong Kong Stock Exchange. As a result, investors in our H Shares may experience volatility in the market price of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

**The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Shareholders, could adversely affect the market price of our Shares.**

Future sales of a substantial number of our Shares by our Directors, executive officers or Shareholders, or the perception or anticipation of such sales, could adversely impact the market price of our H Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. In addition, our unlisted shares may be converted into H Shares subject to regulatory approvals and compliance with relevant regulatory requirements. Any conversion of our unlisted shares will increase the number of H Shares available on the market and may affect the trading price of our H Shares.

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## RISK FACTORS

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While we currently are not aware of any intention of Shareholders to dispose of significant amounts of their Shares, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

**You will incur immediate and significant dilution and raising additional capital may cause further dilution or restrict our operation.**

The Offer Price of the Offer Shares is higher than the net tangible asset value per H Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible assets per Share of their Shares. If we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends, or other operating restrictions.

**The market price and trading volume of our H Shares may decline if securities or industry analysts do not publish research reports about our business, or they adversely change their recommendations regarding our Shares.**

The trading market for our H Shares may be affected by research reports about us or our business published by industry or securities analysts. The market price of our H Shares would possibly decline if one or more analysts who research us downgrade our H Shares or publish negative opinions about us regardless of the accuracy of the information. We may lose visibility in the financial markets if one or more of these analysts cease coverage of us, or fail to regularly publish reports on us, which could cause the market price or trading volume of our H Shares to decline.

**Since there will be a gap of several days between the pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading in our H Shares on the Hong Kong Stock Exchange commences.**

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

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## RISK FACTORS

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**We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.**

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering for research and development and technology infrastructure, expanding our service coverage, funding the potential acquisitions and investments and marketing and branding. See “Future Plans and Use of Proceeds.” However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

**Our Controlling Shareholders may have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders.**

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, our Controlling Shareholders will be entitled to exercise approximately 64.54% of the voting rights of the Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

**Ningbo Shunxiang may cease to be a Controlling Shareholder of our Company in the event that its Share pledge is enforced.**

On June 1, 2021, SF Taisen and Ningbo Shunxiang entered into the Voting Power Entrustment Agreement, pursuant to which Ningbo Shunxiang entrusted SF Taisen to exercise all the voting rights attached to the 66,891,800 Shares it held in the Company. As such, Ningbo Shunxiang is deemed to be acting in concert with SF Taisen and one of our Controlling Shareholders. On June 9, 2021, Ningbo Shunxiang pledged all of the Shares it held to Shenzhen Branch of China Merchants Bank Co., Ltd. (the “**Bank**”) as securities for certain loan facilities provided by such bank to Ningbo Shunxiang, representing 8.34% of the issued total share capital of the Company immediately before the Listing (the “**Share Pledge**”).

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## RISK FACTORS

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On June 22, 2021, the Bank issued a lock-up undertaking letter to the Company, pursuant to which, (a) in the period from the date of this prospectus to the six months from the Listing Date (the “**First Six Month**”), the Bank, shall not enforce the share pledge so as to cause any change to the shareholding of Ningbo Shunxiang in our Company; and (b) in the period of six months from the date on which the First Six Month expires (the “**Second Six Month**”), the Bank, as applicable, shall not enforce the share charge to the extent that, immediately following the enforcement of the share charge, Ningbo Shunxiang will cease to be a Controlling Shareholder of our Company. In the event that the Bank enforces the Share Pledge within the Second Six Month in such manner as aforementioned, Ningbo Shunxiang will still remain as part of the Controlling Shareholder group of the Company given the Bank shall not fully enforce the Share Pledge to make Ningbo Shunxiang cease to hold any Share in the Company, and SF Taisen will be entitled to exercise the voting rights attached to approximately not less than 57.38% (assuming the issue of 131,180,800 Shares under the Global Offering, and the Over-allotment Option is not exercised) of the total issued share capital of the Company. In the event that the Bank fully enforces the Share Pledge following the expiry of the Second Six Month, Ningbo Shunxiang will cease to be a Shareholder (or a Controlling Shareholder) of the Company, and SF Taisen will continue to be entitled to exercise the voting rights attached to approximately 57.38% (assuming the issue of 131,180,800 Shares under the Global Offering, and the Over-allotment Option is not exercised and that the Company does not issue any new Shares after Listing) of the total issued share capital of the Company, in which case, the Controlling Shareholder group will comprise of Mr. Wang Wei, Mingde Holding, SF Holding, SF Taisen, SF Holding Limited, SF Technology and Intra-city Tech. See “Substantial Shareholders – Share pledge by Controlling Shareholder” for potential impact on the Group and its shareholding structure in the event that the Bank enforces the share pledge and other details.

### **We may not be able to distribute dividends to our shareholders.**

We cannot assure you when and in what form dividends will be paid on our H Shares after the Global Offering. The declaration and distribution of dividends is at the discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient profits, if any, to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. We currently intend to retain most, if not all, of our available funds and any future earnings after the Global Offering to fund our business operations. As a result of the above, we cannot assure you that we will be able to make dividend payments on our Shares in the future. See “Financial Information – Dividend.”

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## RISK FACTORS

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**There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various publicly available official sources and various independent third-party sources, including the industry expert reports, contained in this document.**

This prospectus, particularly the section headed “Industry Overview,” contains information and statistics relating to China’s on-demand delivery service industry and other economic data. Such information and statistics have been derived from publicly available sources and a third-party report by iResearch commissioned by us. We believe that the sources of the information are appropriate for such information, and we have taken reasonable care in extracting and reproducing such information. However, the information from official government publications may not be consistent with information available from other sources within or outside the PRC and Hong Kong, and it has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. You should therefore not place undue reliance on information from official government publications and should consider carefully the importance placed on such information or statistics.

**You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.**

There may be, subsequent to the date of this prospectus but prior to completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contains, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.



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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transaction after the Listing which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent shareholders' approval requirements (as the case may be) in respect of the transactions under Chapter 14A of the Listing Rules.

See the section headed "Connected Transactions" in this prospectus for details.

### WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules our Company must have sufficient management presence in Hong Kong, which normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. We currently have three executive Directors, namely, Mr. Sun Haijin, Mr. Tsang Hoi Lam and Mr. Chen Lin. Mr. Tsang is ordinarily resident in Hong Kong, and Mr. Sun and Mr. Chen have been and are expected to continue to be based in the PRC. Given that (i) our core business operations are principally located, managed and conducted in the PRC; (ii) the Company's head office is situated in Shenzhen, the PRC, most of our executive Directors and senior management team principally reside in the PRC; and (iii) the management and operation of our Company have mainly been under supervision of the executive Directors and senior management of our Company, who are principally responsible for the overall management, corporate strategy, planning, business development and control of our Company's business, and it is important for them to remain in close proximity to the Company's operation located in the PRC, we consider that it would be more practical for most of our executive Directors and senior management to remain ordinarily resident in the PRC where our Company has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules. We will ensure that there are adequate and efficient arrangements, which are in line with the Guidance Letter HKEX-GL9-09 issued by the Hong Kong Stock Exchange, to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

**1. Authorized representatives:** we have appointed Mr. Tsang Hoi Lam and Ms. Liu Jia as the authorized representatives ("Authorized Representatives") for the purpose of Rules 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of



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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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communication with the Stock Exchange and would be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange. Although Ms. Liu resides in the PRC, she possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See the section headed “Directors, Supervisors and Senior Management” in this prospectus for more information about our Authorized Representatives.

**2. Directors:** to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details of each of our Directors. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange.

**3. Compliance Adviser:** we have appointed Guotai Junan Capital Limited as our compliance adviser (the “Compliance Adviser”) in compliance with Rules 3A.19 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of the Company with the Stock Exchange during the period from the Listing Date to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

**4. Joint Company secretaries:** we have appointed Mr. Tsang, who is a Hong Kong resident, as one of our joint company secretaries. Mr. Tsang will maintain constant contact with other Directors and senior management team members through various means.

### JOINT COMPANY SECRETARY

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, the Company must appoint an individual, who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a Member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles they played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Tsang Hoi Lam and Ms. Liu Jia as the joint company secretaries of our Company. Mr. Tsang is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsang is a Hong Kong resident and is qualified to act as a joint company secretary of our Company. Ms. Liu is currently also the secretary of the Board and has substantial experience in handling corporate, legal and regulatory compliance and administrative matters relating to our Company but personally does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. However, Ms. Liu joined our Group in 2019 and possesses relevant understanding and knowledge relating to the business operations and corporate culture of our Group. Ms. Liu also owns abundant experiences in the matters relating to the Board and corporate governance of our Company, and therefore the Board considers that Ms. Liu is capable of discharging the functions of a joint company secretary and is a suitable person to perform such role.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on the conditions that (a) we engage Mr. Tsang, who meets the requirements under Rules 3.28 and 8.17, as a joint company secretary, to work together with Ms. Liu in discharging the functions as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules; and (b) the waiver can be revoked

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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if there are material breaches of the Listing Rules by our Company. The waiver may be revoked if Mr. Tsang, during the three-year period, ceases to work together with Ms. Liu. Upon expiry of the three-year period, we will evaluate Ms. Liu's experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, if we will appoint Ms. Liu Jia as the company secretary taking into consideration the factors including promoting gender diversity of the senior management team, the Company expects to liaise with the Stock Exchange to demonstrate to the satisfaction of the Stock Exchange that Ms. Liu, having had the benefit of the cooperation with Mr. Tsang for approximately three years, would then have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules to act as the company secretary of the Company without a further waiver.

For further details about the qualifications and experience of Mr. Tsang and Ms. Liu, see "Directors, Supervisors and Senior Management – Joint company secretaries".

### **WAIVER IN RESPECT OF PUBLIC FLOAT REQUIREMENTS**

Rule 8.08(1)(a) of the Listing Rules provides that there must be an open market in the securities for which listing is sought. It normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital. Rule 8.08(1)(b) of the Listing Rules provides that where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares, having an expected market capitalization at the time of listing of not less than HK\$125,000,000.

We have applied to the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules to grant, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules so that the minimum percentage of our Shares from time to time held by the public will be the higher of (a) 24.78% and (b) such percentage of H Shares to be held by the public after the exercise of the Over-allotment Option, of the enlarged issued share capital of the Company, subject to our confirmation that we will:

- (a) disclose such lower percentage of the public float in this Prospectus;
- (b) have an expected market capitalisation of over HK\$10 billion at the time of Listing and there will be an open market for our Shares upon completion of the Global Offering;
- (c) announce the percentage of H Shares held by the public immediately after the completion of the Global Offering (before any exercise of the Over-allotment Option) and upon any exercise of the Over-allotment Option such that the public will be informed of the minimum public float requirement applicable to the Company;

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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- (d) there will be an open market in the H Shares, and the number of H Shares to be held by the public and their distribution would enable the market to operate properly with a lower percentage;
- (e) confirm the sufficiency of public float in successive annual reports after the Listing;
- (f) implement appropriate measures and mechanisms to ensure continual maintenance of the minimum 24.78% public float of H Shares (or such higher percentage upon the completion of any exercise of the Over-allotment Option); and
- (g) in the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Directors will take appropriate steps to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors (including any proposed Director who is named as such in this prospectus), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **PRC REGULATORY APPROVAL**

We have obtained the approval from the CSRC dated September 30, 2021 for undertaking the Global Offering and the making of the application to list our H Shares on the Stock Exchange. In granting such approval, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus.

### **THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS**

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 13,118,200 Offer Shares and the International Offering of initially 118,062,600 Offer Shares (subject, in each, to reallocation on the basis as set out in “Structure of the Global Offering.”)

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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Neither the delivery of this prospectus nor any subscription made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus. Further information regarding the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” and the procedures for applying for our Offer Shares are set out in “How to Apply for Hong Kong Offer Shares” in this prospectus.

For details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization, see “Structure of the Global Offering”.

### **INFORMATION ON THE CONVERSION OF UNLISTED FOREIGN SHARES INTO H SHARES**

The Company has applied for the Conversion of Unlisted Foreign Shares into H Shares, which involves 100,160,542 Shares held by Shining Star, Duckling Fund, Green Juice II, Asia Strategic II, Stonebridge 2020, BAI GmbH, Idea Flow, TB Bullet, Nation Sky and BAI HK. Please refer to the section headed “Share Capital” for details of these Shareholders and their interests in the Company and relevant procedures for the Conversion of Unlisted Foreign Shares into H Shares. Such H Shares to be converted from Unlisted Foreign Shares are restricted from trading for a period of one year after the Listing.

The Conversion of Unlisted Foreign Shares into H Shares has been approved by the CSRC in its approval letter dated September 30, 2021 and is still subject to the approval by the Hong Kong Stock Exchange.

### **PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES**

The procedure for applying for the Hong Kong Offer Shares is set forth in “How to Apply for Hong Kong Offer Shares” in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares outside Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

### **UNDERWRITING**

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. For further details on the Underwriters and the underwriting arrangements, see “Underwriting”.

### **APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE**

We have applied to the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option). Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Tuesday, December 14, 2021. Except as otherwise disclosed in this prospectus, no part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Hong Kong Stock Exchange.

### **H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Settlement Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time



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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted in to CCASS.

### REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained by us at our headquarter in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty.

### DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of the Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

According to the Guide to the Program for "Full Circulation" of H shares promulgated by China Securities Depository and Clearing Corporation Limited ("CSDC") on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

### REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Tricor Investor Services Limited, our H Share Registrar, and it has agreed not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;
- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences, disputes and claims concerning our affairs and arising from any rights or obligations



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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws, rules and regulations to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors, senior officers whereby such Directors, Supervisors, senior officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined in the Hong Kong Listing Rules) of any of the Directors, Supervisors or an existing Shareholder of the Company or a nominee of any of the foregoing.

### PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

### LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages. In the event of any inconsistency, the Chinese version shall prevail.

### ROUNDING

Certain amounts and percentage figures, such as share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8223, Renminbi into U.S. dollars at the rate of US\$1.00 to RMB6.4065 and Hong Kong dollars into U.S. dollars at the rate of US\$1.00 to HK\$7.7910. The RMB to HK\$ and US\$ to RMB exchange rates are quoted by the China Foreign Exchange Trade System for foreign exchange transactions prevailing on November 12, 2021.

No representation is made that any amounts in RMB or HK\$ can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**DIRECTORS AND SUPERVISORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<b>Executive Directors</b>		
Mr. Sun Haijin	2-17C, Building 2 Zhonghai Sunshine Rose Garden No. 333, Qianhai Road Nanshan District Shenzhen	Chinese
Mr. Tsang Hoi Lam	Flat C, 15/F, Block 1 Greenfield Garden NO 2-20, Palm Street Tai Kok Tsui Hong Kong	Chinese (Hong Kong)
Mr. Chen Lin	Room 702, Block 1, Building 17 Fangrunxuan Hongze Avenue, Huaming Street Dongli District Tianjin	Chinese
<b>Non-executive Directors</b>		
Mr. Chan Fei	Room 2802, Building A Phase 2, Shuangxi Garden, Sea World Nanshan District Shenzhen	Chinese (Hong Kong)
Mr. Xu Zhijun	Room 6B, Building 29 Cuihua Garden Huali Road Luohu District Shenzhen	Chinese
Mr. Li Qiuyu	Room 11E, Building 6 Donghai Garden No. 28, Xianglin Road Futian District Shenzhen	Chinese

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**Independent non-executive Directors**

Mr. Chan Kok Chung, Johnny	No. 70, Cedar Drive Redhill Peninsula Tai Tam Hong Kong	Chinese (Hong Kong)
Mr. Wong Hak Kun	13th Floor, Block A1 Nicholson Tower No. 8, Wong Nai Chung Gap Road Hong Kong	Chinese (Hong Kong)
Mr. Zhou Xiang	Room 21A, Block 3 The Hermitage, Mong Kok, Kowloon Hong Kong	Chinese (Hong Kong)

**Supervisors**

Mr. Yang Zunmiao	Yikang Building Shantou Street Overseas Chinese Town Nanshan District Shenzhen	Chinese
Mr. Wu Guozhong	Room 10B, Building 8, Phase I, Haiyin Great Wall Community No. 200 Haide Yi Road Nanshan District Shenzhen	Chinese
Ms. Su Xiaohui	A-1711, Building 1 Great Wall Building No. 2, Baihua 4th Road Futian District Shenzhen	Chinese

See “Directors, Supervisors and Senior Management” for the biographies and other relevant information.

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**PARTIES INVOLVED IN THE GLOBAL OFFERING**

<b>Name</b>	<b>Address</b>
<b>Joint Sponsors</b> <i>(in alphabetical order)</i>	<b>China International Capital Corporation Hong Kong Securities Limited</b> 29/F, One International Finance Center 1 Harbour View Street Central Hong Kong
	<b>Merrill Lynch (Asia Pacific) Limited</b> Level 55, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
<b>Joint Global Coordinators</b>	<b>China International Capital Corporation Hong Kong Securities Limited</b> 29/F, One International Finance Center 1 Harbour View Street Central Hong Kong
	<b>Merrill Lynch (Asia Pacific) Limited</b> Level 55, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	<b>Credit Suisse (Hong Kong) Limited</b> Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	<b>Huatai Financial Holdings (Hong Kong) Limited</b> 62th Floor, The Center 99 Queen's Road Central Central Hong Kong

**Joint Bookrunners**

**China International Capital Corporation**

**Hong Kong Securities Limited**

29/F, One International Finance Center

1 Harbour View Street

Central

Hong Kong

**Merrill Lynch (Asia Pacific) Limited**

Level 55, Cheung Kong Center

2 Queen's Road Central

Central

Hong Kong

**Credit Suisse (Hong Kong) Limited**

Level 88, International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

**Huatai Financial Holdings (Hong Kong) Limited**

62th Floor, The Center

99 Queen's Road Central

Central

Hong Kong

**CLSA Limited**

18/F, One Pacific Place

88 Queensway

Hong Kong

**CMB International Capital Limited**

45th Floor, Champion Tower

Three Garden Road

Central, Hong Kong

**ABCI Capital Limited**

11/F, Agricultural Bank of

China Tower, 50 Connaught

Road Central, Hong Kong

**Futu Securities International  
(Hong Kong) Limited**

Unit C1-2 13/F United Centre

No. 95 Queensway

Admiralty Hong Kong

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**Joint Lead Managers****China International Capital Corporation****Hong Kong Securities Limited**

29/F, One International Finance Center

1 Harbour View Street

Central

Hong Kong

**Merrill Lynch (Asia Pacific) Limited**

Level 55, Cheung Kong Center

2 Queen's Road Central

Central

Hong Kong

**Credit Suisse (Hong Kong) Limited**

Level 88, International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

**Huatai Financial Holdings (Hong Kong) Limited**

62th Floor, The Center

99 Queen's Road Central

Central

Hong Kong

**CLSA Limited**

18/F, One Pacific Place

88 Queensway

Hong Kong

**CMB International Capital Limited**

45th Floor, Champion Tower

Three Garden Road

Central, Hong Kong

**ABCI Securities Company Limited**

10/F, Agricultural Bank of

China Tower, 50 Connaught

Road Central, Hong Kong

**Futu Securities International  
(Hong Kong) Limited**

Unit C1-2 13/F United Centre

No. 95 Queensway

Admiralty Hong Kong

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## DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### **Legal Advisors to Our Company**

*As to Hong Kong and U.S. laws:*

**Clifford Chance**

27/F, Jardine House  
One Connaught Place  
Hong Kong

*As to PRC laws:*

**Jia Yuan Law Offices**

Room F408, Ocean Plaza  
158 Fuxing Men Nei Street  
Xicheng District  
Beijing  
PRC

### **Legal Advisors to the Joint Sponsors and the Underwriters**

*As to Hong Kong and U.S. laws:*

**Herbert Smith Freehills**

23/F, Gloucester Tower  
15 Queen's Road Central  
Hong Kong

*As to PRC laws:*

**Tian Yuan Law Firm**

10/F, Tower B  
China Pacific Insurance Plaza  
No. 28 Fengsheng Lane  
Xicheng District  
Beijing  
PRC

### **Auditor and Reporting Accountant**

**PricewaterhouseCoopers**

*Certified Public Accountants*  
*Registered Public Interest*  
*Entity Auditor*  
22/F, Prince's Building  
Central  
Hong Kong

### **Compliance Adviser**

**Guotai Junan Capital Limited**

27/F, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong



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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**Industry Consultant****Shanghai iResearch Co., Ltd.**

3/F, Tower B, SOHO II

No. 9 Guanghua Road

Chaoyang District

Beijing

PRC

**Receiving Bank****Bank of China (Hong Kong) Limited**

1 Garden Road

Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Room 1626, 16th Floor Chenchuang Building NO.198, Zhoushan East Road Gongshu District, Hangzhou City Zhejiang Province PRC
<b>Headquarters and Principal Place of Business in the PRC</b>	Floor 1A-21 Software Industry Base Nanshan District Shenzhen City Guangdong Province PRC
<b>Principal Place of Business in Hong Kong</b>	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Company's Website</b>	<u><a href="https://www.sf-cityrush.com/">https://www.sf-cityrush.com/</a></u> <i>(This website and the information contained on this website do not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	<p>Mr. Tsang Hoi Lam (CPA) Room 1626, 16th Floor Chenchuang Building NO.198, Zhoushan East Road Gongshu District, Hangzhou City Zhejiang Province PRC</p> <p>Ms. Liu Jia Room 1626, 16th Floor Chenchuang Building NO.198, Zhoushan East Road Gongshu District, Hangzhou City Zhejiang Province PRC</p>

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## CORPORATE INFORMATION

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### Authorised Representatives

Mr. Tsang Hoi Lam  
Room 1626, 16th Floor  
Chenchuang Building  
No. 198, Zhoushan East Road  
Gongshu District, Hangzhou City  
Zhejiang Province  
PRC

Ms. Liu Jia  
Room 1626, 16th Floor  
Chenchuang Building  
No. 198, Zhoushan East Road  
Gongshu District, Hangzhou City  
Zhejiang Province  
PRC

### Audit Committee

Mr. Wong Hak Kun (*Chairman*)  
Mr. Chan Kok Chung, Johnny  
Mr. Li Qiuyu

### Nomination Committee

Mr. Chan Fei (*Chairman*)  
Mr. Chan Kok Chung, Johnny  
Mr. Zhou Xiang

### Remuneration Committee

Mr. Chan Kok Chung, Johnny (*Chairman*)  
Mr. Wong Hak Kun  
Mr. Chan Fei

### H Share Registrar

**Tricor Investor Services Limited**  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Principal Banks

**Industrial Bank Co., Ltd.**  
**Shenzhen Branch**  
Industrial Bank Building  
No. 4013, Shennan Avenue  
Futian District  
Shenzhen

**China Merchant Bank Co., Ltd.,**  
**Shenzhen Branch**  
China Merchant Shenzhen Branch Building  
No. 2016, Shennan Avenue  
Futian District  
Shenzhen

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## INDUSTRY OVERVIEW

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*This section contains certain information, statistics and data which are derived from official government publications and industry sources as well as a commissioned report from iResearch, an Independent Third Party (the “iResearch Report”). The information from official government publications may not be consistent with information available from other sources within or outside the PRC and Hong Kong. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information derived from official government publications has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy.*

### SOURCE OF INFORMATION

We commissioned iResearch, an independent market intelligence provider that provides market research, information and advice to companies in various industries, to conduct a detailed analysis of the PRC on-demand delivery service market and other related economic data. We have agreed to pay a total of RMB600,000 in fees for the preparation of the iResearch Report. Figures and statistics provided in this prospectus and attributed to iResearch or the iResearch Report have been extracted from the iResearch Report and are published with the consent of iResearch.

During the preparation of the iResearch Report, iResearch conducted primary research that involved discussion of industry status with leading industry players and industry experts, as well as secondary research that involved reviewing company reports, independent research reports and iResearch’s own database.

iResearch prepared the iResearch Report based on the following assumptions: (i) the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, ensuring the stable and healthy growth of the PRC on-demand delivery service market and related industries; (ii) the economy in China and in the relevant markets is likely to maintain steady growth in the next decade; (iii) the food delivery market gradually recovers when the COVID-19 pandemic generally comes under control; and (iv) the local retail market, the local e-commerce market and the local services market, which grew rapidly during the COVID-19 pandemic, will continue to maintain a relatively high growth rate, benefiting from consumption habits formed during the COVID-19 pandemic. The reliability of the iResearch Report may be affected by the accuracy of the foregoing assumptions and factors.

### THE NEW CONSUMPTION ERA IS COMING

China is one of the largest and fastest growing economies in the world. The domestic demand grows into a stronger basis for China's consumer market.

The new consumption era is coming. The prosperous macroeconomy, technological advancements, continuous expansion into lower-tier cities and increasingly sophisticated customer needs underpin the rapid development of new consumption. The consumer market is entering a new era, which features new business forms, new consumption models, new service scenarios and new customer groups.

- ***New business forms and new consumption models:*** There is an increasing trend for consumer market players to develop multi-channel strategies: internet platforms are exploring offline operations while brick-and-mortar retailers are accelerating digital transformation and upgrades.
- ***New service scenarios:*** The consumption structure is transforming from basic consumption to service and leisure consumption. Customers of the new consumption era demand more individualized experience. Evolving diverse consumption scenarios are also widely expanding the consumption demand base.
- ***New customer groups:*** The new customer groups have more differentiated and individualized needs. Besides, stronger spending power forms the overall basis for customers' willingness to pay more for technology, innovation and convenience.

### CHINA'S LOCAL CONSUMER MARKET MAINTAINS STEADY GROWTH IN THE NEW CONSUMPTION ERA

The local consumer market is where consumers purchase retail goods and enjoy lifestyle services with both the buyer and the seller of the transaction being located in the same region. New business forms, new consumption models, new service scenarios and new customer groups of the new consumption era bring about the following new trends for China's local consumer market:

***The gathering of retail participants to the local consumer market.*** Under the trend of online and offline business integration, consumer industry players across different retail sectors have gathered in the local consumer market, increasing online penetration. Increasingly diverse supply-side participants are continuously enriching and invigorating the local consumer industry.

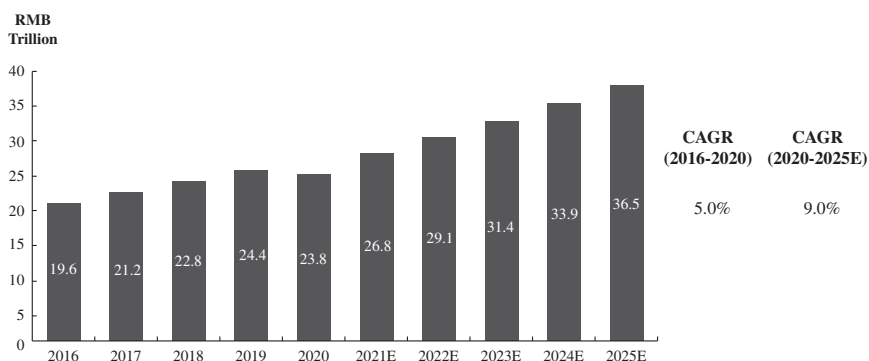
***The expansion of service scenarios centered around consumers' daily life.*** Other than consumption scenarios of necessities, diverse new service scenarios such as food and beverage delivery at non-typical mealtime and other lifestyle services are being explored to suit new consumption demand. Existing scenarios are continuously upgrading along with the accelerated formation of new consumption patterns.

## INDUSTRY OVERVIEW

***The increased willingness to pay for convenience.*** New customer groups tend to pay more for technology, innovation and convenience, giving rise to new products, new brands and new business models.

Growing in line with China's consumer market, China's local consumer market size increased from RMB19.6 trillion in 2016 to RMB23.8 trillion in 2020, representing a CAGR of 5.0%. It is estimated that China's local consumer market size will further increase from RMB23.8 trillion in 2020 to RMB36.5 trillion in 2025, representing a CAGR of 9.0%. The table below sets out China's local consumer market size by transaction value from 2016 to 2025.

**China's Local Consumer Market Size by Transaction Value**

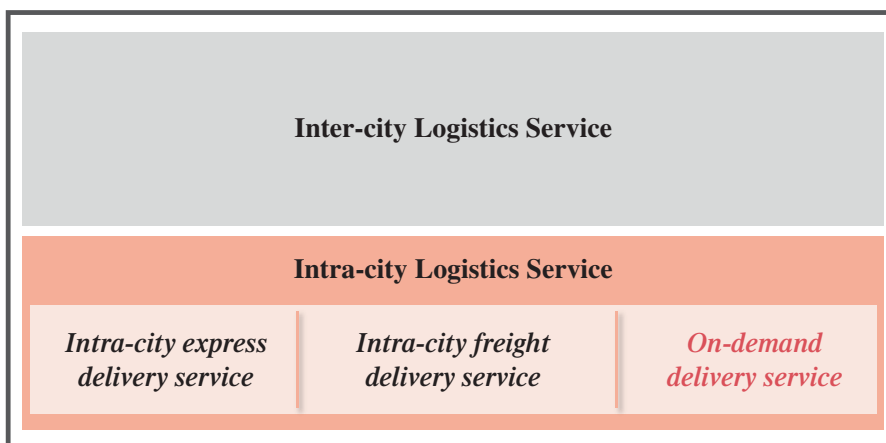


Source: the iResearch Report

## CHINA'S INTRA-CITY LOGISTICS SERVICE INDUSTRY

The road freight service is the backbone of China's logistics service industry and represents the addressable market of goods being transported by vehicles on the roads. Based on the distance of delivery, the road freight service industry can be categorized into two segments: the intra-city logistics service and the inter-city logistics service.

The following chart shows the segments comprising China's road freight service industry:



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## INDUSTRY OVERVIEW

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The intra-city logistics service industry in China primarily consists of intra-city express delivery service, intra-city freight delivery service and on-demand delivery service. These three delivery services differ in terms of their target businesses, main service scenarios and pricing models.

- ***Intra-city express delivery service:*** intra-city express delivery service mainly focuses on parcel deliveries within the same city. Such service involves multiple intermediate steps such as first-mile pick-up and storage, short-haul transport, sorting, storage and last-mile delivery at delivery outlets. Multiple personnel from a number of functional departments are involved including couriers, drivers and sorting personnel, and the parcel is generally picked up and delivered by different couriers. The average delivery time for intra-city express delivery service is approximately one to two days. The pricing of the service is calculated based on various factors including weight of parcels, size of parcels and storage conditions;
- ***Intra-city freight delivery service:*** intra-city freight delivery service mainly focuses on deliveries of large and heavy items or large quantities of items using larger vehicles. It offers cost-effective solutions for businesses with the need to ship large items such as tires, as well as for customers with the need to move large items such as furniture. The pricing of the service is calculated based on various factors including distance, weight of items, type of vehicles, traffic restrictions on delivery routes and labor costs for moving;
- ***On-demand delivery service:*** on-demand delivery service mainly focuses on point-to-point deliveries of food, beverages, 3C electronics and others. Such service is provided by on-demand delivery platforms, either third-party or affiliated with centralized marketplaces. The average delivery time is within several hours by one rider. The pricing of the service is calculated based on various factors including distance, weight of items, real-time spot of riders relative to starting and ending points, peak/low hours, weather conditions, seasons, number of orders each rider receives and customized delivery requirements. As a sub-segment of the on-demand delivery service industry, the last-mile delivery service features the typical characteristics of on-demand delivery service, including that it is point-to-point delivery without intermediate steps, and that it is typically completed within several hours by one rider via a dynamic and optimized delivery route. The last-mile delivery service is mainly offered as a supplement to the logistics service providers, which helps relieve their delivery pressure during peak hours and offsets the effect of off-peak periods.

The on-demand delivery service providers generally adopt business models different from those adopted by express delivery service providers in terms of the following aspects:

- (i) **Business Models:** On-demand delivery service providers operate through an asset-light business model without holding or operating any material properties or assets such as sorting hubs and sorting equipment, while express delivery companies generally leverage fixed assets such as outlets and warehouses;

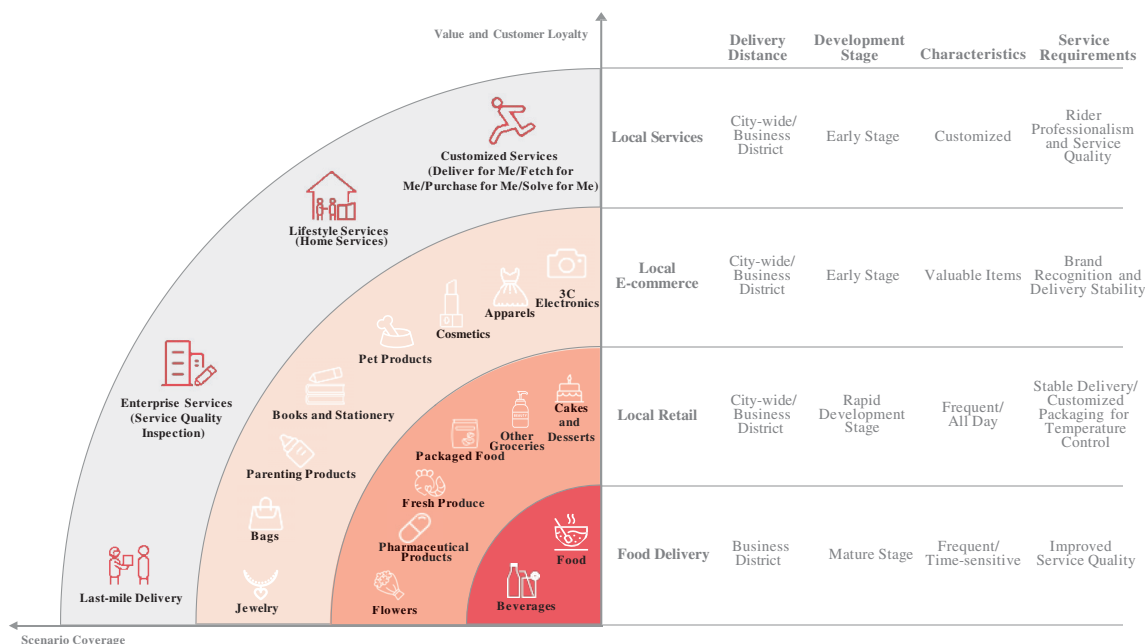
## INDUSTRY OVERVIEW

- (ii) **Different Fulfillment Solutions:** On-demand delivery service flexibly caters to diverse customer demands, while express delivery involves fixed routes, shifts and a schedule of intermediate steps attending to scheduled or long-distance delivery demands;
- (iii) **Target Customers:** On-demand delivery service providers generally target customers with instant and time-sensitive demands for delivery, while express delivery service providers generally target customers with less urgent, more scheduled and predictable delivery demands, as well as integrated logistics solution demands including supply chain management demands; and
- (iv) **Pricing Model:** On-demand delivery service is priced based on various factors including distance, riders' capacity, weather conditions, time-sensitivity of orders and peak hours, while express delivery service is priced based on fixed factors such as weight, size, and storage conditions of parcels.

## CONTINUOUS EXPANSION OF ON-DEMAND DELIVERY SERVICE COVERAGE DRIVEN BY THE NEW CONSUMPTION

Along with the rapid transformation of the local consumer market, the service scenarios of on-demand delivery have expanded from food delivery to various local consumption scenarios.

### Scenarios of China's On-demand Delivery Service Industry



Source: the iResearch Report



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## INDUSTRY OVERVIEW

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There are four main scenarios in the local consumer market with different service requirements:

- **Food delivery:** A mature scenario serving as the demand bedrock for on-demand delivery services. It generally covers delivery of food and beverages.
- **Local retail:** A growth scenario driven by the trend of online and offline integration in the retail industry. It generally covers delivery of fresh produce, flowers, cakes and desserts and other groceries.
- **Local e-commerce:** A growth scenario driven by the needs of e-commerce merchants to improve on-demand supply capabilities to acquire local market traffic. It generally covers delivery of 3C electronics, apparels and bags, jewelry, cosmetics, books and stationery.
- **Local services:** A growth scenario driven mainly by needs of consumers and businesses for on-demand customized services. It generally covers running errands for consumers, lifestyle services, enterprise services that meet business needs and last-mile delivery.

### The Impact of the COVID-19 Pandemic

Affected by the COVID-19 pandemic, the growth of order volume of China's on-demand delivery service industry slowed down in 2020 but is expected to recover after the pandemic. For food delivery, though customer demand decreased at the outset of the COVID-19 pandemic due to increasing concerns for food safety, the demand for food delivery bounced back due to effective control measures and the resumption of production. In addition, for local retail, local e-commerce and local services, customers have growing needs for on-demand delivery services to facilitate their increasing online purchases. As a result, the local retail market, the local e-commerce market and the local services market grew rapidly during the COVID-19 pandemic and will continue to demonstrate a relatively high growth rate, benefiting from consumption habits formed during the COVID-19 pandemic.

### CHINA'S ON-DEMAND DELIVERY SERVICE INDUSTRY IS GROWING RAPIDLY

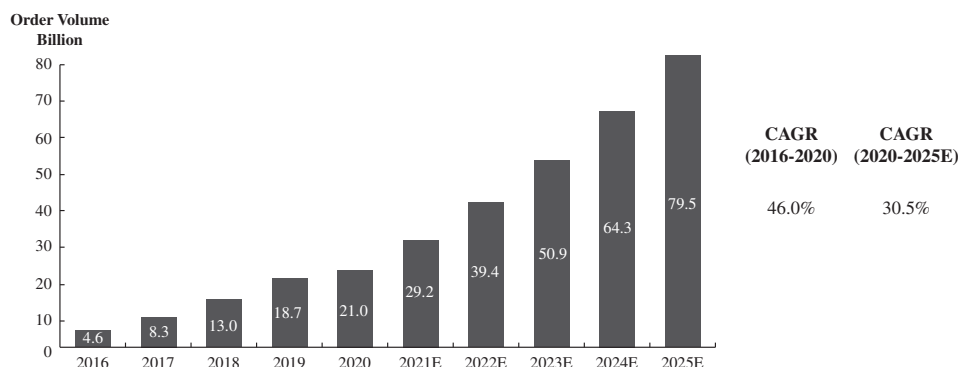
The on-demand delivery service industry in China is growing alongside the development and upgrade of the local consumer market, especially the food delivery market, in the past few years. The annual order volume in the on-demand delivery service industry increased from 4.6 billion in 2016 to 21.0 billion in 2020, representing a CAGR of 46.0%. The on-demand delivery service industry has significant growth potential, taking into account the continuous expansion of service scenarios and innovations in new business forms and consumption models. It is estimated that the annual order volume of China's on-demand delivery service industry will further increase to 79.5 billion in 2025, representing a CAGR of 30.5% from 2020 to 2025.

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## INDUSTRY OVERVIEW

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### Annual Order Volume of China's On-demand Delivery Service Industry



Source: the iResearch Report

The scenario composition of on-demand delivery service is expected to change from time to time. Prior to 2019, food delivery was the main scenario, with its order volume accounting for over 80% of that of the overall on-demand delivery service industry. The food delivery market features fluctuations in order volumes throughout the day, with peak hours occurring at mealtimes. In the future, the proportion of orders from local retail, local e-commerce and local services is expected to continue to increase and is expected to contribute more orders than food delivery from 2022 onwards, thus changing the on-demand delivery service industry landscape meaningfully. Local retail features around-the-clock demand and will help smooth out the fluctuations in riders' workload throughout the day. Local e-commerce orders will increase the overall average delivery distance and create more demand for delivering high-value objects. Local services are expected to contribute more personalized and customized orders to the industry.

#### **Food Delivery: the Demand Bedrock and Strong Growth Potential from Chain Brands as well as Beverage Delivery**

*Food delivery serves as the demand bedrock for on-demand delivery services, while chain brands are exploring online sales channels.* Food delivery is a mature scenario serving as the demand bedrock for on-demand delivery services. It generally covers the delivery of food and beverages. China's leading food service merchants are exploring online business due to the slowdown in offline sales growth as a result of the changes in consumption patterns. Currently, online sales have significant growth potential, creating an increasing need for local on-demand food delivery services.

*The growth in consumer demand for beverages contributes to the significant growth in the food delivery on-demand delivery service market.* The number of new beverage brands has grown rapidly in recent years. As consumers' needs for beverages occur throughout the day, beverage delivery is expected to be the new growth engine for the food delivery on-demand delivery service market. The number of orders for beverages is expected to increase from 2020 to 2025, representing a CAGR of 29.8%.

### **Local Retail: Multi-channel Integration Accompanied by a Significant Growth in High Frequency and Inelastic Demand Sectors**

*A growing trend for offline retailers to explore multi-channel sales accelerates the development of local retail.* Local retail is a growth scenario driven by the trend of online and offline integration in the retail industry. It generally covers delivery of fresh produce, flowers, cakes, desserts and other groceries. Retailers are exploring multi-channel coverage through e-commerce platforms, apps and WeChat groups to develop online business and community group purchases, enabling them to reach various consumer groups more efficiently and effectively while meeting consumer demand for convenient and high-quality consumption experience.

*The growth of high frequency and inelastic demand.* Local retail delivery order volume growth is driven by online penetration of high frequency and inelastic demand sectors such as fresh produce and supermarket merchandise. Such growth is expected to surpass that of food delivery. The number of orders for fresh produce and supermarket merchandise is expected to increase from 2020 to 2025, representing a CAGR of 42.2% and 32.7%, respectively.

### **Local E-commerce: Scenarios including 3C Electronics, Apparel and Cosmetics Feature Significant Growth Potential**

*Consumer demand drives retailers to enter the local e-commerce market.* Local e-commerce is a growth scenario driven by the needs of e-commerce merchants to improve on-demand supply capabilities to acquire local market traffic. It generally covers delivery of 3C electronics, apparels and bags, jewelry, cosmetics and others. Rapid development of local on-demand delivery in food and local retail has increased consumers' expectations in relation to faster delivery. Led by popular chain brands, participants in the retail industry are improving their on-demand supply capabilities and enhancing their competitiveness through flat supply chains and local online sales channels. Retailers are entering into the local e-commerce market and new business models and new scenarios will create high growth potential for the on-demand delivery service industry.

*Local traffic value and supply chain advantages drive the transformation of nationwide online retail to local e-commerce.* Local traffic has become increasingly important and local retail channels have become more critical for enhancing consumer experience and achieving sales conversion. From a supply chain perspective, the local e-commerce market brings the benefits of higher inventory turnover, easier handling of product return and exchange and shorter settlement cycles, driving merchants to transform their nationwide retail network into local e-commerce networks. Local e-commerce currently accounts for a small portion of China's overall e-commerce market, indicating compelling growth and transformation potential.

*Local e-commerce for 3C electronics, apparel and cosmetics address pain points of traditional online purchases with on-demand delivery.* 3C electronics, apparel and cosmetics are the three major scenarios under local e-commerce, with their respective expected transaction values under local e-commerce reaching the level of hundreds of billions of RMB in 2022. Local e-commerce, combining the advantages of both local and online perspectives, addresses the pain points of traditional online purchases such as inconvenient return and

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## INDUSTRY OVERVIEW

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exchange. In addition, local e-commerce caters to consumers' increasing demand for online purchases with higher repurchase frequency and market familiarity. The number of orders for 3C electronics, cosmetics and apparel is expected to increase from 2020 to 2025, representing a CAGR of 107.2%, 83.0% and 70.1%, respectively.

### **Local Services: Service Consumer Market has Large Potential while Order Fulfillment Outsourcing and New Business Scenario Expansion Drive Further Growth of Industry Demand**

Local services is a growth scenario driven mainly by the needs of consumers and businesses for on-demand customized services. Consumers have grown accustomed to on-demand consumption patterns. In the next few years, local services are expected to grow significantly due to consumers' increasing demand for improved convenience in their lifestyles. For example, the number of orders for running errands is expected to increase from 2020 to 2025, representing a CAGR of 40.8%.

*Cost and operation management complexities create needs for outsourcing order fulfillment.* Due to increasing labor costs, varied peak hours of increasing delivery scenarios and complexities in operation management, local services enterprises, especially those without their own delivery teams, tend to outsource order fulfillment operations to reduce costs while improving order fulfillment efficiency.

*On-demand delivery service platforms have created new business scenarios for local services, stimulating significant customer demand.* On-demand delivery service platforms with extensive customer reach gather market insights and develop new local services scenarios. For example, on-demand delivery service platforms explore running errands tasks such as delivering and fetching laundry and fetching clothes from local stores for consumers' try-on. With increasing consumer needs for convenience, more new scenarios will be explored, stimulating greater demand for local services.

### **The Whole-Scale Increase in Demand Across Cities and Counties is Expected to Drive Up the Demand for On-demand Delivery Services**

The increase in consumer demand turns up across cities and counties. For example, the consumption of food, cigarettes and alcohol per capita, which typically indicates willingness of daily on-demand consumption, increases across all tiers of cities and that in lower-tier cities and counties grew faster than in first-tier cities. Specifically, the consumption per capita of residents in first-tier cities increased from RMB10,449 in 2016 to RMB12,244 in 2020, representing a CAGR of 4.0%; the consumption per capita of residents in second-tier cities increased from RMB8,199 in 2016 to RMB10,075 in 2020, representing a CAGR of 5.3%; and the consumption per capita of residents in lower-tier cities and counties increased from RMB4,475 in 2016 to RMB5,779 in 2020, representing a CAGR of 6.6%. Taken together, the whole-scale increase in demand across cities and counties is expected to drive up the demand for on-demand delivery services.

### BUSINESS FORM INNOVATION GIVES RISE TO THIRD-PARTY ON-DEMAND DELIVERY INFRASTRUCTURE

An increasing number of merchants are building their proprietary customer acquisition channels, enhancing customer reach and loyalty. Meanwhile, emerging business forms and extended boundaries of service scenarios lead to an increasing demand for more customized and diverse on-demand delivery services. Such trends give rise to third-party on-demand delivery services. As key delivery infrastructure, third-party on-demand delivery service providers feature the following strengths:

- ***Neutral and open:*** Third-party on-demand delivery service providers offer a more professional and customized delivery service matrix. They support orders from more diverse channels and offer merchants scalable, open and around-the-clock delivery service.
- ***Inclusive and mutually beneficial:*** Third-party on-demand delivery service providers offer merchants of varying sizes an open and inclusive on-demand delivery network, offer consumers professional, reliable and around-the-clock on-demand services covering varied everyday scenarios, and offer riders attractive earning opportunities and sustainable and flexible working arrangements. This drives a virtuous growth cycle for the industry by fostering collaborations in the industry and in turn motivates all delivery industry players to offer more efficient services and create a friendly working environment for riders.
- ***Fair and trustworthy:*** Third-party on-demand delivery service providers empower merchants with high-quality, efficient and stable services and support them to build proprietary customer acquisition channels. Such providers have become the trusted partners of fast-growing emerging businesses, supporting evolving new business forms.

### THIRD-PARTY ON-DEMAND DELIVERY SERVICE INDUSTRY IS GROWING RAPIDLY

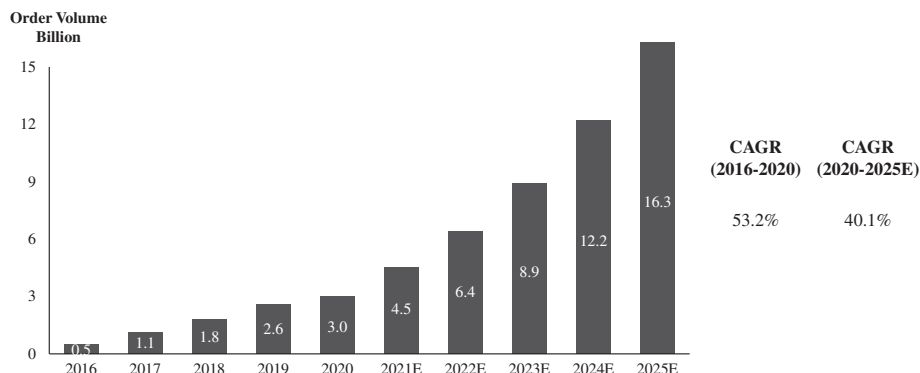
The third-party on-demand delivery service industry has experienced rapid growth in recent years due to its fairness, innovation and openness, which, in particular, caters to the needs of more merchants who are building their proprietary customer acquisition channels. The annual order volume in the third-party on-demand delivery service industry increased from 0.5 billion in 2016 to 3.0 billion in 2020, representing a CAGR of 53.2%. Also, third-party on-demand delivery service will cover more consumption categories along with the new consumption development. It is estimated that the annual order volume of the third-party on-demand delivery service industry will further increase to 16.3 billion in 2025, representing a CAGR of 40.1% from 2020 to 2025.

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## INDUSTRY OVERVIEW

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### Annual Order Volume of China's Third-Party On-demand Delivery Service Industry



Source: the iResearch Report

- (1) Unless otherwise stated in this prospectus, the calculation of order volume for the purpose of determining market share in this prospectus takes into account the number of orders sourced independently by the market players. The calculation for our number of orders excludes orders from both last-mile delivery service and intra-city delivery service attributable to SF Holding, while for other market players, the calculation generally excludes orders for these two services offered to related parties, but includes those offered to other Independent Third Parties.

### MAJOR OPPORTUNITIES OF CHINA'S THIRD-PARTY ON-DEMAND DELIVERY SERVICE INDUSTRY

The third-party on-demand delivery service industry is not only an indispensable open infrastructure of the new consumption era, but will also meet the emerging merchants' needs brought about by the development and upgrade of the local consumer market. The third-party on-demand delivery service industry has significant growth potential.

#### Diverse and Specialized Service Scenarios in the Local Consumer Market Call for Third-party On-demand Delivery Platforms' Capabilities of Providing Tailored Services.

Local consumption scenarios will be more diverse and specialized. Merchants' individualized needs, brand positioning and delivery timing requirements will be more differentiated. Merchants care more about their ability to define the service package, and need tailored fulfillment solutions.

#### Rapidly Changing Order Fulfillment Needs Stimulate Demand for Third-party On-demand Delivery Services.

In the new consumption era, order fulfillment scenarios and consumer needs are changing rapidly and merchants call for scalable and flexible on-demand delivery services to cost efficiently tailor to different scenarios and consumer needs. Platforms affiliated with centralized marketplaces cannot flexibly adjust their delivery models to suit changing order delivery needs, while scalable third-party on-demand delivery platforms are better poised to adapt to evolving consumer needs.

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## INDUSTRY OVERVIEW

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**With increasing and diverse branding and vertical development strategies, merchants have increasing need for building proprietary customer acquisition channels.**

Stronger consumer spending power and integration of service scenarios in the local consumer market drive merchants' diversifying branding and vertical development strategies. Industry-leading merchants are inclined to build proprietary customer acquisition channels to reduce the dependence on any platform affiliated with a centralized marketplace, creating demand for open and fair third-party on-demand delivery services.

### **KEY SUCCESS FACTORS FOR THE THIRD-PARTY ON-DEMAND DELIVERY SERVICE INDUSTRY**

As the demand for third-party on-demand delivery services grows rapidly, the capabilities of catering merchants' demand will be the key to success. In the future, platforms with the following core capabilities will maintain strong competitive edge:

***Strong capability of customization.*** With an increasing need to define their service package, more and more customers call for tailored delivery solutions, including the timeliness, level of service quality and delivery mode. Third-party on-demand delivery service platforms with comprehensive and customized service offerings are in a better position to meet such needs.

***Open and diverse scenario reach.*** As an open infrastructure, third-party on-demand delivery service platforms enjoy a broad customer base from diverse scenarios. Such platforms can capture great market growth and enjoy sustainable growth potential. The open and diverse scenario reach stimulates economies of scale, optimizes unit cost and benefits every participant in the industry ecosystem.

***Highly qualified and diverse rider pool.*** A reliable fulfillment service with a good track record is a key factor in earning customers' trust and orders. Supported by a highly qualified and diverse rider pool, third-party on-demand delivery service platforms can enhance operational efficiency and reliability, which leads to improved brand image and recognition.

***Solid technological infrastructure.*** As the delivery scenarios become more sophisticated and diverse, it is critical to have a solid technology foundation for order dispatching and rider scheduling, as well as operation optimization. Intelligent digitalized systems extensively empower third-party on-demand delivery service platforms to improve operational efficiency and service quality, enhancing the experience of merchants, consumers and riders.

***Independent and reliable.*** Merchants are increasingly seeking to strengthen their proprietary customer acquisition channels instead of relying on the centralized marketplaces. Delivery service platforms with independence are more reliable and in a better position to satisfy such needs, and eventually achieve mutual benefits among all participants in the ecosystem.



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## INDUSTRY OVERVIEW

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### COMPETITIVE LANDSCAPE FOR CHINA'S THIRD-PARTY ON-DEMAND DELIVERY SERVICE INDUSTRY

The on-demand delivery service providers in China can be categorized into on-demand delivery service platforms affiliated with centralized marketplaces and third-party on-demand delivery service platforms:

- ***On-demand delivery service provided by platforms affiliated with centralized marketplaces:*** an on-demand delivery service to fulfill orders from affiliated centralized marketplaces. It mainly serves merchants registered on centralized marketplaces, helping with delivery to consumers of the centralized marketplaces. Centralized marketplaces become the traffic acquisition channel of such merchants, who in such case have less flexibility in choosing delivery service providers or customized delivery services.
- ***Third-party on-demand delivery service:*** an on-demand delivery service to fulfill orders acquired from non-related parties or parties unaffiliated with centralized marketplaces, providing customers more delivery options catering to different budget requirements, delivery coverage, service time and time sensitivity.

At the early stage of development of mobile internet, many restaurants took the initiative to broaden their customer reach. Centralized marketplaces became attractive to restaurants and rapidly gained market shares. Driven by merchants' increasing need for building their proprietary traffic acquisition channels and sophisticated delivery requirements from merchants and consumers, third-party on-demand delivery platforms grew faster, with steadily growing market penetration. In 2020, the number of orders of China's third-party on-demand delivery service industry accounted for 14.4% of the total number of those of the on-demand delivery service industry, compared with 11.9% in 2016<sup>(1)</sup>, according to the iResearch Report. It is estimated that the number of orders of China's third-party on-demand delivery service industry will account for 20.5% of those of the on-demand delivery service industry in 2025.

(1) Unless otherwise stated in this prospectus, the calculation of order volume for the purpose of determining market share in this prospectus takes into account the number of orders sourced independently by the market players. The calculation for our number of orders excludes orders from both last-mile delivery service and intra-city delivery service attributable to SF Holding, while for other market players, the calculation generally excludes orders for these two services offered to related parties, but includes those offered to other Independent Third Parties.

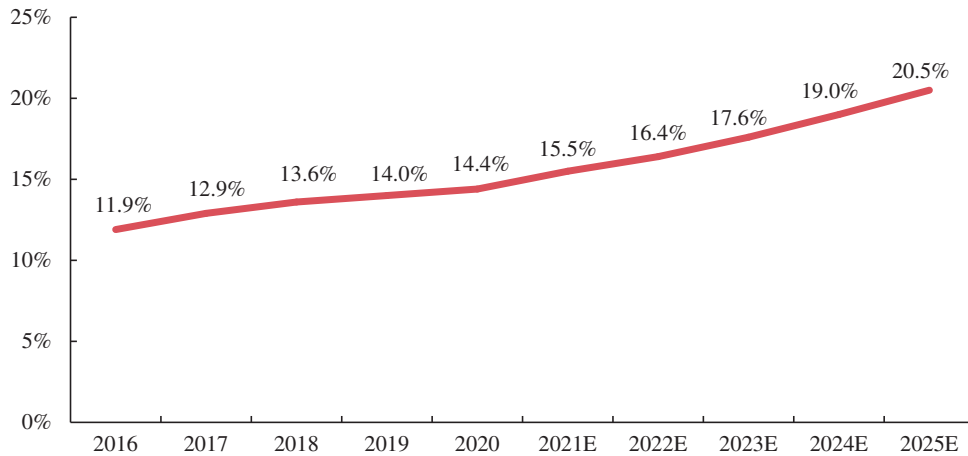


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## INDUSTRY OVERVIEW

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### Penetration of China's Third-Party On-demand Delivery Service Industry (by Order Volume)<sup>(1)</sup>



Source: the iResearch Report

(1) Penetration of Third-Party On-demand Delivery Service Industry equals the order volume of Third-Party On-demand Delivery Service Industry over that of the On-demand Delivery Service Industry

**We ranked first in the fragmented market and has become the preferred service provider among third-party on-demand delivery service providers.**

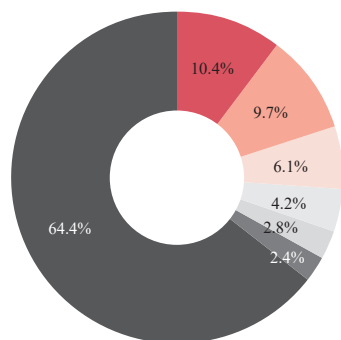
According to the iResearch Report, we were the largest third-party on-demand delivery service provider with a 10.4%, a 10.9% and an 11.1% market share in 2020, 12 months ended March 31, 2021 and three months ended March 31, 2021, respectively. We have led in building superior reputation and brand recognition among third-party on-demand delivery service providers. With its extensive delivery network and in-depth industry insights, we have adopted a multi-scenario business model, forming a solid entry barrier.

## INDUSTRY OVERVIEW

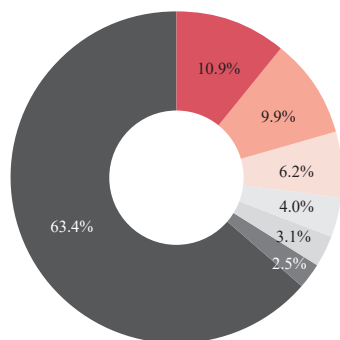
The following pie charts set out the market shares of China's third-party on-demand delivery service industry for 2020 and the 12 months ended March 31, 2021:

### Market Shares of China's Third-Party On-demand Delivery Service Industry by Order Volume

For the year ended December 31, 2020



For the 12 months ended March 31, 2021



■ SF Intra-city ■ Company A ■ Company B ■ Company C ■ Company D ■ Company E ■ Others

Source: iResearch Report

- (1) Company A is a US listed e-commerce and on-demand delivery platform which launched services in 2014, with nationwide network coverage.
- (2) Company B is an on-demand delivery platform established in 2010, with nationwide network coverage, owned by an HK listed e-commerce company.
- (3) Company C is an on-demand delivery platform established in 2014, with fulfillment services to merchants and consumers.
- (4) Company D is an on-demand delivery platform established in 2015, with nationwide network coverage, owned by a company dual-listed in Hong Kong and US.
- (5) Company E is an on-demand delivery platform established in 2015, with fulfillment services to merchants and consumers.
- (6) For the three months ended March 31, 2021, the market shares of SF Intra-city and Company A to E was 11.1%, 9.9%, 6.9%, 3.8%, 4.1% and 2.6%, respectively.

The third-party on-demand delivery service market is fragmented. Currently, many merchants' orders are fulfilled by less organized local delivery teams. According to the iResearch Report, the aggregate market share of China's top six third-party on-demand delivery service providers in terms of order volume was approximately 35.6% and 36.6% in 2020 and the 12 months ended March 31, 2021 respectively. In the future, there could be consolidation potential in the third-party on-demand delivery service market. With strong network effects and economies of scale, leading third-party on-demand delivery service providers are well positioned to gain more market share.

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## INDUSTRY OVERVIEW

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The on-demand delivery service industry is expected to remain highly competitive with rapid market changes and high demand for technology innovation. As market players compete for market share and expand their rider pool, they may offer more incentives to merchants, consumers and riders. This could affect our profitability if we match their pricing strategies to compete for market share and rider capacity. Technology also plays an important role in order dispatching, rider scheduling and operation efficiency and service quality improvement. Market players need to continuously invest in building stronger technological capabilities. For our strengths to strive and stand out in this highly competitive industry, see “Business – Our Strengths.”

Compared to our competitors, we have strengths in attracting and retaining customers. We are committed to offering customer-centric solutions. Our market leadership and large order volume provide us with customer insights, enabling us to continuously bring superior experience for customers and enhance their loyalty to our brand. As of May 31, 2021, we had served over 2,000 merchant brands, served approximately 532,500 registered merchants and delivered superior and efficient on-demand local lifestyle services to approximately 126.1 million registered consumers. Our strong and expanding national network helps us build a broad customer base, which produces valuable customer insights supporting our exploration of new scenarios, and thereby enriches our multi-scenario business model. The expansion of scenario coverage brings higher order volume, allowing us to attract more riders with substantial earning potential, which in turn facilitates the continuous scale-up of our fulfillment capabilities. Our fulfillment in-time rate reached above 95% during the Track Record Period. Improved order fulfillment capabilities enable us to timely capture opportunities from fast-growing segments and attract more merchants with expanding delivery solution offerings and better experience. Such network effects bring about sustainable and growing customer base, order fulfillment capabilities and order volume, enabling us to compete effectively.

Entry barriers in the third-party on-demand delivery service industry include extensive service network coverage, well-trained and scalable rider pool to ensure timely fulfillment, customization ability to meet varied customer requirements, technology infrastructure to operate efficiently and flexibly, and brand reputation to attract and retain customers effectively. Leading incumbents with such capacities are expected to maintain competitive advantage over new entrants.

### CHALLENGES TO THE THIRD-PARTY ON-DEMAND DELIVERY SERVICE INDUSTRY

**Increasing labor costs may pose a serious threat to profitability.** On-demand delivery platforms are labor-intensive and require sufficient riders to provide timely and high-quality delivery services. Operating profit will decrease if companies need to increase compensation and benefits for riders and other personnel due to a significant increase in order volume during peak seasons, labor market shrinkage or fierce competition in the industry. If companies are unable to offer competitive compensation and benefits, they may encounter problems such as insufficient delivery capacity, high staff turnover, and low delivery service quality.

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## INDUSTRY OVERVIEW

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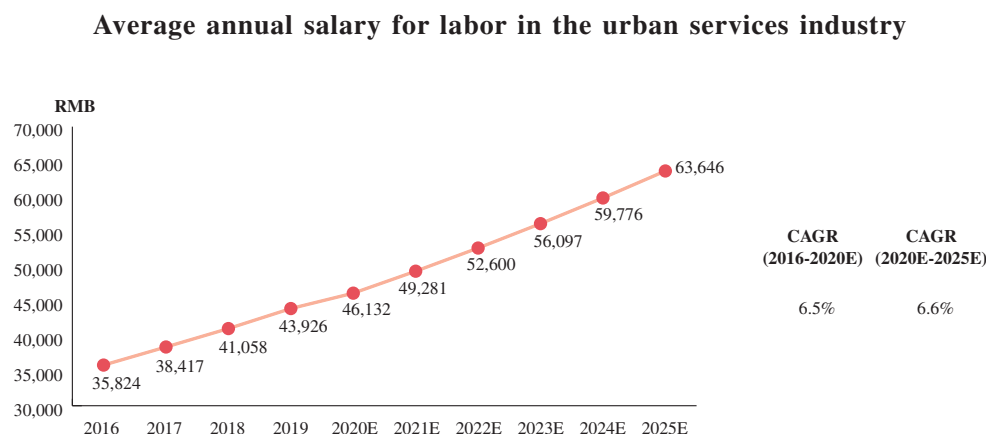
**The evolving industry requires timely upgrade of fulfillment capability.** The scenario expansion of on-demand delivery service requires flexible and strong technological infrastructure to deal with complexity in adjusting and dispatching orders and riders in real time in various delivery scenarios. Platforms failing to adjust and upgrade their order dispatching algorithm and rider scheduling system timely may not be able to grow with the industry.

### PRICE ANALYSIS OF LABOR

The main cost component for the on-demand delivery service industry is labor cost. As the on-demand delivery service industry is integrated into the local consumer market, average annual salary for labor in the urban services industry is the most proximate parameter of the industry's labor cost.

Along with the growth of China's economy, the average annual salary for labor in the urban services industry in China increased from RMB35,824 in 2016 to RMB46,132 in 2020, representing a CAGR of 6.5%. It is expected that the upward trend will continue as a result of the continuous development of the economy, the decrease in the growth rate of the total population as well as in the number of employed persons, and the expected increase of per capita disposable income of residents under the prosperous nationwide economy, causing the average annual salary for labor in the urban services industry in China to further increase to RMB63,646 in 2025, representing a CAGR of 6.6%. Leading incumbents of the on-demand delivery service industry have been actively promoting labor efficiency through improvements in technology infrastructure and economies of scale. The impact of increasing annual salary on the average delivery cost per order is largely offset by increasing on-demand delivery order volumes and improved efficiencies from technological advancement.

The chart below sets forth the historical and future average annual salary for labor in the urban services industry in China:



Source: iResearch Report

- (1) “Average annual salary of labor in urban services industry” is measured based on “居民服務和其他服務業城鎮私營單位就業人員平均工資”, compiled by National Bureau of Statistics of China

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## REGULATORY OVERVIEW

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This section contains a summary of the most important rules and regulations that affect our business activities in the PRC.

### REGULATIONS ON FOREIGN INVESTMENT AND VALUE-ADDED TELECOMMUNICATIONS SERVICES

#### Regulations on Foreign Investment

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法) (the "FIL"). The FIL takes effect on January 1, 2020 and replaces the Law of the People's Republic of China on Foreign Investment Enterprises (中華人民共和國外資企業法). The FIL establishes the basic framework for the entry, promotion, protection and management of foreign investment through legislation to protect investment and promote fair competition.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for foreign-invested entities operating in industries deemed "restricted" or "prohibited" in the "negative list". The FIL requires foreign-invested entities operating in "restricted" or "prohibited" industries in foreign countries to obtain an entry permit and other approvals. The FIL does not comment on the concept of "effective control" or contractual arrangements with variable interest entities, however; it does provide a comprehensive definition of "foreign investment" that includes investments made in the PRC by foreign investors through the means prescribed by laws or administrative regulations or other means prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to include contractual arrangements as a form of foreign investment.

The FIL also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; mandatory technology transfer is prohibited, foreign investors' funds are allowed to be freely transferred out and into the territory of PRC, which run through the entire lifecycle from the entry to the exit of foreign investment with an all-around and multi-angle system to guarantee fair competition of foreign invested enterprises in the market oriented economy. In addition, foreign investors or the foreign invested enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. Furthermore, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the FIL, which means that foreign invested enterprises may be required to adjust the structure and corporate governance in accordance with the current Company Law of the People's Republic of China (中華人民共和國公司法) (the "Company Law") and other laws and regulations governing the corporate governance.

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## REGULATORY OVERVIEW

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On December 26, 2019, the State Council promulgated the Implementation Rules of the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法實施條例) (the "Implementation Rules") which became effective on January 1, 2020. The Implementation Rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On December 27, 2020, the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部) ("MOFCOM") and the National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會) ("NDRC") issued the "Catalogue of Industries Encouraging Foreign Investment (2020 Version)" (鼓勵外商投資產業目錄(2020年版)) (the "Encouragement Catalogue"), which became effective on January 27, 2021, to replace the previous Encouragement Catalogue. On June 23, 2020, the MOFCOM and the NDRC issued the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2020 Version) (外商投資准入特別管理措施(負面清單)(2020年版)) (the "2020 Negative List"), which became effective on July 23, 2020, to replace the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2019 Version) (外商投資准入特別管理措施(負面清單)(2019年版)) promulgated on June 30, 2019. The Encouragement Catalogue and the 2020 Negative List set out the basic framework for foreign investment in China, dividing foreign investment activities into three categories: "encouraged", "restricted" and "prohibited". Industries not included in the Encouragement Catalogue or the 2020 Negative List are generally considered to be in the fourth "permitted" category, unless specifically restricted by other laws of the PRC.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation ("SAMR") jointly promulgated the Measures for Foreign Investment Information Reporting (外商投資信息報告辦法), which became effective on January 1, 2020. Under the Measures on Information Reporting of Foreign Investment, if a foreign investor directly or indirectly conducts investment activities in the PRC, the foreign investor or foreign invested enterprise is required to submit investment information to the competent commercial department.

### **Regulations on Foreign Investment in Value-Added Telecommunications Business**

The Telecommunications Regulations of the People's Republic of China (中華人民共和國電信條例) (the "Telecommunications Regulations") promulgated by the State Council on September 25, 2000, as amended on July 29, 2014 and February 6, 2016, provides a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. The Telecommunications Regulations require that telecommunication service providers shall obtain the operating license prior to the commencement of operations. According to the Classified Catalogue of Telecommunications Services (電信業務分類目錄), attached to the Telecommunications Regulations on September 25, 2000, as amended by the Ministry of Information Industry (the "MII") which is the

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## REGULATORY OVERVIEW

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predecessor of Ministry of Industry and Information Technology of the PRC (“MIIT”) (中華人民共和國工業和信息化部) on June 11, 2001 and April 1, 2003, and by MIIT on March 1, 2016 and June 6, 2019, information services provided via fixed network, mobile network and internet are value-added telecommunications services.

The Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) (the “Internet Measures”), which were promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on the provision of internet information services. The Internet Measures classified internet information services into commercial internet information services and non-commercial internet information services. A commercial internet information services provider shall obtain a value-added telecommunications business operating license (the “ICP License”) from the competent telecommunications authorities. According to the Measures for the Administration of Telecommunications Business Operation Licenses (電信業務經營許可管理辦法) (the “Telecommunications Measures”) which were promulgated by MIIT on July 3, 2017 and became effective on September 1, 2017, a commercial operator of value-added telecommunications services must obtain an ICP License from MIIT or its provincial level counterparts. Moreover, a telecommunication service operator holding the ICP License shall be subject to annual inspection within the first quarter of each year.

Pursuant to the Provisions on the Administration of Foreign-Invested Telecom Enterprises (外商投資電信企業管理規定) (the “FITE Regulation”) promulgated by the State Council on December 11, 2001 and further amended on September 10, 2008 and February 6, 2016 if any foreign investor intends to invest in telecommunications business in the PRC, a foreign-invested telecommunications enterprise must be first established. The ultimate foreign ownership of a value-added telecommunications service provider may not exceed 50%, except for online data processing and transaction processing businesses (operating e-commerce businesses), which may be 100% owned by a foreign investor. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating the value-added telecommunications business in the PRC must demonstrate a good track record and experience in operating the value-added telecommunications business, provided such investor is a major foreign investor among the foreign investors investing in a value-added telecommunications enterprise in the PRC. The term “major foreign investor” shall refer to one that makes the largest contribution among all the foreign investors and has a share of more than 30% of the total investment made by all the foreign investors. Moreover, foreign investors that meet these requirements must obtain approvals from MIIT and MOFCOM, or their authorized local counterparts, which retain considerable discretion in granting approvals, for its commencement of value-added telecommunication business in the PRC.

In July 2006, the MII released the Notice on Strengthening the Administration over Foreign Investment in the Operation of Value-Added Telecom Service (關於加強外商投資經營增值電信業務管理的通知) (the “MII Notice”), pursuant to which, if any foreign investor intends to invest in telecommunications business in the PRC, a foreign-invested telecommunications enterprise must be established and such enterprise must apply for the



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## REGULATORY OVERVIEW

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relevant telecommunications business operation licenses. Furthermore, according to the MII Notice, domestic telecommunications enterprises may not rent, transfer or sell a telecommunications business operation license to foreign investors in any form, nor may they provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in the PRC. In addition, according to the MII Notice, the Internet domain names and registered trademarks used by a foreign-invested value-added telecommunication service operator shall be legally owned by that operator (or its shareholders).

### REGULATIONS ON MOBILE INTERNET APPLICATION INFORMATION SERVICES

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications and the internet application store are specifically regulated by the Administrative Provisions on Information Services of Mobile Internet Application Programs (移動互聯網應用程序信息服務管理規定) (the “Mobile Application Administrative Provisions”) which were promulgated by the Cyberspace Administration of China (the “CAC”) on June 28, 2016 and effective on August 1, 2016. Pursuant to the Mobile Application Administrative Provisions, application information service providers shall obtain the relevant qualifications prescribed by laws and regulations, strictly implement their information security management responsibilities and carry out certain duties, including establishing and improving user information security protection mechanism and information content inspection and management mechanisms, protect users’ right to know and right to choose in the process of usage, and to record users’ daily information and preserve it for 60 days. Furthermore, internet application store service providers and internet application information service providers shall sign service agreements to determine the rights and obligations of both parties.

Furthermore, on December 16, 2016, MIIT promulgated the Interim Provisions on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (移動智能終端應用軟件預置和分發管理暫行規定) (the “Mobile Application Interim Provisions”), which became effective on July 1, 2017. The Mobile Application Interim Provisions requires, among others, that internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

### REGULATIONS ON INFORMATION SECURITY AND PRIVACY PROTECTION

In recent years, PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. According to Cybersecurity Law of the People’s Republic of China (中華人民共和國網絡安全法) promulgated by the Standing Committee of the National People’s Congress (the “SCNPC”) on November 7, 2016 and effective on June 1, 2017, network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take



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## REGULATORY OVERVIEW

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technical measures and other necessary measures pursuant to the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of key information infrastructure shall store within the territory of the PRC all personal information and important data collected and produced within the territory of the PRC. The purchase of network products and services that may affect national security shall be subject to national cybersecurity review.

On December 13, 2005, the Ministry of Public Security issued the Provisions on Technical Measures for the Internet Security Protection (互聯網安全保護技術措施規定) (the “Internet Protection Measures”) which became effective on March 1, 2006. The Internet Protection Measures requires internet service providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, identify illegal information, stop transmission of such information, and keep relevant records. Internet services providers are prohibited from unauthorized disclosure of users’ information to any third parties unless such disclosure is required by laws and regulations. Internet services providers are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users’ correspondences.

Internet Measures prohibits internet information service providers from insulting or slandering a third party or infringing upon the lawful rights and interests of a third party. According to the Certain Regulations on Standardizing the Order of the Internet Information Service Market (規範互聯網信息服務市場秩序若干規定) (the “Internet Information Services Provisions”) issued by MIIT on November 29, 2011 and became effective on March 15, 2012, without the consent of users, internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information (hereinafter referred to as “user personal information”), nor shall they provide user personal information to others, unless otherwise required by laws and administrative regulations. An internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly keep the user personal information, and in case of any leak or likely leak of the user personal information, the internet information service provider must take immediate remedial measures and, in severe circumstances, to make an immediate report to the telecommunications regulatory authorities. In addition, pursuant to the Decision on Strengthening Network Information Protection (關於加強網絡信息保護的決定) issued by the SCNPC on December 28, 2012 and the Provisions on Protecting the Personal Information of Telecommunications and Internet Users (電信和互聯網用戶個人信息保護規定) issued by MIIT on July 16, 2013, any collection and use of user personal information must be subject to the

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## REGULATORY OVERVIEW

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consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. Any violation of the above decision or order may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites and/or even criminal liabilities. Furthermore, the Mobile Application Administrative Provisions strengthens the regulation of the mobile application information services. Pursuant to the Mobile Application Administrative Provisions, owners or operators of mobile applications that provide information services are required to be responsible for information security management, establish and improve the protective mechanism for user information, observe the principles of legality, rationality and necessity, and expressly state the purpose, method and scope of, and obtain user consent to, the collection and use of user personal information. On November 28, 2019, the Secretary Bureau of the Cyberspace Administration of China, the General Office of MIIT, the General Office of the Ministry of Public Security and the General Office of the SAMR promulgated the Identification Method of Illegal Collection and Use of Personal Information Through App (APP違法違規收集使用個人信息行為認定方法), which provides guidance for the regulatory authorities to identify illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor the compliance thereof. We have required our users to consent to our collection and use of their personal information, and established information security systems to protect user's privacy.

On 22 August 2019, the CAC issued the Regulation on Cyber Protection of Children's Personal Information (兒童個人信息網絡保護規定), effective on 1 October 2019. Network operators are required to establish special policies and user agreements to protect children's personal information, and to appoint special personnel in charge of protecting children's personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a prominent and clear way, notify and obtain consent from children's guardians.

With respect to the security of information collected and used by mobile apps, pursuant to the Announcement of Special Campaigns against Mobile Internet Application Programs Collecting and Using Personal Information in Violation of Laws and Regulations (關於開展App違法違規收集使用個人信息專項治理的公告) issued on January 23, 2019, app operators should collect and use personal information in compliance with the Cybersecurity Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the protection of personal information. Furthermore, app operators must not force their users to make authorization by means of bundling, suspending installation, or in other default forms and should not collect personal information in (i) violation of laws or regulations, or (ii) breach of user agreements. Such regulatory requirements were emphasized by the Notice of Launching a Special Campaign to Further Crack Down on APP Infringements on Users' Rights and Interests (關於開展App侵害用戶權益專項整治工作的通知) issued by the MIIT on October 31, 2019. On November 28, 2019, the

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## REGULATORY OVERVIEW

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Cyberspace Administration of China, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Measures for the Determination of the Collection and Use of Personal Information by Apps in Violation of Laws and Regulations (App違法違規收集使用個人信息行為認定方法). This regulation further illustrates certain commonly seen illegal practices of app operators in terms of the protection of personal information, including: “failure to publicize rules for collecting and using personal information,” “failure to expressly state the purpose, manner, and scope of collecting and using personal information,” “collection and use of personal information without consent of users of the app,” “collecting personal information irrelevant to the services provided by the app in violation of the principle of necessity,” “provision of personal information to others without users’ consent,” “failure to provide the function of deleting or correcting personal information as required by laws,” and “failure to publish information such as methods for complaints and reporting.” Any of the following acts, among others, of an app operator will constitute “collection and use of personal information without consent of users:” (i) collecting any user’s personal information or activating the permission for collecting any user’s personal information without obtaining such user’s consent; (ii) collecting personal information or activating the permission for collecting the personal information of any user who explicitly refuses such collection, or repeatedly seeking any user’s consent such that the user’s normal use of such app is disturbed; (iii) collecting any user’s personal information that has been actually collected by the app operator or activating the permission for collecting any user’s personal information by the app operator that is beyond the scope of personal information authorized to be collected; (iv) seeking any user’s consent in a non-explicit manner; (v) modifying any user’s settings for activating the permission for collecting any personal information without such user’s consent; (vi) using users’ personal information and any algorithms to directionally push any information, without providing the option of non-directed pushing of such information; (vii) misleading users to permit collecting their personal information or activating the permission for collecting the users’ personal information by improper methods, such as fraud and deception; (viii) failing to provide users with the means and methods to withdraw their permission for collecting personal information; and (ix) collecting and using personal information in violation of the rules for collecting and using personal information promulgated by the app operator.

The Standing Committee of the Shenzhen Municipal People’s Congress issued the Shenzhen Special Economic Zone Data Regulations (深圳經濟特區數據條例) on July 6, 2021, which will take effect on January 1, 2022. The Shenzhen Special Economic Zone Data Regulations further strengthen the protection of personal data mainly in the following aspects: (i) it has been confirmed that the processing of personal data should have a clear and reasonable purpose and follow the principle of minimum necessary and reasonable duration; (ii) establishing personal data processing rules based on the premise of “informed-consent”; (iii) reasonably limiting the processing of biometric data and avoiding the misuse of biometric data; (iv) normalize the application of user profiles and personalized recommendations; and (v) strengthening the protection of minors’ personal data.

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## REGULATORY OVERVIEW

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On August 20, 2021, the Standing Committee of the National Peoples' Congress passed the Personal Data Protection Law of the People's Republic of China (中華人民共和國個人信息保護法) (the "Personal Data Protection Law") which came into effect on November 1, 2021, the Personal Data Protection Law integrates the scattered rules with respect to personal information rights and privacy protection. The Personal Data Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. Personal information, as defined in the Personal Data Protection Law, refers to information related to identified or identifiable natural persons and recorded by electronic or other means, but excluding the anonymized information. The Personal Data Protection Law provides the circumstances under which a personal information processor could process personal information, which include but not limited to, where the consent of the individual concerned is obtained and where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party. It also stipulates certain specific rules with respect to the obligations of a personal information processor, such as to inform the purpose and method of processing to the individuals, and the obligation of the third party who has access to the personal information by way of co-processing or delegation.

Pursuant to the Measures for Cyber Security Review (網絡安全審查辦法) promulgated by the Cyberspace Administration of China and certain other PRC regulatory authorities in April 2020, which took effect in June 2020, critical information infrastructure operators must pass a cybersecurity review when purchasing network products and services that affect or may affect national security. On July 10, 2021, the Cyberspace Administration of China published the Measures for Cyber Security Review (Revised Draft for Comments) (網絡安全審查辦法(修訂草案徵求意見稿)) (the "Draft Measures"). Pursuant to the Draft Measures, operators of critical information infrastructure purchasing network products and services, and data processors (together with the operators of critical information infrastructure, the "Operators") carrying out data processing activities that affect or may affect national security, shall conduct cyber security review. According to the Draft Measures, an Operator who controls more than 1 million users' personal information must report to the cyber security review office for a cyber security review if it intends to be listed in a foreign country (國外上市). The Draft Measures further elaborates the factors to be considered when assessing the national security risks of the relevant activities, including, among others: (i) the risk of core data, important data, or a large amount of personal information being stolen, leaked, destroyed, and illegally used or exited the country, and (ii) the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign governments after listing abroad. As of the Latest Practicable Date, the Draft Measures has not come into effect.

On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (關鍵信息基礎設施安全保護條例) (the "Safe Protection Regulations") which came into effect on September 1, 2021. Pursuant to the Safe Protection Regulations, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources,

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## REGULATORY OVERVIEW

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transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests. The Safe Protection Regulations provide specific requirements for the responsibilities and obligations of the operator: (i) the operator shall establish and improve the cyber security protection system and responsibility system, and ensure the input of manpower, financial and material resources; (ii) the operator shall set up a special security management department, and review the security background of the person in charge of the special security management department and the personnel in key positions; (iii) the operator shall guarantee the operation funds of the special security management department, allocate corresponding personnel, and have the personnel of the special security management department participate in the decision-making relating to cyber security and informatization; (iv) the operators shall give priority to the purchase of safe and reliable network products and services; network products and services procured that may affect the national security shall be subject to the security review in accordance with the national provisions on network security. The Safe Protection Regulations clarify the measures for dealing with the failure of key information infrastructure operators to perform their responsibilities for security protection, such as imposing fines.

On August 27, 2021, the CAC has publicly solicited opinions on the Administrative Provisions on Internet Information Service Algorithm Recommendation (Consultation Draft) (互聯網信息服務算法推薦管理規定(徵求意見稿)) (the "Provisions on Algorithm Recommendation") which implements classification and hierarchical management for algorithm recommendation service providers based on various criteria and stipulates that algorithm recommendation service providers with public opinion attributes or social mobilization capabilities shall file with the CAC within ten business days from the date of providing such services. Apart from that, the algorithm recommendation service providers shall provide work scheduling services to workers and establish the relevant algorithms for platform order distribution, remuneration composition and payment, working hours, rewards and punishments, and fulfill the obligation of safeguarding workers' rights and interests. As of the Latest Practicable Date, the Provisions on Algorithm Recommendation has not come into effect.

The Data Security Law of the PRC (中華人民共和國數據安全法), which was promulgated by the Standing Committee of the National People's Congress on June 10, 2021 and came into effect on September 1, 2021, protects the rights and interests of individuals and organizations relating to data, encourages the lawful, reasonable and effective use of data, guarantees the orderly and free flow of data in accordance with the law, and promotes the development of the digital economy with data as a key element, which provides that China shall establish a data classification and grading protection system and data security review system, under which data processing activities that affect or may affect national security shall be reviewed for national security. A decision on security review made in accordance with the law shall be final. Processors of data shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations. To carry out data processing activities by making use of the



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## REGULATORY OVERVIEW

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Internet or any other information network, the aforesaid obligations for data security protection shall be performed on the basis of the graded protection system for cyber security. Processors of data shall clearly specify responsible personnel and management departments for data security and fully implement data security protection responsibilities. Processing data activities shall strengthen risk monitoring, and where processors discover risks such as data security flaws and vulnerabilities, immediately adopt remedial measures; when data security incidents occur, processors shall immediately take solutions, notify the users as required and report the matter to the relevant competent authorities. Any organization or individual collecting data shall adopt lawful and proper methods and shall not steal data or obtain the data by other illegal means. Relevant authorities will establish the measures for the cross-border transfer of import data. If any company violates the Data Security Law of the PRC to provide important data outside China, such company may be punished by administration sanctions, including penalties, fines, and/or may suspension of relevant business or revocation of the business license.

On October 29, 2021, the Cyberspace Administration of China (CAC) published Measures on Security Assessments for the Cross-border Transfer of Data (a consultation draft for public comments) (數據出境安全評估辦法(徵求意見稿)) (“Consultation Draft”) which is applicable to cross-border transfers of personal information and important data collected and generated in China under certain circumstances. Apart from that, the Consultation Draft provides detailed requirements for contracts concluded between data processors and overseas recipients, including but not limited to the purpose of cross-border data transfer, the overseas storage site, the restrictions concerning the transfer of cross-border data from overseas recipients to other organizations and individuals, the security measures to be taken by the overseas recipients when there is a material change in the actual control or scope of business, liability for breach of data security obligations and binding and enforceable dispute resolution provisions and the proper emergency disposal to be taken in the event of risks such as data breaches. As of the Latest Practicable Date, the Consultation Draft has not come into effect.

On November 14, 2021, the Cyberspace Administration of China (CAC) published the Regulations on the Management of Network Information Security (a Consultation Draft for Public Comments) (網絡數據安全管理條例(徵求意見稿)) (the “Regulations on Network Information Security”). Based on the Data Security Law of the PRC, the Regulations on Network Information Security sets data classification and hierarchical protection system with dividing data into general data, important data, core data, and data processors are required to protect data in different degrees according to the importance of the data. The Regulations on Network Information Security stipulates that a company shall report a network security review if one of the following conditions is satisfied: i) internet platform operators who bring together a large number of data resources related to national security, economic development and public interests are intending to merge, reorganize, separate, or may affect national security; ii) data processors who process more than one million personal information are intending to be listed abroad; iii) data processors are intending to be listed in Hong Kong, which might affect or potentially affect national security; iv) other data processing activities that affect or may affect national security. However, the Regulations on Network Information Security does not clarify the scope and criteria for identifying “affect or may affect national security”. The Regulations

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## REGULATORY OVERVIEW

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on Network Information Security further emphasizes that data processors should establish rules for the processing of personal information, that is, with the consent of the individual, take the least impact on the rights and interests of the individual, and in the case of the purpose for processing personal information has been fulfilled and the services of processing personal information have been terminated, the data processors shall delete or anonymize personal information. The Regulations on Network Information Security requires the data processors to entrust the professional data security audit institutions to conduct compliance audits, important data processors or data processors listed overseas are required to conduct annual data security assessment. As of the Latest Practicable Date, the Regulations on Network Information Security has not come into effect.

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (中華人民共和國刑法修正案(九)), issued by the SCNPC on 29 August 2015 and became effective on 1 November 2015, any internet service provider that fails to fulfil its obligations related to internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋) (the "Interpretations"), which became effective on June 1, 2017. The Interpretations clarifies several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the People's Republic of China (中華人民共和國刑法), including "citizen's personal information," "provision" and "unlawful acquisition." The Interpretations also specifies the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime. In addition, Pursuant to the Civil code of the people's Republic of China (中華人民共和國民法典), the personal information of a natural person shall be protected by the law. Any organisation or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

### **Laws and Regulations Relating to Road Transportation Operation**

On 30 April 2004, the State Council promulgated the Regulations of the People's Republic of China on Road Transport (中華人民共和國道路運輸條例) which became effective on 1 July 2004 and was most recently amended on 2 March 2019. After that, the Ministry of Transport of the People's Republic of China ("Ministry of Transport") issued the Administrative Provisions on Road Freight Transport and Stations (Sites) (道路貨物運輸及站場管理規定) ("Road Freight Provisions") on 16 June 2005, which took effect on 1 August 2005 and was most recently amended on 20 June 2019. In accordance with the aforementioned two legislation, the business operation of road freight transportation refers to commercial road freight transportation activities that provide public services. The road freight transportation

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## REGULATORY OVERVIEW

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includes general road freight transportation, special road freight transportation, road transportation of large articles, and road transportation of hazardous cargos. Special road freight transportation refers to freight transportation using special vehicles with containers, refrigeration equipment, or tank containers, etc.

Under the Road Freight Provisions, anyone engaging in the business of operating road freight transportation or stations (sites) must obtain a Road Transportation Operation Permit from the local county-level road transportation administrative department, and each vehicle used for road freight transportation must have a Road Transportation Certificate from the same authority. The subsidiary of road freight transportation operator intends to engage in road transportation business is subject to the same approval procedure. If the subsidiary intends to establish a branch, it should file with the local road transportation administrative department where the branch is to be established.

Apart from that, anyone who fails to obtain the Road Transportation Operation Permit and engages in road transport operations without authorization will be in violation of the Road Freight Provisions, and the road transport administrative department at or above the county-level shall order the person to cease his operations. Furthermore, if there is illegal income, the road transport administrative department at or above the county-level shall confiscate his illegal income and may concurrently impose a fine of not less than two times, but not more than ten times the value of the illegal income. If there is no illegal income or the illegal income is less than RMB20,000, the road transport administrative department at or above the county-level shall impose a fine of not less than RMB30,000, but not more than RMB100,000. If the case constitutes a crime, the person shall be investigated for criminal liabilities according to law.

Although the Road Transportation Operation Permit has no limitation with respect to geographical scope, several provincial governments in China, including Shanghai and Beijing, promulgated local rules on administration of road transportation, stipulating that permitted operators of road freight transportation registered in other provinces should take record-filing with the local road transportation administrative department where it carries out its business.

### REGULATIONS ON ANTI-MONOPOLY

The current Anti-monopoly Law of the People's Republic of China (中華人民共和國反壟斷法) was promulgated by the SCNPC in 2007. According to the Anti-monopoly Law of the People's Republic of China, if a concentration of undertakings reaches the declaration threshold stipulated by the State Council, the operators concerned shall make a prior declaration to the anti-monopoly enforcement agency of the State Council, and such law prohibits the conclusion of monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition.



### **Monopoly Agreement**

Competing business operators may not enter into monopoly agreements that eliminate or restrict competition, such as by boycotting transactions, fixing or changing the price of commodities, limiting the output of commodities, fixing the price of commodities for resale to third parties, among others, unless the agreement will satisfy the exemptions under the Anti-monopoly Law of the People's Republic of China, such as improving technologies, strengthening the competitiveness of small and medium-sized operators, or safeguarding legitimate interests in cross-border trade and economic cooperation with foreign counterparts. Sanctions for violations include an order to cease the relevant activities, and confiscation of illegal gains and fines (from 1% to 10% of sales revenue from the previous year, or RMB500,000 if the intended monopoly agreement has not been performed). On June 26, 2019, the SAMR further issued the Interim Provisions on Prohibition of Monopoly Agreements (禁止壟斷協議暫行規定) which became effective on September 1, 2019 and supersedes certain anti-monopoly regulations previously issued by the SAIC.

### **Abuse of Dominant Market Position**

A business operator with a dominant market position is prohibited to abuse its dominant market position to conduct acts, such as selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, and refusing to trade with a trading party without any justifiable cause. Sanctions for violation of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue from the previous year). On June 26, 2019, the SAMR issued the Interim Provisions on Prohibition of Abuses of Dominant Market Positions (禁止濫用市場支配地位行為暫行規定) which became effective on September 1, 2019 to further prevent and prohibit the abuse of dominant market positions.

### **Concentration of Undertakings**

Where a concentration of undertakings reaches the declaration threshold stipulated by the State Council, a declaration must be approved by the anti-monopoly authority before the parties implement the concentration. Concentration of undertakings refers to (1) a merger of undertakings; (2) acquiring control over other undertakings by acquiring equities or assets; or (3) acquisition of control over, or the possibility of exercising decisive influence on, an undertaking by contract or by any other means. If business operators fail to comply with the mandatory declaration requirement, the anti-monopoly authority is empowered to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within certain periods and impose fines of up to RMB500,000.

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## REGULATORY OVERVIEW

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Furthermore, on February 7, 2021, the Anti-Monopoly Committee of the State Council promulgated the Anti-Monopoly Guidelines for the Sector of Platform Economy (關於平台經濟領域的反壟斷指南) (the “Anti-monopoly Guidelines”), aiming to provide guidelines for supervising and prohibiting the monopolistic conducts in connection with the Internet platform business operations and further elaborate on the factors for recognizing such monopolistic conducts in the Internet platform industry. In particular, pursuant to the Anti-monopoly Guidelines, the methods of an Internet platform collecting and using the privacy information of the Internet users may also be one of the factors to be considered for analyzing and recognizing the monopolistic conducts in the Internet platform industry. For example, whether the relevant business operator compulsorily collects unnecessary user information may be considered to analyze whether there is a bundled sale or additional unreasonable trading condition, which is one of the behaviors constituting the abuse of dominant market position. In addition, the factors including, among other things, based on the big data and algorithms, whether differentiated transaction prices or other transaction conditions are implemented for consumers with different payment ability, consumption preferences and usage habits, may be used to analyze whether there is a differentiated treatment, which is also one of the behaviors constituting abuse of dominant market position. Furthermore, whether the relevant business operators are required to “choose one” among the Internet platform and its competitive platforms may be considered to analyze whether such Internet platform operator with dominant market position abuses its dominant market position and excludes or restricts market competition, etc.

### LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

On 26 December 1989, the Standing Committee of the NPC promulgated the Environmental Protection Law of the People’s Republic of China (中華人民共和國環境保護法) (“Environmental Protection Law”) which became effective on the same day and was most recently amended on 24 April 2014. Pursuant to the Environmental Protection Law, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities.

Environmental protection authorities impose various administrative penalties on persons or enterprises in violation of the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within a prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant responsible persons, and orders to shut down enterprises. Any person or entity that pollutes the environment resulting in damage could also be held liable under the Civil Code of the People’s Republic of China (中華人民共和國民法典). In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

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## REGULATORY OVERVIEW

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On 5 March 2021, the Government Work Report at the fourth session of the 13th National People's Congress clearly pointed out that “do a solid job in carbon peaking and carbon neutrality, and draw up an action plan for carbon emissions to peak by 2030, and further, it is necessary to build a clean, low-carbon, safe and efficient energy system, control the total amount of fossil energy, focus on improving utilization efficiency, and implement renewable energy substitution actions.”

Apart from that, on 11 March 2021, the National Peoples' Congress issued the Outline of the People's Republic of China 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035 (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要) (“14th Five-Year Plan”). The 14th Five-Year Plan pointed out that the government will implement national independent contribution targets for climate change response by 2030 and formulate an action plan to reach peak carbon emissions by 2030. The government will improve the dual control system on total energy consumption and intensity and focus on controlling fossil fuel consumption. In addition, the government will implement a system that focuses on carbon intensity control with a secondary focus on total carbon emission control and support qualified localities, key industries, and key enterprises in taking the lead in reaching peak carbon emissions. Furthermore, the government will promote the clean, low-carbon, safe, and efficient use of energy and advance the low-carbon transformation of industry, construction, and transportation in an in-depth manner, and increase controls on other greenhouse gases such as methane, hydrofluorocarbons, and perfluorocarbons. Moreover, the government will improve the carbon sink capacity of the ecosystem and focus its efforts on achieving carbon neutrality by 2060 and adopt more forceful policies and measures.

### **LAWS AND REGULATIONS ON FOREIGN EXCHANGE**

The principal foreign exchange regulations in the PRC include the Regulations of the People's Republic of China on Foreign Exchange Control (中華人民共和國外匯管理條例) promulgated by the State Council on January 29, 1996 and effective on April 1, 1996, as last amended on August 1, 2008, and the Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) promulgated by the People's Bank of China on June 20, 1996 and effective on July 1, 1996. Under these regulations and other PRC rules and regulations relating to currency exchange, RMB is generally freely convertible for current account items (such as foreign exchange transactions involving purchases, sales and services and dividend payments) and not freely convertible for capital account items (such as direct investment, loans or securities investment outside of the PRC) without prior approval of the SAFE or its local branch office.

According to the Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (關於改革和規範資本項目結匯管理政策的通知) (Hui Fa [2016] No. 16) issued by the SAFE on June 9, 2016, discretionary settlement of foreign exchange capital income can be settled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may timely

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## REGULATORY OVERVIEW

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adjust the above proportion based on international balance of payments. The foreign exchange receipts under the capital account and capital in RMB obtained through foreign exchange settlement shall not be used for the following purposes: (1) directly or indirectly used for payments outside the business scope or for payments prohibited under relevant national laws and regulations; (2) directly or indirectly used for investment in securities or for investment in wealth management products other than principle guaranteed products provided by banks, unless otherwise provided by laws and regulations; (3) used for granting loans to non-related enterprises, unless permitted by the scope of business; and (4) used for constructing or purchasing of real estate that is not for self-use, unless such company is a real estate company.

### REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

#### Patent

Patents are protected by the Patent Law of the People's Republic of China (中華人民共和國專利法) promulgated by the SCNPC on March 12, 1984, effective on April 1, 1985, and amended on September 4, 1992, July 1, 2001 and October 1, 2009 (as last amended on October 17, 2020, and came into effect on June 1, 2021) (the "Patent Law") and the Rules for the Implementation of the Patent Law of the People's Republic of China (中華人民共和國專利法實施細則) promulgated by the State Council on June 15, 2001, effective on July 1, 2001 and amended on December 28, 2002 and January 9, 2010. The patent administrative departments are responsible for managing patent work. According to the Patent Law, inventions refer to inventions, utility models and designs. An invention or utility model for which patent rights are granted shall reach the standards of novelty, creativity and practicability. The validity period of patent for an invention is 20 years, while the validity period of patent for a utility model and design is 10 years, all counted from the date of application. Others may use the patent after obtaining the permit of the patent holder, otherwise such behavior will constitute an infringing act of the patent right.

#### Trademark

Pursuant to the Trademark Law of the People's Republic of China (中華人民共和國商標法) (the "Trademark Law") which was promulgated on August 23, 1982 and last amended on April 23, 2019 and came into effect on November 1, 2019, and the Implementing Regulations of the Trademark Law of the People's Republic of China (中華人民共和國商標法實施條例) which was issued on August 3, 2002 and amended on April 29, 2014, the Trademark Office under the China National Intellectual Property Administration (the "Trademark Office") shall handle trademark registrations and grant a term of ten years to registered trademarks, which may be renewed for additional ten year period upon request from the trademark owner. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where an application for trademark for which application for registration has been made is identical or similar to another trademark which has already been registered or is under preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others, nor

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## REGULATORY OVERVIEW

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may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licensor shall file with the Trademark Office for such license, and the Trademark Office shall make relevant announcement. The trademark licensing contract shall be filed with the Trademark Office or its local office. A trademark license that has not been filed may not be used as a defense against a third party in good faith.

### Copyright

Pursuant to the Copyright Law of the People’s Republic of China (中華人民共和國著作權法) (the “Copyright Law”) promulgated by the SCNPC on September 7, 1990 and implemented on June 1, 1991, and last amended on February 26, 2010 and came into effect on April 1, 2010 (as last amended on 11 January, 2020, and became effective on June 1, 2021), Chinese citizens, legal persons or other organisations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

Pursuant to the Measures for the Computer Software Copyright Registration Procedures (計算機軟件著作權登記辦法) promulgated by the National Copyright Administration on February 20, 2002 and the Regulation on Computers Software Protection amended by the State Council on January 30, 2013 and came into effect on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in the PRC and recognises the China Copyright Protection Centre as the software registration organisation. The China Copyright Protection Centre shall grant certificates of registration to computer software copyright applicants in compliance with the requirements of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

### Domain Names

In accordance with the Administrative Measures for Internet Domain Names (互聯網域名管理辦法) which was issued by the MIIT on August 24, 2017 and came into effect on November 1, 2017, the MIIT is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of “first apply, first register”. A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

### REGULATIONS ON H SHARE FULL CIRCULATION

“Full circulation” means listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company (“H-share listed company”), including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, the CSRC announced the Guidelines on Applying for Full Circulation of Unlisted Domestic Shares of H-share Companies (Announcement of the CSRC [2019] No. 22) (H股公司境內未上市股份申請“全流通”業務指引) (中國證券監督管理委員會公告[2019]22號) (“Guidelines for the ‘Full Circulation’”).

According to the Guidelines for the “Full Circulation”, shareholders of domestic unlisted shares may determine by themselves through negotiation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for “full circulation”. To file an application for “full circulation”, an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the “examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company”. After the application for “full circulation” has been approved by the CSRC, an H-share listed company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with the China Securities Depository and Clearing Co., Ltd. (“CSDC”) of the shares related to the application has been completed.

On December 31, 2019, CSDC and Shenzhen Stock Exchange (“SZSE”) jointly announced the Measures for Implementation of H-share “Full Circulation” Business (H股“全流通”業務實施細則) (“Measures for Implementation”). The businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share “full circulation” business, are subject to the Measures for Implementation.

In order to fully promote the reform of H-shares “full circulation” and clarify the business arrangement and procedures for the relevant shares’ registration, custody, settlement and delivery, CSDC has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (關於發布<H股“全流通”業務指南>的通知) in February 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. In February 2020, China Securities Depository and Clearing (Hong Kong) Co., Ltd. (“CSDC (Hong Kong)”) also promulgated the Guide to the Program for Full Circulation of H-shares (中國證券登記結算(香港)有限公司H股“全流通”業務指南) to specify the relevant escrow, custody, agent service of CSDC (Hong Kong), arrangement for settlement and delivery and other relevant matters.



### LAWS AND REGULATIONS ON TAXATION

#### Income Tax

Pursuant to the Law of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅法) (the "EIT Law") promulgated by the NPC on January 1, 2008 and last amended on December 29, 2018, as well as the Regulations on the Implementation of Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法實施條例) promulgated by the State Council on December 6, 2007 and amended on April 23, 2019, enterprises are classified as resident enterprises and non-resident enterprises. Enterprises that are set up in the PRC under the PRC laws, or that are set up in accordance with the law of the foreign country (region) whose actual administration institution is in PRC, shall be considered as "resident enterprises".

PRC resident enterprises typically pay an EIT at the rate of 25% while non-PRC resident enterprises without any branches in the PRC shall pay an EIT in connection with their income from the PRC at the tax rate of 10%. An enterprise established outside of the PRC with its "actual management organizations (實際管理機構)" located within the PRC is considered a "resident enterprise", meaning that it can be treated in a manner similar to a PRC domestic enterprise for EIT purposes. The implementation rules of the EIT Law define a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties of the enterprise".

The EIT Law and its implementation rules provide that an income tax rate of 10% should normally be applicable to dividends payable to investors that are "non-resident enterprises", and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between the PRC and other jurisdictions. Furthermore, under the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (國家稅務總局關於發布<非居民納稅人享受稅收協定待遇管理辦法>的公告), which was issued on August 27, 2015 and further amended by the Announcement of the State Administration of Taxation on Revision of Certain Tax Regulatory Documents (國家稅務總局關於修改部分稅收規範性文件的公告) on June 15, 2018, the applicant for the preferential withholding rate shall file a return with its competent tax authority and submit all required application information. However, based on the Notice of the State Administration of Taxation on Issues Concerning the Implementation of Dividend Clauses of Tax Agreement (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued on February 20, 2009 by the State Administration of Taxation (國家稅務總局) (the "SAT"), if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the Announcement of the State Administration of

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## REGULATORY OVERVIEW

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Taxation on Issues concerning “Beneficial Owners” in Tax Treaties (國家稅務總局關於稅收協定中“受益所有人”有關問題的公告) issued on February 3, 2018 by the SAT and effective from April 1, 2018, comprehensive analysis based on the stipulated factor therein and actual circumstances shall be adopted when recognizing the “beneficial owner” and agents and designated wire beneficiaries are specifically excluded from being recognized as “beneficial owners.”

The EIT Law and its implementation rules, as well as the Law of the People’s Republic of China on the Administration of Tax Collection (中華人民共和國稅收徵收管理法) promulgated by the NPC and last amended on April 24, 2015, provide the rules of tax adjustment, which require the transactions between an enterprise and its related parties shall be made at arm’s length principle. Where transactions between an enterprise and its related parties fail to comply with the arm’s length principle and results in a reduction of the taxable income, the tax authorities shall have the right to make reasonable adjustments.

### Value-added Tax

According to the Interim Regulations of the People’s Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例) which was promulgated by the State Council on December 13, 1993 and last amended on November 19, 2017 and the Detailed Rules for the Implementation of the Interim Regulations of the People’s Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例實施細則) which was promulgated by the Ministry of Finance (the “MOF”) on December 25, 1993 and last amended on October 28, 2011, entities and individuals that sell goods or labour services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the PRC are taxpayers of value-added tax (the “VAT”), and shall pay VAT in accordance with law. Unless otherwise stipulated, the VAT rate is 17% for taxpayers selling goods, labour services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovables, transferring land use rights, or selling or importing specific goods; unless otherwise stipulated, 6% for taxpayers selling services or intangible assets.

The MOF and the SAT published the Notice of the MOF and the SAT on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) and its annexes on March 23, 2016 which came into effect on May 1, 2016, pursuant to which entities and individuals that sell services, intangible assets, or immovables shall pay VAT instead of business tax since May 1, 2016.

According to the Notice of the MOF and the SAT on Adjusting Value-added Tax Rate (財政部、稅務總局關於調整增值稅稅率的通知) which was promulgated by the MOF and the SAT on April 4, 2018 and became effective on May 1, 2018, the tax rates for the taxable sales or goods import activity, which were subject to the original tax rates of 17% and 11% respectively, were adjusted to 16% and 10% respectively.



### REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

#### Labor Contract Law

According to the Labor Law of the People's Republic of China (中華人民共和國勞動法) promulgated by the SCNPC on July 5, 1994, became effective on January 1, 1995 and amended on August 27, 2009 and December 29, 2018, the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) promulgated by the SCNPC on June 29, 2007, became effective on January 1, 2008 and amended on December 28, 2012, and the Regulations on Implementation of the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法實施條例) promulgated by the State Council and became effective on September 18, 2008, labor relations between employers and employees must be established in writing. Wages shall not be lower than the local minimum wage standard. The employer must establish a labor safety and health system, strictly comply with national standards, and provide relevant training to the workers. Employees are also required to work in a safe and sanitary environment.

#### Social Insurance

The Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) was promulgated by the NPC on October 28, 2010 and amended on December 29, 2018, has established social insurance systems of basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance (the "five social insurance"), and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Reform Plan of the State Tax and Local Tax Collection Administration System (國稅地稅徵管體制改革方案), which was issued by the General Office of the Communist Party of China (中共中央辦公廳) and the General Office of the State Council of the PRC (國務院辦公廳) on July 20, 2018, from January 1, 2019, all the social insurance premiums including the five social insurance will be collected by the tax authorities. Furthermore, according to the Notice of the General Office of the State Administration of Taxation on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知) issued on September 13, 2018 and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security of the People's Republic of China on Implementing the Spirit of the Executive Meeting of the State Council in Stabilising the Collection of Social Security Contributions (人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) issued on September 21, 2018, local authorities at all levels responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. Notice of the State Administration of Taxation on Implementing Measures to Further Support and Serve the Development of Private Economy (國家稅務總局關於實施進一步支援和服務民營經濟發展若干措施的通知) issued on November 16, 2018 emphasized that tax authorities at all levels may not organise self-collection of arrears of taxpayers including private enterprises in the previous years.

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## REGULATORY OVERVIEW

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### **Housing Provident Fund**

According to the Regulations on Management of Housing Provident Fund (住房公積金管理條例) promulgated by the State Council, which was effective from April 3, 1999, and subsequently amended on March 24, 2002 and March 24, 2019, housing provident fund contributed both by employee themselves and their employers, shall be owned by the employees. An employer shall undertake registration of contribution of the housing provident fund in the Housing Provident Fund Management Centre, and upon verification by the Housing Provident Fund Management Centre, open a housing provident fund account on behalf of its employees in a commissioned bank. Employers shall make timely contribution to the housing provident fund in full amount and overdue or underpayment shall be prohibited. With respect to employers who violate the above regulations and fail to complete housing provident fund contribution registration or open housing provident fund accounts for their employees, such employers shall be ordered by the Housing Provident Fund Management Centre to complete such procedures within prescribed period. Those who fail to complete their registrations within the prescribed period shall be subject to a fine from RMB10,000 to RMB50,000. For overdue or underpayment of housing provident fund in violation of the provisions of such regulations, the Housing Provident Fund Management Centre shall order relevant employers to make contribution within prescribed period, failing which an application may be made to a people's court for enforcement.

### **New Employment Patterns on Internet Platforms**

On July 16, 2021, the Ministry of Human Resources and Social Security, the National Development and Reform Commission, the Ministry of Transport and other departments promulgated the Guiding Opinions on Safeguarding the Rights and Interests of Workers in New Employment Patterns (關於維護新就業形態勞動者勞動保障權益的指導意見) which requires internet platform enterprises to enter into written agreements with workers who do not fully conform with the circumstances of establishing labor relations, not to illegally set discriminatory recruitment conditions, and to pay workers who provide normal labor the remuneration not lower than the local minimum wage standard, guide and support new employment form workers to participate in the appropriate social insurance in line with self-situation, participating in the pilot platform organized by the government to protect flexible employment workers from occupational injuries as required, establishing and improving the responsibility system for labor safety and health, democratic mechanism for workers, and complaint mechanism, etc.

On July 16, 2021, the State Administration for Market Regulation, the State Internet Information Office, the National Development and Reform Commission, the Ministry of Public Security, the Ministry of Human Resources and Social Security, the Ministry of Commerce, and the All-China Federation of Trade Unions promulgated the Guiding Opinions on the Implementation of the Responsibility of Online Catering Platforms to Effectively Safeguard the Rights and Interests of Take-out Food Delivery Workers (關於落實網絡餐飲平台責任切實維護外賣送餐員權益的指導意見) (Opinions on Safeguarding the Rights and Interests of Take-out Food Delivery Workers) which requires online catering platforms to ensure that the

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## REGULATORY OVERVIEW

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actual income of take-out food delivery workers who provide normal labor shall not be lower than the local minimum wage standard and the “strictest algorithm” shall not be taken as the assessment requirements. In addition to that, online catering platforms shall reasonably determine the assessment elements through “algorithm to take the middle” and other methods, strengthen daily traffic safety, food safety education in accordance with national regulations to participate in the pilot platform to protect flexible employment workers from occupational injuries, strengthen risk prevention and control and contradiction disposal measures, protect the legitimate rights and interests of take-away food delivery workers in line with the laws and regulations.

### REGULATIONS RELATING TO STRICTLY COMBATting ILLEGAL SECURITIES ACTIVITIES

On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council also jointly issue the Opinion on Severely Punishing Illegal Activities in Securities Market (關於依法從嚴打擊證券違法活動的意見) which stressed on improving laws and regulations on data security, cross-border data flow and management of confidential information, enhancing the administration and supervision of overseas-listed China-based companies (中概股公司), clarifying the responsibilities of competent domestic industry regulators and government authorities and heightening cross-border audit supervision, speeding up the revisions of the relevant regulations governing the confidentiality and document management of overseas issuance and listing of shares by such companies to increase the accountability of information security, and to enhance standardized management of mechanism and procedure for cross-border data transfer.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### OVERVIEW

The history of the Group could date back to 2016 when we commenced our intra-city on-demand delivery services as a business unit of SF Holding Group. On June 21, 2019, our Company was incorporated under the name of Hangzhou SF Intra-city Industrial Co., Ltd. (杭州順豐同城實業股份有限公司) in the PRC as a joint stock company with limited liability, to succeed the aforementioned business as a separate entity. At the time of establishment, the total registered share capital of our Company was RMB160 million, divided into 160,000,000 Shares with a nominal value of RMB1.00 each.

After years of development, we now operate as the largest third-party on-demand delivery service platform in China providing intra-city on-demand delivery services.

### MILESTONES OF DEVELOPMENT

The following is a summary of the key milestones in the history of the Company.

Year	Milestones
2016	We commenced the intra-city on-demand delivery services as a business unit of SF Holding Group;  We established business relationship with a number of well-known brands including McDonald's as our strategic partner;
2017	We expanded our business to all municipalities, most of the provincial capital cities, second-tier cities and some lower-tier cities;
2018	We officially launched intra-city on-demand delivery services to consumers and small- to medium-sized merchants;
2019	Our Company was incorporated and officially operated as an independent entity;  We launched "SF Intra-city On-demand delivery" brand;
2020	We expanded our business to more than 500 cities within the PRC;  Our Series A Pre-IPO Investments were completed;
2021	We were awarded a number of awards including 2020 Best Third Party On-demand Delivery Platform (2020年度最佳第三方即時配送平台), 2020 China Best CSR Logistics Enterprise (2020中國最具社會責任物流企業) and 2020 Best Delivery Service Enterprise (2020最佳遞送服務企業).  Our Series B Pre-IPO Investments were completed;

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### OUR KEY SUBSIDIARIES

Name of the company	Principal business activities	Date of establishment	Place of incorporation	Shareholding held by our Company
Shenzhen Intra-city	Third party on-demand delivery	October 26, 2018	PRC	100%
Shunda Tongxing	Software development and information technology services	September 20, 2019	PRC	100%
Shanghai Fengzan	Information technology services	May 26, 2020	PRC	100%
Shanghai Fengpaida	Third party on-demand delivery	January 16, 2019	PRC	100%
Shenzhen Zhongplus	Information technology services	December 25, 2018	PRC	100%

### THE INCORPORATION OF OUR COMPANY AND OUR BUSINESS DEVELOPMENT

We commenced our intra-city on-demand delivery services as a business unit of SF Holding Group in 2016 and have since then provided service to a number of key accounts. Focusing on the intra-city on-demand delivery services, we expanded our business to all municipalities, most of the provincial capital cities, second-tier cities and some lower-tier cities in 2017 and officially launched intra-city on-demand delivery services to consumers and small- to medium-sized merchants in 2018. On June 21, 2019, our Company was incorporated as an independent legal entity to succeed the above-mentioned business.

### PRINCIPAL SHAREHOLDING CHANGES OF OUR COMPANY AND PRE-IPO INVESTMENTS

#### Shareholding Structure

As of the Latest Practicable Date, we had 29 Shareholders, among which, SF Taisen, SF Holding Limited, Intra-city Tech, Ningbo Shunxiang and Sharp Land directly held approximately 42.82%, 14.59%, 9.35%, 8.34% and 2.49% of the total share capital of our Company, respectively. The remaining 24 Shareholders held approximately 22.41% of the total share capital of the Company in total, with each Shareholder holding less than 5% of the total issued share capital of the Company.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### **Principal Changes in the Registered Capital and Shareholding Structure of our Company**

Our Company was incorporated on June 21, 2019, with a registered share capital of RMB160 million divided into 160,000,000 Shares with a nominal value of RMB1.00 each. As of the Latest Practicable Date, the registered share capital of our Company was RMB802,276,907.00 divided into 802,276,907 Shares with a nominal value of RMB1.00 each. Set out below are summaries of the principal changes in the registered share capital and shareholding of our Company.

#### ***Series A Pre-IPO Investment***

On December 2, 2019, our first batch of Pre-IPO Investors, Huangshan SAIF and Shining Star, subscribed for an aggregate of 48,081,413 Shares in our Company, upon completion of which, our registered capital increased from RMB160,000,000.00 to RMB208,081,413.00 (the “**Series A Pre-IPO Investment**”). For details, see “Pre-IPO Investments” below.

#### ***Subscription by Employee Shareholding Platforms of our Company***

On December 12, 2019, Ningbo Shunxiang subscribed for 90,000,000 Shares in our Company in cash at the nominal value of RMB1.00 per Share, upon completion of which, our registered capital increased from RMB208,081,413.00 to RMB298,081,413.00.

On December 7, 2020, Ningbo Shunxiang transferred 20,000,000 Shares to Sharp Land at nil consideration. Each of Ningbo Shunxiang and Sharp Land was established as an employee shareholding platform to hold the Shares for the benefits of our Company’s employees. For more information of Ningbo Shunxiang and Sharp Land, see notes 3 and 4 to the “Corporate structure immediately before the Global Offering” below, respectively.

For purpose of further enhancing the decision-making efficiency at the general meetings of the Company and ensure the effective implementation of the strategy of the Group, on June 1, 2021, SF Taisen and Ningbo Shunxiang entered into the Voting Power Entrustment Agreement, pursuant to which SF Taisen is exclusively and irrevocably entrusted to exercise the voting power attached to the entire 66,891,800 Shares held by Ningbo Shunxiang on behalf of Ningbo Shunxiang. Pursuant to the Voting Power Entrustment Agreement, SF Taisen is entitled to exercise voting rights and other statutory shareholder rights attached to the entire 66,891,800 Shares in accordance with the relevant PRC laws and the articles of association of the Company, including (i) convening, presiding, attending the general meeting of the Company and voting on the matters tabled at the general meeting; and (ii) other statutory shareholder rights such as the proposal right, information rights and inquiry right. As such, Ningbo Shunxiang is deemed to be acting in concert with SF Taisen and became one of our Controlling Shareholders.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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When it comes to voting at the general meeting of the Company, (1) Sharp Land, as our Shareholder, is entitled to exercise the voting rights attached to the Shares held by Sharp Land itself. According to the articles of association of Sharp Land, subject to the compliance with the Companies Ordinance, the affairs of Sharp Land are managed by its director, Mr. Sun Haijin, the executive Director and chief executive officer of our Company. Accordingly, Mr. Sun Haijin, as the director of Sharp Land, is entitled to exercise the voting rights attached to the Shares held by Sharp Land for and on behalf of Sharp Land; and (2) Sharp Land and Mr. Sun Haijin have acted and will act independently from our Controlling Shareholders. Mr. Tsang Hoi Lam, the executive Director, chief financial officer and one of the joint company secretaries of the Company, is the only shareholder of Sharp Land and is entitled to other shareholder rights (other than voting rights) attached to the Shares held by Sharp Land, he has acted and will act independently from our Controlling Shareholders. Neither Mr. Sun Haijin nor Mr. Tsang Hoi Lam holds any position within the Remaining Group. Therefore, Sharp Land is not considered as one of our Controlling Shareholders. According to the terms of the Pre-IPO Restricted Share Scheme and the articles of association of Sharp Land, Sharp Land is entitled to the dividends attached to the Shares it holds in our Company, and Sharp Land may declare dividends to its own shareholders subject to the decision of Mr. Sun Haijin.

### *Adoption of the Pre-IPO Restricted Share Scheme*

On January 22, 2020, the Board approved the adoption of the Pre-IPO Restricted Share Scheme for the purpose of incentivizing the Group's core employees, as well as promoting the long-term development of the Group and maintaining the Group's competitive advantages. Pursuant to the Pre-IPO Restricted Share Scheme, Ningbo Shunxiang and Sharp Land were designated as employee share ownership platforms for the Pre-IPO Restricted Share Scheme to hold the maximum number of 70 million Shares and 20 million Shares, respectively, for and on behalf of the participants who are our key employees with direct or significant contributions to our Group. On January 22, 2020, the Board resolved to ratify and confirm the 27.87 million restricted Shares granted in 2019 and resolved to grant 62.13 million restricted Shares. Pursuant to the Pre-IPO Restricted Share Scheme, the participants may transfer the restricted Shares granted to him/her upon expiry of the lock-up period and subject to terms and conditions as specified in the Pre-IPO Restricted Share Scheme. See "Appendix VI – Statutory and General Information – 5. Pre-IPO Restricted Share Scheme" for details.

Given that i) Ningbo Shunxiang and Sharp Land were specifically set up for the Pre-IPO Restricted Share Scheme as designed and decided by our Group; ii) pursuant to the articles of association of Ningbo Shunxiang and Sharp Land and the Pre-IPO Restricted Share Scheme, our Group has the power over the unvested Shares held by Ningbo Shunxiang and Sharp Land through its representative, i.e., Mr. Sun Haijin, the executive Director and chief executive officer of our Company; and iii) we are entitled to risks and rewards of the unvested Shares held by Ningbo Shunxiang and Sharp Land as well as the power to manage exposure and variability of the costs to remunerate our employee, our Company's unvested Shares held by Ningbo Shunxiang and Sharp Land are considered to be controlled by our Group and accounted for as treasury stock, i.e. "shares held for employee share scheme" in Note 26 to the consolidated statements of financial positions of the Group as set out in Appendix I.



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *Subscription by Xingrui Yongying*

On December 13, 2019, Xingrui Yongying, an Independent Third Party, subscribed for 12,312,500 Shares in our Company at a consideration of RMB69,815,815.00, which was determined after arm's length negotiations between the parties with reference to the appraised market value of our equity interests, the timing of the investments and the prospects of our business. Upon completion of the share subscription by Xingrui Yongying, our registered capital increased from RMB298,081,413.00 to RMB310,393,913.00. On April 6, 2021, Xingrui Yongying transferred the 12,312,500 Shares it held to Jiaying Fengrong, and Xingrui Yongying ceased to be a shareholder of our Company. See "Pre-IPO Investments" below.

### *Capital Contribution and Share Exchange by SF Holding Group*

On January 13, 2020, SF Holding Limited contributed RMB128,000,000.00 to our share capital and subscribed for 128,000,000 Shares in our Company; Intra-city Tech contributed RMB15,000,000.00 to our share capital and subscribed for 15,000,000 Shares in our Company. On the same date, we exchanged 107,000,000 Shares of the Company with SF Taisen in consideration of its 100% equity interest in a group of companies, consisting of Shenzhen Intra-city, Shanghai Fengpaida and Shenzhen Zhongplus. Such share exchange was conducted for the purpose of incorporating the group companies carrying out intra-city delivery business operations into our Group as a separate entity, Shenzhen Intra-city, Shenzhen Zhongplus and Shanghai Fengpaida were incorporated on October 26, 2018, December 25, 2018, and January 16, 2019, respectively as the entities conducting the intra-city on-demand delivery services business and became our subsidiaries on August 26, 2019, September 2, 2019 and September 19, 2019, respectively, as part of the share exchange.

On June 9, 2020, SF Taisen further subscribed for 106,235,295 Shares in our Company at a consideration of RMB722,400,000.00, which was determined after arm's length negotiations between the SF Taisen and the then other existing Shareholders with reference to the appraised market value of our equity interests, the timing of the investments and the prospects of our business.

Following the above share subscriptions, our registered capital increased from RMB310,393,913.00 to RMB666,629,208.00.

### *Series A+ and Series B Rounds of Pre-IPO Investments*

From June 2020 to March 2021, our Company had entered into a set of agreements in relation to Series A+ and Series B rounds of pre-IPO investments. For details, see "Pre-IPO Investments" below.

Following completion of the Series A+ and Series B rounds of Pre-IPO investments, our registered share capital increased from RMB666,629,208.00 to RMB771,982,406.00.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *SF Taisen's Further Capital Injection*

On April 7, 2021, SF Taisen further subscribed for 30,294,501 Shares in our Company in cash at a consideration of RMB409,000,000, which was determined after arm's length negotiations between the parties with reference to the appraised market value of our equity interests, the timing of the investments and the prospects of our business. Upon completion of the subscription, the registered capital of the Company increased from RMB771,982,406.00 to RMB802,276,907.00.

See below "Corporate structure immediately before the Global Offering" for the shareholding immediately after the abovementioned equity transfers and subscriptions.

As advised by our PRC legal advisor, all the changes in our registered capital and shareholding as set forth above have been duly completed pursuant to the applicable PRC laws, regulations and rules and are legally valid under the applicable PRC laws, regulations and rules.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### Pre-IPO Investments

Since our incorporation, our Company has been introduced to several Pre-IPO investors through our financial advisors and through approaches initiated by the investors based on their research and knowledge of our business and the industry. From September 2019 to June 2021, our Company completed several rounds of Pre-IPO Investments, see above “Changes in the Registered Capital and Shareholding Structure of our Company” for the corresponding changes in shareholding structure of the Company. Details of the Pre-IPO Investments are summarized below.

NO.	Pre-IPO Investors	Subscription/ transfer method	Date of signing the share subscription/ transfer agreement	Settlement date <sup>(1)</sup>	Total number of Shares under the investment agreement	Price per Share paid (RMB if not otherwise specified)	Amount of consideration (RMB if not otherwise specified)	Implied valuation of the Company based on the price per Share paid to the Company and the then issued share capital of the Company (as enlarged by the investment as applicable) <sup>(2)</sup>				Discount to the Offer Price % <sup>(3)</sup>
								Percentage of Shares held by investors %				
								(Assuming the Over-allotment Option is not exercised)		Upon the	Global	
Series A												
1.	Huangshan SAIF	Subscription of new shares	September 30, 2019	December 3, 2019	10,581,413	5.67	60,000,000	RMB3,171,354,048	1.3189	1.1336		59.90
2.	Shining Star		September 30, 2019	April 15, 2020	37,500,000*	USD0.8	USD30,000,000		4.6742	4.0173		63.80
Series A+ ( the “Series A+ Pre-IPO Investment”)												
3.	Yinghe Fengrui	Transferred by SF Holding Limited	June 22, 2020	March 23, 2021	1,885,036	5.48	10,330,000	RMB3,653,128,226	0.2350	0.2019		61.24
4.	Tianwo Kangzhong		June 22, 2020	May 7, 2021	2,959,800	5.48	16,219,704		0.3689	0.3171		61.24
5.	Yingcang Fengchi		June 22, 2020	June 1, 2021	6,078,400	5.48	33,309,632		0.7576	0.6512		61.24

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

NO.	Pre-IPO Investors	Subscription/ transfer method	Date of signing the share subscription/ transfer agreement	Settlement date <sup>(1)</sup>	Total number of Shares under the investment agreement	Price per Share paid (RMB if not otherwise specified)	Amount of consideration (RMB if not otherwise specified)	Implied valuation of the Company based on the price per Share paid to the Company and the then issued share capital of the Company (as enlarged by the investment as applicable) <sup>(2)</sup>	Percentage of Shares held by investors % (Assuming the Over-allotment Option is not exercised) before the Global Offering	Upon the Global Offering	Discount to the Offer Price %( <sup>3</sup> )
<b>Series B (the "Series B Pre-IPO Investment")</b>											
6.	Duckling Fund	Transferred by Ningbo Shunxiang	December 18, 2020	March 31, 2021	2,424,170	USD2.07	USD5,017,513	RMB10,454,132,511	2.1137	1.8167	6.33
7.	Tengyuan Investment	Subscription of new shares	December 18, 2020	March 31, 2021	14,533,583*	13.50	USD30,081,414		0.0923	0.0793	4.53
8.	Daotong Changjing	Subscription of new shares	December 18, 2020	January 27, 2021	740,697	13.50	10,000,003		0.2014	0.1731	4.53
9.	New Hope Asia-Pacific Investment	Transferred by Ningbo Shunxiang	December 18, 2020	January 29, 2021	684,030	13.50	9,234,952		1.2077	1.0380	4.53
10.	Green Juice II	Subscription of new shares	December 18, 2020	January 29, 2021	931,575	USD2.08	12,577,008		0.6038	0.5190	5.88
11.	Asia Strategic II	Subscription of new shares	December 18, 2020	March 11, 2021	4,844,527*	USD2.08	USD10,065,715		0.4831	0.4152	5.88
					3,875,622*	USD2.08	USD8,075,314				

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

NO.	Pre-IPO Investors	Subscription/ transfer method	Date of signing the share subscription/ transfer agreement	Settlement date <sup>(1)</sup>	Total number of Shares under the investment agreement	Price per Share paid (RMB if not otherwise specified)	Amount of consideration (RMB if not otherwise specified)	Implied valuation of the Company based on the price per Share paid to the Company and the then issued share capital of the Company (as enlarged by the investment as applicable) <sup>(2)</sup>	Percentage of Shares held by investors % (Assuming the Over-allotment Option is not exercised) before the Global Offering	Upon the Global Offering	Discount to the Offer Price %( <sup>3</sup> )
12.	Stonebridge 2020	Subscription of new shares	December 18, 2020	March 15, 2021	5,813,433*	USD2.08	USD12,112,971		0.7246	0.6228	5.88
13.	Beijing Xinrunheng	Subscription of new shares	December 18, 2020	January 19, 2021	9,689,055	13.50	130,810,000		1.2077	1.0380	4.53
14.	BAI GmbH	Subscription of new shares	December 18, 2020	March 12, 2021	7,266,791 <sup>(4)*</sup>	USD2.08	USD15,115,786 <sup>(3)</sup>		0.4076	0.3503	5.88
15.	Guoke Junlian	Subscription of new shares	December 18, 2020	January 26, 2021	2,740,578	13.50	37,000,000		0.3416	0.2936	4.53
16.	Idea Flow	Subscription of new shares	December 18, 2020	March 8, 2021	11,793,004*	USD2.09	USD24,636,750		1.4699	1.2634	5.43
17.	Zhixin Xinming	Subscription of new shares	December 18, 2020	January 28, 2021	2,422,263	13.50	32,702,500		0.3019	0.2595	4.53
18.	TB Bullet	Subscription of new shares	December 18, 2020	March 19, 2021	9,689,055*	USD2.08	USD20,121,519		1.2077	1.0380	5.88
19.	Shanghai Shengye	Subscription of new shares	December 18, 2020	January 28, 2021	4,844,528	13.50	65,405,000		0.6038	0.5190	4.53

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

NO.	Pre-IPO Investors	Subscription/ transfer method	Date of signing the share subscription/ transfer agreement	Settlement date <sup>(1)</sup>	Total number of Shares under the investment agreement	Price per Share paid (RMB if not otherwise specified)	Amount of consideration (RMB if not otherwise specified)	Implied valuation of the Company based on the price per Share paid to the Company and the then issued share capital of the Company (as enlarged by the investment as applicable) <sup>(2)</sup>	Percentage of Shares held by investors % (Assuming the Over-allotment Option is not exercised)			Discount to the Offer Price % <sup>(3)</sup>
									Global Offering	Upon the Global Offering	Global Offering	
20.	Nation Sky	Subscription of new shares	December 18, 2020	March 23, 2021	4,844,527*	USD2.07	USD10,045,925		0.6038	0.5190		6.33
21.	Broad River Logistics Fund	Subscription of new shares	December 18, 2020	January 26, 2021	7,266,791	13.50	98,107,500		0.9058	0.7785		4.53
22.	Redland Yuechuan	Subscription of new shares	December 18, 2020	March 12, 2021	2,422,263	13.50	32,702,500		0.3019	0.2595		4.53
23.	Jiaxing Fengrong	Transferred by Xingrui Yongying	March 16, 2021	April 19, 2021	12,312,500	13.50	166,228,600		1.7772	1.5275		4.53
		Subscription of new shares			1,945,851		26,270,546					
24.	BAI HK	Transferred by BAI GmbH <sup>(4)</sup>	March 16, 2021	April 6, 2021	3,996,735*	USD2.08	USD8,313,682		0.4982	0.4282		5.88

*Notes:*

\* The Shares to be converted into H Shares upon the Listing.

- (1): Settlement date refers to the date when the consideration for the pre-IPO investment was fully paid on an irrevocable basis to the Company or the respective seller (as the case may be).
- (2): Implied valuation of the Company for Series A Pre-IPO Investment, Series A+ Pre-IPO Investment and Series B Pre-IPO Investment is based on 560,393,913 Issued Shares, 666,629,208 Issued Shares, and 771,982,406 Issued Shares, respectively.
- (3): The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$17.19 per Share, being the mid-point of the indicative Offer Price range of HK\$16.42 to HK\$17.96.  
Generally, price per share paid is principally determined with reference to the then valuation of the Group which was based on the appraised market value, considering that the company has experienced fast growth in recent years, the Pre-IPO investments in an earlier stage such as Series A Pre-IPO Investment and Series A+ Pre-IPO has a relatively higher discount rates compared to that of Series B Pre-IPO Investment.
- (4): On March 16, 2021, BAI GmbH transferred 3,996,735 Shares it held in the Company to BAI HK at a consideration of USD8,313,682. As of the Latest Practicable Date, BAI GmbH held 3,270,056 Shares.



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### Principal Terms of the Pre-IPO Investments

Set out below are the principal terms of the Pre-IPO Investments:

- |  |          |   |
|--|----------|---|
| <b>Use of proceeds from the Pre-IPO Investments</b>                    | <b>:</b> | As of the Latest Practicable Date, we utilized approximately 70.0% of the proceeds Company obtained from the Pre-IPO Investments for research and development, expanding our service coverage, acquisition and investment, marketing and branding, working capital and general corporate use, and the remaining approximately 30.0% of the net proceeds has not yet been utilized.  |
| <b>Strategic benefits the Pre-IPO Investors brought to our Company</b> | <b>:</b> | At the time of the Pre-IPO Investments, our Group is of the view that our Company can benefit from the additional capital injected by the Pre-IPO Investors' investments in our Company, insights for industry, advice on business expansion and strategic direction, upstream and downstream resources that the Pre-IPO Investors bring to the Company. Their investments also demonstrated their confidence in our Group's operations and served as an endorsement of our Group's performance, strengths and prospects.   |
| <b>Basis of determining the consideration paid</b>                     | <b>:</b> | The consideration for the Pre-IPO Investments were determined based on arm's length negotiations between our Company (or the respective selling shareholders, as applicable) and the Pre-IPO Investors with reference to the appraised market value of our equity interests, the timing of the investments and the prospects of our business.   |
| <b>Special rights</b>  | <b>:</b> | Pursuant to the Shareholders' Agreement dated March 31, 2021 entered by, among others, the Company, the Series A and Series B Pre-IPO Investors, the Pre-IPO Investors were granted certain special rights in relation to our Company, including, among others, right of first refusal, tag-along rights, information rights, director nomination right, pre-emption rights, anti-dilution rights, rights of most favorable terms and other rights requiring the Company to get their approval prior to certain actions. Such special rights shall automatically lapse and/or be terminated upon Company's submission of the listing application. |

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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**Lock-up** : Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders (including the Pre-IPO Investors and the Controlling Shareholders) could not dispose of any Shares held by them.

### Information about the Pre-IPO Investors

Set out below are descriptions of the Pre-IPO Investors who made meaningful investment in our Company, each holding more than 1% of the total capital of the Company immediately prior to the Global Offering, and the relationships among such Pre-IPO Investors.

#### *Huangshan SAIF*

Huangshan SAIF is a limited partnership incorporated in the PRC. It is a private investment fund with Tianjin SAIF Shengyuan Investment Management Center (Limited Partnership) (the “SAIF Shengyuan”, 天津賽富盛元投資管理中心(有限合夥)) acting as the fund manager, the general partner of SAIF Shengyuan is Tianjin Himalayas Investment Co., Ltd. (the “Tianjin Himalayas”, 天津喜瑪拉雅投資有限公司), a company incorporated in the PRC engaged in fund management and investment. Tianjin Himalayas is owned as to 50% each by Ms. Li Jia (李佳) and Ms. Zhao Jun (趙鈞), Independent Third Parties of the Company. Ms. Li Jia has 7 years of finance-related work experience and 16 years of investment experience with focus on media, consumption, healthcare and natural resources sectors. Apart from our Company, Ms. Li has also invested in tens of other enterprises. Ms. Zhao Jun has 17 years of work experience in the investment industry, specializing in fund formation, operation and management. The limited partners of Huangshan SAIF are Shenzhen Jinsheng Shuoheng Venture Capital Investment Center (Limited Partnership) (the “Jinsheng Shuoheng”, 深圳金晟碩恒創業投資中心(有限合夥)), Bank of China Asset Management Co., Ltd. (the “BOC Asset Management”, 中銀資產管理有限公司), Huangshan Tourism Development Co., Ltd. (黃山旅遊發展股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600054A and 900942B) which hold 40%, 35% and 24% of the partnership interest in Huangshan SAIF, respectively. Jinsheng Shuoheng is a limited partnership incorporated in the PRC, whose general partner of Jinsheng Shuoheng is Xizang Jinsheng Shuoxing Asset Management Co., Ltd. (西藏金晟碩興資產管理有限公司) which is ultimately controlled by Mr. Li Ye (李曄), an Independent Third Party of the Company. Mr. Li Ye has more than 10 years of experience in asset management and investment. Apart from our Company, the funds managed by Mr. Li have also invested in nine other companies in the logistics industry. limited partners of Jinsheng Shuoheng is Shenzhen Jinsheng Shuoye Asset Management Co., Ltd. (the “Shenzhen Jinsheng Shuoye”, (深圳金晟碩業資產管理股份有限公司) and China Merchants Wealth Asset Management Co., Ltd. (招商財富資產管理有限公司,) which hold approximately 59.94% and 39.86% of the partnership interest in Jinsheng Shuoheng, respectively. Shenzhen Jinsheng Shuoye is controlled by Mr. Li Ye (李曄), an Independent Third Party of the Company. BOC Asset Management is ultimately controlled by Bank of China Co., Ltd. (中國銀行股份有限公司, a company listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange under the stock code of 601988 and 03988, respectively). Huangshan SAIF is principally engaged in equity investment, investment consulting and management.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### ***Tengyuan Investment***

Tengyuan Investment is a limited partnership incorporated in the PRC. It is a private investment fund with SAIF Shengyuan acting as the fund manager. The general partner of SAIF Shengyuan is Tianjin Himalayas which is owned as to 50% each by Ms. Li Jia (李佳) and Ms. Zhao Jun (趙鈞), Independent Third Parties of the Company. The only limited partner of Tengyuan Investment is Mr. Yan Ansheng (閻安生), an Independent Third Party of the Company. Mr. Yan Ansheng has more than 20 years of work and enterprise management experience in automotive manufacturing industry. Tengyuan Investment is principally engaged in industrial investment and investment management.

### ***Daotong Changjing***

Daotong Changjing is a limited partnership incorporated in the PRC. The general partner of Daotong Changjing is Tianjin Himalayas which holds 0.99% interests in Daotong Changjing. Tianjin Himalayas is owned as to 50% each by Ms. Li Jia (李佳) and Ms. Zhao Jun (趙鈞), Independent Third Parties of the Company. The limited partners of Daotong Changjing are Ms. Zhao Jun (趙鈞) and Ms. Xia Meng (夏萌) who holds 53.88% and 45.13% interests in Daotong Changjing, respectively. Daotong Changjing is principally engaged in industrial investment and investment management. Ms. Xia Meng is an Independent Third Party of the Company. She has 10 years of work experience in the investment industry and six years of investment experience with focus on logistics, healthcare and science and technology sectors.

### ***Shining Star***

Shining Star is a limited partnership incorporated in the Cayman Islands. The general partner of Shining Star is Parallel Universes Asset Management Limited which is ultimately controlled by Mr. Eric Li, an Independent Third Party of the Company. Mr. Eric Li holds, through his investment vehicles, equity interests in several companies with focus on innovation-driven and emerging industries, as well as traditional industries going through transformation and upgrade. The only limited partner of Shining Star is Skycus China Fund, L.P., an Independent Third Party of the Company, which is a fund primarily invests in strategic emerging industries (including telecommunication, media and technology, culture, sports and grand health industries). The general partner of Skycus China Fund, L.P. is Parallel Universes Asset Management Limited, an Independent Third Party of the Company. Skycus China Fund, L.P. has more than 20 limited partners, none of which holds more than one third of the interest in Skycus China Fund, L.P.

### ***Duckling Fund***

Duckling Fund is a limited partnership incorporated in the Cayman Islands. The general partner of Duckling Fund is Grandiflora Hook GP Limited which is ultimately controlled by Mr. Eric Li, an Independent Third Party of the Company. The only limited partner of Duckling Fund is Lionet Fund, L.P., an Independent Third Party of the Company, which is a fund focusing on logistics, healthcare, telecommunication, media, technology and consumer industries investment. The general partner of Lionet Fund, L.P. is Grandiflora Hook GP Limited, an Independent Third Party of the Company. Lionet Fund, L.P. has more than 15 limited partners, none of which holds more than one third of the interest in Lionet Fund, L.P..

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *New Hope Asia-Pacific Investment*

New Hope Asia-Pacific Investment is a limited company incorporated in the PRC, which is owned by Lhasa Economic and Technology Development Zone New Hope Investment Co., Ltd. (the “Lhasa New Hope Investment”, 拉薩經濟技術開發區新希望投資有限公司) and Mr. Liu Yonghao (劉永好) as to 99% and 1%, respectively. Lhasa New Hope Investment is wholly owned by Mr. Liu Yonghao, an Independent Third Party of the Company. Mr. Liu Yonghao currently serves as the chairman and president of New Hope Group Co., Ltd. (新希望集團有限公司), which was founded in 1982 and has more than 600 subsidiaries. New Hope Group is a comprehensive enterprise group with a focus on modern agriculture and food industry as well as emerging innovative industries with growth potential. Mr. Liu has more than 5 years of investment experience in the logistics and transportation industry. Apart from our Company, Mr. Liu has also invested in around 70 logistics companies. New Hope Asia-Pacific Investment is principally engaged in equity investment, venture investment and venture investment management.

### *Beijing Xinrunheng*

Beijing Xinrunheng is a limited partnership incorporated in the PRC. It is a private equity investment fund established by CITIC Capital (Tianjin) Investment Management Partnership (Limited Partnership) (the “CITIC Capital Tianjin”, 中信資本(天津)投資管理合夥企業(有限合夥)) acting as the fund manager. CITIC Capital Tianjin is a limited partnership incorporated in the PRC and is primarily engaged in private fund management, with its fund management scale amounting to approximately RMB12 billion as of June 30, 2021. The general partner of CITIC Capital Tianjin is Tianjin Yuebo Investment Consulting Co., Ltd. (the “Tianjin Yuebo”, 天津躍波投資諮詢有限公司), which is owned as to 50% each by Mr. Zhao Yan (趙彥) and Mr. Wang Ranxu (王冉旭), Independent Third Parties of the Company. Mr. Zhao Yan and Mr. Wang Ranxu have around 15 years of work experience in the private funds investment field. Mr. Wang Ranxu has led investment projects in several other logistics enterprises apart from our Company. Beijing Xinrunheng has 13 limited partners and the largest limited partner is National Council for Social Security Fund (全國社會保障基金理事會), an Independent Third Party of the Company, which holds approximately 33.33% partnership interest in Beijing Xinrunheng, none of the other limited partners holds more than one third of partnership interest in Beijing Xinrunheng. Beijing Xinrunheng is principally engaged in investment, investment management, investment consulting and equity investment.

### *Idea Flow*

Idea Flow is a limited company incorporated in Hong Kong, which is wholly owned by LC Fund VIII, L.P., which is an investment fund focusing on Internet and innovative consumption, business-to-business IT services, hard and core technology and cross-border investments. LC Fund VIII, L.P. is a partnership incorporated in Cayman Islands with LC Fund VIII GP Limited (the “LC Fund”) acting as the general partner, LC Fund is indirectly wholly owned as to 20% by Legend Holdings Corporation (the “Legend Holdings”, a company listed on the Hong Kong Stock Exchange, stock code: 3396) and 80% by Beijing Juncheng Hezhong

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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Investment Management Partnership (the “Beijing Juncheng”, 北京君誠合眾投資管理合夥企業(有限合夥)). The general partner of Beijing Juncheng is Beijing Junqi Jiarui Enterprise Management Co., Ltd. (the “Beijing Junqi”, 北京君祺嘉睿企業管理有限公司), Beijing Junqi is owned as to 40%, 20%, 20% and 20% by Mr. Chen Hao (陳浩), Mr. Wang Nengguang (王能光), Mr. Zhu Linan (朱立南) and Mr. Li Jiaqing (李家慶), Independent Third Parties of the Company, respectively. Mr. Chen Hao, Mr. Zhu Linan and Mr. Wang Nengguang are founders of Legend Capital, a private equity investment institution in China. Mr. Chen, Mr. Zhu and Mr. Wang have years of work, management and investment experience in IT, consumption, service and/or manufacturing industries and have invested in or served as director of several listed companies. Mr. Li Jiaqing serves as the president and managing director of Legend Capital and has led several investment projects in IT, healthcare, logistics and other sectors. Idea Flow is principally engaged in equity investment.

### ***Guoke Junlian***

Guoke Junlian is limited partnership incorporated in the PRC. The general partner of Guoke Junlian is Lhasa Junqi Enterprise Management Co., Ltd. (拉薩君祺企業管理有限公司) which is owned as to 80% by Beijing Juncheng and 20% by Legend Holdings. The general partner of Beijing Juncheng is Beijing Junqi which is owned as to 40%, 20%, 20% and 20% by Mr. Chen Hao (陳浩), Mr. Wang Nengguang (王能光), Mr. Zhu Linan (朱立南) and Mr. Li Jiaqing (李家慶), Independent Third Parties of the Company, respectively. The largest limited partner of Guoke Junlian is Chinese Academy of Sciences Joint Innovation Equity Investment Fund (Shaoxing) Partnership (Limited Partnership) (the “CAS Shaoxing Fund”, 中科院聯動創新股權投資基金(紹興)合夥企業(有限合夥)), which holds approximately 98.04% partnership interest in Guoke Junlian. The general partner of CAS Shaoxing Fund is Chinese Academy of Sciences Holdings Co., Ltd (the “CAS Holding”, 中國科學院控股有限公司), an Independent Third Party of the Company, which holds approximately 60.90% partnership interest in CAS Shaoxing Fund, none of the eight limited partners holds more than one third partnership interest in CAS Shaoxing Fund. CAS Holding is ultimately controlled by Chinese Academy of Science (中國科學院). Guoke Junlian is principally engaged in equity investment.

### ***TB Bullet***

TB Bullet is a limited company incorporated in Hong Kong, which is wholly owned by TB Bullet Fast Holdings (BVI) Limited. TB Bullet Fast Holdings (BVI) Limited is ultimately controlled by Mr. Li Shujun, an Independent Third Party of the Company who has 15 years of investment experience with focus on Internet and new economy, consumer goods, health care and supply-chain technology sectors. TB Bullet is principally engaged in equity investment.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *Zhixin Xinming*

Zhixin Xinming is a limited partnership incorporated in the PRC, the general partner of which is Mr. Wu Zhiguang (伍志廣) and the limited partner is Mr. Li Shujun. The partnership interests of Zhixin Xinming is held as to 8.56% and 91.44% by Mr. Wu Zhiguang and Mr. Li Shujun, respectively. Mr. Wu Zhiguang and Mr. Li Shujun are Independent Third Parties of the Company. Mr. Wu Zhiguang has 15 years of work experience in the investment industry. Zhixin Xinming is principally engaged in industrial investment, investment management, investment consultancy (excluding finance and securities), business consultancy, enterprise management consultancy.

### *Jiaxing Fengrong*

Jiaxing Fengrong is a limited partnership incorporated in the PRC. It is a private investment fund with Xingtou (Beijing) Capital Management Co., Ltd. (the “Xingtou Beijing”, 興投(北京)資本管理有限公司) acting as the fund manager. Xingtou Beijing is indirectly and ultimately controlled by Industrial Bank Co., Ltd. (興業銀行股份有限公司, a company listed on Shanghai Stock Exchange under the stock code of 601166), an Independent Third Party of the Company. None of the limited partners of Jiaxing Fengrong holds more than one third of the partnership interest in Jiaxing Fengrong. Jiaxing Fengrong is principally engaged in equity investment.

### *Asia Strategic II*

Asia Strategic II is a private company limited by shares incorporated in Singapore which is ultimately wholly owned by The Goldman Sachs Group, Inc.. The Goldman Sachs Group, Inc. (the “**Goldman Sachs**”), a company incorporated under the laws of Delaware and whose shares are listed on the NYSE (ticker symbol: GS), is an Independent Third Party of the Company. Asia Strategic II is principally engaged in project investment.

### *Stonebridge 2020*

Stonebridge 2020 is a private company limited by shares incorporated in Singapore. Stonebridge 2020 is held by multiple employee funds of The Goldman Sachs Group, Inc., among which, the general partners of these employee funds are wholly-owned subsidiaries of Goldman Sachs. Stonebridge 2020 is principally engaged in project investment.

### *Broad River Logistics Fund*

Broad River Logistics Fund is a limited partnership incorporated in the PRC. It is an equity investment fund with BRC Investment Management. LTD (廈門博潤資本投資管理有限公司, the “**BRC Investment Management**”) acting as the fund manager. BRC Investment Management is owned as to 64.9935% by BRC Holdings Limited Partnership (LLP) (廈門博潤資本控股合夥企業(有限合夥)), the general partner of which is Mr. Ding Wei (丁瑋), an Independent Third Party of the Company. Mr. Ding Wei has more than 30 years of experience



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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in finance and investment. He currently serves as the executive director of BRC Investment Management. Shenzhen SF Investment Co., Ltd. (深圳市順豐投資有限公司), a wholly-owned subsidiary of SF Taisen, is a limited partner of Broad River Logistics Fund which holds 33.33% interest in Broad River Logistics Fund. Redland Yuechuan is a limited partner of Broad River Logistics Fund which holds 21.33% interest in Broad River Logistics Fund. None of the other limited partners hold more than one third of the partnership interests in Broad River Logistics Fund. Broad River Logistics Fund is principally engaged in investment management and investment management consulting.

### *Employee Shareholding Platforms of SF Holding Group*

Further, each of Yingcang Fengchi, Tianwo Kangzhong and Yinghe Fengrui was established as an employee shareholding platform to hold the Shares for the benefits of the current and past employees of SF Holding Group.

- Yinghe Fengrui

Yinghe Fengrui is a limited partnership incorporated in the PRC. The general partner of Yinghe Fengrui is Ningbo Yinghe Enterprise Management Consulting Co., Ltd. (the “**Ningbo Yinghe**”, 寧波盈和企業管理諮詢有限公司). Ningbo Yinghe is owned as to 50% by Ms. Zheng Rui (鄭睿) and Mr. Wang Fei (王飛) each, the employees of SF Holding Group and Independent Third Parties of the Company. The limited partners of Yinghe Fengrui are Ningbo Yinghe Dingtai Enterprise Management Partnership (Limited Partnership) (the “**Yinghe Dingtai**”, 寧波盈和鼎泰企業管理合夥企業(有限合夥)), Ningbo Yingcang Fenghe Enterprise Management Partnership (Limited Partnership) (the “**Yingcang Fenghe**”, 寧波盈倉豐和企業管理合夥企業(有限合夥)), Ningbo Yinghe Fengzhao Enterprise Management partnership (Limited Partnership) (the “**Yinghe Fengzhao**”, 寧波盈和豐兆企業管理合夥企業(有限合夥)), Ningbo Yingrun Fengji Enterprise Management Partnership (Limited Partnership) (the “**Yingrun Fengji**”, 寧波盈潤豐吉企業管理合夥企業(有限合夥)) and Ningbo Yingrun Fengyuan Enterprise Management Partnership (Limited Partnership) (the “**Yingrun Fengyuan**”, 寧波盈潤豐元企業管理合夥企業(有限合夥)) which held 41.26%, 38.03%, 12.62%, 6.81% and 1.16% interests in Yinghe Fengrui as of the Latest Practicable Date, respectively. Each of Yinghe Dingtai, Yingcang Fenghe, Yinghe Fengzhao, Yingrun Fengji and Yingrun Fengyuan is an Independent Third Party of the Company.

- Tianwo Kangzhong

Tianwo Kangzhong is a limited partnership incorporated in the PRC. The general partner of Tianwo Kangzhong is Ningbo Meishan Free Trade Port Zone Dinghe Enterprise Management Co., Ltd. (the “**Ningbo Dinghe**”, 寧波梅山保稅港區鼎合企業管理有限公司). Ningbo Dinghe is owned as to 60% and 40% by Mr. Wang Fei (王飛) and Mr. Liu Xiangwei (劉祥偉), employees of SF Holding Group and Independent Third Parties of the Company. As of the Latest Practicable Date, the limited partners of Tianwo Kangzhong were employees of SF Holding, among whom, Mr. Li Qiuyu, our non-executive Director, held approximately 11.25% of the economic interest in Tianwo Kangzhong, and each of the remaining employees was an Independent Third Party of the Company.



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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- Yingcang Fengchi

Yingcang Fengchi is a limited partnership incorporated in the PRC. The general partner of Yingcang Fengchi is Ningbo Dinghe which is owned as to 60% and 40% by Mr. Wang Fei (王飛) and Mr. Liu Xiangwei (劉祥偉), employees of SF Holding Group and Independent Third Parties of the Company.

### Compliance with Interim Guidance and Guidance Letters

On the basis that (i) the settlement of the considerations for the Pre-IPO Investments complies with the guidance letter requirements from the Stock Exchange and (ii) all special rights which have been granted to the Pre-IPO investors has automatically lapsed and/or been terminated upon Company's submission of the listing application, the Joint Sponsors have confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12) issued by the Stock Exchange in January, 2012 and updated in March 2017, and the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017. The Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017 is not applicable to the Pre-IPO Investments as no convertible instrument was issued.

### Spin-off

CSRC promulgated the Circular on Issues Relevant to Regulating Offshore Listing of Securities of Domestic Listed Companies (the “**Spin-off Circular**”, 《關於規範境內上市公司所屬企業到境外上市有關問題的通知》) on July 21, 2004. Pursuant to the Spin-off Circular, the offshore listing of the subsidiaries controlled by domestic listed companies shall comply with the conditions set out in the Spin-off Circular and obtain approvals from the CSRC. The listing of the Company constitutes a spin-off of SF Holding and is subject to the approval of the CSRC. The listing of the Company was approved by (i) SF Holding's shareholders at an extraordinary shareholders' general meeting on June 15, 2021; and (ii) the CSRC in its approval letter dated September 30, 2021. As advised by the PRC Legal Advisor, the Company had obtained all necessary approvals and authorization in the PRC in relation to the Listing.

### Public Float

SF Taisen, Intra-city Tech, SF Holding Limited and Ningbo Shunxiang will continue to be our Controlling Shareholders, and Sharp land will continue to be wholly owned by Mr. Tsang Hoi Lam, our Director, chief financial officer and one of the joint company secretaries. Therefore, the 622,498,360 Shares held by SF Taisen, Intra-city Tech, SF Holding Limited, Ningbo Shunxiang and Sharp Land, representing 77.59% of our total issued share capital as of the Latest Practicable Date, or approximately 66.69% of our total issued Shares upon Listing (assuming the Over-allotment Option is not exercised), will not be counted towards the public float according to Rule 8.08 of the Listing Rules.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

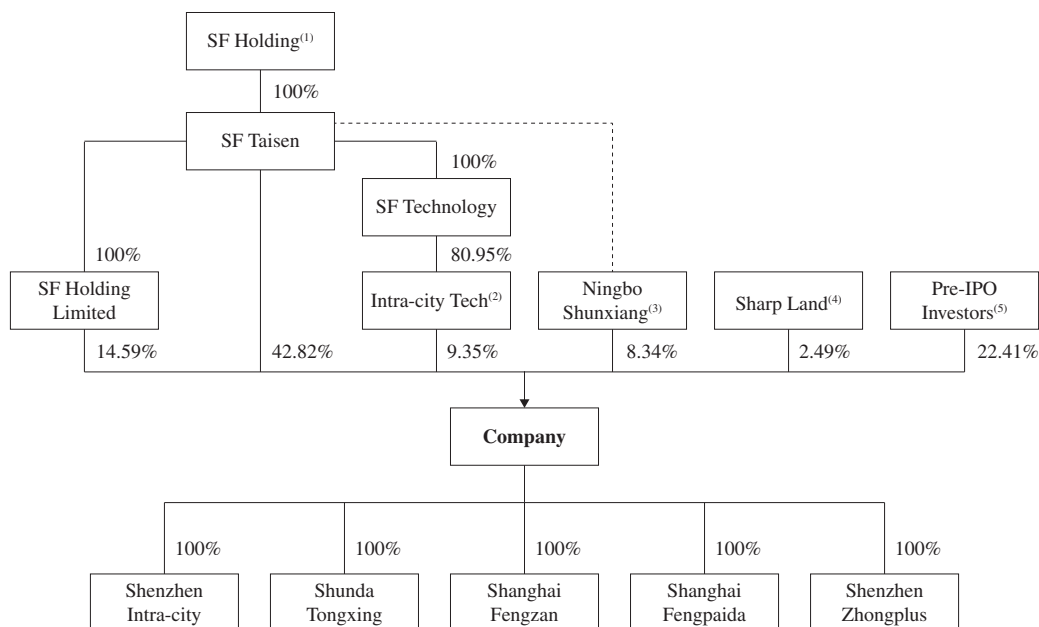
The 79,618,005 Shares held by Yinghe Fengrui, Tianwo Kangzhong, Yingcang Fengchi, Jiaxing Fengrong, Huangshan SAIF, Duckling Fund (as to the 2,424,170 Unlisted Foreign Shares it holds in the Company), Tengyuan Investment, Daotong Changjing, New Hope Asia-Pacific Investment, Beijing Xinrunheng, Guoke Junlian, Zhixin Xinming, Shanghai Shengye, Broad River Logistics Fund and Redland Yuechuan, representing 9.92% of our total issued share capital as of the Latest Practicable Date, or approximately 8.53% of our total issued Shares upon Listing (assuming the Over-allotment Option is not exercised), will not be considered as part of the public float as the Shares they hold are Domestic Shares or Unlisted Foreign Shares which will not be converted into H Shares and listed on the Main Board of the Stock Exchange upon Listing.

To the best knowledge of the Directors and after due enquiries, the 100,160,542 Shares, representing approximately 10.73% of our total issued Shares upon Listing (assuming the Over-allotment Option is not exercised), held by the remaining Shareholders other than the above-mentioned Shareholders will be counted towards to the public float upon Listing. See “– Our Corporate Structure – Corporate structure immediately following the completion of the Global Offering” for further details.

### OUR CORPORATE STRUCTURE

#### Corporate Structure Immediately Before the Global Offering

The following chart sets forth our shareholding structure as of the Latest Practicable Date and immediately before the Global Offering:



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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*Notes:*

- (1) SF Holding was owned as to approximately 55.07% by Mingde Holding, which in turn was owned as to approximately 99.90% by Mr. Wang Wei.
- (2) Intra-city Tech was held as to 80.95% and 19.05% by SF Technology and Ningbo Meishan Free Trade Port Zone Danwu Investment Management Partnership (Limited Partnership) (“**Danwu Investment**”, 寧波梅山保税港區丹武投資管理合夥企業(有限合夥)), respectively, Danwu Investment is ultimately controlled by Mr. Geng Yankun (耿艷坤) who is an Independent Third Party of the Company.
- (3) Ningbo Shunxiang, acting as a domestic shareholding platform for the employees of our Company, was established as a limited partnership on September 29, 2019 in the PRC. The general partner of Ningbo Shunxiang is Shenzhen Tonglu Zhiyuan Investment Co., Ltd. (“**Tonglu Zhiyuan**”, 深圳市同路致遠投資有限公司) which is owned by Mr. Sun Haijin, the executive Director and chief executive officer of our Company, and Ms. Liu Jia, secretary of our Board and one of our joint company secretaries as to 99% and 1%, respectively. As of the Latest Practicable Date, the limited partners of Ningbo Shunxiang were 16 individual employees of our Group, including the following connected persons of the Company: (i) Mr. Sun Haijin, the executive Director and chief executive officer of our Company; (ii) Mr. Chen Lin, our executive Director, deputy general manager and chief technology officer of the Company; (iii) Mr. Zhang Yanbing, the director of Shenzhen Zhongplus, a wholly-owned subsidiary of our Company; (iv) Ms. Liu Jia, secretary of the Board, one of the joint company secretaries of the Company, and the director of Shunda Tongxing, Shanghai Fengzan and Shanghai Fengpaida, each being a wholly-owned subsidiary of our Company; (v) Ms. Xu Xiaoyan, the general manager of Shanghai Fengzan, a wholly-owned subsidiary of our Company; (vi) Mr. Zhu Huirong, the general manager of Shanghai Fengpaida, a wholly-owned subsidiary of our Company; and (vii) Ms. Su Xiaohui, a Supervisor of the Company. To the best knowledge of the Directors, each of the remaining 9 individual employees is an Independent Third Party.

On June 9, 2021, Ningbo Shunxiang pledged all of the Shares it held to Shenzhen Branch of China Merchants Bank Co., Ltd. as securities for certain loan facilities provided by such bank to Ningbo Shunxiang, representing 8.34% of the issued total share capital of the Company immediately before the Listing. See “Substantial Shareholders – Share pledge by Controlling Shareholder” for potential impact on the Group and its shareholding structure in the event that the Bank enforces the share pledge and other details.

On June 1, 2021, SF Taisen and Ningbo Shunxiang entered into the Voting Power Entrustment Agreement, pursuant to which SF Taisen is entrusted to exercise the voting power attached to the entire 66,891,800 Shares held by Ningbo Shunxiang on behalf of Ningbo Shunxiang. As such, Ningbo Shunxiang is deemed to be acting in concert with SF Taisen and became one of our Controlling Shareholders.

- (4) Sharp Land, acting as an overseas shareholding platform of the Company, was established as a limited company on December 1, 2018 in Hong Kong. Sharp Land was wholly owned by Mr. Tsang Hoi Lam, the executive Director, chief financial officer and one of the joint company secretaries of the Company.

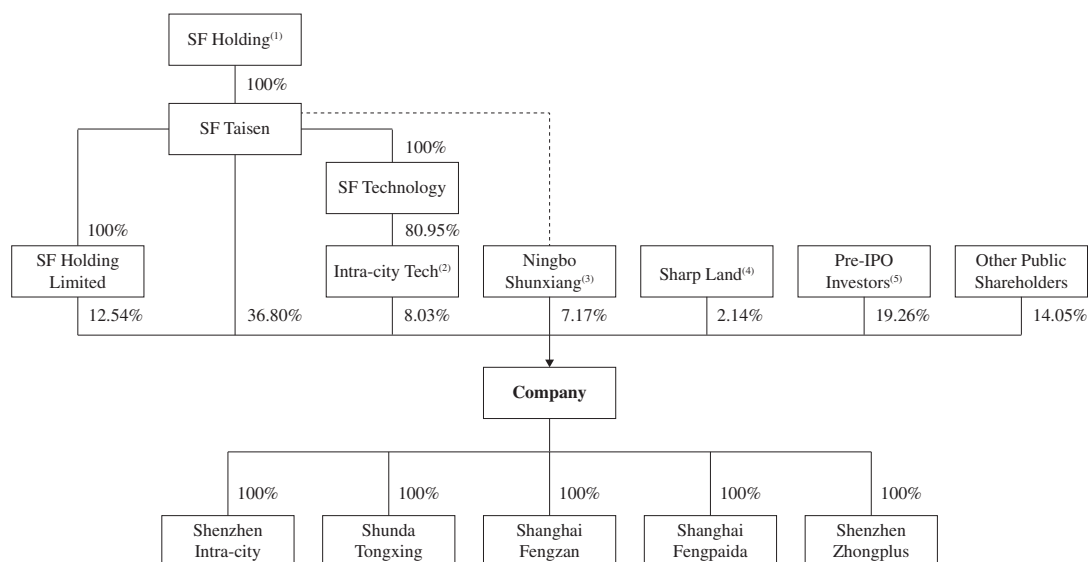
When it comes to voting at the general meeting of the Company, (1) Sharp Land, as our Shareholder, is entitled to exercise the voting rights attached to the Shares held by Sharp Land itself. According to the articles of association of Sharp Land, subject to the compliance with the Companies Ordinance, the affairs of Sharp Land are managed by its director, Mr. Sun Haijin, the executive Director and chief executive officer of our Company. Accordingly, Mr. Sun Haijin, as the director of Sharp Land, is entitled to exercise the voting rights attached to the Shares held by Sharp Land for and on behalf of Sharp Land; and (2) Sharp Land and Mr. Sun Haijin have acted and will act independently from our Controlling Shareholders. Mr. Tsang Hoi Lam is the only shareholder of Sharp Land and is entitled to other shareholder rights (other than voting rights) attached to the Shares held by Sharp Land, he has acted and will act independently from our Controlling Shareholders. Neither Mr. Sun Haijin nor Mr. Tsang Hoi Lam holds any position within the Remaining Group. Therefore, Sharp Land is not considered as one of our Controlling Shareholders. According to the terms of the Pre-IPO Restricted Share Scheme and the articles of association of Sharp Land, Sharp Land is entitled to the dividends attached to the Shares it holds in our Company, and Sharp Land may declare dividends subject to the decision of Mr. Sun Haijin.

- (5) For the number of Shares held by each Pre-IPO Investor in our Company, see “Pre-IPO Investments” above. To the best knowledge of our Directors and after due enquiry, each Pre-IPO Investor is an Independent Third Party.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### Corporate Structure Immediately Following the Completion of the Global Offering

The following chart sets forth our shareholding structure immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no changes in the following shareholdings since the Latest Practicable Date):



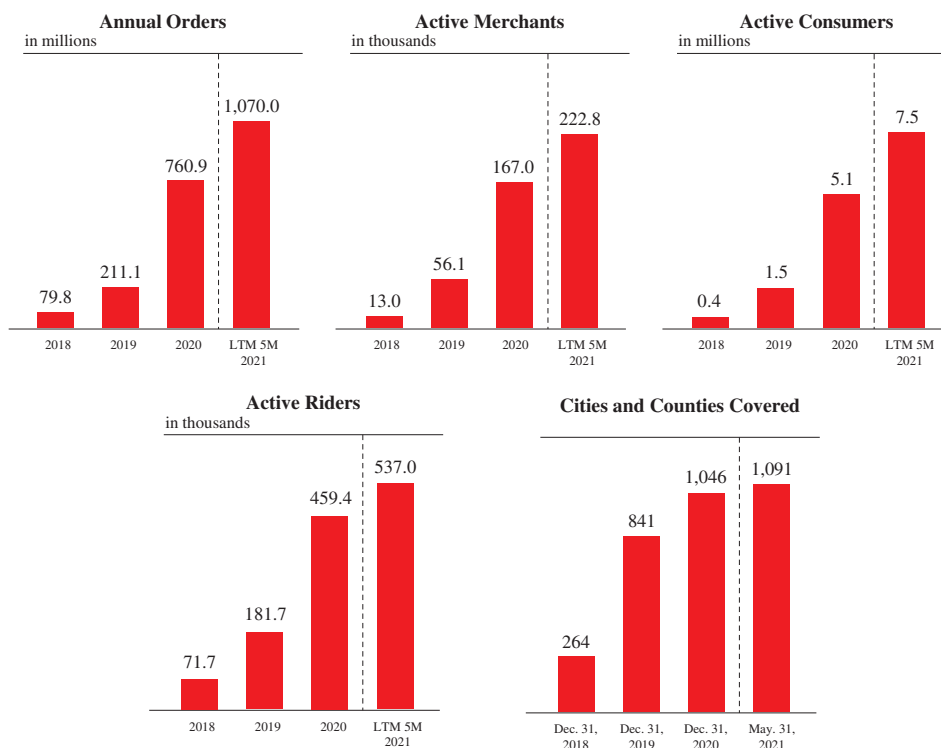
Notes 1-5: See the corresponding notes under section “– Corporate structure immediately before the Global Offering”.

## OVERVIEW

### Who We Are

We started as a business unit of SF Holding Group, focusing on the emerging opportunities of intra-city on-demand delivery services. Since 2019, we have operated as an independent legal entity to capture the growth opportunities brought about by the new consumption trends. The on-demand delivery service providers in China can be categorized into on-demand delivery service platforms affiliated with centralized marketplaces and third-party on-demand delivery service platforms. The former mainly serves merchants registered on centralized marketplaces, helping with delivery to consumers of the centralized marketplaces, while third-party on-demand delivery service platforms fulfill orders acquired from non-related parties or parties unaffiliated with centralized marketplaces. We have rapidly grown into the largest third-party on-demand delivery service platform in China, with our market share in terms of order volume<sup>(1)</sup> being 10.4%, 10.9% and 11.1%, respectively, in 2020, the 12 months ended March 31, 2021, and the three months ended March 31, 2021, according to the iResearch Report.

The following charts show our scale of business:

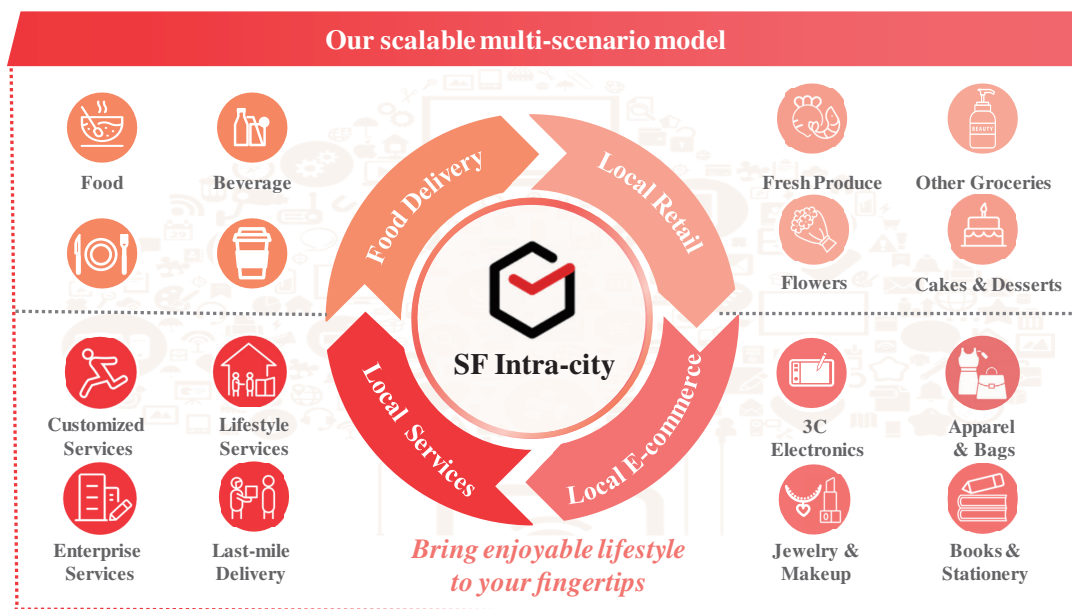


*Notes:*

- (1) Unless otherwise stated in this prospectus, the calculation of order volume for the purpose of determining market share in this prospectus takes into account the number of orders sourced independently by the market players. The calculation for our number of orders excludes orders from both last-mile delivery service and intra-city delivery service attributable to SF Holding, while for other market players, the calculation generally excludes orders for these two services offered to related parties, but includes those offered to other Independent Third Parties.
- (2) “LTM 5M 2021” refers to the 12 months ended on May 31, 2021.

### **Our Multi-scenario Business Model**

We have adopted a multi-scenario business model featuring full coverage of delivery scenarios for all types of products and services. Our extensive service coverage, ranging from mature scenarios such as food delivery to growth scenarios such as local retail, local e-commerce and local services, has enabled us to respond to the evolving customer needs brought about by the development and upgrade of the local consumer market. With our emphasis on fairness and inclusiveness in serving businesses of all types and sizes in the industry, we are capable of offering delivery options which cater to a full range of budget, delivery coverage, service time and time sensitivity. We believe that we have strong competitive edge in the overall on-demand delivery service industry in China under the emerging trend of “bring all you need to your side” of the new consumption era. See “– Our Multi-scenario Business Operation.”



## **Our Performance**

We achieved significant growth during the Track Record Period. Our revenue grew from RMB993.3 million in 2018 to RMB2,107.0 million in 2019, and further to RMB4,843.4 million in 2020. Our revenue grew from RMB1,429.5 million in the five months ended May 31, 2020 to RMB3,045.6 million in the five months ended May 31, 2021. Our total number of orders grew from 79.8 million in 2018 to 211.1 million in 2019, and further to 760.9 million in 2020, representing a CAGR of 208.7%. Our total number of orders grew by 151.2%, from 204.5 million in the five months ended May 31, 2020 to 513.7 million in the five months ended May 31, 2021.

## **Market Opportunities**

The new consumption era presents three transformative trends to the landscape of the on-demand delivery industry.

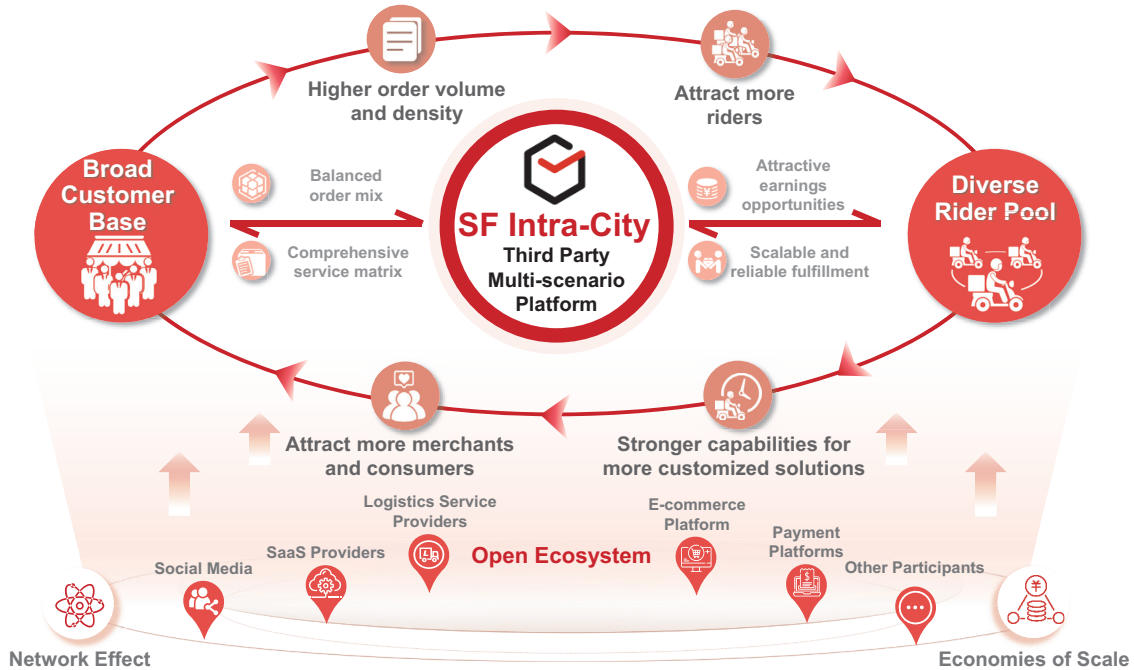
***Calling for third-party on-demand delivery platform.*** Under the trend of digitalization, merchants are increasingly seeking to strengthen their ties with customers and build proprietary customer acquisition channels. A third-party on-demand delivery service provider would empower merchants with healthy growth prospects by enabling their direct interaction with consumers.

***Multi-scenario delivery needed for extended boundaries of local consumption.*** The local consumer market is diversifying, expanding from food delivery into non-food segments. A nimble and extensible on-demand delivery service platform would be well-positioned to capture the booming market opportunities.

***Increasing pursuit of tailored services.*** As competition intensifies, merchants seek to win the customer mindshare through not only desirable products, but also customized and quality delivery services that enhance overall satisfaction level. Merchants hence increasingly opt for professional delivery platforms specialized in customized services.



## Our Value Propositions



We offer differentiated value propositions to our merchants, consumers and riders, as well as to the industry.

- Merchants:** We empower merchants of varied sizes with our open and inclusive on-demand delivery network as well as our professional and comprehensive solution offerings. Merchants choose to embrace tailored service packages to enhance their own customer satisfaction and branding. We have become the go-to third-party on-demand delivery service provider.
- Consumers:** By providing professional, reliable and around-the-clock on-demand services covering varied everyday scenarios, we have acquired substantial consumer mindshare and increased consumer loyalty.
- Riders:** We treat our riders with care and respect, as we strongly believe that rider satisfaction is critical to the sustainability of our business. We offer riders attractive earning opportunities and sustainable and flexible working arrangements across diverse delivery scenarios.
- Industry and Society:** As a third-party on-demand delivery platform, we are committed to treating businesses with fairness and inclusiveness. We have contributed to the healthy competition in our industry. Meanwhile, we have become the trusted partner of fast-growing emerging businesses, as we timely cater to their needs for professional, flexible and customized on-demand services.

Our platform enjoys powerful and self-reinforcing network effects and economies of scale:

- **Network effects:** Our extensive scenario coverage brings higher order volume and allows us to attract more riders, which in turn enhances our fulfillment capabilities and capacity to attract more merchants. With deepened penetration and expansion of business coverage, we receive more orders and realize strong network effects which drive a virtuous cycle of growth.
- **Economies of scale:** Our balanced multi-scenario order mix enables us to rapidly grow order volume and order density, leading to optimized rider scheduling throughout the day. Leveraging the variations in peak hours and order density across service scenarios, we effectively smooth out the volume and load for a rider to minimize order congestion while maximizing fulfillment efficiency.

### Our Technologies

We process in our daily operations a massive volume of data including, in particular, transaction data. For example, our total number of orders was 513.7 million in the five months ended May 31, 2021. In addition, we have a complex order structure with orders from diverse scenarios for delivering varied items, and a mixed rider pool which requires efficient order recommendation and dispatching to ensure order fulfillment quality. Therefore, we need a reliable and scalable technology architecture to support our efficient operations.

We have applied big data and AI technologies in our CLS to achieve higher operational efficiency and lower delivery cost. Our CLS primarily enables us to effectively manage our business processes, in particular, order recommendation and dispatching, and supports our other daily management needs such as rider management. In addition, through APIs, our CLS facilitates easy order placing and order monitoring mainly for merchants and consumers, while also facilitating easy order responding and delivery task management, mainly for riders. The core functions of our CLS include business forecast and planning, integrated order recommendation and dispatching and real-time operation monitoring.

### OUR STRENGTHS

#### Largest and Fast-growing Third-party On-demand Delivery Service Platform

We were the largest third-party on-demand delivery service provider in China in terms of order volume in 2020, the 12 months ended March 31, 2021, as well as in the three months ended March 31, 2021, according to the iResearch Report. We have also grown fast. Our total number of orders grew from 79.8 million in 2018 to 211.1 million in 2019, and further to 760.9 million in 2020, representing a CAGR of 208.7%, significantly higher than the CAGR of 27.0% for the overall on-demand delivery service industry during the same period, according to the iResearch Report. Our total number of orders grew by 151.2% from 204.5 million in the five months ended May 31, 2020 to 513.7 million in the five months ended May 31, 2021.

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## BUSINESS

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We have the following comparative advantages as a third-party on-demand delivery services provider:

- **More attractive to merchants:** There is an increasing trend for merchants to use third-party on-demand delivery services, which would reduce their dependence on any centralized marketplace. Third-party platforms also enable merchants to build or enhance their own online sales channels.
- **Tailored services:** As a third-party service provider, we offer services tailored to evolving customer needs. For example, we offer customized delivery boxes and pickup arrangements catering to merchants' brand positioning and individualized needs.
- **Open platform to maximize customer reach:** As an open and neutral platform, we enjoy the flexibility in fulfilling orders from more diverse sources. In particular, we can partner with local lifestyle service channels such as WeChat Mini Program, Youzan (有贊), Weimob (微盟) and Dmall (多點) to complement their integrated services, while enriching our service scenarios and gaining significant online traffic. We have built a broad customer base including merchants in a wide array of industries and of varied sizes, which makes us resilient to market risks.

We had served over 2,000 merchant brands and have built strong relationships with leading chain merchants across industries. In particular, we have become the trusted ally of well-known chain brands in the food, beverage and retail industry, such as McDonald's, Laoniangjiu (老娘舅), Heytea (喜茶), Lacesar (樂凱撒) and Rainbow (天虹), along their quest to maximize brand recognition.

The table below sets out the number of our active merchants during the Track Record Period:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
Active merchants ( '000)	13.0	56.1	167.0	62.8	147.5

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## BUSINESS

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The table below sets out the number of our active consumers during the Track Record Period:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
Active consumers ( '000)	411.1	1,463.8	5,138.7	1,580.4	4,513.4

The table below sets out the number of our active riders during the Track Record Period:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
Active riders ( '000)	71.7	181.7	459.4	210.4	340.7

### Distinct Network Effects and Economies of Scale Enabled by a Multi-scenario Business Model

We adopt a multi-scenario business model based on our diverse rider pool, vast operational know-how and customer insights. Our service network has an extensive coverage in terms of cities, business districts, service time, sizes and types of customers. We have extensive coverage of mature scenarios such as food delivery, and growth scenarios such as local retail, local e-commerce and local services.

We started to serve the local retail, local e-commerce and local services scenarios in 2018, subsequently achieving annual order volume growth at a CAGR of 424.1%, 105.7% and 152.5%, respectively, from 2018 to 2020. The growth of order volume for local retail, local e-commerce and local services continued to be strong at 272.4%, 143.1% and 223.2%, respectively, from the five months ended May 31, 2020 to the same period in 2021.

Multi-scenario business model benefits us with network effects and economies of scale, which fuel self-reinforcing growth and enhance operational efficiency.

- ***Greater growth potential powered by network effects.*** Our strong and expanding national network helps us build a broad customer base, which produces valuable customer insights supporting our exploration of new scenarios. The expansion of scenario coverage brings higher order volume, allowing us to attract more riders with substantial earning potential, which in turn facilitates the continuous scale-up of our fulfillment capabilities. Improved order fulfillment capabilities enable us to timely capture opportunities from fast-growing segments and attract more merchants with expanding delivery solution offerings and better experience. Such network effects bring about sustainable and growing customer base, order fulfillment capabilities and order volume.

- ***Greater operational efficiency brought about by economies of scale.*** Our balanced multi-scenario order mix enables us to rapidly grow our order volume and order density, leading to optimized rider scheduling throughout the day. Leveraging the variations in peak hours and order density across service scenarios, we effectively smooth out the volume and load for a rider by carefully regrouping the orders from different segments and optimizing the order structure. Such balanced order structure reduces our pressure on rider scheduling and lowers the delivery costs, further optimizing our unit economics. In addition, we build up economies of scale with ease as we capitalize on the common and established technology infrastructure in different geographical markets and scenarios with minimal operating costs.

### **Superior Customer Experience through Our Customer-centric Approach**

We are committed to offering customer-centric solutions. Our large order volume provide us with customer insights, enabling us to continuously bring superior experience for customers and enhance their loyalty to our brand. We have become an integral part of merchants' service value chains as well as consumers' daily lives.

- ***Comprehensive service matrix attending to every customer's needs.*** For key accounts, we offer one-on-one professional consultations, enabling such merchants to define and individualize solutions tailored for each of their stores considering product categories, peak hours, timing and packaging needs. For small- to medium-sized merchants, who are typically more price-sensitive, we offer standard value-for-money options. For consumers, we offer professional, reliable and around-the-clock on-demand services covering varied everyday scenarios, such as fetching items, running errands and offering other lifestyle services.
- ***Commitment to service quality and stability.*** We achieved an average delivery time of approximately 30 minutes for the five months ended May 31, 2021 for intra-city delivery service. Our fulfillment in-time rate reached above 95% during the Track Record Period. We remain highly responsive and offer stable delivery services, even under challenging conditions such as peak hours and seasons and bad weather, as well as the COVID-19 pandemic. During the five months ended May 31, 2021, the fluctuation in our fulfillment in-time rate during holidays was less than 2.5%, and for the same period the fluctuation in our fulfillment in-time rate under bad weather was less than 3.5%. Our superior brand image and trustworthy service quality not only enhance our customer loyalty, but also facilitate the brand promotion of our merchant customers.
- ***Technology-empowered operational enhancement.*** Based on big data analytics and our AI-empowered studies of key business processes, we offer merchants both business recommendations such as service geographical coverage of their stores to improve their profitability and operational suggestions such as pickup time prediction to help merchants time their order preparation. We also offer online tools facilitating real-time business monitoring and management.

- ***Continuously broadening business scope to enhance value creation.*** We offer IT support to merchants, helping them launch and promote online stores through WeChat Mini Program and other online channels to capture booming online sales opportunities. We have launched Fengshi together with our delivery services. Fengshi is an online group catering service platform offering enterprise customers with a wide selection of high-quality staff meals, banquet catering, high tea and employee welfare catering.

### **Diverse Rider Pool Ensuring Efficiency, Quality and Stability**

We have built an integrated rider pool mainly consisting of dedicated riders and crowd-sourced riders, optimizing cost efficiency, order fulfillment quality and stability. Dedicated riders are typically stationed at stores of key accounts and allow us to offer stable and highly customized services. Crowd-sourced riders allow us to flexibly cope with real-time order volume volatility. Such combination of different rider groups lowers fixed delivery costs without compromising order fulfillment quality.

We have adopted a comprehensive rider management system to solidify the brand image of our rider pool characterized by superior quality and professional services. We offer both online and offline training programs to riders. Detailed real-time rider data gathered through our CLS, such as level of activity, customer feedback and training progress, feed into our rider evaluation system which enables us to recognize, reward and incentivize good riders accordingly.

We value riders as much as customers and endeavor to build a friendly and sustainable environment for riders. We enhance rider satisfaction with their working conditions through improved rider care focusing on safety and welfare. Empowered by riders with improved satisfaction and enhanced loyalty to our platform, we offer superior and stable services to customers.

### **Continuous Technology Innovation and Digitalized Operation**

We process in our daily operations a massive volume of data including, in particular, transaction data. For example, our total number of orders was 513.7 million in the five months ended May 31, 2021. In addition, we have a complex order structure with orders from diverse scenarios for delivering varied items, and a mixed rider pool which requires efficient order recommendation and dispatching to ensure order fulfillment quality. Therefore, we need a reliable and scalable technology architecture to support our efficient operations.

We have applied big data and AI technologies in our CLS to achieve higher operational efficiency and lower delivery cost. Our CLS primarily enables us to effectively manage our business processes, in particular, order recommendation and dispatching, and supports our other daily management needs such as rider management. In addition, through APIs, our CLS facilitates easy order placing and order monitoring mainly for our merchants and consumers, while also facilitating easy order responding and delivery task management, mainly for riders. The core functions of our CLS include:

- ***Business Forecast and Planning.*** Optimizing deployment of dedicated riders and crowd-sourced riders is vital to our delivery efficiency. Our mixed rider structure and our delivery scenarios with different peak hours sophisticate our business forecast and planning. Based on big data analytics and AI algorithms, our system predicts demand fluctuation and recommends rider scheduling arrangements (e.g. number, type and experience of riders available for deployment) in advance on an hourly basis, enhancing our service responsiveness and stability.
- ***Integrated Order Recommendation and Dispatching.*** Utilizing proprietary pricing and matching algorithms, our system decides the delivery price dynamically, recommends or dispatches orders to the most suitable rider and suggests the optimal delivery route for riders, which maximizes efficiency and decreases delivery costs.
- ***Real-time operation monitoring.*** We have digitalized business processes such as order recommendation and dispatching, delivery route planning, pricing and customer service to achieve real-time operation tracking and strong managerial control. Abnormalities or incidents can be identified and handled in a timely manner.

### **Well-recognized “SF” Brand and Strong Synergy with SF Holding Group**

“SF” brand is one of the most recognized brands in China’s logistics industry and SF Holding Group has built a broad customer base featuring both strategic corporate partners and nationwide consumers. We share the core values of SF Holding Group, including integrity and being customer-centric, long-term oriented and motivated. Our relationship with SF Holding Group is highly synergistic and mutually beneficial.

For example, we leverage our large rider pool to supplement and enhance the last-mile delivery capabilities of SF Holding Group, especially during peak seasons such as online shopping events or festivals, or in areas that lack local delivery force. We also expand our rider pool, lower the unit cost and explore new delivery scenarios benefiting from the order volume from SF Holding Group. In addition, we strategically cooperate with SF Holding Group’s ecosystem participants, including upstream service providers in the logistics industry value chain to tailor one-stop comprehensive supply chain logistics solutions for customers, which allow us to broaden customer reach and increase customer loyalty.



### **Entrepreneurial and Experienced Management**

Our entrepreneurial and diversified management has accumulated profound insights through an average of 15 years of experience in the logistics, new retail and technologies industries. Their leadership experience from major corporations underpins their industry insights and expertise, strong technology background and extensive management experience in new retail, local lifestyle services, on-demand delivery services and technologies.

Our management has demonstrated strong execution power in capturing emerging business opportunities. With profound industry insights, our management identified customers' evolving needs for on-demand delivery services, in particular, merchants' demand to build proprietary customer acquisition channels. Seizing these opportunities, our management has built us into an industry-leading third-party on-demand delivery service platform.

### **OUR STRATEGIES**

We aim to strengthen our competitive advantage and sustain our strong growth as well as best-in-class operational efficiency through successful execution of the following strategies.

#### **Continue to Explore and Expand New Delivery Service Scenarios**

We are committed to becoming an on-demand delivery service platform with multi-scenario coverage. The increasing demand for local consumption gives rise to the “bring all you need to your side” as part of the new consumption trend. We intend to deepen our penetration in existing scenarios, while continuously offering new services to capture the tremendous opportunities and solidifying our leading position in the fast-growing non-food scenarios such as local retail, local e-commerce and local services.

#### **Continue to Enhance Value Creation for Our Merchants, Consumers and Riders**

Value creation is vital to our stable relationship with our merchants, consumers and riders and we aim to continuously enhance their experience with us. For merchants, we aim to offer more diverse, tailored services and technological support and further enable them to access a broader consumer base with enhanced digitalization. For consumers, we aim to offer faster and higher quality on-demand services in broader daily life scenarios. For riders, we aim to offer attractive earning opportunities as well as a safe and friendly working environment. For our industry, we aim to contribute to a healthy competition environment. We aim to further improve our brand awareness through our continuous value creation and quality service.

***Enrich Solution Offerings for More Merchants***

We aim to introduce innovative solutions addressing market pain points to solidify our relationship with business partners as well as attract new cooperation. For example, we aim to further enable merchants' digital transformation through IT support. Through our Fengshi platform, we mutually benefit our strategic partners and their staff, merchants registered on our platform and us as the delivery platform. Through deepened cooperation with SF Holding Group, we will offer comprehensive supply chain logistics solutions. We also plan to collaborate with local lifestyle service channels such as WeChat Mini Program, Youzan (有贊), Weimob (微盟) and Dmall (多點) to develop new integrated solutions.

***Capture Consumers' Evolving, Complex and Diverse Needs***

We aim to continuously attract new consumers through our high-quality services, well-recognized brand and effective online and offline marketing. We will utilize the open and mutually beneficial service network to further identify and address differentiated consumer demand, and extend our consumer reach. Through our extensive and increasing coverage in both consumer everyday scenarios and business scenarios, we will: (i) enable consumers to have a wider range of consumption options; (ii) bring convenience and joy to more people through our services; and (iii) continuously enhance consumer loyalty.

***Geographically Expand Delivery Service Network***

We will continue to enhance our penetration in lower-tier cities with promising growth potential and introduce convenient and effective on-demand delivery infrastructure to merchants and consumers in more regions, contributing to better life for more people in the new consumption era. For cities with existing operations, we aim to continuously improve coverage of their core regions and service mix to serve more scenarios.

***Continue to Strengthen Our Delivery Capabilities to Drive Sustainable Growth***

We will continue to expand our rider pool and improve rider professionalism and satisfaction. We will continue to maintain a sustainable working environment to balance their productivity, earnings and welfare, which in turn could contribute to improved rider performance and retention. We aim to continuously optimize our rider pool structure and cost structure to achieve higher operational efficiency and lower delivery cost across all scenarios. We believe these will allow us to serve more merchants and consumers with improved order fulfillment capabilities and better service quality.

***Continue to Improve Operational Efficiency and Optimize Solution Offerings through Technological Innovations***

We aim to continuously drive technology innovations, such as big data analytics and AI, to enhance our service quality as well as operational efficiency. We will continuously optimize our CLS, which improves our order recommendation and dispatching with proprietary technologies and advanced algorithm. Through such optimization, we will offer sophisticated and robust delivery solutions and improve our service efficiency and quality.

## BUSINESS

We plan to further invest technological resources in growth scenarios such as local e-commerce and local services, as well as in new areas such as our Fengshi business. We will continue to improve our technological capabilities and strengthen our platform with technology innovations adapting to new service scenarios. We aim to empower customers with enhanced technology-driven integrated solution offerings.

### Continue to Attract and Retain Talents and Improve Management Efficiency

We will continue to attract, cultivate and retain highly motivated talents with diversity. By enriching our talent pool, we aim to build an energetic and vibrant platform.

We aim to improve our standardized, digitalized and intelligent operation and management infrastructure for our whole business processes, supporting complex business decision making and achieving high efficiency at a lower cost.

### OUR MULTI-SCENARIO BUSINESS OPERATION

We serve customer needs across various industries and product categories. We provide both (i) intra-city delivery for merchants and consumers and (ii) last-mile delivery mainly for logistics companies. The following table sets out our revenue breakdown for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2018		2019		2020		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Intra-city on-demand										
delivery service	993,274	100.0	2,107,014	100.0	4,841,920	100.0	1,429,491	100.0	3,038,103	99.8
Intra-city delivery										
service	973,139	98.0	1,928,889	91.5	3,220,164	66.5	1,024,950	71.7	1,848,244	60.7
To Merchants	924,247	93.1	1,796,841	85.3	2,740,666	56.6	933,526	65.3	1,427,506	46.9
To Consumers	48,892	4.9	132,048	6.2	479,498	9.9	91,424	6.4	420,738	13.8
Last-mile delivery										
service	20,135	2.0	178,125	8.5	1,621,756	33.5	404,541	28.3	1,189,859	39.1
Others	–	0.0	–	0.0	1,446	0.0	–	0.0	7,487	0.2
<b>Total</b>	<b>993,274</b>	<b>100.0</b>	<b>2,107,014</b>	<b>100.0</b>	<b>4,843,366</b>	<b>100.0</b>	<b>1,429,491</b>	<b>100.0</b>	<b>3,045,590</b>	<b>100.0</b>

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## BUSINESS

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We are highly responsive to evolving customer needs and our great growth potential is based on our coverage in both growth and mature scenarios. Our services mainly cover scenarios including:

- Food delivery: A mature scenario serving as the demand bedrock for on-demand delivery services. It generally covers the delivery of food and beverages. We serve merchants such as Laoniangjiu (老娘舅) and Heytea (喜茶).
- Local retail: A growth scenario driven by the trend of online and offline integration in the retail industry. It generally covers delivery of fresh produce, flowers, cakes, desserts and other groceries. We primarily serve merchants in the fast-moving consumer goods industry such as Rainbow (天虹).
- Local e-commerce: A growth scenario driven by the needs of e-commerce merchants to improve on-demand supply capabilities to acquire local market traffic. It generally covers delivery of 3C electronics, apparels and bags, jewelry, cosmetics, books and stationery. We primarily serve online channels of retailers such as Bestseller (綾致) and Xiaomi (小米).
- Local services: A growth scenario driven mainly by the needs of consumers and businesses for on-demand customized services. We primarily run errands for consumers. For example, we help consumers deliver and fetch laundry, and fetch clothes from local retail stores for consumers' try-on. We also fulfill other business needs such as assisting advertisers in checking whether outdoor advertisements are properly displayed.

We generate a substantial majority of our revenue from providing intra-city on-demand delivery service. We use differentiated pricing models for our intra-city delivery service to merchants and consumers and last-mile delivery service. For example, we charge a fixed fee for each order placed by merchants as adjusted by variables prescribed in our respective agreements with them, and we charge service fees for each order placed by consumers calculated based on our intelligent pricing algorithm. See “– Our Digitalized Business Process – Pricing.” We have determined that we act as a principal as defined by IFRS 15. Accordingly, we recognize revenue deriving from both intra-city delivery business and last-mile delivery business on a gross basis at a fixed rate or a pre-determined amount for each completed delivery, with the amount paid to the labor suppliers recorded in cost of revenue. See Note 2.20(a) of Appendix I to this prospectus.

We also generate revenue from other businesses by offering online group catering options to enterprise customers. Specifically, we offer a wide selection of high-quality staff meals, banquet catering, high tea and employee welfare catering through our Fengshi platform in collaboration with merchants. Merchants can choose to either provide delivery service on their own or engage us to provide delivery service. When we are responsible for delivery, merchants pay an aggregated fee both for platform and delivery services. We perform two obligations: (a) platform service for handling food supply; and (b) delivery services. As the two performance

## BUSINESS

obligations are satisfied almost at the same time, we determined that it is not necessary to allocate the transaction price to each performance obligation. We thereby recognize the aggregated fee for platform service and delivery service as revenue once a transaction is completed. See Note 2.20(b) of Appendix I to this prospectus. We established the Fengshi platform facing the COVID-19 pandemic. We are orienting and developing the platform to improve our capabilities and scalability, and expect to build our economies of scale as the service expands, which further lowers our costs of operations and enhances our profitability.

The table below sets out our revenue from intra-city on-demand delivery service business attributable to SF Holding and Independent Third Parties during the Track Record Period:

	Year ended December 31,						Five months ended May 31,			
	2018		2019		2020		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Revenue attributable to SF										
Holding	28,566	2.9	276,073	13.1	1,625,960	33.6	408,524	28.6	1,174,467	38.6
Intra-city delivery service	8,431	0.9	100,736	4.8	46,349	1.0	6,821	0.5	31,596	1.0
Last-mile delivery service	20,135	2.0	175,337	8.3	1,579,611	32.6	401,703	28.1	1,142,871	37.6
Revenue attributable to										
Independent Third Parties	964,708	97.1	1,830,941	86.9	3,215,960	66.4	1,020,967	71.4	1,863,636	61.3
Intra-city delivery service	964,708	97.1	1,828,153	86.8	3,173,815	65.5	1,018,129	71.2	1,816,648	59.8
Last-mile delivery service	—	—	2,788	0.1	42,145	0.9	2,838	0.2	46,988	1.5
<b>Total</b>	<b>993,274</b>	<b>100.0</b>	<b>2,107,014</b>	<b>100.0</b>	<b>4,841,920</b>	<b>100.0</b>	<b>1,429,491</b>	<b>100.0</b>	<b>3,038,103</b>	<b>100.0</b>

The table below sets out the number of orders attributed to intra-city delivery service and last-mile delivery service during the Track Record Period:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
Number of orders of intra-city delivery service ( <i>million</i> )	79.0	193.8	315.8	97.0	180.1
Number of orders for last-mile delivery service ( <i>million</i> )	0.8	17.3	445.1	107.5	333.6
<b>Total</b>	<b>79.8</b>	<b>211.1</b>	<b>760.9</b>	<b>204.5</b>	<b>513.7</b>

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## BUSINESS

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The table below sets the average service fee for the intra-city delivery and last-mile delivery service:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
			(RMB)	2020	
Intra-city delivery service	12.3	10.0	10.2	10.6	10.3
Last-mile delivery service <sup>(1)</sup>	25.0	10.3	3.6	3.8	3.6
<b>Total</b>	<b>12.4</b>	<b>10.0</b>	<b>6.4</b>	<b>7.0</b>	<b>5.9</b>

- (1) The average service fee of the last-mile delivery service we provided to our customers (including both the SF Holding Group and Independent Third Parties) decreased during the Track Record Period. Such decrease was primarily due to the decrease in delivery costs, resulting from the economies of scale contributed by the increasing order volume from last-mile delivery throughout Track Record Period. The service fee for the last-mile delivery we provide is principally determined with reference to a relatively stable mark-up on top of the rider commission fee, the mark-up is determined with reference to complexity of the services required, market rates and industry standard, and no specific discount policy has been applied to the last-mile delivery services we provide to either the SF Holding Group or Independent Third Parties during the Track Record Period. See “Connected Transactions – Non-exempt Continuing Connected Transactions – B. Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement and the Independent Shareholders’ Approval Requirements – 5. Intra-city On-demand Delivery Service Cooperation Framework Agreement – Pricing Policy.”

The table below sets out the breakdown of the number of orders attributable to SF Holding and Independent Third Parties during the Track Record Period:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
				2020	
Number of orders from SF Holding (million)	1.0	18.1	446.1	107.8	334.9
Intra-city delivery service	0.2	0.8	1.4	0.3	2.8
Last-mile delivery service	0.8	17.3	444.7	107.5	332.1

## BUSINESS

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
Number of orders from Independent Third Parties (million)	78.8	192.9	314.8	96.7	178.8
Intra-city delivery service	78.8	192.9	314.4	96.7	177.3
Last-mile delivery service <sup>(1)</sup>	—	—	0.4	—	1.5
<b>Total</b>	<b>79.8</b>	<b>211.1</b>	<b>760.9</b>	<b>204.5</b>	<b>513.7</b>

(1) Some of the last-mile delivery service is not measured on a per-order basis, causing the number of orders for the last-mile delivery service in 2019 and the five months ended May 31, 2020 to be nil.

### **Intra-City Delivery Service**

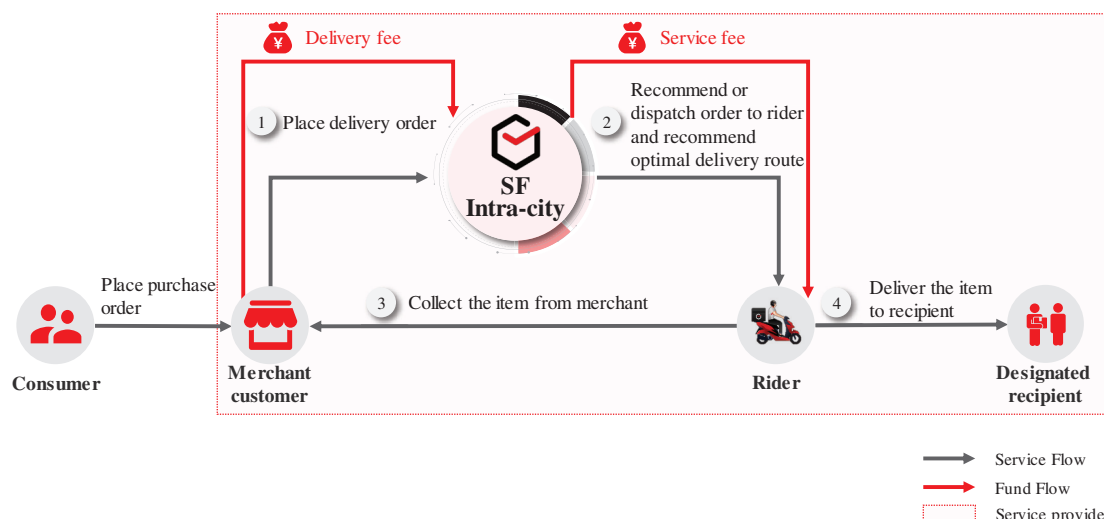
We offer merchants, including key accounts and small- to medium-sized merchants, and individual consumers with differentiated intra-city delivery services, depending on their requirements for budget, delivery coverage, service time and time sensitivity. Key accounts and small- to medium-sized merchants are strategically determined based on various factors including customer business scale, revenue contribution and potential for future business expansion. Such determination may change over time based on our management's continuous assessment of our business relationship with merchants and the merchants' growth potential. The determination is also strategically important. On one hand, to provide services catering to the needs of key accounts, we typically communicate with them at headquarters level, which helps us obtain a holistic view of their requirements and preferences and further gain valuable insights of their industry. On the other hand, by accommodating the varied delivery demands of small- to medium-sized merchants, we are able to enhance our order density and optimize our order structure, which offers riders attractive earning opportunities and increases their engagement with us, and further improves our delivery capacity in serving customers with diverse needs.

### ***Intra-City Delivery Service to Merchants***

We empower merchants with our open and inclusive on-demand delivery network as well as our professional and comprehensive solution offerings. We have become the go-to third-party on-demand delivery service provider. The number of our registered merchants increased from approximately 35,800 as of December 31, 2018 to approximately 124,400 as of December 31, 2019, then to approximately 424,500 as of December 31, 2020, and further to approximately 532,500 as of May 31, 2021. The number of our active merchants increased from approximately 13,000 in 2018 to approximately 56,100 in 2019, and further to approximately 167,000 in 2020.



The following diagram illustrates the flow of our intra-city delivery service to merchants:



- Customer-centric comprehensive product matrix.** For key accounts, we offer one-on-one professional consultations and customized solutions, typically supported by dedicated riders. We enable such merchants to define and tailor solutions for each of their stores considering product categories, peak hours, timing and packaging needs. For small- to medium-sized merchants, who are typically more price-sensitive, we offer standard value-for-money options that are mainly supported by crowd-sourced riders.
- Our technology-empowered operational enhancement solutions.** In addition to delivery services, we share our technology capabilities and data insights with merchants to improve their operational efficiency. For example, we offer (i) recommendations on delivery coverage for merchants' stores based on big data analytics of historical operational data; (ii) analytical and monitoring tools for merchants to analyze and monitor their online business, and to monitor order fulfillment progress and rider performance in real-time; (iii) recommendations such as tailored order pickup processes and order preparation time, taking into account pickup requirements of different products and real-time order volume in each business district; and (iv) IT support and store operation solutions to enable merchants' digital transformation, for example, our solutions help merchants launch and promote online stores through WeChat Mini Program and other online channels.

During the Track Record Period, we had served over 2,000 merchant brands and have built strong relationships with leading chain merchants across industries. In particular, we are a trusted ally of well-known chain brands, such as McDonald's, Laoniangjiu (老娘舅), Heytea (喜茶), Lacesar (樂凱撒) and Rainbow (天虹), along their quest to maximize brand recognition. Our business development team is dedicated to establishing and maintaining long-term relationships with our key account merchants. We typically establish communications with key accounts at headquarters level to obtain a holistic view of their requirements and preferences, and provide support to their chain stores. Through close communication, we understand overall

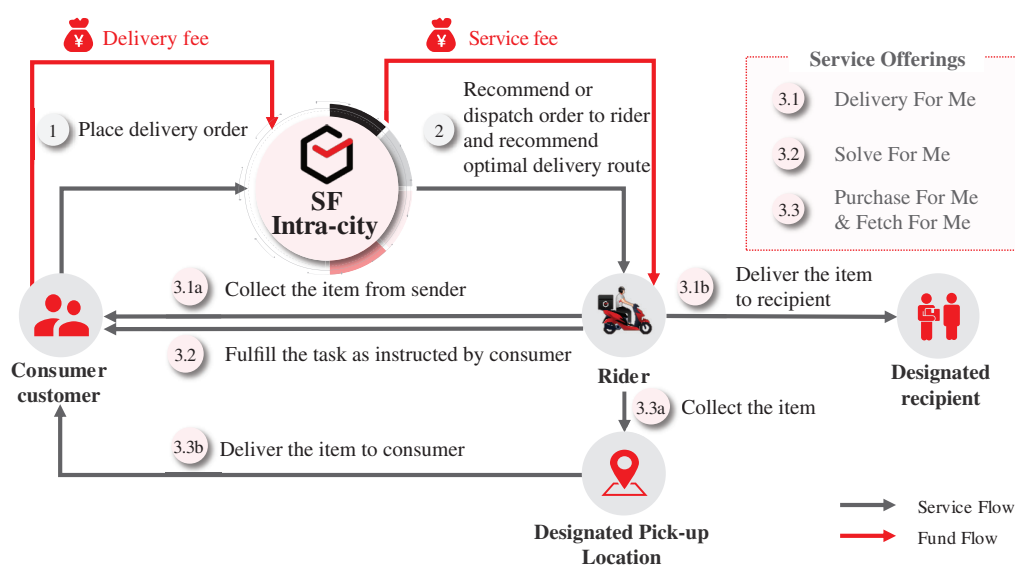
strategies and needs of such key accounts and are able to provide services catering to their requirements, which, in turn, help us gain valuable industry insights. Taking our collaboration with Heytea as an example, based on our big data-empowered analysis, we have collaborated closely with Heytea in planning its delivery coverage and service procedures. We provide recommendations on delivery coverage of Heytea stores. For each order of Heytea, we offer a list of recommended Heytea stores to fulfill the order based on the addresses of the recipient, and Heytea is then able to recommend delivery stores to merchants based on real-time order volumes of each store. Our number of delivery orders for Heytea grew at a CAGR of over 600% from 2018 to 2020 and our fulfillment rate for such orders remained over 98%.

For our salient contractual arrangements with merchants, see “– Our Customers.”

### *Intra-City Delivery Service to Consumers*

We offer around-the-clock local on-demand fulfillment solutions to consumers including Deliver for Me, Fetch for Me, Purchase for Me and Solve for Me services. We are a well-recognized brand for trustworthy services, such as delivery of jewelry. By providing professional, reliable and around-the-clock on-demand services covering varied everyday scenarios, we acquire substantial consumer mindshare and enhance consumer loyalty, further boosting our brand recognition and leading to greater growth potential. The number of our registered consumers increased from approximately 1.9 million as of December 31, 2018 to approximately 7.1 million as of December 31, 2019, then to approximately 81.9 million as of December 31, 2020, and further to approximately 126.1 million as of May 31, 2021. The number of our active consumers increased from approximately 411,100 in 2018 to approximately 1.5 million in 2019, and further to approximately 5.1 million in 2020.

The following diagram illustrates the flow of our intra-city delivery service to consumers:

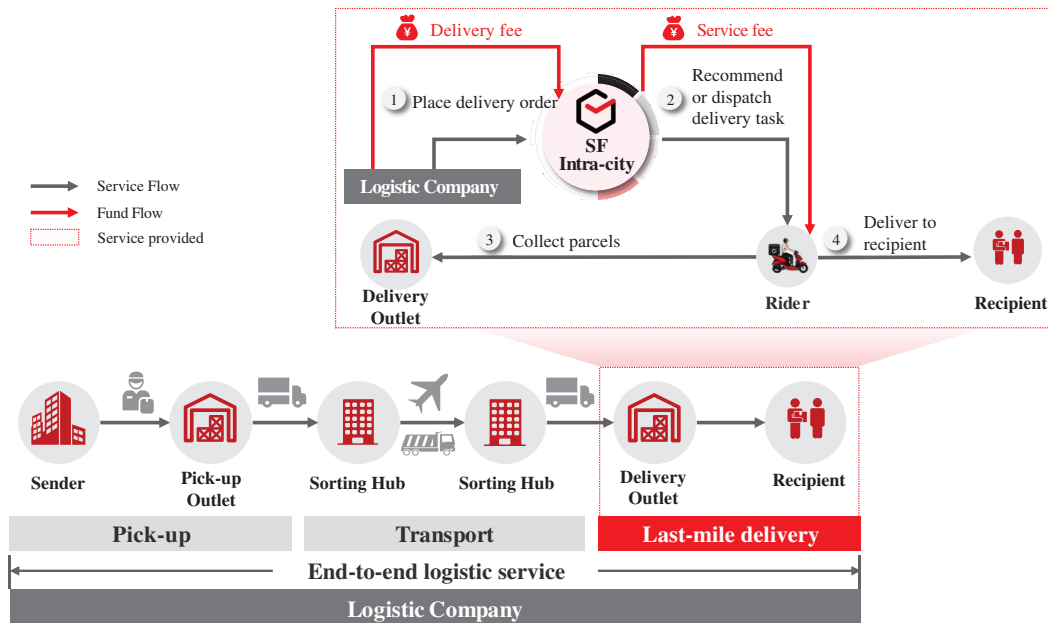


- **Professional, reliable and around-the-clock on-demand services with added value.** Riders will help with fetching items, running errands and offering other lifestyle services such as delivering and fetching laundry and fetching clothes from local retail stores for consumers' try-on. We also offer value-added services, such as customized packaging to protect the privacy of sender/recipient, delivery item insurance, and secure codes for pickup and receipt.
- **High-quality customer service.** Our incident management with a focus on both consumers and riders continuously improves consumer experience and service quality. Consumers can monitor order fulfillment progress online in real time and contact us through multiple channels for inquiries and complaints.

### Last-mile Delivery Service

We offer last-mile delivery services mainly to logistics service providers as a supplement to their delivery capabilities, especially during peak seasons such as online shopping events or festivals, or in areas where they lack local delivery capability. Such logistics service providers typically place orders with us in batches. We generally collect parcels from their local delivery outlets or warehouses and deliver to the designated recipients on an on-demand basis.

The following diagram illustrates the flow of our last-mile delivery services:



For our last-mile delivery service provided to SF Holding Group, see “Connected Transactions – Non-exempt Continuing Connected Transactions – B. Continuing connected transactions subject to the reporting, annual review, announcement and the independent shareholders’ approval requirements – 5. Intra-City On-demand Delivery Service Cooperation Framework Agreement – (ii) Last-mile Delivery Service to SF Holding Group.”

## OUR SERVICE NETWORK AND RIDERS

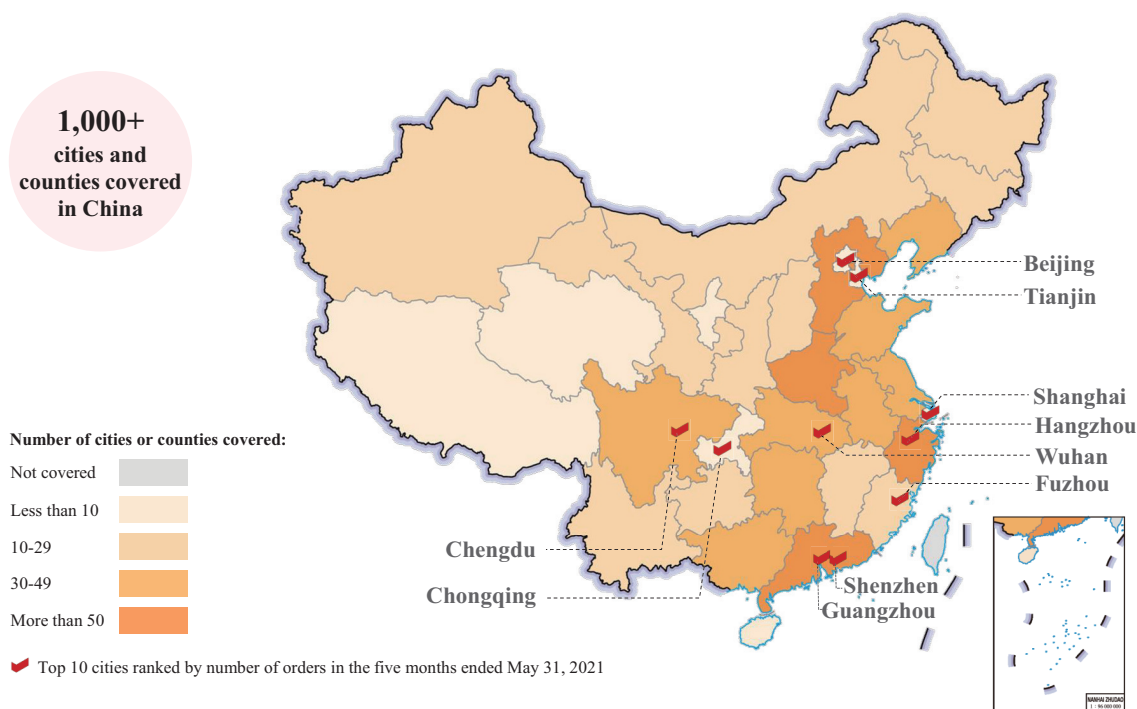
### Our Service Network

We developed and operate a leading third-party on-demand delivery network in China. We were the largest third-party on-demand delivery service platform in China in terms of order volume in 2020, the 12 months ended March 31, 2021, as well as in the three months ended March 31, 2021, according to the iResearch Report.

In 2018, we achieved coverage of all provincial capitals and the majority of major prefecture-level cities. In 2019, we expanded into lower-tier cities. In 2021, we focused on both geographical coverage and service coverage to expand into new cities and to improve service mix and coverage for cities with existing operations.

The number of cities and counties covered by our service network increased from over 200 as of December 31, 2018 to over 800 as of December 31, 2019, and further to over 1,000 as of December 31, 2020 and May 31, 2021.

The map below shows the geographical coverage of our service network as of May 31, 2021:



We formulate the geographic expansion strategy by conducting market research to evaluate required resources and expected outcome, the potential delivery coverage, and the potential major customers and competitors within the target city. While conducting market research, we specifically look into factors including the order volume, the competition status, the rider resource, and the key customers within the targeted city.

We prioritize the expansion into cities with large volume potential, abundant rider resources, sales channels to reach more merchants and/or coverage by our existing key customers.

For cities and counties with existing operations, we continuously improve coverage of their core regions and service mix to serve more scenarios through the following steps:

- During the early stage following our expansion into new cities, we aim to build up order volume and competitive advantages by introducing high-quality services with appropriate discounts.
- In cities and counties where we have achieved considerable order density, we strive to expand service scenario coverage and enhance our order fulfillment capabilities across scenarios to optimize order structure and cost structure.

### **Our Rider Pool**

#### ***Rider Pool Structure***

High-quality order fulfillment is crucial to our unwavering commitment to multi-scenario coverage attending to every customer's needs. We have built an integrated rider pool mainly consisting of dedicated riders and crowd-sourced riders. The resulting robust platform, coupled with our effective management, offers riders attractive earning opportunities and sustainable and flexible working arrangements across diverse delivery scenarios. The number of registered riders increased from approximately 161,100 as of December 31, 2018 to approximately 566,800 as of December 31, 2019, then to approximately 2.1 million as of December 31, 2020, and further to approximately 2.8 million as of May 31, 2021. The number of our active riders increased from approximately 71,700 in 2018 to approximately 181,700 in 2019, and further to approximately 459,400 in 2020. Since we serve a wide range of scenarios and are able to smooth out rider demand fluctuations by allocating rider resources across scenarios, we are generally not prone to shortage of rider supply. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material rider shortage or shortage of rider supply.

- ***Dedicated riders:*** Some of our dedicated riders are our employees, and some are engaged by outsourcing firms as their full-time employees or contractors. We require outsourcing firms, as our suppliers, to incentivize and supervise the dedicated riders according to our standards to ensure our high-quality delivery services. Dedicated riders are typically stationed at designated stores of key accounts and allow us to offer stable and highly customized services. Dedicated riders who meet certain requirements generally receive a fixed component of compensation. They also receive subsidies such as transportation subsidies or phone bills subsidies. The commission for each delivery order varies based upon such factors as region, distance, weight of the goods, order placement time and weather, all of which are taken into account in the dynamic pricing model that we adopt for each delivery order. See “– Our Digitalized Business Process – Pricing.”

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## BUSINESS

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- Crowd-sourced riders:** We enter into agreements with outsourcing firms, who engage crowd-sourced riders as contractors. Riders who registered through our SF City Rush Riders APP (順豐騎士APP) will be referred to these outsourcing firms for engagement. The crowd-sourced riders are typically not full-time riders who have no contractual labor relationship with either us or the outsourcing firms; as such, they can choose to accept delivery tasks from different online platforms of different entities during random hours in a day as part-time job, and may even have a formal labor contractual relationship with a certain legal entity other than us or the outsourcing firms, where the legal entity is already responsible for the crowd-sourced rider's social insurance and housing provident funds payments. However, crowd-sourced riders are also required to abide by the delivery service standards set by us. They can voluntarily accept incoming delivery task recommendations and allow us to flexibly cope with real-time order volume volatility. Crowd-sourced riders do not receive a fixed fee, but merely commissions. The commission for each delivery order varies based upon such factors as region, distance, weight of the goods, order placement time and weather, all of which are taken into account in the dynamic pricing model that we adopt for each delivery order.

We need to pay outsourcing firms service fees for dedicated riders and crowd-sourced riders. For arrangements with outsourcing firms, see “– Our Suppliers.”

The following table sets out the number of our active dedicated riders and crowd-sourced riders during the Track Record Period:

	Year ended December 31,						Five months ended May 31,			
	2018		2019		2020		2020		2021	
	Number	%	Number	%	Number	%	Number	%	Number	%
Active dedicated riders (‘000)	27.6	38.5	28.5	15.7	21.8	4.7	16.3	7.7	14.4	4.2
Active crowd-sourced riders (‘000)	44.1	61.5	153.2	84.3	437.6	95.3	194.1	92.3	326.3	95.8
<b>Total</b>	<b>71.7</b>	<b>100.0</b>	<b>181.7</b>	<b>100.0</b>	<b>459.4</b>	<b>100.0</b>	<b>210.4</b>	<b>100.0</b>	<b>340.7</b>	<b>100.0</b>

## BUSINESS

The following table sets out the number of orders delivered by dedicated riders and crowd-sourced riders during the Track Record Period:

	Year ended December 31,						Five months ended May 31,			
	2018		2019		2020		2020		2021	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
Number of orders delivered by dedicated riders (million)	64.6	80.9	90.3	42.8	87.8	11.5	34.8	17.0	39.5	7.7
Number of orders delivered by crowd-sourced riders (million)	15.2	19.1	120.8	57.2	673.1	88.5	169.7	83.0	474.1	92.3
<b>Total</b>	<b>79.8</b>	<b>100.0</b>	<b>211.1</b>	<b>100.0</b>	<b>760.9</b>	<b>100.0</b>	<b>204.5</b>	<b>100.0</b>	<b>513.7</b>	<b>100.0</b>

The expansion of service scenario coverage brings higher order volume and more complicated order structure. The variations in peak hours and order density across different service scenarios necessitate flexible delivery capacity. Along with our business growth in varied scenarios, we attract more riders, especially crowd-sourced riders, with substantial earning potential and flexible working hours. The number of orders delivered by crowd-sourced riders accounted for an increasing percentage of total order volume, being 19% in 2018, 57% in 2019 and 88% in 2020. As the average fulfillment cost per order delivered by crowd-sourced riders is generally lower than that delivered by dedicated riders who generally have a fixed component of compensation, such a change in our rider pool structure helps with our profitability as we are able to continuously lower the average fulfillment cost per order with the increasing percentage of orders delivered by crowd-sourced riders, and enjoy better unit economies. Fulfillment cost, defined as the sum of labor outsourcing costs and employee benefit expenses in relation to riders, accounted for more than 97% of the cost of revenue during the Track Record Period. The following table sets out our average fulfillment cost per order during the Track Record Period:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
Average fulfillment cost per order (RMB)	15.0	11.3	6.5	7.1	5.9



Riders engaged directly with our platform are employee riders, whereas those engaged through outsourcing firms are outsourced riders. We are responsible for social insurance and housing provident funds only for our employee riders, all being dedicated riders. Our outsourcing firms are responsible for social insurance and housing provident funds for riders who have contractual labor relations with them, also all being dedicated riders. As confirmed by our PRC Legal Advisor, neither us nor the outsourcing firms are legally responsible to provide social insurance and housing provident funds for crowd-sourced riders based on current laws and regulations. For further details of the respective obligations owed by us to employee riders and by outsourcing firms to riders who have contractual labor relations with them, see “– Our Suppliers.” Riders who register on the SF City Rush Riders APP on an individual basis will enter into agreements with outsourcing firms, and will be informed of their rights and obligations as set forth in the electronic agreements provided by the outsourcing firms. Along with our business growth in varied scenarios, we attract more riders, especially crowd-sourced riders who are not employees of us or outsourcing firms, with substantial earning potential and flexible working hours. The number of our employee riders decreased from 491 as of December 31, 2018 to 291 as of December 31, 2019, then to 209 as of December 31, 2020, and further to 180 as of May 31, 2021.

### ***Rider Management***

Riders are the crucial customer-facing component of our business and play an important role in enhancing customer experience and building our brand image. Through cooperation with outsourcing firms, we have enhanced rider management to ensure our service quality.

Each rider is required to undergo a personal identification verification and screening process before becoming a rider on our platform and abide by our service standards. We also require riders to maintain “rider comprehensive insurance” which covers personal accident, third-party personal injury and property damage.

We value the personal development of riders and assist them to improve and broaden their skill sets. We offer both online and offline training programs to new riders and existing underperforming riders. The training programs cover the introduction of the delivery process, demonstrative use of the SF City Rush Riders APP (順豐騎士APP), communication skills and safety precautions. We also facilitate know-how exchange among riders. To guarantee the quality of our delivery services, new riders must pass qualification tests to ensure their familiarity with our training contents and delivery requirements before their first delivery task, while existing underperforming riders may also be required to retake qualification tests to improve their skill sets.

The delivery fee riders receive for each order is dynamically calculated based on our intelligent pricing algorithm, taking into account regions, distance, weight of the goods, order placement time and weather, as well as the real-time rider supply in the region.

We record, monitor and manage the registration, training and delivery performance of riders through our CLS. Detailed real-time rider data gathered through the system, such as level of activity, customer feedback and training progress, feed into our rider evaluation system which enables us to recognize, reward and incentivize good riders accordingly.

### ***Rider Care***

Inspired by the people-oriented management culture of SF Holding Group, we are committed to social responsibility and emphasize equally on warmth and efficiency. We value riders as much as customers and endeavor to build a friendly and sustainable environment for riders. We enhance rider satisfaction with their working conditions through improved rider care focusing on safety and welfare.

Specifically, we have implemented below key safety and welfare policies for riders:

- ***Securing workplace safety.*** Adhering to the principle of “safety first”, we have workplace safety measures in place. For example, we set for each rider an upper limit of ongoing orders taking into account various factors including the number of orders then-on-hand, the delivery route taken by the rider at that moment, the rider’s experiences and abilities in delivering orders, and the buffer reserved for the rider based on his history in order delivery; we also mandatorily apply a 20-minute break for every four hours the riders work, as well as a maximum working hour of eight hours per day for each rider in our system by restricting them from taking additional orders. Such arrangements, together with flexible working arrangements across diverse delivery scenarios, secure rider safety and enhances rider satisfaction. In addition, we provide riders with regular and comprehensive safety trainings. All new riders are required to pass safety training and examinations before they start taking orders. We provide riders with daily safety updates, such as warnings for bad weather, through our SF City Rush Riders APP. We arrange regular safety education events and irregular outdoor safety spot checks to ensure that riders are well aware of safety polices, and require our riders to conduct regular vehicle safety examinations. In addition, if an accident occurs to our riders during delivery, they can directly report the accident and receive proper support from insurance providers through designated mini programs and hotlines.
- ***Improving riders’ benefits.*** According to our PRC Legal Advisor, we have no legal obligation to pay social insurance and housing provident funds for non-employee riders under current laws and regulations. We are responsible for social insurance and housing provident funds for our employee riders, and our outsourcing firms are responsible for social insurance and housing provident funds for riders who have contractual labor relations with them, all being dedicated riders. We have cooperated with SF Foundation (順豐公益基金會) and launched the “Care for Millions of Riders (百萬騎手關愛計劃)” project, providing education support for riders’ children and financial aids for medical needs of riders’ families. During the COVID-19 pandemic, we implemented precautionary measures to protect riders, such as monitoring riders’ health conditions, providing online trainings regarding epidemic prevention, and providing protective equipment such as masks.

- ***Communication with riders.*** We value communications with riders. For example, we have online rider services, such as an online automatic quick-response system in SF City Rush Riders APP, and rider hotline, to provide around-the-clock consultation. We have also established riders' online communication groups, through which our local delivery outlet manager could promptly respond to a group of riders' enquiries or complaints. We also routinely organize offline activities, such as a monthly "Rider Appreciation" event and an annual "Riders Day," through which we increase face-to-face interaction with riders and their families. Through rider feedback, we understand more about riders' experience with us and optimize our system and further enhance rider satisfaction.

With the support of our CLS and our mixed rider structure, we strive to provide our riders with safety and welfare without compromising profitability. Based on big data analytics and AI algorithms, our CLS optimizes the deployment of riders by predicting demand fluctuation and recommending rider arrangement in advance, which ensures that the orders matched to each rider does not exceed the pre-set upper limit. The CLS, together with our mixed structure of rider pool, also facilitate providing a flexible working schedule across varied service scenarios for each rider, further smoothing out the peak hours and ensuring a safe working environment. In addition, our around-the-clock consultation provided through the online automatic quick-response system enables we receive feedback from riders promptly and properly address and further enhance our systems attending their needs. With such systems and measures in place, we believe we are well-balanced in our goals in rider care and profitability.

The Guiding Opinions on Safeguarding the Rights and Interests of Workers in New Employment Patterns (關於維護新就業形態勞動者勞動保障權益的指導意見 or the "Guiding Opinions") requires internet platform enterprises to enter into written agreements with workers who do not fully conform with the circumstances of establishing contractual labor relations. In addition, the Guiding Opinions on the Implementation of the Responsibility of Online Catering Platforms to Effectively Safeguard the Rights and Interests of Take-out Food Delivery Workers (關於落實網絡餐飲平台責任切實維護外賣送餐員權益的指導意見 or the "Guidelines") requires the internet catering platforms and third-parties who collaborate with them to provide social insurance for riders who have contractual labor relations with them. See "Regulatory Overview – New Employment Patterns on Internet Platforms." Accordingly, in addition to our rider care policies which apply to all riders engaged with us, we have implemented internal control policies to monitor and ensure that our outsourcing firms and ourselves meet our respective obligations for both social insurance and housing provident funds and those promulgated in the Guiding Opinions and the Guidelines in respect of the riders outsourced from such firms. For example, our internal control policies that comply with the Guiding Opinions and the Guidelines include: (i) we require all riders to review and accept electronic written agreements including the platform registration agreement and privacy agreement while registering on our platform; (ii) we implement an equal-opportunity employment policy that is free from discrimination of any kind and do not restrict riders from delivering orders for other platforms; and (iii) we enforce the working hour limit and established reward mechanisms for riders in the event of bad weather, holidays and night shifts in our system. We also enforce various measures to ensure that our outsourcing firms meet their obligations. In particular, our

agreements with the outsourcing firms set out their obligations to pay social insurance and housing provident funds for the riders who have contractual labor relations with them in a timely manner according to the standards provided by relevant laws and regulations. We have also implemented a monthly supplier evaluation policy, under which we evaluate the outsourcing firms' compliance with certain standards including whether they have timely paid social insurance and housing provident funds; their failure to pay for social insurance and housing provident funds for riders who have contractual labor relations with them may lead to disqualification of, or termination of, our collaboration with them. The outsourcing firms are also subject to the regulations of local authorities with respect to their obligations for relevant riders' social insurance, housing provident funds and others provided in the Guiding Opinions and Guidelines. Accordingly, our rider care policies and procedures and internal control policies are in compliance with the Guiding Opinions and the Guidelines. In view of the foregoing reasons and based on the advice from our PRC Legal Advisor, we believe that the issuance of the Guidelines will not have material impacts on our business operations. We will continue to monitor regulatory developments which are relevant to rider protection and take all necessary actions to comply with any further implementation rules that may be issued.

### OUR PLATFORMS

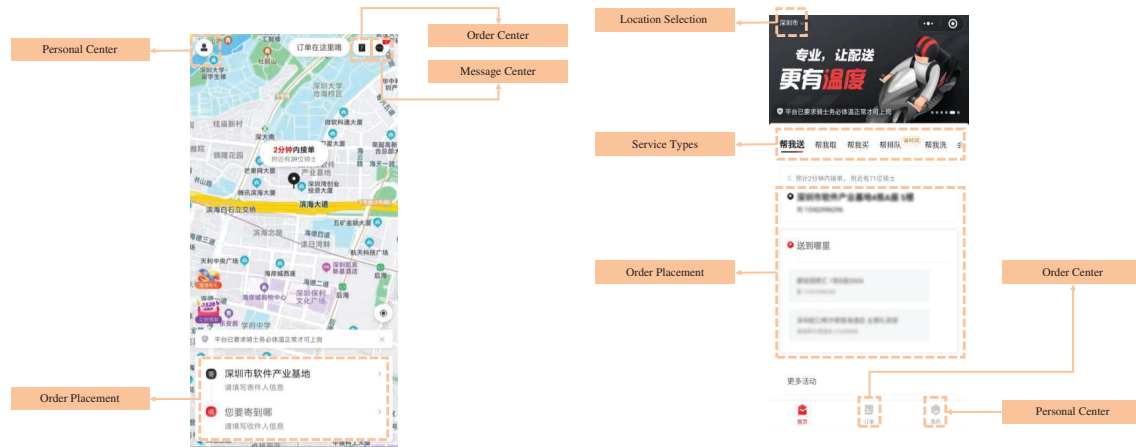
To enhance merchants', consumers' and riders' experiences with us, we offer convenient access to our platform, which provides different functions catering to their differentiated needs, primarily including SF City Rush APP (順豐同城急送APP), our website, SF City Rush WeChat Mini Program, portals on third-party platforms and APIs.

For merchants, we offer SF City Rush APP (merchant version) to mainly facilitate their ordering, order management and monitoring of rider performance:

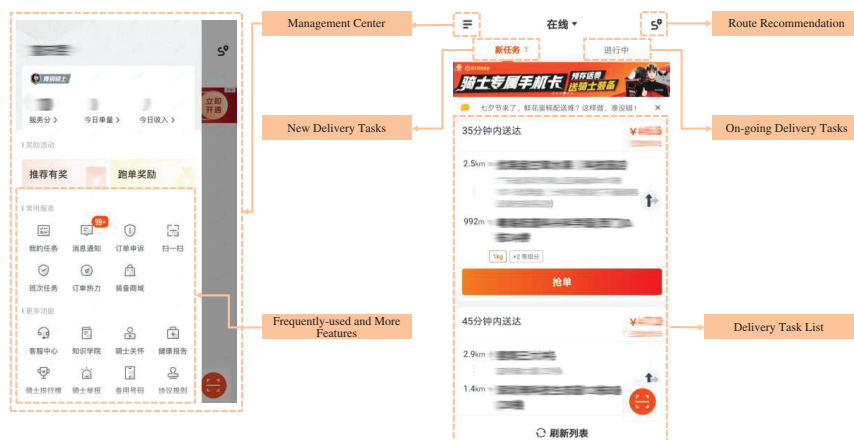


## BUSINESS

For consumers, we typically offer SF City Rush APP (consumer version) and SF City Rush WeChat Mini Program to facilitate their ordering, monitoring of the order fulfillment process and reaching for customer services:

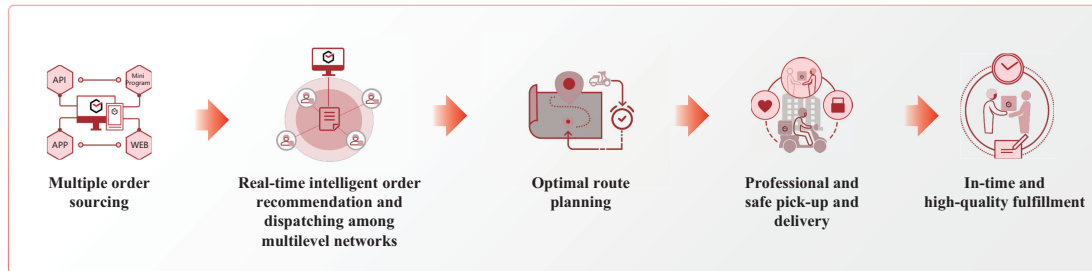


For riders, we typically offer SF City Rush Riders APP to facilitate their task acceptance and management, and receive real-time instructions such as route recommendations and incident reporting:



### OUR DIGITALIZED BUSINESS PROCESS

We have achieved high efficiency, low operational costs and exceptional customer experience through digitalizing all business processes supported by our robust technology infrastructure. The following chart illustrates our major business processes:



#### Order Sourcing

We expand customer reach by offering convenient accesses to our services, which primarily include SF City Rush APP, our website, SF City Rush WeChat Mini Program, portals on third-party platforms and APIs. Our SF City Rush APP is available in merchant version and consumer version with respective customized functions. The portals on third-party platforms direct customers to our SF City Rush WeChat Mini Program or a similar interface. See “Our Platforms.” We also offer APIs for merchants and local lifestyle service channels, through which merchants and channels connect their operating systems to our platforms so that we can arrange delivery for all orders placed on their platforms. In addition, for our last-mile delivery services, we typically receive orders placed with us in batches.

#### Integrated Order Recommendation and Dispatching

Our robust technology foundation enables us to deal with complex order integration and dispatching derived from our multi-scenario business model and diverse rider pool. Our intelligent order recommendation and dispatching system automatically matches orders with riders in two flexible approaches:

- In most cases, our system recommends an incoming order to a group of riders selected based on factors such as the riders’ real-time locations, locations of the sender and recipient, the riders’ usual service coverage and service ratings, and the status of orders on hand. The riders then have the option to respond to the incoming order, and the system assigns the order to the rider who responds first.
- In the case of certain merchants whose orders are more time-sensitive or with individualized delivery requirements, we designate dedicated riders to be stationed at their stores, and our system automatically assigns each order from the stores to one of these stationed dedicated riders. If needed, crowd-sourced riders can also supplement the delivery capacity.

The flexibility of these two approaches, together with our smart order recommendation and dispatching system, enable us to optimize the performance and efficiency of our delivery network. We achieved an average delivery time of approximately 30 minutes for the five months ended May 31, 2021. Our fulfillment in-time rate reached above 95% during the Track Record Period. During the five months ended May 31, 2021, the fluctuation in our fulfillment in-time rate during holidays was less than 2.5%, and the fluctuation in our fulfillment in-time rate under bad weather conditions for the same period was less than 3.5%.

In addition, our system tracks the location of each rider in real time, and calculates and recommends the optimal delivery route. The system also automatically batches the orders that can be efficiently delivered as a bundle, and recommends the optimal delivery sequence and routes, to maximize fulfillment efficiency and decrease delivery costs.

### **Pricing**

We generate a substantial majority of our revenue from providing on-demand delivery service, with a small portion generated from other businesses.

We use differentiated pricing models for our intra-city delivery services to merchants and consumers. For merchants, we generally charge a fixed fee for each order, as adjusted by variables prescribed in our respective agreements with them, such as distance, weight of the goods, order placement time, weather and available rider capacity. For consumers, we charge service fees calculated with the rate generated from our pricing algorithm, taking into account region, distance, weight of the goods and order placement time, while an optional incentive fee may be paid in the case of short rider supply during peak hours and seasons.

For our last-mile delivery service, the service fees paid by SF Holding and/or its associates to us will be principally determined with reference to a relatively stable mark-up on top of the rider commission fee. The mark-up will be determined on arm's length basis taking into consideration complexity of the services required, market rates, and industry standards. In addition, the pricing methodology for the last-mile delivery services provided to Independent Third Parties is largely consistent with that for the last-mile delivery services provided to SF Holding Group and no specific discount policy has been applied to the last-mile delivery services we provide to either the SF Holding Group or Independent Third Parties during the Track Record Period. See "Connected Transactions – Non-exempt Continuing Connected Transactions – B. Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements – 5. Intra-city On-demand Delivery Service Cooperation Framework Agreement – Pricing Policy."

For other businesses, we generally charge merchants an aggregated fee both for platform and delivery services. The fee is calculated based on the type of services we provide for merchants, either platform service only, or both platform and delivery service.



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## BUSINESS

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We believe that our pricing algorithm ensures timely acceptance and delivery of each order.

See “Risk Factors – Risks Relating to Our Business and Industry – We may revise pricing methodologies from time to time. If we fail to control our costs or price favorably, our long-term growth and competitiveness would be materially and adversely affected.”

### Customer Services

We seek to offer high-quality customer service. We pursue customer satisfaction by staying in effective and direct communication with customers to solve their problems and to obtain feedback. Customers can contact us through multiple channels, such as hotlines and online customer service provided on the SF Intra-city Delivery APP, for inquiries and complaints. We identify and prioritize urgent customer needs and promptly solve their problems. In the event of uninsured delivery, for damages and losses caused by us, losses should be reimbursed in accordance with the indemnity clause of the delivery service agreement; in the event of insured delivery, the losses are reimbursed based on the actual loss. Our PRC Legal Advisor is of the view that the indemnity clause is in compliance with the applicable PRC laws and regulations. For key accounts in particular, we provide one-on-one professional consultations. Our CLS tracks and analyzes customer feedback to identify problems and optimize our operation. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints from customers.

### MARKETING AND PROMOTION

Customer-centric marketing strategies are crucial to the expansion of our customer base and the promotion of our brand image. We target potential customers and pursue different marketing strategies based on merchant analysis and demographic profiling. We then conduct customer-centric marketing tailored to merchants and consumers through varied marketing channels to maximize the penetration of targeted customer base and increase customer loyalty.

We utilize different online platforms to ensure our continuous and comprehensive customer exposure. For example, we operate SF City Rush WeChat official account, SF City Rush Riders WeChat official account and Weibo and Douyin official accounts, which enjoy wide audience.

### TECHNOLOGY INFRASTRUCTURE

Our technological competence and the stability of our technology infrastructure are vital to our business operations. We continue to invest in and optimize our technology infrastructure.

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## BUSINESS

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We have applied big data and AI technologies in our CLS to achieve higher operational efficiency and lower delivery cost. The core functions of our CLS include:

### **Business Forecast and Planning**

Optimizing deployment of dedicated riders and crowd-sourced riders is vital to our delivery efficiency. Our mixed rider structure and our delivery scenarios with different peak hours sophisticate our business forecast and planning. Based on big data analytics and AI algorithms, our system predicts demand fluctuation and recommends rider arrangements based on number, type and experience of riders available for deployment on an hourly basis which enables us to prepare in advance and provide our customers with highly stable delivery services.

### **Integrated Order Recommendation and Dispatching**

Our robust technology foundation enables us to deal with complex order integration and dispatching derived from our multi-scenario business model and diverse rider pool. Our intelligent order recommendation and dispatching system automatically matches orders with riders in two flexible approaches: (i) real-time recommendation of incoming orders to selected groups of riders; and (ii) order dispatching to assigned dedicated riders. In addition, our system tracks the location of each rider in real time, and calculates and recommends the optimal delivery route. The system also automatically batches the orders that can be efficiently delivered as a bundle, and recommends the optimal delivery sequence and routes, to maximize fulfillment efficiency and decrease delivery costs.

See “– Our Digitalized Business Process – Integrated Order Recommendation and Dispatching.”

### **Real-time operation monitoring**

We have digitalized business processes such as order recommendation and dispatching, delivery route planning, pricing and customer service to achieve real-time data tracking and strong managerial control. Abnormalities or incidents such as late delivery caused by traffic accident will be identified in a timely manner, and then handled automatically by the system or alerted to relevant personnel.

## **DATA PROTECTION**

All of our businesses are located in the PRC, all of the information and data of our businesses are stored in servers within the territory of China and there is no cross-border data transmission in our operations. We are subject to PRC laws and regulations in relation to the protection of personal data and information. See “Risk Factors – Risks Relating to our Business and Industry – Privacy concerns or incidents relating to the use of information by us or third parties could damage our reputation and brand, or subject us to governmental regulation and other legal obligations, which could materially and adversely affect our business, financial

condition and results of operations” and “Regulatory Overview – Regulations on Information Security and Privacy Protection.” We are committed to protecting customers and riders’ data in our business and operations and we have established strict data protection policies to ensure that the collection, use, storage, transmission and dissemination of data related to our customers and riders are in compliance with applicable information security laws and regulations.

We collect and store data generated from our services pursuant to the applicable laws and regulations. We have implemented internal policies on data collection and retention to safeguard data we obtained, including customer data we collected during the provision of our solutions. For example, we have put in place an external data privacy policies directed to users of our websites, mobile apps and WeChat Mini Platform to obtain their express authorization and consent before collecting data. As set forth in our internal policies relevant to data collection and retention, we (i) only collect data to the extent reasonably necessary, do not collect data from users under 14 years old, and always obtain users’ express authorization and consent before such collection; (ii) strictly follow the internal policy to encrypt all sensitive data, including mobile numbers, addresses, credit card information and email addresses, and (iii) store the obtained data on our encrypted servers separately through data isolation technology for a time period varying from 30 days to one year, and will permanently delete the data once the relevant user closes his or her account with us. We strictly follow our data privacy policies agreed between users and us and will not duplicate, use, or transfer data out of the scope of authorization provided in such policies. We have also formulated an information security handbook and provide trainings to employees to improve their awareness of and compliance with applicable laws and regulations as well as our policies.

In addition, we have a system and relevant internal procedures and controls to safeguard data security. Abiding by our internal information protection provisions such as internal personnel information security and privacy management guidelines, we strictly regulate the access, safety management and processing of data. Employees are subject to a confidentiality agreement and are not allowed to transfer any company document through flash drives or other personal media. Any document visited through our company system can be traced back to the specific visitor to avoid information leakage. Riders are also bound by confidentiality obligations to secure customers’ information such as name, address and order details. We also apply systematic desensitization technology to encrypt customers’ phone numbers. Our customer data is stored physically and logically isolated from other operational data. Our information management system is staggered at multiple levels to protect our databases from unauthorized access. Employees can only access their regional intranet and are not allowed to distribute any information therein.

Furthermore, we conduct regular system checks and reviews of our backup systems to ensure that they are well-positioned and effective. We have put in place password encryption, rider authentication, customer authorization, data recovery and backup and data leakage risk management throughout our system to ensure the proper management of our operational data. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of consumer or business data.

We had not received any data security related enquiries from any competent authorities as of the date of this prospectus. Having considered the relevant regulatory updates, see “Regulatory Overview – Regulations on Information Security and Privacy Protection,” our Directors are of the view that the recent changes in the regulatory environment would not have material impacts on our operations and listing plan.

## **OUR SUPPLIERS**

Our suppliers are primarily outsourcing firms that place riders with us. Our agreements with outsourcing firms set out the respective rights and obligations for each party and the terms of which generally range from one to three years and may be renewed upon mutual agreement. According to the agreements, the outsourcing firms place with us dedicated riders and crowd-sourced riders who remain as their full-time employees or contractors, for a total service fee comprising of two components, including a commission fee paid to the riders they place with us based on the number of orders delivered by the riders, and a service fee paid to outsourcing firms calculated based on a certain percentage to the monthly commission fee. The commission fee paid to each rider is calculated by our system, and we pay the commission fee through a third-party payment channel approved by the China Banking Regulatory Commission, through which the commission fee payments are ultimately passed to the riders. In addition, we require our outsourcing firms to pay the social insurance and housing provident funds for the riders who have contractual labor relations with them. Such a requirement is considered at our initial stage of selecting suppliers. We have also put in place a supplier evaluation mechanism, under which the outsourcing firms are required to submit their payment records for social insurance and housing provident funds from the previous month to us for check and review, from which we check if there is any underpayment or non-payment and deduct certain evaluation scores of the outsourcing firms in such event. When an outsourcing firm’s evaluation score is deducted to a certain threshold, we will further deduct a pre-determined percentage of the total service fee to be paid to the outsourcing firms in the next month. The deduction of evaluation score will also affect the rating of the outsourcing firms, which may further lead to the disqualification of, and termination of, our collaboration with these outsourcing firms. During the Track Record Period and up to the Latest Practicable Date, we had not found any outsourcing firms which did not fulfill their obligations, or found to be materially underpaying; neither had there been any disqualification of, or termination of collaboration with, outsourcing firms due to incidents of non-compliance with relevant laws and regulations or breaches of our agreements with them. According to our PRC Legal Advisor, we have no legal obligation to pay social insurance and housing provident funds for non-employee riders.

We also require outsourcing firms to manage the riders according to our standards to maintain the quality of our delivery service. Such abidances are warranted by the provisions stipulated in our agreements with outsourcing firms. For example, as part of our rights and obligations set forth in the agreements, we are entrusted by the outsourcing firms to provide trainings for all riders before they start taking orders, informing them of our delivery service standards; our suppliers, along with us, keep track of these riders’ performance to ensure their compliance with our scope of service and delivery service standards; we also have the right to

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## BUSINESS

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ask the outsourcing firms to replace riders within three days in the event of non-compliances with our delivery service standards. Upon such request, outsourcing firms are obligated to provide us with reports on delivery performances to facilitate our supervision and monitor of riders they place with us.

Our agreements with outsourcing firms can be terminated upon mutual consent, or by either party after giving advanced written notice for a time period stipulated in the agreements or in the event of material breaches of the other party. We did not breach these agreements during the Track Record Period and up to the Latest Practicable Date.

Purchases from our five largest suppliers, all of which were Independent Third Parties, in each of 2018, 2019, 2020 and the five months ended May 31, 2021 represented 39.2%, 51.2%, 80.2% and 86.3%, respectively, of our total purchase amount for the same periods and our largest supplier accounted for 23.5%, 32.4%, 32.7% and 39.2%, respectively, of our total purchase amount in 2018, 2019, 2020 and the five months ended May 31, 2021. Our purchases from the five largest suppliers increased during the Track Record Period, as we were able to secure more favorable terms in our negotiations with them, such as the pricing and payment terms. None of our Directors, their associates or any shareholders of our Company, who or which to the knowledge of the Directors owned more than 5% of our Company's issued share capital, had any interest in any of our five largest suppliers during the Track Record Period.

The tables below set out the details of our five largest suppliers in each year or period during the Track Record Period:

<b>Five Largest Suppliers in 2018</b>	<b>Supplier Business Profiles</b>	<b>Nature of Products/Services the Supplier Provided</b>	<b>Purchase amount (RMB'000)</b>	<b>% of Total Purchase</b>
Supplier A	A human resources services company located in Shanghai, mainland China	Providing labor outsourcing services	258,546	23.5%
Supplier B	A human resources services company located in Guangzhou, mainland China	Providing labor outsourcing services	76,637	7.0%
Supplier C	A human resources services company located in Suzhou, mainland China	Providing labor outsourcing services	37,730	3.4%
Supplier D	A human resources services company located Shenzhen, mainland China	Providing labor outsourcing services	29,336	2.7%
Supplier E	A human resources services company located in Beijing, mainland China	Providing labor outsourcing services	28,259	2.6%

## BUSINESS

<b>Five Largest Suppliers in 2019</b>	<b>Supplier Business Profiles</b>	<b>Nature of Products/Services the Supplier Provided</b>	<b>Purchase amount (RMB'000)</b>	<b>% of Total Purchase</b>
Supplier A	A human resources services company located in Shanghai, mainland China	Providing labor outsourcing services	728,643	32.4%
Supplier F	A human resources services company located in Ningbo, mainland China	Providing labor outsourcing services	202,960	9.0%
Supplier G	A company providing comprehensive logistics auxiliary services and Human resources services located in Shenzhen, mainland China	Providing labor outsourcing services	125,834	5.6%
Supplier H	A human resources services company located in Guangzhou, mainland China	Providing labor outsourcing services	57,264	2.5%
Supplier B	A human resources services company located in Guangzhou, mainland China	Providing labor outsourcing services	38,971	1.7%
<b>Five Largest Suppliers in 2020</b>	<b>Supplier Business Profiles</b>	<b>Nature of Products/Services the Supplier Provided</b>	<b>Purchase amount (RMB'000)</b>	<b>% of Total Purchase</b>
Supplier A	A human resources services company located in Shanghai, mainland China	Providing labor outsourcing services	1,676,833	32.7%
Supplier I	A human resources services company located in Guangzhou, mainland China	Providing labor outsourcing services	1,245,575	24.3%
Supplier G	A company providing comprehensive logistics auxiliary services and human resources services located in Shenzhen, mainland China	Providing labor outsourcing services	592,289	11.5%
Supplier H	A human resources services company located in Guangzhou, mainland China	Providing labor outsourcing services	323,189	6.3%
Supplier F	A human resources services company located in Ningbo, mainland China	Providing labor outsourcing services	277,893	5.4%

## BUSINESS

Five Largest Suppliers for the Five Months ended May 31, 2021	Supplier Business Profiles	Nature of Products/Services the Supplier Provided	Purchase amount (RMB'000)	% of Total Purchase
Supplier I	A human resources services company located in Guangzhou, mainland China	Providing labor outsourcing services	1,239,168	39.2%
Supplier A	A human resources services company located in Shanghai, mainland China	Providing labor outsourcing services	819,926	25.9%
Supplier G	A company providing comprehensive logistics auxiliary services and human resources services located in Shenzhen, mainland China	Providing labor outsourcing services	438,348	13.8%
Supplier H	A human resources services company located in Guangzhou, mainland China	Providing labor outsourcing services	179,730	5.7%
Supplier J	A comprehensive logistics auxiliary services company located in Shanghai, mainland China	Providing labor outsourcing services	54,179	1.7%

## OUR CUSTOMERS

Our major customers are primarily merchants. The terms of our agreements with merchants generally range from one to five years and may be renewed upon mutual agreement. Pursuant to the agreements, we are responsible for delivery services. Merchants generally make monthly payments to us. Our agreements with major customers can be terminated upon mutual consent, or by either party after giving advanced written notice for a time period stipulated in the agreements or in the event of material breaches of the other party. We did not breach these agreements during the Track Record Period and up to the Latest Practicable Date.

Revenue from our five largest customers in each of 2018, 2019, 2020 and the five months ended May 31, 2021 represented 67.8%, 67.1%, 61.2% and 61.1%, respectively, of our total revenue for the same periods. Revenue from our largest customer in each of 2018, 2019, 2020 and the five months ended May 31, 2021 represented 22.7%, 19.4%, 33.6% and 38.6%, respectively, of our total revenue for the same periods. Revenue from SF Holding Group in each of 2018, 2019, 2020 and the five months ended May 31, 2021 represented 2.9%, 13.1%, 33.6% and 38.6%, respectively, of our total revenue for the same periods. The revenue contribution by SF Holding Group increased during the Track Record Period, primarily because (i) the demand for intra-city delivery services increased, reflecting the rapid growth of the on-demand delivery industry; and (ii) with the rapid expansion of our service network



## BUSINESS

coverage and our consistent and high-quality delivery, we are able to increase the provision of last-mile delivery subject to our assessment of delivery capacity, scale of order volume and the service fee paid by SF Holding Group. All of our five largest customers in each year or period during the Track Record Period except for SF Holding Group were Independent Third Parties. For last-mile delivery service, the revenue contribution from Independent Third Parties is expected to be relatively smaller than that from SF Holding Group in the near future. We have been providing, and will continuously expand our provision of, last-mile delivery service to Independent Third Parties with time-sensitive delivery demands, including, express and logistics companies and vertical e-commerce groups. During the Track Record Period, the revenue of our last-mile delivery service attributable to Independent Third Parties was nil, RMB2.8 million, RMB42.1 million and RMB47.0 million, respectively. For risks relating to our major customers, see “Risk Factors – Risks Relating to Our Business and Industry – Loss of our major customers could materially and adversely affect our business, financial condition and results of operations.”

The tables below set out the details of our five largest customers in each year or period during the Track Record Period:

<b>Five Largest Customers in 2018</b>	<b>Customer Business Profiles</b>	<b>Nature of Products/Services Provided by Us</b>	<b>Sales Amount (RMB'000)</b>	<b>% of Total Sales</b>
Customer A	A catering investment company located in Shanghai, mainland China	Intra-city on-demand delivery services	225,498	22.7%
Customer B	A catering investment company located in Shanghai, mainland China	Intra-city on-demand delivery services	203,126	20.5%
Customer C	A catering services company located in Xiamen, mainland China	Intra-city on-demand delivery services	189,245	19.1%
Customer D	A third-party logistics services company located in Shanghai, mainland China	Intra-city on-demand delivery services	31,807	3.2%
Customer E	A catering management company located in Huzhou, mainland China	Intra-city on-demand delivery services	22,349	2.3%

## BUSINESS

<b>Five Largest Customers in 2019</b>	<b>Customer Business Profiles</b>	<b>Nature of Products/Services Provided by Us</b>	<b>Sales Amount (RMB'000)</b>	<b>% of Total Sales</b>
Customer B	A catering investment company located in Shanghai, mainland China	Intra-city on-demand delivery services	408,373	19.4%
Customer A	A catering investment company located in Shanghai, mainland China	Intra-city on-demand delivery services	371,131	17.6%
Customer C	A catering services company located in Xiamen, mainland China	Intra-city on-demand delivery services	298,339	14.2%
SF Holding	A comprehensive express logistics services company located in Shenzhen, mainland China	Intra-city on-demand delivery services	276,073	13.1%
Customer E	A catering management company located in Huzhou, mainland China	Intra-city on-demand delivery services	59,972	2.8%
<b>Five Largest Customers in 2020</b>	<b>Customer Business Profiles</b>	<b>Nature of Products/Services Provided by Us</b>	<b>Sales Amount (RMB'000)</b>	<b>% of Total Sales</b>
SF Holding	A comprehensive express logistics services company located in Shenzhen, mainland China	Intra-city on-demand delivery services including last-mile delivery service	1,625,960	33.6%
Customer B	A catering investment company located in Shanghai, mainland China	Intra-city on-demand delivery services	515,293	10.6%
Customer A	A catering investment company located in Shanghai, mainland China	Intra-city on-demand delivery services	478,848	9.9%
Customer C	A catering services company located in Xiamen, mainland China	Intra-city on-demand delivery services	257,366	5.3%
Customer F	A catering management company located in Shenzhen, mainland China	Intra-city on-demand delivery services	88,644	1.8%

## BUSINESS

Five Largest Customers for the Five Months ended May 31, 2021	Customer Business Profiles	Nature of Products/Services Provided by Us	Sales Amount (RMB'000)	% of Total Sales
SF Holding	A comprehensive express logistics services company located in Shenzhen, mainland China	Intra-city on-demand delivery services including last-mile delivery service	1,174,467	38.6%
Customer A	A catering investment company located in Shanghai, mainland China	Intra-city on-demand delivery services	242,851	8.0%
Customer B	A catering investment company located in Shanghai, mainland China	Intra-city on-demand delivery services	242,782	8.0%
Customer C	A catering services company located in Xiamen, mainland China	Intra-city on-demand delivery services	147,744	4.9%
Customer F	A catering management company located in Shenzhen, mainland China	Intra-city on-demand delivery services	48,334	1.6%

Other than SF Holding Group, none of our Directors, their associates or any shareholders of our Company, who or which to the knowledge of the Directors owned more than 5% of our Company's issued share capital, had any interest in any of our five largest customers during the Track Record Period.

### SEASONALITY

Our revenue during the Track Record Period is subject to seasonal fluctuation, primarily due to the impact of major holidays and shopping events. We typically experience sales peaks during holiday seasons, such as summer vacations, Valentine's Day, Mid-Autumn Festival and the Christmas, and shopping events such as China's new online shopping events on November 11 and June 18. We believe that this pattern is likely to continue in the foreseeable future.

### COMPETITION

We compete primarily with other on-demand delivery service providers. The on-demand delivery service industry is expected to remain highly competitive with rapid market changes and high demand for technology innovation. As market players compete for market share and expand their rider pool, they may offer more incentives to merchants, consumers and riders. This could affect our profitability if we match their pricing strategies to compete for market share and rider capacity. The on-demand delivery service providers in China can be categorized

into on-demand delivery service platforms affiliated with centralized marketplaces and third-party on-demand delivery service platforms based on business model. In 2020, the number of orders of China's third-party on-demand delivery service industry accounted for 14.4% of the total number of those of the on-demand delivery service industry, compared with 11.9% in 2016, according to the iResearch Report. The market penetration of the third-party on-demand delivery service will continuously increase. It is estimated that the number of orders of China's third-party on-demand delivery service industry will account for 20.5% of those of the on-demand delivery service industry in 2025, according to the iResearch Report. The third-party on-demand delivery service market is highly fragmented. The aggregate market share of China's top six third-party on-demand delivery service providers in terms of order volume was approximately 35.6% and 36.6%, respectively, in 2020 and the 12 months ended March 31, 2021, according to the iResearch Report. See "Industry Overview – Competitive Landscape for China's Third-Party On-Demand Delivery Service Industry."

The fragmentation of the market also provides great potential for market consolidation. With strong network effects and economies of scale, leading third-party on-demand delivery service providers are well positioned to gain an increasing market share. According to the iResearch Report, we were the largest third-party on-demand delivery service provider in China in terms of order volume with a 10.4%, a 10.9% and an 11.1% market share, respectively, in 2020, the 12 months ended March 31, 2021 and the three months ended March 31, 2021. In response to competition, we strive to constantly improve our ability to attract and retain customers and our technology capabilities. We provide merchants and consumers with multi-scenario delivery solutions, and value the brand positioning of our merchants, empowering them with the ability to define and customize their solution packages while enjoying our professional and stable services that cater to their diverse needs for differentiating consumer experience. In addition, we have a robust technology infrastructure to support our business process, and, according to the iResearch Report, technology infrastructure has continued to be a major entry barrier to the on-demand delivery service industry. However, other companies may build or further improve proprietary delivery infrastructure and compete with us. In addition, as we introduce new services similar to those currently in the market, or as other companies introduce new products or services, we may be subject to intensified competition. See "Risk Factors – Risks Relating to Our Business and Industry – We face intense competition and any failure to compete effectively could materially and adversely affect our customer base, market share and profitability."

Compared to our competitors, we have strengths in attracting and retaining customers. We are committed to offering customer-centric solutions. Our market leadership and large order volume provide us with customer insights, enabling us to continuously bring superior experience for customers and enhance their loyalty to our brand. As of May 31, 2021, we had served over 2,000 merchant brands, served approximately 532,500 registered merchants and delivered superior and efficient on-demand local lifestyle services to approximately 126.1 million registered consumers. Our strong and expanding national network helps us build a broad customer base, which produces valuable customer insights supporting our exploration of new scenarios, and thereby enriches our multi-scenario business model. The expansion of scenario coverage brings higher order volume, allowing us to attract more riders with

substantial earning potential, which in turn facilitates the continuous scale-up of our fulfillment capabilities. Our fulfillment in-time rate reached above 95% during the Track Record Period. Improved order fulfillment capabilities enable us to timely capture opportunities from fast-growing segments and attract more merchants with expanding delivery solution offerings and better experience. Such network effects bring about sustainable and growing customer base, order fulfillment capabilities and order volume, enabling us to compete effectively.

## **INTELLECTUAL PROPERTY RIGHTS**

Intellectual property rights are fundamental to our business and we devote significant time and resources to their development and protection. We currently hold a broad collection of intellectual property rights relating to certain aspects of our business operation. Such rights include copyrights, trade secrets, patents, domain names and other proprietary rights in China. The table below sets out our patents which we consider to be material to our business. For more details of our intellectual property rights, see “Appendix VI – Statutory and General Information – Intellectual Property Rights.”

The table below sets out our material patents, which are all related to our CLS:

<b>Patent No.</b>	<b>Patent Owner</b>	<b>Type</b>	<b>Patent</b>	<b>Patent No.</b>	<b>Application Date</b>	<b>Place of Application</b>
1	Shunda Tongxing	Invention patent	Merchant clustering method, apparatus, computer device, and storage medium (商戶聚類方法、裝置、計算機設備和存儲介質)	2019113919905	December 30, 2019	China
2	Shunda Tongxing	Invention patent	Order grouping method, apparatus, computer device and storage medium (訂單分組方法、裝置、計算機設備和存儲介質)	2019113542769	December 25, 2019	China
3	Shunda Tongxing	Invention patent	Delivery order grouping method, apparatus, computer device and storage medium (物流訂單分派方法、裝置、電腦設備和存儲介質)	2020115729062	December 28, 2020	China

We rely on a combination of patent, copyright and other intellectual property protection laws in China, fair trade practice, as well as confidentiality procedures and contractual provisions to protect our intellectual property. Despite our precautions, third parties may infringe our intellectual property rights. Unauthorized use of our intellectual property by third parties and the expenses that we may incur in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See “Risk Factors – Risks Relating to Our Business and Industry – We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.”

We did not have any material disputes or any pending material legal proceedings of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

We have devoted ourselves to building and maintaining risk management and internal control systems consisting of policies, procedures and risk management methods that we consider to be appropriate for our business operations, and are dedicated to continuously improving these systems.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as delivery safety and rider safety, financial reporting, legal compliance, IT systems and human resources management.

#### **Financial Reporting Risk Management**

We have in place a set of accounting policies and procedures in connection with our financial reporting risk management, such as financial and accounting policies, connected transaction management policy, financial instruction on business operation, budget management procedure and financial statement preparation procedure. We have various procedures in place to implement accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

#### **Delivery Safety and Rider Safety**

We have a massive volume of delivery orders on a daily basis. It is important for us to keep deliveries and riders safe. We have implemented a set of delivery safety and rider safety measures, dedicated to providing reliable services to our customers and a safe working environment for riders.

All riders are required to undertake safe and proper delivery. Our business department and operation department have formulated rigorous order delivery protocols incorporating delivery accidents and risky scenarios that are commonly seen in our industry. Based on such pre-set protocols, our CLS automatically detects and records abnormal deliveries for our dedicated risk management officers to follow up in a timely manner. For example, if a rider attempts to finish delivery over 500 meters from the set recipient address, our CLS would automatically send a warning to the rider and record the delivery as abnormal should the rider disregard the warning. Our headquarters would continuously monitor the order status, record improper delivery and discipline riders in the event of misconduct. In addition, we have formulated a list of prohibited items for delivery such as flammables, explosives, weapons, gasoline and narcotics. We require customers to explain the contents of their parcels and all parcels will be screened before being processed. We have also established a rider screening database, synchronizing with public security systems, which automatically carries out background investigation upon riders' registration to avoid recruiting riders with criminal records.

We value riders as much as customers and endeavor to build a friendly and sustainable environment for riders. We enhance rider satisfaction with their working conditions through improved rider care focusing on safety and welfare. In particular, we conducted safety trainings and investigations, organized wellness events and provided various benefits and incentives for riders to continuously improve their workspace safety and social welfare. See “– Our Service Network and Riders – Our Rider Pool.”

### **Legal Compliance Management**

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our business units to: (i) perform risk assessments and give advice on risk management strategies, (ii) improve business process efficiency and monitor internal control effectiveness, and (iii) promote risk awareness throughout our Company.

In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the forms of contracts we enter into with our customers and suppliers. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations under our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangement.

We continuously review the implementation of our risk management policies and measures to ensure that our policies and implementation are effective and sufficient.



### **IT System Risk Management**

Sufficient maintenance, storage and protection of consumer data and our business data are critical to our success. We have implemented relevant internal procedures and controls to ensure that such data are protected and that leakage and loss of such data is avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of consumer or business data.

### **Human Resources Risk Management**

We set out systematic internal rules and guidelines for our employees, including best commercial practice, work ethics and a prevention mechanism to avoid fraud, negligence and corruption. We provide employees with regular training and resources to keep them abreast of the guidelines contained in the employee handbook. We formulate the recruitment plan for the forthcoming year based on current turnover rate and our future business plan, and we continuously improve our recruitment process with the aid of information technology. We also have a rigorous background check process for new employees.

In addition, we provide regular and specialized trainings tailored to the needs of our employees in different departments. Through such training, we ensure that our employees' skill sets remain up to date. Furthermore, rider care is one crucial part of our unwavering commitment to social responsibility. We require riders to maintain the "rider comprehensive insurance" coverage which includes personal accident, third-party personal injury and property damage to enhance rider protection and provide both online and offline training programs to riders to improve their skills for delivery. See "– Our Service Network and Riders – Our Rider Pool – Rider Management."

### **Audit Committee Experience and Qualification and Board Oversight**

We have established an audit committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues we face and the corresponding measures required to resolve such issues. The internal audit department reports to the audit committee to ensure that any major issues identified are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors if necessary.

### **Ongoing Measures to Monitor the Implementation of Risk Management Policies**

Our audit committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure that our policies and implementation are effective and sufficient.

### **SOCIAL RESPONSIBILITY, ENVIRONMENTAL AND OCCUPATIONAL HEALTH AND SAFETY MATTERS**

Leveraging our resources and expertise, we have promoted and will continue to promote corporate social responsibility and sustainable development, mainly focusing on environmental protection and rider care. We are subject to environmental protection and occupational health and safety laws and regulations in the PRC, violation of which may result in various administrative penalties from competent authorities such as warnings, fines, orders to rectify, orders to disclose relevant information or make an announcement or orders to suspend business. See “Regulatory Overview – Laws and Regulations Relating to Environmental Protection” and “Regulatory Overview – Regulations on Employment and Social Welfare.” As we are dedicated to providing high-quality delivery service to our customers in the service industry, we do not engage in any manufacturing activities, nor do we own any manufacturing facilities or fleet of vehicles; thus, our risk of causing greenhouse gas emissions and other environmental pollution is considerably low. During the Track Record Period and up to the Latest Practicable Date, our operations were in compliance with the relevant PRC environmental protection and occupational health and safety laws and regulations in all material aspects and we had not been subject to any fines or other penalties due to non-compliance with environmental protection and occupational health and safety laws and regulations.

***Environmental Protection.*** We are committed to operating our business in a manner that protects the environment and improves environmental sustainability. For example, we strive to minimize pollutant emissions generated by our riders in the process of delivery by recommending them to use new energy and electric vehicles. As of May 31, 2021, approximately 98% of our active riders fulfilled orders through new energy and electric vehicles or public transportation. In addition, we provide eco-friendly packaging such as recyclable paper bags, cups and delivery boxes for our Fengshi Platform. We are also actively seeking collaboration with merchant customers to explore systematic plans for eco-friendly and recyclable packaging, aiming to lower the packaging cost, improve the capability of environmental protection and contribute to carbon neutrality.

***Occupational safety.*** Adhering to the principle of “safety first”, we have workplace safety measures in place. For example, we set an upper limit of ongoing orders that each rider can take, which ensures sufficient time buffer for riders to fulfill their orders and lowers their safety risk; we require riders to wear protective equipment such as helmets and masks; we offer riders regular safety trainings in relation to safety risks and mitigating measures; we require riders to pass safety examinations before they start taking orders and set periodic outdoor safety spot checks to ensure their compliance with safety policies, laws and regulations. See

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## BUSINESS

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“– Our Service Network and Riders – Our Rider Pool – Rider Care.” As a result of our efforts on improving workplace safety, the number of personal injury accidents that riders have claimed under “rider comprehensive insurance” as a percentage of total number of orders was 0.00175% and 0.0013% in 2020 and the five months ended May 31, 2021, respectively.

**Welfare.** We are responsible for social insurance and housing provident funds for our employee riders. In addition, outsourcing firms are responsible for social insurance and housing provident funds for riders who have contractual labor relations with them. We have cooperated with SF Foundation (順豐公益基金會) and launched the “Care for Millions of Riders (百萬騎手關愛計劃)” project, providing education support for riders’ children and financial aids for medical needs of riders’ families. We also value communications with riders. For example, we have online rider services to provide around-the-clock consultation and we routinely organize offline activities to increase face-to-face interaction with riders and their families. See “– Our Service Network and Riders – Our Rider Pool – Rider Care.”

In addition, we also require our suppliers to comply with the occupational health and safety laws and regulations of the jurisdictions that they operate in. We have implemented supplier engagement and assessment policies and can choose to terminate cooperation with suppliers following the occurrence of a safety accident, supplier misconduct or unlawful behavior.

### EMPLOYEES

As of May 31, 2021, we had 1,729 full-time employees.

The following table sets out a breakdown of our employees by business function as of May 31, 2021:

	Number of Employees	Percent
Operation	1,006	58.2%
Business operations	527	30.5%
Local delivery outlet manager	299	17.3%
Employee riders (with team management role)	180	10.4%
Sales and Marketing	278	16.1%
Research and Development	249	14.4%
General Administration	196	11.3%
<b>Total</b>	<b>1,729</b>	<b>100.0%</b>

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## BUSINESS

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We have training programs for all our employees, from entry-level employees to management on subjects such as corporate culture, strategies, policy and internal control, internal systems and business skills.

As required by PRC laws and regulations, we participate in employee social security plans for our employees that are administered by local governments, including housing provident funds, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance.

The remuneration package for our employees generally includes salary and bonuses. Employees typically receive welfare benefits, including medical care, pension, occupational injury insurance and other miscellaneous benefits.

We have labor unions that protect employees' rights, help fulfill economic objectives and encourage employee participation in management decisions. We had not experienced any material labor disputes during the Track Record Period and up to the Latest Practicable Date.

## INSURANCE

We maintain insurance coverage over our daily operations. We carry various policies, such as property insurance and public liability insurance. In line with general market practice, we do not maintain certain policies that are not available in the locations in which we operate, or that are not generally required by laws.

We consider our current insurance coverage to be adequate. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustment to our insurance plans to align with our needs and industry practice. During the Track Record Period, we did not make any material insurance claims in relation to our business.

See “Risk Factors – Risks Relating to Our Business and Industry – We have limited insurance coverage which could expose us to significant costs and business disruption.”

## PROPERTIES

Our headquarters office is located in Shenzhen. As of the Latest Practicable Date, we did not own any properties and we leased properties in China. As of the Latest Practicable Date, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

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## BUSINESS

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As of the Latest Practicable Date, we leased 41 properties with an aggregate gross floor area of approximately 24,138.13 sq.m., which were primarily used as premises for our offices and warehouses.

As of the Latest Practicable Date, lessors of four of our leased properties in the PRC had not provided us with relevant authorization documents evidencing their rights to lease the properties to us and we are actively communicating with the lessors, requiring valid authorization for leasing. According to the applicable PRC laws and regulations, in situations where a lessor lacks evidence of the right to lease, the relevant lease agreement may not be valid or enforceable, and we may face challenges from third parties regarding our leasehold right. In addition, one of our leased properties is located on an allocated state-owned land, for which the property owner failed to provide relevant documentation legitimating the lease of such allocated land. We would not be subject to any penalty therefrom but our lease agreement associated with such property might be terminated under relevant PRC laws and regulations. Our Directors confirm that in the event that we are unable to enforce these leases and are required to relocate due to the invalidity of the lease agreements, we will be able to find alternative premises in a timely manner. Our Directors are of the view that such defects will not individually or collectively have a material adverse impact on our business or financial condition because (1) we were not subject to any action, claim or investigation being conducted or threatened by any third parties or the competent government authorities with respect to the defects in our leased properties as of the Latest Practicable Date; and (2) we believe we can relocate in a timely manner given that these premises are primarily used for offices and are not crucial to our core business.

As of the Latest Practicable Date, we had not completed filing for the 27 properties we leased in the PRC. According to the applicable PRC laws and regulations, property lease agreements shall be filed with the relevant local branches of the Ministry of Housing and Urban-Rural Development of the PRC. Our PRC Legal Advisor has advised us that the lack of registration for the lease agreements will not affect the validity of such lease agreements under PRC law, however, the relevant government authority may require the parties to a lease to register the lease agreement within a given period, and a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease may be imposed on the parties to the lease for failing to rectify it within the given period. The estimated aggregate maximum penalty is RMB270,000 with respect to the unregistered leases of properties leased by us. We are actively communicating with the lessors to facilitate the registration of the relevant leased properties. As of the Latest Practicable Date, we had completed 11 new lease registrations.

## LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

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## BUSINESS

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During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions in which we operated during the Track Record Period and up to the Latest Practicable Date.

### LICENSES, PERMITS AND APPROVALS

According to our PRC legal advisors, we have obtained all material licenses, permits, approvals and certificates that are material for our business operations in the PRC, and such licenses, permits, approvals and certificates are valid and subsisting.

The following table sets forth a list of our material licenses, permits, approvals and certifications:

No.	Holder	Name of License, Permit, Approval and Certification	Expiration Date
1	Shenzhen Intra-city	Value-added Telecommunication Business License	2025.09.24
2	Shunda Tongxing	Value-added Telecommunication Business License	2025.09.24
3	Shanghai Fengpaida	Value-added Telecommunication Business License	2025.09.24
4	Shanghai Fengzan	Value-added Telecommunication Business License	2025.09.24
5	Shenzhen Zhongplus	Value-added Telecommunication Business License	2025.09.24
6	Shanghai Fengpaida	Road Transportation Operation Permit	2023.03.06
7	Shenzhen Fengzan Technology Co., Ltd. (深圳豐贊科技有限公司)	Food Operation License	2026.02.07
8	Shanghai Fengzan	Food Operation License	2026.05.19

## **AWARDS AND RECOGNITIONS**

We are recognized for the quality and market reception of our services. The table below sets forth major awards and recognitions we received during the Track Record Period and up to the Latest Practicable Date.

<b>Year</b>	<b>Name of award or recognition</b>	<b>Awarding entity</b>
2021	2020 Best Third Party On-demand Delivery Platform (2020年度最佳第三方即時配送平台)	2020 Annual Logistics Industry Influence Selection Event (2020年度快遞物流行業影響力評選) joint held by iiMedia Research (艾媒諮詢) and ExpressHub
2021	2020 China Best CSR Logistics Enterprise (2020中國最具社會責任物流企業) 2020 Best Delivery Service Enterprise (2020最佳遞送服務企業)	China Logistics Times (物流時代周刊) and the Evaluation Committee of the China Logistics Golden Pegasus Award (中國物流業金飛馬獎評審委員會)
2021	Smart Food & Beverage Solution Innovation Award (智慧餐飲創新解決方案獎)	The 10th China Smart Food & Beverage Innovation Summit (第十屆中國智慧餐飲創新峰會)
2020	2020 Best Logistics Service Provider in the E-commerce Industry (2020電商行業最佳物流服務商)	The Organizing Commission of the 7th Dawei E-commerce Logistics Conference (第七屆大為電商物流大會組委會)
2020	2020 Well-known Brand in the E-commerce Logistics Industry (2020電商物流行業知名品牌)	The Organizing Commission of the 7th Dawei E-commerce Logistics Conference (第七屆大為電商物流大會組委會)
2020	National Advanced Enterprise for Anti-epidemic in the Logistics Industry (全國物流行業抗疫先進企業)	China Federation of Logistics and Purchasing (中國物流與採購聯合會)
2020	2020 China's Top Ten Logistics Enterprises for Growth (2020中國物流十佳成長型企業)	China Federation of Logistics and Purchasing (中國物流與採購聯合會)
2020	Best Catering Service Provider (最佳餐飲服務商)	The Organizing Commission of Summit Forum for China's Catering Industry (中國餐飲規模化高峰論壇組委會)
2020	2020 Annual Safety Management Award (2020年度安全管理獎)	Summit for China Intra-city On-demand Delivery Industry (中國同城即時物流行業峰會)



## CONNECTED TRANSACTIONS

We have entered into a number of agreements with our connected persons, the details of which are set out below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

### CONNECTED PERSONS

The table below sets forth the connected persons of our Company involved in the connected transactions set out in this section and the nature of their connections with our Group:

Name of Connected Person	Connected Relationship
SF Holding	SF Holding is a Controlling Shareholder of the Company
SF Taisen	SF Taisen is a Controlling Shareholder of the Company

Set out below is a summary of our continuing connected transactions:

			Proposed Annual Cap for the Year Ending December 31 (RMB million)		
Nature of Transaction	Applicable Listing Rules	Waiver Sought	2021	2022	2023
Exempt Continuing Connected Transactions					
1. Trademark License Agreement	14A.76 (1)(a)	N/A	N/A	N/A	N/A
2. Fund Collection Service Framework Agreement	14A.76 (1)(a)	N/A	N/A	N/A	N/A
Non-exempt Continuing Connected Transactions					
3. Leasing Framework Agreement	14A.34, 14A.35, 14A.76 and 14A.105	Announcement requirement	7.0	7.0	8.0
4. Comprehensive Service Purchasing Framework Agreement	14A.34, 14A.35, 14A.36, 14A.76 and 14A.105	Announcement and independent shareholders’ approval requirements	120.0	139.0	161.0

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## CONNECTED TRANSACTIONS

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Nature of Transaction	Applicable Listing Rules	Waiver Sought	Proposed Annual Cap for the Year Ending December 31 (RMB million)		
			2021	2022	2023
5. Intra-city On-demand Delivery Service	14A.34, 14A.35,	Announcement and	Intra-city Delivery Service	100.0	140.0
Cooperation Framework Agreement	14A.36, 14A.76 and 14A.105	independent shareholders' approval requirements	Last-mile Delivery Service	3,300.0	4,000.0
				4,800.0	

### EXEMPT CONTINUING CONNECTED TRANSACTION

The following transaction is conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better, where each of the highest applicable percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, be less than 0.1% on an annual basis. By virtue of rule 14A.76(1)(a) of the Listing Rules, the transaction will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

#### 1. Trademark License Agreement

**Parties:** our Company (as the licensee); and  
SF Taisen (as the licensor).

##### *Principal terms*

The Company entered into the Trademark License Agreement with SF Taisen on May 20, 2021 with effect from the date thereof, pursuant to which SF Taisen agreed to grant a non-exclusive right to the Group to use a number of registered trademarks owned by SF Taisen (the “**Licensed Trademarks**”) on a royalty-free basis during the period from January 1, 2021 to December 31, 2025 (the “**First Five Years**”). Upon expiry of the First Five Years, the parties will consider extending the arrangement on a royalty-free basis, which is subject to negotiations between us and SF Taisen on arm's length basis, provided that such licensing fee (if payable) shall not, in any event, exceed 0.5% of the total revenue of our Group for the respective financial year deducting those generated from the transactions between SF Taisen and any member of it and our Group. We are entitled to use the Licensed Trademarks within their respective validity period (including the renewal of validity period of the Licensed Trademarks). Our Group will use the Licensed Trademarks within the scope stipulated in the Trademark License Agreement. For details of the Licensed Trademarks, please refer to “Appendix VI – Statutory and General Information – 2. Further Information about our Business – B. Intellectual Property Rights – (b) Trademarks – Trademarks licensed by SF Taisen”.

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## CONNECTED TRANSACTIONS

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### ***Reasons for and benefits of the Transaction***

Our Company is a subsidiary of SF Holding and the operating entity of the intra-city delivery business segment of SF Holding, and has been using the Licensed Trademarks for our business operations during the Track Record Period. We consider that the “SF” brand reflects our corporate identity and represents strong industry expertise and high-quality service. Using the Licensed Trademarks will enable the Group to leverage on the strong brand recognition and reputation of SF Holding Group. We believe that to continue to use the Licensed Trademarks after the completion of the Global Offering is in the best interests of the Group and the Shareholders as a whole.

### ***Listing Rules Implication***

As required by Rule 14A.52 of the Listing Rules, the period for the agreement for the continuing connected transactions must not exceed three years, except in cases where nature of the transaction requires the agreement to be of a duration longer than three years. The Directors are of the view that the Trademark License Agreement was entered into on normal commercial terms and a longer duration of the agreement will avoid any unnecessary business interruption and help ensure the long-term stable business development and continuity of our market recognition, and it is normal business practice for trademark license agreement of similar type to be entered into for such duration. The Joint Sponsors agree with the Company’s reasons for requiring a longer term for the Trademark License Agreement, and are of the view that entering into such agreement with a term of over three years is in line with normal business practice. Upon the renewal or extension of the Trademark License Agreement after the First Five Years, the Company will review the expected annual caps and comply with relevant requirements under Chapter 14A of the Listing Rules.

### ***Historical Amount***

During the Track Record Period, we used the Licensed Trademarks on a royalty-free basis. Therefore, the transaction amount in relation to the Licensed Trademarks granted by SF Taisen to the Group was nil for the years ended December 31, 2018, 2019, 2020 and the five months ended May 31, 2021.

## **2. Fund Collection Service Framework Agreement**

**Parties:** SF Holding (as the service provider); and  
our Company (as the service recipient).

### ***Principal terms***

The Company entered into the Fund Collection Service Framework Agreement with SF Holding on November 19, 2021, pursuant to which SF Holding and/or its associates will provide fund collection service to us for some of our customers.

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## CONNECTED TRANSACTIONS

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In addition to having our own SF Intra-city Delivery APP and WeChat Mini Program which enable customers to place orders to us directly, we have embedded our “Intra-City Instant Delivery” (同城急送) product into certain online access channels owned by SF Holding Group (“**SF Holding’s Online Access Channels**”), primarily including SF Express app, which enables customers to access our intra-city delivery services by placing orders with us via SF Holding’s Online Access Channels. After a customer places the order with us via SF Holding’s Online Access Channels, SF Holding’s Online Access Channels will direct such orders to our internal system, which will automatically match the orders with our Group’s riders who have capacities to deliver and calculate the delivery fees to be paid by such customer (the “**Customer Delivery Fees**”). With SF Holding Group only acting as the fund pass-through channel, we will complete and fulfil the orders independently by collecting orders directly from the customers placing the orders and delivering them to the designated recipients by our riders.

For certain customers (the “**Cash Customers**”), primarily including individual customers, who choose to place orders on our intra-city delivery products with us via SF Holding’s Online Access Channels, we will enter into electronic service agreements with such Cash Customers online directly each time they place orders via SF Holding’s Online Access Channels, and collect the Customer Delivery Fees through SF Holding’s Online Access Channels. Specifically, the Cash Customers must make payments of the Customer Delivery Fees immediately before or after they place orders with us via SF Holding’s Online Access Channels without any credit period, while SF Holding and/or its associates will collect the Cash Customers’ payments on behalf of us and transfer the funds to us without deduction on a monthly basis. SF Holding and/or its associates will neither be entitled to any commission fee nor make any deductions when transferring the funds to us under the Fund Collection Service Framework Agreement.

The Fund Collection Service Framework Agreement is valid for a term commencing on the Listing Date and ending on December 31, 2023, and can be renewed for another three years upon its expiry as agreed by relevant parties to the agreement. Relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Fund Collection Service Framework Agreement.

### ***Reasons for and benefits of the transactions***

SF Holding Group has accumulated a relatively large user base during its years of operation in the express delivery industry, the Group could further increase its user base by attracting new customers who need intra-city on-demand delivery service via SF Holding’s Online Access Channels. It is also mutually beneficial for our Group and SF Holding Group to cooperate with each other on the provision of intra-city on-demand delivery service, as each party enjoys competitive advantages in its respective business segment and has established cooperation relationship during the Track Record Period with compatible system. Further, the fund collection service provided by SF Holding and/or its associates enables us to efficiently collect funds arising from our delivery services provided to the Cash Customers.

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## CONNECTED TRANSACTIONS

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### *Historical Amount*

Given SF Holding and/or its associates do not make any deductions or charge any commission fee for the transactions under the Fund Collection Service Framework Agreement, the transaction amounts in relation to the Fund Collection Service Framework Agreement provided by the Group to SF Holding and/or its associates were nil for the years ended December 31, 2018, 2019, 2020 and the five months ended May 31, 2021 and the amount of Customer Delivery Fees collected and transferred by SF Holding Group and/or its associates to us were approximately nil, RMB43.0 million, RMB89.0 million, and RMB88.0 million, respectively.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### **A. Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement**

The following transactions are conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better, where each of the highest applicable percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, be more than 0.1% but less than 5% on an annual basis. By virtue of rule 14A.76(2)(a) of the Listing Rules, the following transactions will be subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement.

#### **3. Leasing Framework Agreement**

**Parties:** our Company (as service recipient); and  
SF Holding (as service provider).

#### *Principal terms*

The Company entered into the Leasing Framework Agreement with SF Holding on November 19, 2021, pursuant to which our Group will rent certain properties from SF Holding and/or its associates for a term of less than 12 months each.

The Leasing Framework Agreement is commencing on the Listing Date and ending on December 31, 2023, and can be renewed for another three years upon its expiry as agreed by relevant parties to the agreement. Relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements for a term of less than 12 months which will set out the specific terms and conditions according to the principles provided in the Leasing Framework Agreement.

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## CONNECTED TRANSACTIONS

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### *Accounting implication on the Existing Leases*

In accordance with IFRS 16 “Leases”, our Company recognized right-of-use assets relating to certain leases each with a term longer than one year (the “**Long-term Leases**”) which amounted to RMB6.6 million on our balance sheet as of May 31, 2021, and for the purpose of Chapter 14A of the Listing Rules, the Long-term Leases were as one-off acquisitions of capital asset by our Group under IFRS 16. Accordingly, the reporting, annual review, announcement and independent Shareholders’ approval requirements with regard to continuing connected transaction under Chapter 14A of the Listing Rules will not be applicable to the Long-term Leases. Save for the Long-term Leases, all of the other existing leases are exempt from recognition as right-of-use assets on our balance sheet under IFRS 16 because they are considered as (i) short-term leases (i.e. leases of 12 months or less) or (ii) leases of low-value assets. Therefore, the rental payments under the Exempt Leases were and will be recorded as expenses over the term of the relevant lease in our profit or loss accounts.

### *Pricing policy*

To ensure that the rent payable by our Group to SF Holding and/or its associates under the Leasing Framework Agreement are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole, the rent will be determined on arm’s length basis with reference to the prevailing market rent of similar properties in the vicinity and under the similar conditions.

### *Historical Amount*

For the years ended December 31, 2018, 2019, 2020 and the five months ended May 31, 2021, the total amounts of rent paid by our Group to SF Holding and/or its associates under leases exempt from recognition as right-of-use assets under IFRS 16 were approximately RMB4.0 million, RMB7.2 million, RMB7.9 million and RMB2.4 million, respectively.

### *Annual caps*

The aggregate annual amount for the rent under the Leasing Framework Agreement for the years ending December 31, 2021, 2022 and 2023 shall not exceed RMB7.0 million, RMB7.0 million and RMB8.0 million, respectively.

### *Basis of annual caps*

In determining the annual caps for the transactions contemplated under the Leasing Framework Agreement, we have considered, among other things, the following key factors:

- (i) the historical transaction amounts;
- (ii) the expected increment in market rents of similar properties in the same or adjacent area on normal commercial terms; and
- (iii) the expected demand of our Group for the leased properties in the future.

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## CONNECTED TRANSACTIONS

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### *Reasons for and benefits of the transactions*

Our Group leases certain properties from SF Holding and/or its associates and we expect that we will continue to lease these properties after the Listing. We believe that it is mutually beneficial and would save our Group administrative costs and time that would otherwise be spent on negotiating and entering into contracts with different Independent Third Party lessors. Further relocation of our existing leased properties from SF Holding and/or its associates to other properties may cause unnecessary disruptions to our business and additional costs and expenses. Our Company is not bound and will not be bound to lease properties owned by SF Holding and/or its associates only. The continuation of these leases is convenient and cost-effective for our Group and is in line with our Group's business needs and economic interests.

### **B. Continuing connected transactions subject to the reporting, annual review, announcement and the independent shareholders' approval requirements**

The following transactions are conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better, where each of the highest applicable percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, be more than 5% on an annual basis. By virtue of rule 14A.76(2) of the Listing Rules, the transaction will be subject to the reporting, annual review, announcement and the independent shareholders' approval requirements.

### **4. Comprehensive Service Purchasing Framework Agreement**

**Parties:** our Company (as service recipient); and  
SF Holding (as service provider).

### *Principal terms*

The Company entered into the Comprehensive Service Purchasing Framework Agreement with SF Holding on November 19, 2021, pursuant to which SF Holding and/or its associates will provide services to our Group which includes:

- (i) certain supplementary back-office support services including financial and human resources shared service centre such as (a) routine work related to financial affairs including account keeping and reimbursement receipt review in accordance with the instruction and the predetermined rules provided by our Group; and (b) facilitating and administrating the process of the payment and declaration of salary social insurance and housing allowance of the Group's employees in accordance with the instruction from the Group, and the maintenance of our administrative IT systems including the email system and other instant messaging applications;



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## CONNECTED TRANSACTIONS

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- (ii) operation related services, including customer call center service, where a designated customer service team will, under our guidelines and protocols, provide hotline consultation and post-sale service to our customers; and
- (iii) customized research and development services to further optimize Fengshi business system, an online group catering service platform offering enterprise customers a wide selection of high-quality staff meals, to cater for our design and operation needs including serving more scenarios and end-users.

(collectively, the “**Services**”).

The Comprehensive Service Purchasing Framework Agreement is valid for a term commencing on the Listing Date and ending on December 31, 2023, and subject to renewal for another three years upon parties’ mutual agreements. Relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Comprehensive Service Purchasing Framework Agreement.

### ***Pricing Policy***

The service fee to be charged by SF Holding and/or its associates will be determined on arm’s length basis, with reference to factors including (i) the service fee rate of SF Holding Group which is principally determined with reference to the relevant costs incurred by SF Holding and/or its associates including labour cost and administrative expense; (ii) the fee quotes for similar services in the market. To ensure service fee to be charged by SF Holding and/or its associates are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole, for each type of services under the Comprehensive Service Purchasing Framework Agreement, the Group will obtain fee quotes from Independent Third Parties for services of the same or similar type, nature and quality at least on an annual basis and/or before entering into any definitive agreements to ensure the terms offered by SF Holding are similar to or better than the terms offered by Independent Third Parties under the similar circumstances.

### ***Historical amount***

For the years ended December 31, 2018, 2019, 2020 and five months ended May 31, 2021, the amounts of the transaction in connection with the Comprehensive Service Purchase Framework Agreement were approximately RMB2.8 million, RMB23.1 million, RMB43.7 million and RMB36.6 million, respectively. The increase in the above transaction amounts is mainly due to our increased demand of such services to cope with the significant growth of our business during the Track Record Period.

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## CONNECTED TRANSACTIONS

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### *Annual Caps*

The aggregate annual amount for transactions under the Comprehensive Service Purchasing Framework Agreement for the years ending December 31, 2021, 2022 and 2023 shall not exceed RMB120.0 million, RMB139.0 million and RMB161.0 million, respectively.

### *Basis of annual caps*

In determining the annual caps for the transactions contemplated under the Comprehensive Service Purchasing Framework Agreement, we have considered, among other things, the following:

- The service fee paid by us to the SF Holding Group amounted to RMB36.6 million for the five months ended May 31, 2021 and the expected increasing demand for the service needed including operation related services during peak seasons such as online shopping events or festive period for the second half of the year of 2021.
- an estimated growth rate of approximately 15% for the annual caps for each of the two years ending December 31, 2023, taking into consideration (i) the expected increasing demand relevant services by our Group to match the back-office and operating needs stemming from the expected growth of our business scale and delivery network given rising demand for our services; (ii) the budget for the research and development services relating to our Fengshi business system, which is expected to be further optimized to cater for our design and operation needs including serving more scenarios and end-users; (iii) the expected increase of the market price for each type of the services provided by the SF Holding and/or its associates; and (iv) the historical annual growth rate.

### *Reasons for and benefits of the transactions*

The Company and its predecessor have been purchasing such Services since incorporation from SF Holding and/or its associates to satisfy its business and operational needs. The Group and SF Holding and/or its associates have established a long-term and stable business relationship during the Track Record Period, and SF Holding and/or its associates has acquired a comprehensive understanding of our business and operational requirements. Taking into consideration that SF Holding and/or its associate has provided such service to us since the commencement of our business in 2016, and the reliable quality of the services provided, we believe it is in the best interest of the Group and our shareholders to procure the Services from SF Holding which is capable of fulfilling our demands with a stable and high quality supply of services on terms which are similar to or better than those offered by Independent Third Parties. Entering into the Comprehensive Service Purchasing Framework Agreement will also minimize disruption to the Company's operation and internal procedures. In addition, considering that, compared to our Group which focuses on the intra-city on-demand delivery services, certain entities within the SF Holding Group, which focus on providing such services to members of the SF Holding Group and a number of Independent Third Parties (as the case

may be), have accumulated experience in dealing with such matters, hence, SF Holding has better economies of scale and cost efficiency with existing groups of staff designated for these commoditized services, it would be more cost-effective for the Company to outsource procedural and commoditized work to SF Holding and/or its associates rather than to maintain its own headcounts for processing such work. On top of our own research and development activities, we think it is cost-efficient to further leverage SF Holding's research and development resources in terms of logistics and supply chain IT systems for our project-based research and development activities considering SF Holding's leading position in the industry and its familiarity and past cooperation experiences with us. Considering that such provision of services by SF Holding and/or its associates to us are ancillary in nature and are non-core functions of our Group, and we are free to engage Independent Third Parties to provide such services if we consider appropriate, our Directors believe that there will be no reliance issue between our Company and SF Holding due to the transactions under the Comprehensive Service Purchasing Framework Agreement.

### 5. Intra-City On-demand Delivery Service Cooperation Framework Agreement

**Parties:** our Company (as service provider); and  
SF Holding (as service recipient).

#### *Principal terms*

The Company entered into the Intra-City On-demand Delivery Service Cooperation Framework Agreement with SF Holding on November 19, 2021, pursuant to which the Group will provide intra-city on-demand delivery services to SF Holding and/or its associates under the following scenarios:

#### *(i) Intra-City Delivery Service provided via SF Holding Group*

For certain existing customers (the “**Credit Customers**”) who have entered into master service agreements (the “**Master Service Agreements**”) with SF Holding and/or its associates in respect of a variety of delivery and logistics solution service products SF Holding Group and/or its associates offers, SF Holding Group and/or its associates will delegate us as subcontractor to complete and fulfill their intra-city delivery demands independently. The Credit Customers will place orders via SF Holding's Online Access Channels, SF Holding's Online Access Channels will direct such orders to our internal system, which will automatically match the orders with our Group's riders who have capacities to deliver, and our Group's riders will collect the orders directly from the Credit Customers and deliver them to the designated recipients.

Unlike Cash Customers, we will not enter into service contracts with such Credit Customers, who are primarily enterprise customers with Master Service Agreements with SF Holding and/or its associates. On monthly basis, the Credit Customer will directly settle the delivery fee (the “**Customer Delivery Fee**”) with SF Holding Group and/or its associates according to the Master Service Agreement, under which, the Customer Delivery Fee is

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## CONNECTED TRANSACTIONS

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determined by SF Holding and/or its associates and generally with reference to the Intra-city Delivery Service Fee. It is SF Holding Group and/or its associates who is responsible for the customer maintenance and services including establishing APIs to facilitate the Credit Customers to place orders via SF Holding's Online Access Channels, as well as the management and collection of accounts receivables from these customers and bears the credit exposure.

By contrast, we will enter into electronic service agreements with Cash Customers online directly each time they place orders via SF Holding's Online Access Channels, and the Cash Customers must make payments of the delivery fee calculated by our internal system immediately before or after they place orders with us via SF Holding's Online Access Channels without any credit period. SF Holding and/or its associates will collect the Cash Customers' payments on behalf of us and transfer the funds to us. SF Holding and/or its associates will neither be entitled to any commission fee nor make any deductions when transferring the funds to us under the Fund Collection Service Framework Agreement.

### *(ii) Last-mile Delivery Service to SF Holding Group*

As one of the intra-city on-demand delivery service providers, our Group also provides SF Holding and/or its associates with last-mile delivery services by utilizing our on-demand delivery force at the final stage of the express delivery services of SF Holding and/or its associates. Acting as a supplement to SF Holding Group's last-mile delivery force, especially during peak seasons such as the online shopping events or festive period, or in areas where SF Holding Group lacks local delivery force or in case that it is more cost-efficient for SF Holding Group to entrust us to conduct the delivery, the Group will collect certain parcels from the local delivery outlets of SF Holding Group or the warehouses of corporate customers of SF Holding Group and deliver the parcels to the designated recipients by the Group's riders or vehicles.

The Intra-City On-demand Delivery Service Cooperation Framework Agreement is valid for a term commencing on the Listing Date and ending on December 31, 2023, and can be renewed for another three years upon its expiry as agreed by relevant parties to the agreement.

### ***Pricing policy***

#### *For intra-city delivery:*

The service fees charged by our Group and paid by SF Holding Group and/or its associates (the **"Service Fees"**) are on order unit basis and are determined in accordance with following formula: Intra-city Delivery Service Fee x prescribed subcontracting charges rate. The Intra-city Delivery Service Fee refers to the delivery service fee of our intra-city delivery service products which is calculated using our pricing algorithm taking into account the location, the distance between sender and recipient, peak time and seasons, weather, riders' capacities, weight and delivery requirements specified in the orders placed by the customers, etc. The subcontracting charges rate is determined after arm's length negotiation taking into consideration that it is SF Holding Group and/or its associates instead of us that bears the

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## CONNECTED TRANSACTIONS

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customer acquisition cost, customer maintenance and services expense, administrative expense in relation to management and collection of Customer Delivery Fee, as well as the credit exposure SF Holding and/or its associate bears. Our Group will, or to the extent needed, may consider engaging an industry consultant to, on an annual basis, conduct researches on comparable companies to evaluate and assess the level of Service Fees charged by our Group for the intra-city delivery services provided under the Intra-City On-demand Delivery Service Cooperation Framework Agreement to ensure that Service Fees charged by our Group are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole.

### *For last-mile delivery:*

The service fees paid by SF Holding and/or its associates to our Group will be principally determined with reference to a relatively stable mark-up on top of the rider commission fee. The mark-up will be determined on arm's length basis taking into consideration complexity of the services required, market rates, and industry standards. The Group also provides last-mile delivery services to Independent Third Parties. The pricing methodology for the last-mile delivery services provided to Independent Third Parties is largely consistent with that for the last-mile delivery services provided to SF Holding Group. The Group will cross-check against the last-mile delivery services we provide to Independent Third Parties and ensure that the service fee paid by SF Holding and/or its associates, in particular, the mark-up for the last-mile delivery services SF Holding Group bears, is at least comparable to that of Independent Third Parties. Where the bidding process is necessary under the internal policies of SF Holding and/or its associates, the service fee shall be ultimately determined in accordance with the tender and bidding process. During the bidding process, our bidding quotations will be determined after taking into consideration the factors including market rates, industry standards, the actual cost, tender quantities, potential competition and relevant requirements as per tender documents. Our Group will, or to the extent needed, may consider engaging an industry consultant to, on an annual basis, conduct researches on comparable companies to evaluate and assess the applicable market rates for the last-mile delivery services provided under the Intra-City On-demand Delivery Service Cooperation Framework Agreement to ensure that service fees paid by SF Holding and/or its associates are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole.

### *Historical amount*

For the years ended December 31, 2018, 2019, 2020 and the five months ended May 31, 2021, the total transaction amounts (representing the fee paid by the SF Holding Group and/or its associate to our Group) for the intra-city delivery service under the Intra-City On-demand Delivery Service Cooperation Framework Agreement were RMB8.4 million, RMB20.8 million, RMB41.0 million and RMB31.6 million, respectively. The increase in the above transaction amounts is mainly due to (i) the rapid increase in the demand for intra-city delivery service in

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## CONNECTED TRANSACTIONS

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recent years in the market, particularly since the outbreak of COVID-19; and (ii) the rapid expansion of our Group's service network coverage which enables us to provide service in more geographical locations, our service network covered over 1,000 cities and counties in China as of May 31, 2021;

For the years ended December 31, 2018, 2019, 2020 and the five months ended May 31, 2021, the total transaction amounts (representing the fee paid by the SF Holding Group and/or its associate to our Group) for the last-mile delivery service under the Intra-City On-demand Delivery Service Cooperation Framework Agreement were RMB20.1 million, RMB175.3 million, RMB1,579.6 million and RMB1,142.9 million, respectively. The increase in the above transaction amounts is mainly due to (i) the fact that the Group started to scale up its last-mile delivery services to SF Holding Group since September 2019; (ii) SF Holding Group's increased demand of our service since September 2019 for the benefits of optimizing its cost efficiency and due to the booming growth in e-commerce transactions during the Track Record Period; and (iii) the rapid expansion of our Group's service network coverage which enables us to provide service in more geographical locations, our service network covered over 1,000 cities and counties in China as of May 31, 2021;

### *Annual caps*

The aggregate annual transaction amount (representing the fee paid by the SF Holding Group and/or its associate to our Group) for the intra-city delivery service under the Intra-City On-demand Delivery Service Cooperation Framework Agreement for the years ending December 31, 2021, 2022 and 2023 shall not exceed RMB100.0 million, RMB140.0 million and RMB200.0 million, respectively.

The aggregate annual transaction amount (representing the fee paid by the SF Holding Group and/or its associate to our Group) for the last-mile delivery service under the Intra-City On-demand Delivery Service Cooperation Framework Agreement for the years ending December 31, 2021, 2022 and 2023 shall not exceed RMB3,300.0 million, RMB4,000.0 million and RMB4,800.0 million, respectively.

### *Basis of annual caps*

In determining the annual caps for the transactions contemplated under the Intra-City On-demand Delivery Service Cooperation Framework Agreement, we have considered, among other things, the following key factors:

- For intra-city delivery:
  - The rapid growth rate of the historical transaction amounts and that the transaction amount for the five months ended May 31, 2021 has amounted to RMB31.6 million;

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## CONNECTED TRANSACTIONS

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- An estimated growth rate of approximately 40% for the annual caps for each of the two years ending December 31, 2023, taking into consideration:
  - (i) According to the iResearch Report, it is estimated that the annual order volume of third-party on-demand delivery services in the industry will further increase to 8.9 billion in 2023, representing a CAGR of 43.6% from 2020 to 2023; and the fact that we have rapidly grown into the largest third-party on-demand delivery service platform in China in terms of order volume in 2020, the 12 months ended March 31, 2021, as well as in the three months ended March 31, 2021, according to the iResearch Report, and therefore, we expect our growth rates to be comparable to the industry growth rates;
  - (ii) The increasing demand of our intra-city on-demand delivery service;
  - (iii) The continuous scale-up and expansion of our business and service network coverage nationwide.
  - (iv) The historical amount of and expected increase in the (a) labour costs, transportation costs, administration costs and other costs incurred by our Group for the delivery; and (b) the customer maintenance and service cost and the administrative expense for accounts receivable from customers incurred by SF Holding Group.
- For last-mile delivery:
  - The transaction amount for the five months ended May 31, 2021 has amounted to RMB1,142.9 million and the expected increase of SF Holding Group's demand during the peak seasons such as online shopping events or festive period for the second half of the 2021;
  - An estimated growth rate of approximately 21% for the annual caps for each of the two years ending December 31, 2023, taking into consideration:
    - (i) the cooperation with SF Holding Group: as confirmed by iResearch, SF Holding Group is a leading operator in the field of time-definite express delivery. Time-definite express delivery calls for timely, premium and end-to-end delivery services, the last-mile demand of which is highly matched with on-demand delivery service. With SF Holding Group's robust and continuous growth in time-definite express delivery business, they are more inclined to outsource their last-mile delivery to qualified on-demand delivery companies especially during peak times and seasons or in regions where SF Holding Group lacks local delivery force. This in turn has helped SF Holding Group retain competitiveness and optimized cost efficiency while providing consistent and high-quality delivery



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## CONNECTED TRANSACTIONS

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experience to its customers. From our Group's perspective, providing last-mile delivery services to SF Holding Group is good for us to enhance our service network coverage and operational efficiency, which enables us to engage in more last-mile delivery business for various potential clients. In context of SF Holding Group's leading position and such continuous increasing in time-definite express delivery and taking into the historical transaction amount, we expect that the transaction amounts for the last-mile delivery services to be provided by us to SF Holding and/or its associates will continue to grow;

- (ii) The historical amount of and expected increase in the labour costs, transportation costs, administration costs and other costs incurred by our Group for the last-mile delivery;
- (iii) Expected increase in the transaction volume of the express delivery industry, which leads to the expected increase in the demand for last-mile delivery. In particular, with the booming growth in e-commerce transactions, especially in the cases of online shopping events of festivals, traditional logistics providers like SF Holding Group with a focus on providing integrated solutions across the supply chain, expect spikes in the parcel traffic volume as a result of the expected tremendous increase in e-commerce transaction volume.

### ***Reasons for and benefits of the transactions***

SF Holding Group is the largest integrated logistics service provider in China, committed to becoming a data and technology-driven company providing Independent Third Party solutions. It provides customers with smart and integrated supply chain solutions covering various industries and application scenarios. In light of the leading position that SF Holding Group enjoys in the PRC express delivery industry, it is natural for and in the interests of the Company to cooperate with SF Holding Group. Specifically, SF Holding Group has accumulated a relatively large user base during its years of operation in the express delivery industry, the Group could further increase its user base by attracting new customers who need intra-city delivery service via SF Holding's Online Access Channels and through provision of services to SF Holding Group. It is also mutually beneficial for our Group and SF Holding Group to cooperate with each other on the provision of intra-city on-demand delivery service, as each party enjoys competitive advantages in its respective business segment and has established cooperation relationship during the Track Record Period with compatible system. From SF Holding's perspective, transactions with our Group is cost efficient especially during peak seasons or in cities where SF Holding Group lacks local delivery force. This allows SF Holding Group to optimize its operating cost and retain its competitiveness while providing consistent and high-quality delivery experience to its customers. From our Group's perspective, transactions with SF Holding Group diversify our service scenarios, which in turn

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## CONNECTED TRANSACTIONS

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allows us to further expand our business to optimize our rider utilization and enjoy better economies of scale. Our Directors believe that maintaining the stable and high-quality business relationship with SF Holding Group will facilitate our current and future business operations.

### INTERNAL CONTROL MEASURES

In order to ensure the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable or no less favourable than terms available to or from Independent Third Parties and are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- our Company has adopted and implemented a management system on connected transactions. Under such system, the independent non-executive Directors will conduct reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, various internal departments of the Company (including the finance department and compliance and legal department) are jointly responsible for evaluating the terms under the framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;
- the finance department and various other internal departments of the Company also regularly monitor the fulfillment status and transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;
- our independent non-executive Directors will review the continuing connected transactions under the framework agreements every year including the pricing policies thereunder and confirm in the annual report whether the transactions have been entered into: (1) in our ordinary and usual course of business; (2) on normal commercial terms or better; and (3) the terms of the relevant framework agreements are fair and reasonable and in the interests of the Shareholders as a whole;
- our auditors will report on the continuing connected transactions under the framework agreements every year and provide a letter to the Board, confirming whether any matter has come to their attention that causes them to believe that the continuing connected transactions under the framework agreements: (1) have not been approved by the Board (where applicable); (2) are not, in all material respects, in accordance with the relevant pricing policies if the transactions involve the provision of services by us; (3) are not entered into, in all material respects, in accordance with the relevant framework agreements; and (4) have exceeded the relevant annual caps;

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## CONNECTED TRANSACTIONS

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- when considering the service fees, interest income to be paid to the Group by the above connected persons and the service fees and rent to be provided to SF Holding Group, to the extent practicable, the Group will continuously research prevailing market conditions and practices and make reference to the pricing and terms between the Group and the Independent Third Parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favourable than those entered into between the Group and Independent Third Parties; and
- when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be), and our independent non-executive Directors and Shareholders (as the case may be) shall have the right to consider whether the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

### WAIVERS GRANTED BY THE STOCK EXCHANGE

In respect of the continuing connected transactions as described above under the Intra-City On-demand Delivery Service Cooperation Framework Agreement and Comprehensive Service Purchasing Framework Agreement, the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 5% on an annual basis. Accordingly, the continuing connected transactions under these framework agreements are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

In respect of the continuing connected transactions as described above under the Leasing Framework Agreement, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 0.1% but less than 5% on an annual basis. Accordingly, the continuing connected transactions under the Leasing Framework Agreement are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

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## CONNECTED TRANSACTIONS

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As the non-exempt continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement and independent Shareholders' approval requirements (as the case may be) will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules in respect of each of the non-exempt continuing connected transactions (as the case may be), provided that the total amount of transactions for each of the three years ending December 31, 2023 will not exceed the relevant proposed annual caps as set out in this section. We will comply with the applicable requirements of the Listing Rules if we exceed the proposed annual caps set out in this section or if there are significant changes in the terms of such transactions.

### CONFIRMATION FROM THE DIRECTORS

Based on above, the Directors (including the independent non-executive Directors) of our Company are of the view that (i) the above connected transactions have been entered into during our ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (ii) the proposed annual caps (if applicable) under the above non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

### CONFIRMATION FROM THE JOINT SPONSORS

Based on the above, and the documentation and data provided by the Company and the participation in due diligence and discussion with the Company, the Joint Sponsors are of the view that (i) the above non-exempt continuing connected transactions have been entered into in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole, and (ii) the proposed annual caps under the above non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### OVERVIEW

Upon Listing, our Board will consist of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Our Supervisory Committee consists of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor. All of our Directors, Supervisors and senior management meet the qualification requirements under the relevant PRC laws and regulations and the Listing Rules for their respective positions.

### BOARD OF DIRECTORS

The following table sets forth certain information of our Directors:

Name	Age	Position	Date of appointment as Director	Date of joining our Group or its predecessor <sup>(1)</sup>	Principal roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Sun Haijin (孫海金)	42	Executive Director and chief executive officer	December 3, 2019	June 2016	Responsible for the overall management of the Group	None
Mr. Tsang Hoi Lam (曾海林)	39	Executive Director, chief financial officer and one of the joint company secretaries	June 15, 2021	January 2020	Responsible for the finance management of the Group	None
Mr. Chen Lin (陳霖)	36	Executive Director, deputy general manager and chief technology officer	June 26, 2021	September 2017	Responsible for research and development of our technology system and product	None
Mr. Chan Fei (陳飛)	46	Non-executive Director and chairman of the Board	December 3, 2019	December 2019	Providing professional opinion and judgement to the Board	None

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of appointment as Director	Date of joining our Group or its predecessor <sup>(1)</sup>	Principal roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Xu Zhijun (許志君)	45	Non-executive Director	June 10, 2020	June 2020	Providing professional opinion and judgement to the Board	None
Mr. Li Qiuyu (李秋雨)	33	Non-executive Director	June 11, 2019	June 2019	Providing professional opinion and judgement to the Board	None
Mr. Chan Kok Chung, Johnny (陳覺忠)	61	Independent non-executive Director	June 15, 2021	June 2021	Providing independent opinion and judgement to the Board; chairman of the Remuneration Committee, member of Audit Committee and Nomination Committee	None
Mr. Wong Hak Kun (王克勤)	65	Independent non-executive Director	June 15, 2021	June 2021	Providing independent opinion and judgement to the Board; chairman of the Audit Committee, member of Remuneration Committee	None
Mr. Zhou Xiang (周翔)	42	Independent non-executive Director	June 15, 2021	June 2021	Providing independent opinion and judgement to the Board; member of Nomination Committee	None

*Note<sup>(1)</sup>:* The date of joining our Group or the predecessor of our Company when we operated the intra-city on-demand delivery business as a business unit of SF Holding.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### Executive Directors

**Mr. Sun Haijin**, aged 42, is our executive Director and chief executive officer. Mr. Sun joined SF Holding Group in April 2006 consecutively served as multiple significant positions within SF Holding Group including human resources director, regional general manager, head of product management from April 2006 to June 2016. Mr. Sun has abundant experience in areas including human resources management, business operation and management and project incubation. In June 2016, Mr. Sun launched the business unit of intra-city on-demand delivery of SF Holding Group and was appointed as the head of the business unit. From June 2016 to June 2019, Mr. Sun was in charge of the development and management of intra-city on-demand delivery business, as well as the preparation and incorporation of our Company. After the Company was incorporated as an independent entity, Mr. Sun has served as our chief executive officer and executive Director since June 2019 and December 2019, respectively, and continues to take charge of formulating business strategies, making major corporate and operational decisions and overall management of our Group. Mr. Sun Haijin has been serving as the executive director and general manager of Shenzhen Intra-city since October 2018 and served as the executive director of Shanghai Fengpaida from January 2019 to May 2020.

Mr. Sun has over 15 years of experience in logistics, delivery, and online-to-offline business management, and has a deep understanding of the combination of traditional logistic industry and new business forms. Mr. Sun was awarded “The 14th China Logistics Industry Golden Pegasus Award – “2020 Outstanding Young Logistics Entrepreneur” (第十四屆中國物流業金飛馬獎 – “2020優秀青年物流企業家”) by the Logistics Times Magazine and Committee of China Logistics Industry Pegasus Award in March 2021. Mr. Sun obtained a college degree in administrative management from Nanchang University (南昌大學) in Jiangxi Province, the PRC in June 2005.

**Mr. Tsang Hoi Lam**, aged 39, is our executive Director, chief financial officer, one of the joint company secretaries and a supervisor of multiple subsidiaries of the Company. Mr. Tsang joined our Group in January 2020 as the chief financial officer and has served as a supervisor of multiple subsidiaries of the Company since September 2020. Mr. Tsang was appointed as an executive Director in June 2021 and one of the joint company secretaries in June 2021 with effect from the date the Prospectus. Mr. Tsang has over 16 years of experience in auditing, finance and management. Prior to joining the Group, Mr. Tsang’s previous working experience principally includes: serving as an auditor and audit manager of Deloitte Touche Tohmatsu from August 2004 consecutively to September 2013, serving as a deputy financial controller of a subsidiary of Lee & Man Paper Manufacturing Company Limited (a company listed on Hong Kong Stock Exchange, stock code: 2314) from August 2014 to February 2017, and consecutively servicing as the deputy chief financial officer, chief financial officer, company secretary and executive director of Man Wah Holdings Limited (a company listed on Hong Kong Stock Exchange, stock code: 1999) from April 2017 to January 2020.



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Tsang obtained a bachelor's degree of business administration (majoring in accounting and finance) from The University of Hong Kong in Hong Kong in December 2004. Mr. Tsang has been recognised as a certified public accountant by the Hong Kong Institute of Certified Public Accountants since December 2005, and has obtained the Certificate of Board Secretary of Listed Companies issued by the Shenzhen Stock Exchange in November 2020.

**Mr. Chen Lin**, aged 36, is our executive Director, chief technology officer and deputy general manager. Mr. Chen joined SF Holding Group in September 2017, and consecutively served as the director of infrastructure research and development and head of science and technology of the intra-city on-demand delivery business unit, being responsible for the research and development of the core intra-city delivery business system and intra-city delivery product, prior to the incorporation of the Company. Mr. Chen joined the Group in June 2019 and has since then served as the chief technology officer. He has served as the general manager of Shunda Tongxing since September 2019, and the executive director of Shunda Tongxing from September 2019 to September 2020. Mr. Chen was appointed as our executive Director and deputy general manager of the Company in June 2021 and May 2021, respectively.

Mr. Chen has over 10 years of experience in information technology, system architecture design, especially in the area of the research and development of food delivery and on-demand delivery systems based on AI big data. Prior to joining the Group, Mr. Chen served as a research and development engineer of Baidu, Inc. (a company listed on the NASDAQ and Hong Kong Stock Exchange under the stock code of BIDU and 9888, respectively) from January 2011 to June 2014 and participated in the research and development of products and systems including Baidu Know, Baidu Travel and Baidu Nuomi. Mr. Chen joined Baidu Delivery in November 2015 and consecutively served as architect and senior architect being responsible for the design and research and development of the transaction structure and basic service structure of Baidu Delivery.

Mr. Chen obtained a bachelor's degree in electronic information engineering and a master's degree in electronic science and technology from University of Science and Technology Beijing (北京科技大學) in Beijing, the PRC, in July 2007 and January 2011, respectively.

### Non-executive Directors

**Mr. Chan Fei**, aged 46, is our non-executive Director and chairman of the Board. Mr. Chan was appointed as our non-executive Director and chairman of the Board in December 2019. Mr. Chan currently also serves as a director, deputy general manager and assistant chief executive officer of SF Holding. Mr. Chan has over 20 years of experience in management. Prior to joining our Group, Mr. Chan's previous working experience principally includes: serving as an executive director of the Investment Banking Division of Goldman Sachs (a company listed on the New York Stock Exchange, stock code: GS) from July 2006 to March 2016, servicing as multiple positions within SF Holding Group including the assistant chief executive officer from March 2016 to January 2018, the chief strategy officer from January 2018 to March 2021, and director and deputy general manager since December 2019.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Chan obtained a bachelor's degree in business administration from The Chinese University of Hong Kong in Hong Kong in December 1999, a bachelor's degree in law from University of London in London, the United Kingdom in August 2003, and a master's degree in business administration from Wharton School of University of Pennsylvania in Philadelphia, the U.S. in May 2006.

**Mr. Xu Zhijun**, aged 45, is our non-executive Director. Mr. Xu was appointed as a non-executive Director in June 2020. Mr. Xu currently also serves as the chief operation officer and deputy general manager of SF Holding. Mr. Xu has over 20 years of experience in logistics management. Prior to joining the Group, Mr. Xu's previous working experience principally includes: consecutively serving as planning general manager, strategic planning director, corporate development director, president of the operation department, head of operation department, deputy general manager, assistant chief operation officer and chief operation officer of express delivery business segment of SF Taisen from December 2004 to September 2016, serving as the deputy general manager of SF Holding since December 2016, serving as the vice chairman of the board of China Railway SF International Express Co., Ltd. (中鐵順豐國際快運有限公司) since June 2018, and serving as the chief operation officer of SF Holding since December 2019.

Mr. Xu obtained a master's degree in logistics management from National University of Singapore in Singapore in July 2001.

**Mr. Li Qiuyu**, aged 33, is our non-executive Director. Mr. Li was appointed as a non-executive Director in June 2019. Mr. Li has over 11 years of experience in investment. Prior to joining the Group, he served as multiple positions within Huatai United Securities Co., Ltd (華泰聯合證券有限責任公司) from July 2010 to May 2018 with his last position as a director of investment banking division. Mr. Li has served as the head of investment and M&A department of SF Holding since June 2018.

Mr. Li obtained a bachelor's degree in business administration and a master's degree in finance from Wuhan University in Wuhan, the PRC, in June 2008 and June 2010, respectively.

### **Independent non-executive Directors**

**Mr. Chan Kok Chung, Johnny**, aged 61, is an independent non-executive Director. He was appointed as an independent non-executive Director in June 2021 with effect from the date of this prospectus.

He has over 37 years of experience in investment banking and investment management industry. Mr. Chan is the chief investment officer of the Hong Kong Cyberport Management Company since September 2018. He has been also the founder and secretary general of the Asian Venture Capital and Private Equity Council Limited since November 2011. He served as a director of Softech Investment Management Limited from February 2000 to June 2016, and

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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since March 2020. He has been a director of Repton School (Hong Kong) Limited since May 2014 and Repton International (Asia Pacific) Limited since September 2010. He has been a director of Make a Difference Institute Limited since March 2015.

Since January 2021, Mr. Chan has acted as an independent non-executive director of HSBC Provident Fund Trustee (Hong Kong) Limited, a member of HSBC Holdings plc (a company listed on the London Stock Exchange, stock code: HSBA, the Hong Kong Stock Exchange, stock code: 0005, the New York Stock Exchange, stock code: HSBC, and the Bermuda Stock Exchange, stock code: HSBC.BH). He has been an independent non executive director of CNQC International Holdings (a company listed on the Hong Kong Stock Exchange, stock code: 1240) and a member of its audit, remuneration and strategic investment committees since January 2016. Mr. Chan is a member of the Listing Committee of The Stock Exchange of Hong Kong Limited since July 2020, a member of the assessment panel, enterprise support scheme of the HKSAR Innovation and Technology Commission. He is currently an advisor of the Our Hong Kong Foundation Limited and a council member of the HK Startup Council of the Federation of HK Industries.

Mr. Chan served as a co-founder and executive director of Techpacific Capital Limited (currently known as 8088 Investment Holdings Limited, a company listed on the Hong Kong Stock Exchange, stock code: 8088) from April 2000 to March 2008 and from October 2010 to March 2013, and non-executive director from April 2008 to October 2010. He was the director of Crosby Asset Management (Hong Kong) Limited from November 2002 to December 2015 and the director of Crosby Wealth Management (Hong Kong) Limited since May 2004.

Mr. Chan holds a bachelor's degree (majoring in economics) from City of London Polytechnic (currently known as London Metropolitan University) in July 1982, a master's degree in business administration from City University London in November 1983 and a postgraduate diploma from the Securities Institute of Australia in April 1989.

**Mr. Wong Hak Kun**, aged 65, is our independent non-executive Director. Mr. Wong was appointed as an independent non-executive Director in June 2021 with effect from the date of this prospectus. Mr. Wong has over 36 years of experience in auditing, assurance and management prior to his retirement from Deloitte China in May 2017. Mr. Wong currently holds several directorships in listed companies including serving as an independent non-executive director of Yue Yuen Industrial (Holdings) Limited (裕元工業(集團)有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 551) since June 2018, Lung Kee (Bermuda) Holdings Limited (龍記(百慕達)集團有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 255) since June 2018, an independent non-executive director of Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 2238, the Shanghai Stock Exchange, stock code: 601238) since May 2020, and an independent non-executive Director of Haier Smart Home Co., Ltd. (海爾智家股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 6690, the Shanghai Stock Exchange, stock code: 600690 and the Frankfurt Stock Exchange, stock code: 690D) since June 2020.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Prior to joining the Group, Mr. Wong's previous working experience principally includes: serving in multiple positions within Deloitte China from July 1980 to May 2017, including an auditing partner from June 1992 to October 2013 and the national managing partner of audit and assurance being responsible for the management and development of the audit and assurance business within greater China, from October 2013 to May 2017, and serving as an independent non-executive director of Zhejiang Cangnan Instrument Group Company Limited (浙江蒼南儀錶集團股份有限公司) (a company previously listed on the Hong Kong Stock Exchange and withdrawn listing in July 2021) from December 2018 to July 2021.

Mr. Wong obtained a bachelor's degree in social sciences (majoring in economics and management) from The University of Hong Kong in Hong Kong in November 1980. Mr. Wong has been a recognised member of Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants (previously known as Hong Kong Society of Accountants), Institute of Chartered Secretaries and Administrators as well as Chartered Institute of Management Accountants since September 1983, December 1983, April 1984 and June 1990, respectively.

**Mr. Zhou Xiang**, aged 42, is our independent non-executive Director. Mr. Zhou was appointed as an independent non-executive Director of the Company in June 2021 with effect from the date of this prospectus. Mr. Zhou has rich experience in logistics and supply chain industry. Mr. Zhou has served multiple positions within The Chinese University of Hong Kong, including serving as an assistant professor of the Systems Engineering and Engineering Management Department from July 2006 to March 2012; an associate professor of the Department of Systems Engineering and Engineering Management and the Department of Decision Sciences and Managerial Economics from March 2012 to September 2013; an associate professor of the Decision Sciences and Managerial Economics Department from October 2013 to August 2016; a professor of the Decision Sciences and Managerial Economics Department since August 2016 and a chairperson of the Decision Sciences and Managerial Economics Department since August 2020.

Mr. Zhou obtained a bachelor's degree in industrial automation from Zhejiang University in Hangzhou, the PRC in June 2001, and both master and Ph.D. degrees in operations research from North Carolina State University in North Carolina, the U.S., in December 2002 and May 2006, respectively.

Save as disclosed above, (i) none of our Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus; (ii) to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules. None of our Directors have any interests in any business which competes or is likely to compete, either directly or indirectly, with our Group's business that would require disclosure under Rule 8.10 of the Listing Rules.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### BOARD OF SUPERVISORS

The following table sets forth certain information of our Supervisors:

Name	Age	Position	Date of appointment as Supervisor	Date of joining our Group or its predecessor <sup>(1)</sup>	Principal roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Yang Zunmiao (楊尊淼)	47	Supervisor	June 11, 2019	June 2019	Supervising the operating and financial activities of our Group	None
Mr. Wu Guozhong (吳國忠)	46	Supervisor	June 11, 2019	October 2018	Supervising the operating and financial activities of our Group	None
Ms. Su Xiaohui (宿曉慧)	43	Supervisor	October 22, 2019	September 2017	Supervising the operating and financial activities of our Group	None

*Note<sup>(1)</sup>:* The date of joining our Group or the predecessor of our Company when we operated the intra-city on-demand delivery business as a business unit of SF Holding.

**Mr. Yang Zunmiao**, aged 47, is our chairman of the Supervisory Committee. Mr. Yang is appointed as a Supervisor in June 2019. Mr. Yang currently also serves as the head of shareholding structure group of CFO's office of SF Holding. Mr. Yang has over 20 years of experience in legal, finance and compliance fields. Prior to joining the Group, Mr. Yang's previous working experience principally includes: serving as multiple positions within SF Holding including the legal director, legal specialist, deputy director of strategic investment, financial director (shareholding structure), director of information disclosure, head of equity structure of the finance centre and head of incubation center since September 2009.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Yang obtained a bachelor's degree in material science and engineering and a master's degree in enterprise management from Tianjin University in Tianjin, the PRC, in June 1997 and September 2001, respectively. Mr. Yang obtained the PRC legal professional qualification certificate in May 2000. Mr. Yang served as a member of the fourth session of the Expert Advisory Committee of the Ministry of Transport (交通運輸部專家諮詢委員會) from June 2014 to June 2017 and has served as a member of the fifth session of Expert Advisory Committee of the Ministry of Transport (交通運輸部專家諮詢委員會) since July 2019.

**Mr. Wu Guozhong**, aged 46, is our Supervisor. Mr. Wu was appointed as a Supervisor in June 2019. Mr. Wu currently also serves as head of the license group of CEO's office and head of confidentiality group of SF Holding. Mr. Wu joined the Group in October 2018, and his working experience within the Group mainly includes: serving as a supervisor of Shenzhen Intra-city from October 2018 to November 2020, serving as the supervisor of Shenzhen Zhongplus from December 2018 to November 2020, and serving as the supervisor of Shanghai Fengpaida from January 2019 to September 2020. Mr. Wu has over 20 years of experience in legal and compliance. Prior to joining the Group, Mr Wu's previous working experience mainly includes consecutively serving as head of license group of CEO's office and head of confidentiality group of SF Holding.

**Ms. Su Xiaohui**, aged 43, is our Supervisor. Ms. Su was appointed as a Supervisor in October 2019. Ms. Su joined SF Holding Group in July 2005 and served as the head of human resources of intra-city on-demand delivery business unit being responsible for our human resources management from September 2017 to June 2019. Ms. Su joined the Group in June 2019 as the head of human resources department of the Company. Ms. Su has nearly 20 years of experience in human resources. Prior to joining the Group, Ms. Su's previous working experience principally includes: serving in multiple positions including an organization development specialist and the deputy director of human resources performance management of SF Holding from July 2005 to September 2017.

Ms. Su obtained a bachelor's degree in international business administration from South China University of Technology (華南理工大學) in Guangzhou, the PRC in June 2000.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The following table sets forth certain information of our senior management team:

Name	Age	Position	Date of appointment as Senior Management	Date of joining our Group or its predecessor <sup>(1)</sup>	Principal roles and responsibilities	Relationship with other Directors and senior management
Mr. Sun Haijin (孫海金)	42	Executive Director and chief executive officer	June 11, 2019	June 2016	Responsible for the overall management of the Group	None
Mr. Tsang Hoi Lam (曾海林)	39	Executive Director, chief financial officer and one of the joint company secretaries	January 16, 2020	January 2020	Responsible for the financial management of the Group	None
Mr. Chen Lin (陳霖)	36	Executive Director, deputy general manager and chief technology officer	May 29, 2021	September 2017	Responsible for research and development of our technology system and product	None
Ms. Liu Jia (劉佳)	41	Secretary of the Board and one of the joint company secretaries	May 29, 2021	August 2017	Responsible for Board related matters, corporate governance and strategic investment	None

*Note<sup>(1)</sup>*: The date of joining our Group or the predecessor of our Company when we operated the intra-city on-demand delivery business as a business unit of SF Holding.

**Mr. Sun Haijin**, is our executive Director and chief executive officer. For details of the biography of Mr. Sun, see “– Board of Directors – Executive Directors”.

**Mr. Tsang Hoi Lam**, is our executive Director, chief financial officer and one of the joint company secretaries. For details of the biography of Mr. Tsang, see “– Board of Directors – Executive Directors”.

**Mr. Chen Lin**, is our executive Director, deputy general manager and chief technology officer. For details of the biography of Mr. Chen, see “– Board of Directors – Executive Directors”.



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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**Ms. Liu Jia**, aged 41, is the secretary of our Board and one of our joint company secretaries. Ms. Liu was appointed as the secretary of the Board in May 2021 and one of the joint company secretaries in June 2021 with effect from the date of this prospectus. Ms. Liu currently also serves as the head of CEO's office of the Company, the executive director of Shanghai Fengpaida, the executive director of Shunda Tongxing, and the executive director of Shanghai Fengzan. Ms. Liu joined SF Holding Group in January 2015 and has since then consecutively served as its deputy strategy management director and strategy planning director, and has been responsible for the strategy management and project management of intra-city delivery department since August 2017. Ms. Liu has over 18 years of experience in strategy and investment management as well as multinational project management. Ms. Liu joined the Group in June 2019 as the head of CEO's office. Ms. Liu's previous working experience principally includes working in PricewaterhouseCoopers from August 2002 to December 2005 with the last position as a senior associate of assurance division, and working within Huawei group from December 2005 to July 2012 with the last position as senior investment manager.

Ms. Liu obtained a bachelor's degree in English literature with a minor degree in law from Sun Yat-Sen University (中山大學) in Guangzhou, the PRC in June 2002, and a master's degree of business administration from Rotman School of Management of the University of Toronto in Toronto, Canada in June 2014. Ms. Liu was recognized as fellow member of Association of Chartered Certified Accountants (FCCA) in February 2015.

### JOINT COMPANY SECRETARIES

**Mr. Tsang Hoi Lam**, is our executive Director, chief financial officer and one of the joint company secretaries. For details of the biography of Mr. Tsang, see “– Board of Directors – Executive Directors”.

**Ms. Liu Jia**, is the secretary of the Board and one of the joint company secretaries. For details of the biography of Ms. Liu, see “– Senior Management”.

### BOARD COMMITTEES

Our Company has established three Board Committees in accordance with the relevant PRC laws and regulations, the Articles and the code of corporate governance practices under the Listing Rules, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### Audit Committee

The Audit Committee consists of three Directors, namely, Mr. Wong Hak Kun, Mr. Chan Kok Chung, Johnny and Mr. Li Qiuyu. Mr. Wong Hak Kun is the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and supervise our financial reporting process, including:

- (a) to make recommendations to our Board on the appointment, reappointment and removal of the external auditor, to consider and approve the remuneration and terms of engagement of the external auditor, and any matter related to its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to provide non-audit services;
- (d) to monitor internal audit system of our Company and ensure the implementation of such systems;
- (e) to facilitate communications between the internal audit department and external auditors;
- (f) to review the financial information and relevant disclosures of our Company; and
- (g) to monitor our Company in respect of financial reporting system, risk management and internal control system.

### Remuneration Committee

The Remuneration Committee of our Company consists of three Directors, namely, Mr. Chan Kok Chung, Johnny, Mr. Wong Hak Kun and Mr. Chan Fei. Mr. Chan Kok Chung, Johnny is the chairman of the Remuneration Committee. The primary responsibilities of the Remuneration Committee include:

- (a) to make recommendations to our Board on our Company's remuneration policy and structure for all Directors, Supervisors and senior management, and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- (b) to review and approve the remuneration proposals of senior management with reference to our Board's corporate goals and objectives;

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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- (c) to make recommendations to our Board on the remuneration packages of our executive Director and senior management or to determine, with delegated responsibility, the remuneration packages of our executive Director and senior management. The remuneration packages shall include benefits in kind, pension rights and compensation payments (including compensation for loss or termination of their office or appointment);
- (d) to make recommendations to our Board on the remuneration of our non-executive Directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our Group;
- (f) to review and approve the compensation payable to our executive Director and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;
- (g) to review and approve the compensation arrangements relating to dismissal or removal of our Directors for misconduct to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive; and
- (h) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

### **Nomination Committee**

The Nomination Committee consists of three Directors, namely, Mr. Chan Fei, Mr. Chan Kok Chung, Johnny and Mr. Zhou Xiang. Mr. Chan Fei is the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee include:

- (a) to review the structure, size and composition of our Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to our Board to complement our Company's corporate strategy;
- (b) to identify individuals suitably qualified to become board members and make recommendations to our Board on the selection of individuals nominated for directorships;
- (c) to assess the independence of our independent non-executive Directors; and
- (d) to make recommendations to our Board on the appointment or re-appointment of our Directors and succession planning for Directors (in particular the chairman and the chief executive officer).

**BOARD DIVERSITY**

To enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to our Board diversity policy, we seek to achieve Board diversity by taking into consideration of various factors, including professional experience, skills, knowledge, gender, age, cultural and educational background and working experience. The policy focuses on ensuring a balance composition of skills and experience at our Board level in order to provide a range of perspectives, insights and challenges that enable our Board to execute its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of our Group, and support succession planning and development of our Board. The ultimate decision in selecting the members of the Board will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge, skills and experience, including the areas of accounting, financial management, express and intra-city delivery service, online-to-offline Internet and technology. They obtained academic diplomas and degrees in various majors, including electronic information engineering, finance, logistics management, business management and business administration. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board.

While we recognise that the gender diversity at the Board level can be improved given its current composition of all male Directors, we will continue to apply the principle of appointments based on merits with reference to our Board diversity policy as a whole and are committed to provide career development opportunities for female staff.

Our nomination committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing Board diversity under the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules, and is delegated by our Board to take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments so as to achieve an appropriate balance of gender diversity with reference to shareholders' expectation and international and local recommended best practices, with the ultimate goal of bringing our Board to mixed gender.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including our Board and the senior management levels. In particular, Ms. Liu Jia, our secretary of the Board and one of the joint company secretaries, who is responsible for the Board related matters, corporate governance and strategic investment of our Group, is female and forms part of our senior management team, Ms. Su Xiaohui, our supervisor and head of human resources department, is female and is responsible for supervising the operation and financial activities and human resources matters of our Group. To enhance our corporate governance by promoting gender diversity at the Board, our Company has set out the following targets and policies:

- (i) Our Nomination Committee will recommend at least one female Director candidate to the Board for its consideration at least once per year, and our Group will add one female Director to the Board before the effective date of the relevant applicable Listing Rule changes or within one year after Listing, whichever is earlier, subject to the approval of Shareholders' meeting. Our Nomination Committee will review the Board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report about the implementation of the Board diversity policy on an annual basis.
- (ii) Upon Listing, our Company is committed to provide career development opportunities for female staff and ensure that there is gender diversity when recruiting staff at mid to senior levels so that our Company will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will emphasise on training senior female staff who have long and relevant experience in our business, including on-demand delivery industry and business management. Our Directors believe that this policy will provide the required manpower resources to better achieve gender diversity in our Board.

### REMUNERATION OF DIRECTORS AND SUPERVISORS

For each of the years ended December 31, 2018, 2019, 2020 and the five months ended May 31, 2021, the aggregate remuneration (including fees, salaries, share based compensation, pension schemes contribution and other benefits) paid to the Directors and Supervisors were nil, RMB0.90 million, RMB55.98 million and RMB19.45 million, respectively.

For each of the years ended December 31, 2018, 2019, 2020 and the five months ended May 31, 2021, the aggregate amount of fees, salaries, allowances, share based compensation, benefit schemes contributions and other benefits in kind (if applicable) received by the five highest-paid individuals of our Group other than the Directors and Supervisors of our Company were approximately RMB10.38 million, RMB18.25 million, RMB69.92 million and RMB26.61 million, respectively.

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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### **PRE-IPO RESTRICTED SHARE SCHEME**

For the purpose of incentivizing the Group's core employees, as well as promoting the long-term development of the Group and maintaining the Group's competitive advantages, we adopted the Pre-IPO Restricted Share Scheme. See "Appendix VI – Statutory and General Information – 5. Pre-IPO Restricted Share Scheme" for details.

During the Track Record Period, there was no remuneration paid or payable by us to our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. During the Track Record Period, there was no compensation paid or payable by us to our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors has waived or agreed to waive any remuneration or benefits in kind for the past three years. Save as disclosed above, there was no other payment paid or payable by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

Under the remuneration policy of our Company, the Remuneration Committee will consider various factors such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance of our Directors, Supervisors and the senior management (as the case may be), in assessing the amount of remuneration payable to our Directors, Supervisors and such employees.

It is estimated that under the arrangements currently in force, total remuneration (including fees, salaries, pension schemes contribution and other benefits, excluding any share based compensation) in an amount of approximately RMB98.61 million will be payable by our Company to our Directors and Supervisors for the year ended December 31, 2021.

### **MANAGEMENT PRESENCE**

According to Rules 8.12 and 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since the principal business operations of our Group are primarily conducted in the PRC, most of the members of our senior management are, and are expected to continue to be, based in the PRC. Further, as Mr. Sun Haijin and Mr. Chen Lin, our executive Directors have vital roles in our Group's operations, it is crucial for them to remain in close proximity to our Group's central management located in the PRC. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong.

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there are adequate and efficient arrangements, which are in line with the Guidance Letter HKEX-GL9-09 issued by the Hong Kong Stock Exchange, to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules. For further details, see “Waivers from Strict Compliance with the Listing Rules – Waiver in Respect of Management Presence in Hong Kong” in this document.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

We are committed to achieving high standards of corporate governance which are crucial to our development and safeguarding the interests of our Shareholders. To accomplish this, we intend to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules after the Listing.

### **COMPLIANCE ADVISOR**

We have appointed Guotai Junan Capital Limited as our Compliance Advisor pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our Compliance Advisor on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues or share repurchases;
- (iii) where our Company intends to use the proceeds from the Global Offering in a manner different from that detailed in the section headed “Future Plans and Use of Proceeds,” or where the business activities, developments or results of operations of our Group deviate from any forecast, estimate or other data in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our H Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, our Compliance Advisor will, in a timely manner, inform us of any amendments or supplements to the Listing Rules that are announced by the Stock Exchange. Our Compliance Advisor will also inform us of any amendment or supplement to applicable laws and guidelines. The term of the appointment of our Compliance Advisor shall commence on the Listing Date and end on the date when we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

As at the Latest Practicable Date, SF Taisen was entitled to exercise the voting rights attached to approximately 75.10% of the total issued share capital of the Company, among which, SF Taisen was (i) directly interested in approximately 42.82% of our total issued share capital, (ii) indirectly interested in approximately 9.35% and 14.59% of our total issued share capital through Intra-city Tech and SF Holding Limited, respectively, and (iii) entrusted by Ningbo Shunxiang to exercise the voting rights attached to approximately 8.34% of the Shares held by Ningbo Shunxiang pursuant to the Voting Power Entrustment Agreement entered into between SF Taisen and Ningbo Shunxiang, for purpose of further enhancing the decision-making efficiency at the general meetings of the Company and ensure the effective implementation of the strategy of the Group.

Immediately following the completion of the Global Offering, SF Taisen, directly and indirectly through Intra-city Tech, SF Holding Limited and Ningbo Shunxiang, will be entitled to exercise approximately 64.54% of the voting rights of the Company, assuming the Over-allotment Option is not exercised (or approximately 63.21% of the voting rights of the Company assuming the Over-allotment Option is fully exercised).

As of the Latest Practicable Date, SF Holding Limited was wholly owned by SF Taisen, and Intra-city Tech was indirectly owned as to 80.95% by SF Taisen through SF Technology, a wholly-owned subsidiary of SF Taisen, and 19.05% by Danwu Investment, an Independent Third Party of the Company. Ningbo Shunxiang is deemed to be acting in concert with SF Taisen by virtue of the Voting Power Entrustment Agreement. SF Taisen is wholly owned by SF Holding. SF Holding is a joint stock company listed on Shenzhen Stock Exchange (stock code of 002352.SZ), and was held as to approximately 55.07% by Mingde Holding, which in turn was held by Mr. Wang Wei as to approximately 99.90% as of the Latest Practicable Date. As such, Mr. Wang Wei and Mingde Holding will be deemed to be Controlling Shareholders after the Listing, and together with SF Holding, SF Taisen, SF Technology, SF Holding Limited, Intra-city Tech and Ningbo Shunxiang, will constitute a group of Controlling Shareholders of our Company.

For details of the background of the Controlling Shareholders and their shareholdings in the Company, see the section headed “Substantial Shareholders”.

### DELINEATION OF BUSINESS AND COMPETITION

We believe that our Group’s business can be clearly delineated from the business of the Remaining Group, as we operate under a different business model from that of the Remaining Group. In particular, we have rapidly grown into the largest third-party on-demand delivery service platform in China in terms of order volume in 2020, the 12 months ended March 31, 2021, as well as in the three months ended March 31, 2021, according to the iResearch Report, and are mainly engaged in providing intra-city on-demand delivery services with higher-level of customization to customers to fulfill their dynamic, point-to-point (without any intermediate steps), instant, time-sensitive or spontaneous delivery needs on an on-demand basis. In

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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contrast, SF Holding Group serves as the largest integrated logistics service provider in China and is committed to providing customers across diverse industries with end-to-end, integrated supply chain solutions with different and longer timespans across its worldwide logistics network and multimodal transportation platforms covering trucks, rail transit and aviation. The Remaining Group provides various logistics solutions, and the main business and service it provides include express delivery business, freight business, cold chain and pharmaceuticals business, international business and supply chain business. Specifically, the business models of our Group and the Remaining Group can be clearly distinguished, among others, in the following respects:

### **Industry Position**

The on-demand delivery service is a new form of service that fulfills point-to-point on-demand delivery and other service requirements in the city. It covers a wide range of scenarios under the local consumer market, including food delivery, local retail, local e-commerce and local services. We are mainly engaged in providing intra-city on-demand delivery services and we have rapidly grown into the largest third-party on-demand delivery service platform in China in terms of order volume in 2020, the 12 months ended March 31, 2021, as well as the three months ended March 31, 2021, according to the iResearch Report.

The on-demand delivery service providers are different from the traditional logistics players from perspectives including business models, fulfillment solutions, target customers and pricing models. As disclosed in the interim report of SF Holding Group for the six months ended June 30, 2021, SF Holding Group is the largest integrated logistics service provider in China and has extended its services to the upstream and downstream of industrial chain to provide customers with integrated supply chain solutions covering procurement, production, circulation, sales and aftersales.

### **Fulfillment Solutions**

The fulfillment solutions offered by our Group and the Remaining Group are non-substitutable to each other. When customers have instant, time-sensitive or spontaneous delivery needs on an on-demand basis within a specified city or a short distance, our Group is the only business segment of SF Holding Group which is capable of satisfying such customer demands.

- ***On-demand and time-sensitive delivery***

Our intra-city on-demand delivery services can be tailored subject to the specific demands from our customers, to fulfil their dynamic, point-to-point, instant, time-sensitive or spontaneous delivery needs within the same city or a short distance between adjacent cities on an on-demand basis. The delivery timespan of our intra-city delivery service is mostly less than 2 hours, in particular, the timespan of intra-city delivery of food and beverage is generally less than 30 minutes. The delivery timespan of our last-mile delivery service is mostly less than 4 hours.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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By contrast, the Remaining Group targets at integrated supply chain solutions across vast geographic distances. Among the comprehensive sets of logistics solutions offered by the Remaining Group, the express delivery service of the Remaining Group focuses on fulfilling the scheduled and/or longer-distance especially inter-city transportation needs with less time sensitivity. The delivery timespan of the express delivery services the Remaining Group offers typically ranges from 8 hours to 48 hours or longer. The routes, shifts and a schedule of intermediate steps and the parcel collection and delivery by the couriers, are fixed, which, in mechanism, makes the delivery time by the Remaining Group significantly longer than ours.

For illustration purposes, if a customer requires delivery of food, beverage, flowers, cake and desserts, fresh produce, or requires around-the-clock local on-demand fulfillment solutions including Deliver for Me, Fetch for Me, Purchase for Me and Solve for Me services, we are the only business segment of SF Holding Group which is capable of satisfying such needs.

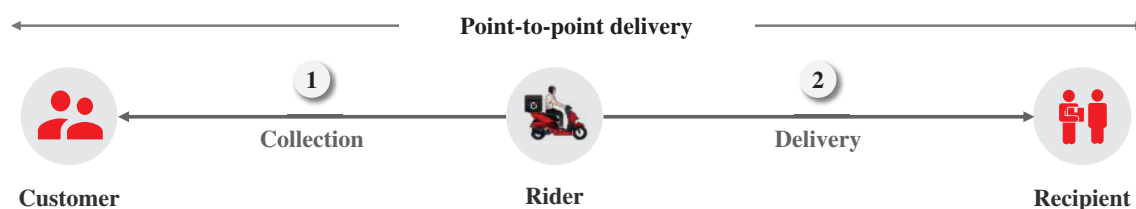
- ***Dynamic and flexible delivery routes***

To ensure the time-sensitive delivery, our intra-city on-demand delivery service is flexibly customized by dynamic matching of customer demands with our delivery forces which primarily include crowd-sourced riders. In particular, our CLS recommends or assigns the orders with the most suitable riders by considering the real-time locations of riders and pick-up points, riders' capacity, time-sensitivity of the orders being requested and other requirements from customers. The routes of our orders are subject to the actual situations which are not fixed in advance.

On the contrary, the Remaining Group fulfils its delivery service orders by leveraging its ground transportation networks including more than 120,000 fixed, long-haul and branch routes and aviation networks including approximately 2,265 commercial and chartered routes as of June 30, 2021. Each outlet (網點), the minimum management unit within the hierarchical distribution networks of the Remaining Group and each courier is assigned to cover a pre-fixed service area. The routes, shifts and schedule of (i) intermediate steps such as the transition between outlets and sorting hubs (分揀中心), as well as the transportation between sorting hubs, and (ii) the parcel collection and delivery by the couriers, are fixed.

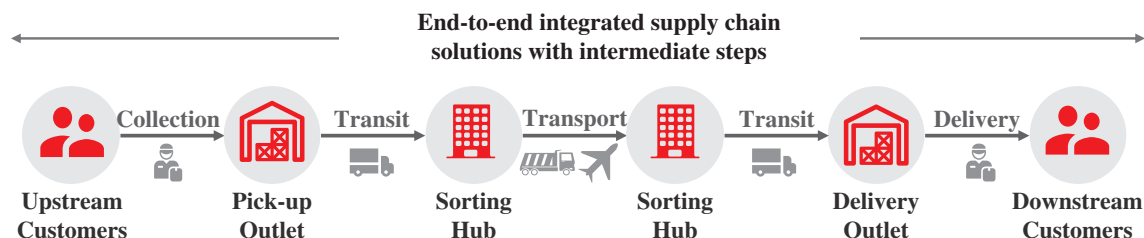
- ***Point-to-Point pick-up and delivery***

Our intra-city on-demand delivery does not involve any intermediate steps and hence is point-to-point. The order is picked up and delivered by the same rider without any intermediate transition, transportation, sorting or storage steps.



## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Remaining Group's express delivery involves multiple intermediate steps such as first-mile pick-up and storage, short-haul transport, sorting, long-haul transport, storage and last-mile delivery at delivery outlets. Multiple personnel from a number of functional departments are involved including couriers, drivers and sorting personnel. The parcel is generally picked up and delivered by different couriers.



### Business Model

We operate the third-party on-demand delivery service platform with an asset-light business model. Our intra-city on-demand delivery service features point-to-point delivery within a specified city or a short distance without any intermediate steps. We do not hold any material properties or assets such as sorting hubs, sorting equipment, transit depots, warehouses or aircraft. As of December 31, 2020, our fixed assets were approximately RMB11.3 million which principally included office facilities and leasehold improvement, and it only accounted for approximately 0.2% of our total revenue in 2020.

In contrast, the Remaining Group holds various types of self-owned or leased properties and other fixed assets, such as sorting hubs, sorting equipment, transit depots, warehouses, aircraft and a fleet including light and heavy duty trucks, motorcycles and other vehicles in order to provide integrated supply chain solutions. As of December 31, 2020, the fixed assets of the SF Holding Group were approximately RMB22.4 billion which accounted for approximately 14.5% of the total revenue of SF Holding Group in 2020. As of December 31, 2020, the Remaining Group held 61 self-operated all-cargo aircraft and 14 chartered all-cargo aircraft, more than 58,000 vehicles for long-haul and branch routes and more than 105,000 vehicles for collection and distribution, 228 self-operated warehouses with a total area of approximately 2.78 million square meters, 10 hub-level transit depots, 39 aviation and railway stations and 147 sub-district depots, as part of its comprehensive logistics service network.

### Target Customers

Due to the timeliness of our delivery, the target customers of our Group generally have a more instant, time-sensitive or spontaneous demand for delivery. The target customers of our intra-city delivery services mainly include new retail and local lifestyle merchants of catering, beverages, supermarkets, fresh food and flowers, etc., as well as individual customers with urgent delivery needs.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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In contrast, the customers who choose the logistic services offered by the Remaining Group usually have (i) less urgent, more scheduled and predictable delivery demands, or (ii) integrated logistics solution demands including supply chain management demands. The Remaining Group provides customers with end-to-end integrated logistics solutions based on their diversified industry characteristics. For example, the Remaining Group provides integrated logistics solutions to pharmaceutical companies to deliver the vaccines from the manufacturing plant to its end-customers, which consist of a series of services including the transportation service, warehousing management service, supply chain management service, and the customized cold chain delivery service according to the specific storage requirements of vaccines and predetermined shipment schedule.

### Pricing Model

Our Group's intra-city delivery is based on a dynamic pricing model, which takes into account various factors including the distances between the senders and the recipients, the real-time location of riders, capacity of the nearby riders, weather conditions, peak hours and others, rather than considering merely the distance and weight. Therefore, our prices for intra-city deliveries vary depending on real-time status.

In contrast, the pricing model for the express delivery services provided by the Remaining Group is relatively standard and stable, which is based on fixed factors such as distance, weight and size, storage condition of the parcels to be delivered, and is hardly affected by factors including peak time and seasons, weather conditions or delivery capacities of couriers due to the fixed routes and shifts of various intermediate steps as well as parcel collection and delivery.

For illustration purposes, for the fulfillment solution within the same city:

- The pricing of our intra-city delivery service principally consists of four parts: i) distance fee including the basic distance fee and over-distance charge, which varies depending on the distance between the sender and recipient; ii) special premium to ensure that order is fulfilled in a timely manner during peak hours, under the circumstances of extreme weather or when the nearby riders' capacities are tight; iii) overweight fee if applicable; and iv) value-added service fee if applicable.
- The pricing of the express delivery services provided by the Remaining Group principally consists of two parts: i) weight fee (for goods of low density or special shapes, the fees would be adjusted by volume) including basic weight fee and overweight charge; and ii) value-added service fee if applicable. The price charged by the Remaining Group is hardly affected by the distance between the sender and recipient within the same city.

In addition to the above features including on-demand delivery, dynamic and flexible delivery routes, point-to-point pick-up and delivery as well as asset-light business model, which our last-mile delivery service also enjoys, our last-mile delivery service could be further

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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distinguished from the business model of the Remaining Group, from the perspectives of target customer and pricing model. Compared with the less urgent, more scheduled and predictable delivery demands of the customers of the Remaining Group, target customers of our last-mile delivery service generally have a more instant, time-sensitive or spontaneous demand for delivery. Our target customers for the last-mile delivery service are primarily logistics companies, while we are also committed to diversifying customer base and our last-mile delivery service also caters for retail in local consumption. The service fees received by our Group for our last-mile delivery service are determined on arm's length basis taking into consideration the scale of order volumes, market rates, industry standards and the actual cost incurred by our Group. By contrast, last-mile delivery service is not an independent service provided by the Remaining Group to its customers but the final part of its integrated logistics service chain, therefore, there is no separate pricing for its last-mile delivery.

### **The complementary relationship between the Remaining Group and us**

Our Group, as a leading third-party on-demand delivery service platform in China, and SF Holding Group, as a leading integrated logistics service provider, are complementary and beneficial to each other rather than competition. We, taking advantage of our on-demand delivery capacity, provide cost-effective services to the Remaining Group for both intra-city delivery and last-mile delivery, which is mutually beneficial to the Remaining Group and us. We are of the view that such collaborative arrangement is mutually beneficial and reflects that the relationship between our Group and the Remaining Group is, in substance, more akin to cooperation, rather than competition.

### ***The last-mile delivery services***

We provide independent last-mile delivery services to a number of logistics companies including the Remaining Group, acting as a supplement to its delivery capacity especially during peak time and seasons or for the orders in areas where the Remaining Group lacks local delivery force or in case that it is more cost-efficient for the Remaining Group to engage us to conduct the delivery. The last-mile delivery is not an independent service product offered by the Remaining Group to its customers.

Despite our Group recorded loss during the Track Record Period, our Group provided last-mile delivery services to SF Holding Group considering (i) it is beneficial for us to provide last-mile delivery services to SF Holding Group as the orders from SF Holding Group's last-mile delivery demand increases the Group's overall order volume and order density, which are instrumental to enhance and improve riders' long-term loyalty to the Group. It also allows the Group to leverage on this additional source of order volume with an aim to increase the order density and to ramp up the Group's business scale in the new geographical locations relatively more quickly and achieve a lower average fulfilment costs per order through optimization and stabilization of rider pool in new locations; and (ii) the decrease of average service fee per order of the last-mile services our Group provided to our customers (including SF Holding Group and Independent Third Parties) during the Track Record Period, was driven by the decline of delivery cost due to the increase of last-mile order volume and the resulting

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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increase in economies of scale throughout Track Record Period. With the relatively stable mark-up and the decreasing delivery cost, the provision of last-mile services to SF Holding Group is helpful to improve our profitability conditions, our gross loss and operating loss, and is expected to continue improving our loss-making position going forward. For details, see “Business – Our Multi-scenario Business Operation.”

- ***For the last-mile delivery services provided during peak time and seasons***

Due to the nature of e-commerce business in China, there is an imbalance between the collection end (first-mile pick-up) and delivery end (last-mile delivery) in the logistics industry, in particular, during peak time and seasons such as shopping festivals. For illustration purposes, certain online merchants normally group and dispatch a large volume of orders for logistics service providers to collect in one go. Such parcels are then decentralized for delivery to multiple designated recipients located in different cities. In such case, the Remaining Group is capable of handling the first-mile pick up which is centralized collection from one point and other intermediate steps but may need to outsource the last-mile delivery to a number of on-demand delivery companies including us to facilitate and fulfil all the last-mile delivery of the orders which may be beyond its delivery capacity under the prescribed timespan. Competing with other on-demand delivery companies, through bidding or negotiation on arm’s length basis, we will agree with the Remaining Group on the service area and estimated volume in advance, subject to our satisfaction that it is fair and reasonable to do so after taking into account factors including our service network coverage, delivery capacity and the level of services fees offered by the Remaining Group.

See the section headed “Business – Our Multi-scenario Business Operation – Intra-city Delivery Service” for details of the service and fund flow of our intra-city delivery service.

- ***For the orders in areas where the Remaining Group lacks local delivery force or in case that it is more cost-efficient for the Remaining Group to outsource to external delivery force to conduct the delivery***

For the orders in areas where the Remaining Group lacks local delivery force or in case that it is more cost-efficient for the Remaining Group to outsource to external delivery force to conduct the delivery, the Remaining Group outsources certain last-mile delivery to a number of on-demand delivery companies which has local delivery force including us to undertake the last-mile delivery on a routine basis for the purpose of optimizing its cost efficiency. Similar to the last-mile delivery services provided during peak time and seasons, we will compete with other on-demand delivery companies and will agree with the Remaining Group on the service area and estimated volume in advance.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### *The intra-city delivery services*

For the Credit Customers of SF Holding and/or its associates who choose to place orders on our intra-city delivery products via SF Holding's Online Access Channels, we will complete and fulfil the orders independently by collecting orders directly from the customers place the orders and delivering the orders to the designated recipients by our riders.

See the section headed "Business – Our Multi-scenario Business Operation – Last-mile Delivery Service" for details of the service and fund flow of our last-mile delivery service.

See the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions – B. Continuing connected transactions subject to the reporting, annual review, announcement, and the independent shareholders' approval requirements – 5. Intra-city On-demand Delivery Service Cooperation Framework Agreement" for details of the arrangement.

Based on above, our Directors are of the view that there is clear delineation between our business and the business of the Remaining Group.

### **CORPORATE GOVERNANCE MEASURES IN PLACE**

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, which sets out principals of good corporate governance. Our Directors are of the view that there are adequate corporate governance measure in place to manage the potential conflicts of interest and to safeguard the interests of our Shareholders:

- (a) Three out of nine Directors hold directorship or senior management position within the SF Holding Group (excluding our Group), and the roles of the Overlapping Directors are non-executive in nature and the Overlapping Directors will not be involved in the daily management of our Group's business;
- (b) None of our senior management hold directorship or senior management position within the SF Holding Group (excluding our Group); and
- (c) We have appointed three independent non-executive Directors who have rich experience in the corporate governance, accounting, business operation or the logistic industry.

### **INDEPENDENCE FROM SF HOLDING GROUP**

Having considered the following factors, the Directors believe that our Group is capable of conducting our business independent from SF Holding Group and its close associates after the Listing.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Management Independence

Our business is managed and conducted by our Board and senior management. The Board consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. See “Directors, Supervisors and Senior Management” for further details. Of the nine Directors, three non-executive Directors (the “**Overlapping Directors**”) also hold and will continue to hold positions within SF Holding Group after the Listing, details of which are set out below:

Name	Positions, Roles and Responsibilities within SF Holding Group
Mr. Chan Fei, our non-executive Director	director, deputy general manager and assistant chief executive officer
Mr. Xu Zhijun, our non-executive Director	chief operating officer and deputy general manager
Mr. Li Qiuyu, our non-executive Director	head of investment and merger department

Save as disclosed above, none of our Directors or senior management holds or will hold positions within SF Holding Group. None of the non-Overlapping Directors hold any material interests in SF Holding Group which will lead to the conflict of interests or require the non-Overlapping Directors to abstain from voting.

The Directors are of the view that our Group will continue to be managed and will operate independently of SF Holding Group after the Listing for the following reasons:

- (i) none of our executive Directors and senior management members, who are responsible for the day-to-day management of our Group’s business, holds or will hold any position within SF Holding Group; and a majority of the Board are and will be independent of SF Holding Group;
- (ii) each of our Directors is aware of his fiduciary duties as a director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests;
- (iii) the Board of our Company has a balanced composition of nine Directors, and three of them are independent non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with any members of the Controlling Shareholders or its close associates; (b) our independent non-executive Directors account for no less than one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to provide professional and experienced advice to our

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Company. Our Directors are of the view that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interests of our Company and our Shareholders as a whole; and

- (iv) upon Listing, our Company will establish the following corporate governance measures to avoid any potential conflicts of interest as a result of the overlapping of Directors between us and SF Holding Group. Therefore, the Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Shareholders as a whole:
  - (a) The decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that Directors who are connected with the corporations involved in the matters to be resolved at the Board meeting shall not be counted in the quorum for voting on such matters and shall neither vote on such resolution nor vote on behalf of other Directors;
  - (b) The independent non-executive Directors of our Company shall give their independent opinions to the Shareholders on the relevant connected transaction(s) pursuant to the Listing Rules;
  - (c) Our Directors shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal with SF Holding Group in which they have a material interest. Under such circumstances, the Overlapping Directors shall abstain from voting on such matters and will not be counted in the quorum for voting, our Directors who do not have any ongoing position with SF Holding Group will vote and decide on such matters;
  - (d) Any transactions between our Company and its connected persons shall comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules; and
  - (e) Our Company has appointed Guotai Junan Capital Limited as our compliance advisor and will appoint a Hong Kong legal advisor upon completion of the Listing, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including various requirements relating to Directors' duties and internal controls.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management can operate our business independent from SF Holding and its close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Operational Independence

#### *Operational management*

Our Company has full rights to formulate and implement all operational decisions regarding business operations independent from SF Holding Group.

- Customer acquisition and management: We possess an independent and complete sales and marketing team and management system from headquarters to regions for business development and expansion and customer acquisition and management. We have signed separate service contracts or established partnerships with merchants. We provide order placing portals developed and operated by ourselves for our merchants and individual customers. We also own an independent team for the maintenance of customer relationships.
- Rider management: We have our own group of riders to carry out delivery services independent from SF Holding Group. We are independent from SF Holding Group in respect of the systems of recruit, management and rating and care for riders.

#### *Systems*

We have an independent technology system across the entire process of our business operations, which is mainly reflected in the followings:

- In terms of our business operation system, we have applied big data and AI technologies in our CLS to achieve higher operational efficiency and lower delivery cost. Our CLS primarily enables us to effectively manage our business processes, in particular order recommendation and dispatching, and supports our other daily management needs such as rider management. In addition, through APIs, our CLS facilitates easy order placing and order monitoring mainly for our merchants and consumers, while also facilitates easy order responding and delivery task managing mainly for riders. The core functions of our CLS include business forecast and planning, integrated order recommendation and dispatching and real-time operation monitoring.
- In terms of our internal corporate management, we have a comprehensive back-office system supporting all our key back-office functions independent from SF Holding Group, including system modules such as human resources management system, financial management and process approval.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### *Intellectual Property Rights and Licenses*

Save as disclosed in the section headed “Appendix VI – Statutory and General Information – 2. Further Information about our Business – B. Our Intellectual Property Rights – (b) Trademarks – Trademarks licensed by SF Taisen”, our Group, directly or indirectly through our subsidiaries, holds all relevant licenses, approvals, permits and intellectual property rights which are material to our business operations.

### *Corporate Governance Structure*

We have established an all around functional and organizational structure independent from SF Holding Group, with major departments including business center, operation planning, brand management, technology center, strategic planning, financial management, human resources, procurement, internal control, auditing, public affairs, risk control and legal affairs. We have designed clearly-delineated responsibilities and functions for each department which are tailor-made for our business, and each department is under the management of our Company independent from SF Holding Group. Further, each department is capable of making professional decisions and implementations efficiently and independently.

We have entered into certain continuing connected transactions with SF Holding Group. See the section headed “Connected Transactions” for further details of, and the reasons for entering into, these transactions.

### *Intra-City On-demand Delivery Service Cooperation Framework Agreement*

Among all the connected transactions, we have entered into the Intra-City On-demand Delivery Service Cooperation Framework Agreement with SF Holding Group, pursuant to which our Group will provide intra-city delivery service and last-mile delivery service to SF Holding Group. The revenue of the Group generated from the transactions under the Intra-City On-demand Delivery Service Cooperation Framework Agreement accounted for approximately 2.88%, 9.31%, 33.46% and 38.56% of the total revenue of the Group for the three years ended December 31, 2018, 2019, 2020 and the five months ended May 31, 2021, respectively. The increase of the above revenue contribution by SF Holding Group was mainly due to i) the increasing demand for intra-city delivery services from customers via SF Holding’s Online Access Channels reflecting the rapid growth of the on-demand delivery industry; ii) with the rapid expansion of our Group’s service network coverage and our consistent and high-quality delivery capacity, we are able to provide more last-mile delivery services subject to our assessment of our delivery capacity, scale of order volume and the service fee paid by SF Holding Group.

As confirmed by iResearch, SF Holding Group is a leading operator in the field of time-definite express delivery. Time-definite express delivery calls for timely, premium and end-to-end delivery services, the last-mile demand of which is highly matched with on-demand delivery service. With SF Holding Group’s robust and continuous growth in time-definite express delivery business, they are more inclined to outsource their last-mile delivery to

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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qualified on-demand delivery companies especially during peak times and seasons or in regions where SF Holding Group lacks local delivery force. This in turn has helped SF Holding Group retain competitiveness and optimized cost efficiency while providing consistent and high-quality delivery experience to its customers. SF Holding Group has engaged and will continue to engage suppliers (including independent suppliers and/or our Group) to carry out its last-mile delivery services based on its business needs and its internal rules of operation and procurement. From our Group's perspective, providing last-mile delivery services to SF Holding Group is good for us to enhance our service network coverage and operational efficiency, which enables us to engage in more last-mile delivery business for various potential clients. In context of SF Holding Group's leading position and such continuous increasing in time-definite express delivery, our Directors believe entering into the Intra-city On-demand Delivery Service Cooperation Framework Agreement is in the interests of the Company and the Shareholders as a whole.

Given i) it is mutually beneficial for our Group and SF Holding Group to cooperate considering the respective advantages of the Group and SF Holding Group in the area of intra-city on-demand delivery and integrated supply chain solution; ii) we are not and will not be bound to cooperate with SF Holding Group, unless we consider it is fair and reasonable to do so after taking into account factors including our service network coverage, our delivery capacity and the level of services fees offered by SF Holding Group. We are and will be open to all forms of cooperation with other business partners that are independent of the SF Holding Group; iii) while the expected caps under the Intra-City On-demand Delivery Service Cooperation Framework Agreement is expected to increase in line with the continuous expansion and growth of the on-demand delivery and penetration of last-mile delivery in growing express delivery industry in China, we expect that the revenue contribution from SF Holding Group as a percentage of our total revenue will decline in the near to mid term. We expect such decrease due to our continuous exploration and expansion of new delivery service scenarios and geographic service network, as well as the commitment to provide enhanced value creation to merchants, consumers and riders, and to capture consumer's needs; iv) we have an independent customer base and access to customers, and are committed to diversifying the customer base, the number of orders of third parties increased from 78.8 million for the year ended December 31, 2018 to 314.8 million for the year of December 31, 2020, and has reached 178.8 million for the five months ended May 31, 2021, and the number of our registered merchants and consumers as of May 31, 2021 has increased by approximately 14 times and 65 times compared to that as of December 31, 2018, respectively. The Group currently serves multi-scenario customer needs across various industries and product categories, including both mature scenarios such as food delivery and growth scenarios such as local retail, local e-commerce and local services. The Group stays highly responsive to evolving customer needs and is committed to exploring new delivery scenarios; and v) the transactions under the Intra-City On-demand Delivery Service Cooperation Framework Agreement are conducted in the ordinary and usual course of business of our Group and on normal commercial terms, our Directors believe that the connected transactions under the Intra-City On-demand Delivery Service Cooperation Framework Agreement will not give rise to any business dependence or reliance issue between our Company and SF Holding Group.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- *Comprehensive Service Purchasing Framework Agreement*

We entered into the Comprehensive Service Purchasing Framework Agreement with SF Holding Group, pursuant to which, we will purchase from SF Holding and/or its associates (i) certain supplementary back-office support services including financial and human resources shared service centre, maintenance of our administrative IT system, (ii) operation related services including customer call center service, and (iii) customized research and development services to further optimize Fengshi business system.

For details, see “Connected Transactions – Non-exempt Continuing Connected Transactions – 4. Comprehensive Service Purchasing Framework Agreement.” Taking into account our previous purchasing experience with SF Holding and/or its associates, we consider SF Holding is best suited in terms of research and development resources, system compatibility and cost efficiency to provide such stable and high-quality services to us. Further, the services provided by SF Holding and/or its associates to us are ancillary in nature, and such services are readily available from an Independent Third Party in the market. As such, our Directors believe that entering into the Comprehensive Service Purchasing Framework Agreement will not give rise to any business dependence or reliance issue for our Group and is in the interest of the Company and the Shareholders as a whole.

Based on the above, our Directors believe that we are able to operate our business independent from SF Holding Group.

### **Financial Independence**

We have established our own finance department with a team of independent financial staff who are responsible for our financial management, accounting, reporting, financing and internal control functions, which are independent from SF Holding Group, and capable of making financial decisions independently according to our own needs. We have established a sound independent audit system, and a standard financial and accounting system. We are registered independently with tax authorities in accordance with applicable laws and we pay tax independently pursuant to applicable PRC tax laws and regulations, rather than on a consolidated basis with SF Holding or other enterprises under its control.

We have an ERP system independent from SF Holding Group, which includes various self-developed or purchased financial systems such as account receivables management system, supplier management and settlement system and financial system Kingdee Cloud, etc.

During the Track Record Period, we have completed Series A, Series A+ and Series B, Pre-IPO financing independent from SF Holding Group. If necessary, we are able to obtain third-party financing without relying on SF Holding Group. As of May 31, 2021, the cash and cash equivalents of our Group amounted to RMB1,008.8 million. SF Holding Group has not and will not interfere with the use of our funds. We open and manage bank accounts independently and will not share any bank accounts with SF Holding and/or its close associates.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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During the Track Record Period, our Company has been receiving financial services from SF Finance, including i) we deposit cash generated from daily business operations or financing to SF Finance and SF Finance pays deposit interest to us (the “**Deposit Service**”); and ii) we provide entrusted loans to our subsidiaries through SF Finance and pay service fees to SF Finance (the “**Entrusted Loan Service**”). As at May 31, 2021, the Group had deposits with SF Holding Group amounting to approximately RMB441.4 million. As of the Latest practicable Date, the Deposit Service and Entrusted Loan Service have ceased.

Based on the above, our Directors believe that we are able to maintain financial independence from SF Holding and/or its close associates.

### CORPORATE GOVERNANCE MEASURES

Upon the completion of the Global Offering, our Company will adopt the following corporate governance measures to identify and manage potential conflicts of interest:

- (i) where a Shareholders’ meeting is held for considering proposed transactions in which SF Holding Group has a material interest, SF Holding Group shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for voting;
- (ii) Where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for voting;
- (iii) in the event that our independent non-executive Directors are requested to review any conflict of interests circumstances between our Group and SF Holding Group and/or Directors, SF Holding Group and/or Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors either in its annual report or by way of announcements;
- (iv) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company’s cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules;
- (v) any transaction between our Company and SF Holding Group shall comply with the relevant requirements of the Listing Rules, including, where appropriate, the announcement, reporting, and independent Shareholders’ approval requirements;
- (vi) our Company has appointed Guotai Junan Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including various requirements relating to Directors’ duties and internal controls; and

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (vii) The independent non-executive Directors are experienced in accounting, investment and logistics industry, and have received relevant training and fully understand the corporate governance and responsibilities as independent non-executive directors of companies listed on the Hong Kong Stock Exchange. The independent non-executive Directors have also gained relevant corporate governance experience through their previous and current directorships in other companies listed on the Hong Kong Stock Exchange and/or other stock exchanges and/or rich experience in the industry where the Group operates.

Based on the above, our Directors are satisfied that our Company has sufficient and effective corporate governance measures to manage conflicts of interest between our Group and SF Holding Group and/or Directors to protect minority Shareholders' rights after the Listing.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons are expected to have an interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of our share capital:

Name	Nature of the Interest	Class of Shares to be held after the Global Offering	As of the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)		
			Number of Shares	Approximate percentage in the total issued Share capital of our Company	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total issued Share capital of our Company
Mr. Wang Wei	Interest held by controlled corporations <sup>(1)</sup>	Domestic Shares	485,421,596	60.51%	485,421,596	86.28%	52.00%
		Unlisted Foreign Shares	117,076,764	14.59%	117,076,764	83.93%	12.54%
Mingde Holding	Interest held by controlled corporations <sup>(1)</sup>	Domestic Shares	485,421,596	60.51%	485,421,596	86.28%	52.00%
		Unlisted Foreign Shares	117,076,764	14.59%	117,076,764	83.93%	12.54%
SF Holding	Interest held by controlled corporations <sup>(1)</sup>	Domestic Shares	485,421,596	60.51%	485,421,596	86.28%	52.00%
		Unlisted Foreign Shares	117,076,764	14.59%	117,076,764	83.93%	12.54%
SF Taisen	Beneficial Owner	Domestic Shares	343,529,796	42.82%	343,529,796	61.06%	36.80%
	Interest held by controlled corporations <sup>(2)</sup>	Domestic Shares	75,000,000	9.35%	75,000,000	13.33%	8.03%
		Unlisted Foreign Shares	117,076,764	14.59%	117,076,764	83.93%	12.54%
	Interest through voting rights entrustment arrangement <sup>(2)</sup>	Domestic Shares	66,891,800	8.34%	66,891,800	11.89%	7.17%
SF Holding Limited	Beneficial Owner	Unlisted Foreign Shares	117,076,764	14.59%	117,076,764	83.93%	12.54%

## SUBSTANTIAL SHAREHOLDERS

Name	Nature of the Interest	Class of Shares to be held after the Global Offering	As of the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)		
			Number of Shares	Approximate percentage in the total issued Share capital of our Company	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total issued Share capital of our Company
SF Technology	Interest held by controlled corporations <sup>(2)</sup>	Domestic Shares	75,000,000	9.35%	75,000,000	13.33%	8.03%
Intra-city Tech	Beneficial Owner	Domestic Shares	75,000,000	9.35%	75,000,000	13.33%	8.03%
Mr. Sun Haijin	Interest held by controlled corporations <sup>(3)</sup>	Domestic Shares	66,891,800	8.34%	66,891,800	11.89%	7.17%
Ningbo Shunxiang	Beneficial Owner <sup>(3)</sup>	Domestic Shares	66,891,800	8.34%	66,891,800	11.89%	7.17%
Mr. Eric Li	Interest held by controlled corporations <sup>(4)</sup>	Unlisted Foreign Shares	2,424,170	0.30%	2,424,170	1.74%	0.26%
		H shares	52,033,583	6.49%	52,033,583	22.49%	5.57%
Shining Star	Beneficial owner	H Shares	37,500,000	4.67%	37,500,000	16.21%	4.02%
Mr. Tsang Hoi Lam	Interest held by controlled corporations <sup>(5)</sup>	Unlisted Foreign Shares	20,000,000	2.49%	20,000,000	14.34%	2.14%
Sharp Land	Beneficial owner	Unlisted Foreign Shares	20,000,000	2.49%	20,000,000	14.34%	2.14%
Alibaba Group Holding Limited	Interest held by controlled corporations <sup>(6)</sup>	H Shares	–	–	51,844,000	22.41%	5.55%
Taobao Holding Limited	Interest held by controlled corporations <sup>(6)</sup>	H Shares	–	–	51,844,000	22.41%	5.55%
Taobao China Holding Limited (淘寶中國控股有限公司)	Beneficial owner <sup>(6)</sup>	H Shares	–	–	51,844,000	22.41%	5.55%

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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

- (1) As of the Latest Practicable Date, SF Taisen was a wholly-owned subsidiary of SF Holding; and SF Holding was held as to approximately 55.07% by Mingde Holding, which in turn was held by Mr. Wang Wei as to approximately 99.90%. As such, each of Mr. Wang Wei, Mingde Holding and SF Holding will be deemed to be interested in the Shares which SF Taisen will be deemed to be interested in.
- (2) As of the Latest Practicable Date, SF Holding Limited was a wholly-owned subsidiary of SF Taisen; and Intra-city Tech was indirectly owned as to 80.95% by SF Taisen through SF Technology, a wholly-owned subsidiary of SF Taisen. Ningbo Shunxiang is deemed to be acting in concert with SF Taisen by virtue of the Voting Power Entrustment Agreement. As such, SF Taisen will be deemed to be interested in the Shares held by SF Holding Limited, Intra-city Tech and Ningbo Shunxiang; and SF Technology will be deemed to be interested in the Shares held by Intra-city Tech.
- (3) As of the Latest Practicable Date, the general partner of Ningbo Shunxiang was Shenzhen Tonglu Zhiyuan Investment Co., Ltd. (“Tonglu Zhiyuan”, 深圳市同路致遠投資有限公司) which was owned by Mr. Sun Haijin, our executive Director and chief executive officer, and Ms. Liu Jia, secretary of our Board and one of our Joint Company Secretaries as to 99% and 1%, respectively.
- (4) As of the Latest Practicable Date, Shining Star and Duckling Fund each was controlled by Mr. Eric Li. As such, Mr. Eric Li will be deemed to be interested in the Shares held by Shining Star and Duckling Fund. Among all the Shares held by Duckling Fund, 14,533,583 Shares are Unlisted Foreign Shares which will be converted into H Shares upon Listing, 2,424,170 Shares will remain as Unlisted Foreign Shares upon Listing. All the Shares held by Shining Star will be converted into H Shares upon Listing.
- (5) As of the Latest Practicable Date, Sharp Land was wholly owned by Mr. Tsang Hoi Lam. As such, Mr. Tsang Hoi Lam will be deemed to be interested in the Shares held by Sharp Land.
- (6) Taobao China Holding Limited (淘寶中國控股有限公司) is a Cornerstone Investor of our Company and will subscribe for 51,844,000 H Shares assuming the Offer Price of HK\$16.42 (being the low-end of the indicative Offer Price range). Taobao China Holding Limited is a direct wholly-owned subsidiary of Taobao Holding Limited, which is in turn a direct wholly-owned subsidiary of Alibaba Group Holding Limited. As such, Alibaba Group Holding Limited and Taobao Holding Limited will be deemed to be interested in the H Shares held by Taobao China Holding Limited.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering, have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to our Group pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

### SHARE PLEDGE BY CONTROLLING SHAREHOLDER

On June 1, 2021, SF Taisen and Ningbo Shunxiang entered into the Voting Power Entrustment Agreement, pursuant to which Ningbo Shunxiang entrusted SF Taisen to exercise all the voting rights attached to the 66,891,800 Shares it held in the Company. As such, Ningbo Shunxiang is deemed to be acting in concert with SF Taisen and one of our Controlling Shareholders.

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## SUBSTANTIAL SHAREHOLDERS

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On June 1, 2021, Ningbo Shunxiang entered into a loan agreement with Shenzhen Branch of China Merchants Bank Co., Ltd. (the “Bank”), pursuant to which Ningbo Shunxiang borrowed an aggregate amount of RMB40,135,080 from the Bank for a period of 60 months from the date of the draw-down of the loan. In connection with the loan agreement, 66,891,800 Shares held by Ningbo Shunxiang, representing approximately 8.34% of our total issued share capital as of the Latest Practicable Date, were pledged to the Bank as security on June 9, 2021 (the “Share Pledge”).

On June 22, 2021, the Bank issued a lock-up undertaking letter to the Company, pursuant to which, (a) in the period from the date of this prospectus to the six months from the Listing Date (the “First Six Month”), the Bank, shall not enforce the share pledge so as to cause any change to the shareholding of Ningbo Shunxiang in our Company; and (b) in the period of six months from the date on which the First Six Month expires (the “Second Six Month”), the Bank, as applicable, shall not enforce the share charge to the extent that, immediately following the enforcement of the share charge, Ningbo Shunxiang will cease to be a Controlling Shareholder of our Company. In the event that the Bank enforces the Share Pledge within the Second Six Month in such manner as aforementioned, Ningbo Shunxiang will still remain as part of the Controlling Shareholder group of the Company given the Bank shall not fully enforce the Share Pledge to make Ningbo Shunxiang cease to hold any Share in the Company, and SF Taisen will be entitled to exercise the voting rights attached to approximately not less than 57.38% (assuming the issue of 131,180,800 Shares under the Global Offering, and the Over-allotment Option is not exercised) of the total issued share capital of the Company. In the event that the Bank fully enforces the Share Pledge following the expiry of the Second Six Month, Ningbo Shunxiang will cease to be a Shareholder of the Company, and SF Taisen will continue to be entitled to exercise the voting rights attached to approximately 57.38% (assuming the issue of 131,180,800 Shares under the Global Offering, and the Over-allotment Option is not exercised) of the total issued share capital of the Company, in which case, the Controlling Shareholder group will comprise of Mr. Wang Wei, Mingde Holding, SF Holding, SF Taisen, SF Holding Limited, SF Technology and Intra-city Tech.

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## SHARE CAPITAL

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### SHARE CAPITAL

#### Immediately before the Global Offering

As of the Latest Practicable Date, the registered share capital of the Company was RMB802,276,907.00, comprising 802,276,907 Shares with a nominal value of RMB1.00 each.

#### Upon the Completion of the Global Offering

Immediately after the Global Offering and Conversion of Unlisted Foreign Shares into H Shares (assuming that the Over-allotment Option is not exercised), the share capital of the Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Domestic Shares	562,615,431	60.27%
Unlisted Foreign Shares <sup>(1)</sup>	139,500,934	14.95%
H Shares to be converted from Unlisted Foreign Shares <sup>(2)</sup>	100,160,542	10.73%
H Shares to be issued pursuant to the Global Offering	131,180,800	14.05%
<b>Total</b>	<b>933,457,707</b>	<b>100.00%</b>

*Notes:*

- (1) The Unlisted Foreign Share refers to 117,076,764 Shares held by SF Holding Limited, the 20,000,000 Shares held by Sharp Land and the 2,424,170 Shares held by Duckling Fund.
- (2) Following the completion of the Global Offering and according to the approvals issued by CSRC dated September 30, 2021, the 37,500,000 Shares held by Shining Star, the 14,533,583 Shares held by Duckling Fund, the 4,844,527 Shares held by Green Juice II, the 3,875,622 Shares held by Asia Strategic II, the 5,813,433 Shares held by Stonebridge 2020, the 3,270,056 Shares held by BAI GmbH, the 11,793,004 Shares held by Idea Flow, the 9,689,055 Shares held by TB Bullet, the 4,844,527 Shares held by Nation Sky, the 3,996,735 Shares held by BAI HK, will be converted into H Shares on a one-for-one basis and listed on the Stock Exchange for trading.



## SHARE CAPITAL

Immediately after the Global Offering and Conversion of Domestic Shares into H Shares (assuming that the Over-allotment Option is fully exercised), the share capital of the Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Domestic Shares	562,615,431	59.03%
Unlisted Foreign Shares <sup>(1)</sup>	139,500,934	14.63%
H Shares to be converted from Unlisted Foreign Shares <sup>(2)</sup>	100,160,542	10.51%
H Shares to be issued pursuant to the Global Offering	150,857,800	15.83%
<b>Total</b>	<b>953,134,707</b>	<b>100.00%</b>

Notes (1)-(2): please refer to notes of “– Upon the Completion of the Global Offering.”

## MARKET CAPITALIZATION

	Based on an Offer price of HK\$16.42 per Share	Based on an Offer price of HK\$17.96 per Share
Market capitalization of our Shares <sup>(1)</sup>	HK\$15,327.4 million	HK\$16,764.9 million
Market capitalization of our H Shares <sup>(2)</sup>	HK\$3,798.6 million	HK\$4,154.9 million

Notes:

- (1) The calculation of market capitalization is based on 933,457,707 Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization of our H Shares is based on 231,341,342 H Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised, comprising 131,180,800 H Shares to be issued pursuant to the Global Offering and 100,160,542 H Shares to be converted from Unlisted Foreign Shares.

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## SHARE CAPITAL

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### SHARE CLASS

Upon completion of the Global Offering, we would have two classes of Shares: H Shares as one class and Domestic Shares and Unlisted Foreign Shares together as another class. Domestic Shares, Unlisted Foreign Shares and H Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai – Hong Kong Stock Connect or the Shenzhen – Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed by or traded between legal or natural persons of the PRC.

The differences between the two classes of shares and provisions on class rights, the dispatch of notices and financial reports to Shareholders, registration of Shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in “Appendix V – Summary of Articles of Association.” The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the holders of Shares of that class at a separate meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class are listed in “Appendix V – Summary of the Articles of Association.”

Except for the differences above, Domestic Shares, Unlisted Foreign Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

### CONVERSION OF OUR DOMESTIC SHARES AND UNLISTED FOREIGN SHARES INTO H SHARES

Our Domestic Shares and Unlisted Foreign Shares are not listed or traded on any stock exchange. The holders of our Domestic Shares and Unlisted Foreign Shares may convert their Shares into H Shares provided such conversion shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and have been approved by the securities regulatory authorities of the State Council, including the CSRC. The listing of such converted Shares on the Stock Exchange will also require the approval of the Stock Exchange.

Based on the procedures for the conversion of our Domestic Shares and Unlisted Foreign Shares into H Shares as disclosed in this section, we can apply for the listing of all or any portion of our Domestic Shares and Unlisted Foreign Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the

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## SHARE CAPITAL

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H Share register. As any listing of additional Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it will not require such prior application for listing at the time of our initial listing in Hong Kong.

No class Shareholder voting is required for the listing and trading of the converted Shares on the Stock Exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Domestic Shares and Unlisted Foreign Shares will be withdrawn from the Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the condition that (a) our H Share Registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates; and (b) the admission of the H Shares to trade on the Stock Exchange will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as we are aware, save as disclosed in “Share Capital – Upon the Completion of the Global Offering” in this section, none of our Shareholders currently proposes to convert any of their Domestic Shares or Unlisted Foreign Shares into H Shares.

### LOCK-UP PERIODS

In accordance with Article 141 of the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of our H Shares i.e. all existing Shareholders (including the Controlling Shareholders) will be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

Our Directors, Supervisors and members of senior management shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors, Supervisors and members of senior management.

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## SHARE CAPITAL

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In addition, (i) each of our existing Shareholders has undertaken to us not to transfer our Shares it holds at the time of Listing within one year from the Listing Date; and (ii) the Controlling Shareholders has also given a lock-up undertaking to us, the Joint Sponsors and the Underwriters. See “Underwriting – Hong Kong Underwriters – Undertakings Pursuant to the Hong Kong Underwriting Agreement – Undertaking by Our Controlling Shareholder” for further details.

### REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Overseas Listed Companies (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, our Company is required to register and deposit our Shares that are not listed on the overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 Business Days upon the Listing and provide a written report to the CSRC regarding the centralized registration and deposit of our Shares that are not listed on the overseas stock exchange as well as the offering and listing of our H Shares.

### SHAREHOLDERS’ GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which our Shareholders’ general meeting and Shareholders’ class meeting are required, see “Appendix V – Summary of the Articles of Association”.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including the sections headed "Risk Factors" and "Business."*

*For the purpose of this section, unless the context otherwise requires, references to 2018, 2019 and 2020 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.*

### OVERVIEW

We started as a business unit of SF Holding Group, focusing on the emerging opportunities of intra-city on-demand delivery services. Since 2019, we have operated as an independent legal entity to capture the growth opportunities brought about by the new consumption trends. As of May 31, 2021, we had served over 2,000 merchant brands and served approximately 532,500 registered merchants; we delivered superior and efficient on-demand local lifestyle services to approximately 126.1 million registered consumers; we offered approximately 2.8 million registered riders attractive earning opportunities and sustainable and flexible working arrangements across diverse delivery scenarios; our service network covered over 1,000 cities and counties in China. We have adopted a multi-scenario model, with our diverse rider pool, vast operational know-how and customer insights. We have extensive coverage in both mature scenarios such as food delivery, and growth scenarios such as local retail, local e-commerce and local services. We believe we have strong competitive edge under the emerging trend of "bring all you need to your side" of the new consumption era. We achieved significant growth during the Track Record Period. Our revenue increased from RMB993.3 million in 2018 to RMB2,107.0 million in 2019 and further to RMB4,843.4 million in 2020. Our revenue increased from RMB1,429.5 million in the five months ended May 31, 2020 to RMB3,045.6 million in the five months ended May 31, 2021. Our gross loss increased by 45.3% from RMB231.4 million in 2018 to RMB336.2 million in 2019 and decreased by 43.9% from RMB336.2 million in 2019 to RMB188.5 million in 2020. Our gross loss decreased by 52.4% from RMB58.1 million in the five months ended May 31, 2020 to RMB27.7 million

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## FINANCIAL INFORMATION

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in the five months ended May 31, 2021. Our gross loss margin decreased from 23.3% in 2018 to 16.0% in 2019 and further to 3.9% in 2020. Our gross loss margin decreased from 4.1% in the five months ended May 31, 2020 to 0.9% in the five months ended May 31, 2021.

### BASIS OF PREPARATION

Our Company was incorporated on June 21, 2019 as part of the reorganization (the “Reorganization,” as defined in Note 1.2 of Appendix I to this prospectus) of the intra-city on-demand delivery services business (the “Listing Business”). Formerly operated as a business unit under a number of subsidiaries controlled by SF Holding, the Listing Business was transferred to and held by a number of companies in the Reorganization in March 2019, all of which now comprise our Group. See Note 1.2 of Appendix I to this prospectus.

As the Reorganization merely reorganizes the Listing Business with no change in management and controlling party, our Group is regarded as a continuation of the Listing Business, with our assets and liabilities recognized and measured at the carrying amounts of the Listing Business for all periods presented from the perspective of Listing Business and SF Holding. For the period from January 1, 2018 to February 28, 2019, certain financial information of the Listing Business is derived from the accounting records of SF Holding and is arrived in the manner prescribed in detail in Note 1.3 of Appendix I to this prospectus.

Our historical financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income.

All effective standards, amendments to standards and interpretations of IFRS, which are mandatory for the financial years beginning January 1, 2018 and 2019, including IFRS 9 “Financial Instruments,” IFRS 15 “Revenue from Contracts with Customers” and IFRS 16 “Leases,” are consistently applied to the Group for the Track Record Period.

### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control, including the following:

#### General Factors

Our business and operating results are affected by general factors affecting the on-demand delivery service industry in China, which include:

- China’s overall economic growth and per capita disposable income;
- evolving consumption patterns and growth of consumer spending in China;

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## FINANCIAL INFORMATION

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- growth and competitive landscape of China's on-demand delivery service industry, especially third-party on-demand delivery service industry;
- development of mobile Internet and technology in China's on-demand delivery service industry; and
- relevant laws and regulations, governmental policies and initiatives affecting the on-demand delivery service industry.

Unfavorable changes in any of these general industry conditions could materially and adversely affect demand for our services and/or the manner in which we offer our services, and materially and adversely affect our results of operations.

### **Company Specific Factors**

While our business is affected by the foregoing general factors, our results of operations are also affected by company-specific factors, including the following:

#### ***Our Ability to Further Penetrate the Existing Scenarios and Expand into New Scenarios***

We have adopted a multi-scenario business model with our diverse rider pool and vast operational know-how and customer insights. We have extensive coverage of mature scenarios such as food delivery, and growth scenarios such as local retail, local e-commerce and local services to capture greater growth potential and achieve higher operational efficiency. Such multi-scenario coverage enables us to enjoy powerful and self-reinforcing network effects and economies of scale. The expansion of scenario coverage brings higher order volumes and allows us to attract more riders, which in turn facilitates the continuous scale-up of our fulfillment capabilities. As a result, our total number of orders grew from 79.8 million in 2018 to 211.1 million in 2019, and further to 760.9 million in 2020, representing a CAGR of 208.7%. Our total number of orders grew by 151.2% from 204.5 million in the five months ended May 31, 2020 to 513.7 million in the five months ended May 31, 2021. We started to serve the local retail, local e-commerce and local services scenarios in 2018, subsequently achieving annual order volume growth at a CAGR of 424.1%, 105.7% and 152.5%, respectively, from 2018 to 2020. The growth of order volume for local retail, local e-commerce and local services continued to be strong at 272.4%, 143.1% and 223.2%, respectively, from the five months ended May 31, 2020 to the same period in 2021. As a result, our revenue increased from RMB993.3 million in 2018 to RMB2,107.0 million in 2019 and further to RMB4,843.4 million in 2020. Our revenue grew from RMB1,429.5 million in the five months ended May 31, 2020 to RMB3,045.6 million in the five months ended May 31, 2021. In addition, such multi-scenario coverage enables us to mitigate concentration risk as we reduce the reliance on any single scenario. Leveraging the variations in peak hours and order density across service scenarios, we effectively smooth out the volume and load for a rider by carefully regrouping the orders from different segments and optimizing the order structure.



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## FINANCIAL INFORMATION

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Our balanced multi-scenario order mix enables us to rapidly grow our order volume and order density, reducing our pressure on rider scheduling and lowering our delivering costs. Our future growth will largely depend on whether we are able to deepen our penetration in existing scenarios, and expand in growth scenarios as well as solidifying our leading position in fast-growing non-food scenarios.

### *Our Ability to Continuously Provide Superior Customer Experience*

We are committed to offering customer-centric solutions. Our market leadership and large order volume provide us with customer insights, enabling us to continuously bring superior experience for customers and enhance their loyalty to our brand. We have become an integral part of merchants' service value chains as well as consumers' daily lives. We have a broad customer base. As of May 31, 2021, we had served over 2,000 merchant brands, served approximately 532,500 registered merchants and delivered superior and efficient on-demand local lifestyle services to approximately 126.1 million registered consumers. We achieved an average delivery time of approximately 30 minutes for the five months ended May 31, 2021. Our fulfillment in-time rate reached above 95% during the Track Record Period. We remain highly responsive to customer needs and offer stable delivery services, even under challenging conditions such as peak hours and seasons and bad weather, as well as the COVID-19 pandemic. During the five months ended May 31, 2021, the fluctuation in our fulfillment in-time rate during holidays was less than 2.5%, and for the same period the fluctuation in our fulfillment in-time rate under bad weather conditions was less than 3.5%. We believe our ability to continuously provide superior customer experience through customer-centric on-demand delivery services is crucial to our stable relationship with customers. For merchants, we aim to introduce innovative solutions addressing market pain points to solidify our relationship with business partners as well as attract new cooperation. We will focus on merchant needs to create a more customized and differentiated service matrix. We will continue to broaden customer reach and strengthen our capabilities to offer comprehensive intra-city on-demand supply chain logistics solutions. For consumers, we aim to offer faster and higher quality on-demand delivery services in broader daily life scenarios. We believe that our customer-centric approach will further increase customer loyalty to our platform and expand our revenue source.

### *Our Ability to Further Improve Rider Mix and Cost Structure*

Our order fulfillment capacity is pivotal to our cost efficiency and profitability. We have built an integrated rider pool mainly consisting of dedicated riders and crowd-sourced riders, optimizing cost efficiency, fulfillment quality and stability. Dedicated riders are typically stationed at offline stores of key accounts and allow us to offer stable and highly customized services. Crowd-sourced riders allow us to flexibly cope with real-time order volume volatility. Such combination of different rider groups lowers fixed delivery costs without compromising order fulfillment quality. Our ability to further improve the rider mix and cost structure is vital to our future profitability. We will continue to maintain a sustainable working environment to

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## FINANCIAL INFORMATION

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balance their productivity, earnings and welfare, which in turn could contribute to improved rider performance and retention. We aim to continuously optimize our rider pool structure and cost structure and strengthen the integrated rider scheduling across all scenarios.

### ***Our Ability to Continuously Improve Operational Efficiency with Technology Innovation and Digitalized Operation***

The massive volume of data and complex order dispatching derived from multi-scenario business necessitate reliable and scalable technology architecture. We have applied big data and AI technologies in our CLS to achieve higher operational efficiency and lower delivery cost. The core functions of our CLS include business forecast and planning, integrated order recommendation and dispatching and real-time operation monitoring. We utilize our CLS to improve operational efficiency and service quality. For example, with integrated order recommendation and dispatching, our CLS decides the delivery price dynamically, dispatches orders to the most suitable riders and suggests the optimal delivery route for riders, which maximizes efficiency and decreases delivery costs. Therefore, our ability to continuously optimize our technology systems is key to our continuous growth.

### ***Our Ability to Maintain Synergistic and Mutually Beneficial Partnership with SF Holding Group***

We leverage our large rider pool to supplement and enhance the last-mile delivery capabilities of SF Holding Group, especially during peak hours and seasons, while we are also able to expand our rider pool, lower the unit cost and explore new delivery scenarios benefiting from the order volume from SF Holding Group. In addition, we strategically cooperate with SF Holding Group's ecosystem participants, including upstream service providers in the logistics industry value chain to tailor one-stop comprehensive supply chain logistics solutions for customers, which allow us to broaden customer reach and increase customer loyalty. We are well positioned to maintain such mutually beneficial partnership with SF Holding Group.

## **BUSINESS SUSTAINABILITY**

We had gross losses, net loss and net operating cash outflow during the Track Record Period, and we currently expect such positions may continue for another three to five years until we achieve greater economies of scale. China's third-party on-demand delivery service industry is fast growing with annual order volume expected to increase from 3.0 billion in 2020 to 16.3 billion in 2025, representing a CAGR of 40.1%, according to iResearch.

To pave the way for long-term success in the fast-growing market, we have been focusing on growing our customer base, expanding our geographic coverage of service network, and developing a diverse and integrated rider pool, rather than seeking short-term financial return or profitability. We have been able to secure orders from Independent Third Parties during the Track Record Period; in particular, our number of orders attributable to Independent Third Parties amounted to 78.8 million, 192.9 million and 314.8 million in 2018, 2019 and 2020,

## FINANCIAL INFORMATION

respectively, and increased from 96.7 million in the five months ended May 31, 2020 to 178.8 million in the five months ended May 31, 2021, respectively. Due to the successful implementation of such strategies, we have experienced a robust business growth during the Track Record Period.

The following table sets out our revenue breakdown for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2018		2019		2020		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Intra-city on-demand delivery service	993,274	100.0	2,107,014	100.0	4,841,920	100.0	1,429,491	100.0	3,038,103	99.8
Intra-city delivery service	973,139	98.0	1,928,889	91.5	3,220,164	66.5	1,024,950	71.7	1,848,244	60.7
To Merchants	924,247	93.1	1,796,841	85.3	2,740,666	56.6	933,526	65.3	1,427,506	46.9
To Consumers	48,892	4.9	132,048	6.2	479,498	9.9	91,424	6.4	420,738	13.8
Last-mile delivery service	20,135	2.0	178,125	8.5	1,621,756	33.5	404,541	28.3	1,189,859	39.1
Others	–	0.0	–	0.0	1,446	0.0	–	0.0	7,487	0.2
<b>Total</b>	<b>993,274</b>	<b>100.0</b>	<b>2,107,014</b>	<b>100.0</b>	<b>4,843,366</b>	<b>100.0</b>	<b>1,429,491</b>	<b>100.0</b>	<b>3,045,590</b>	<b>100.0</b>

Along with business growth, we have demonstrated a clear trajectory of profitability improvement. Our gross loss margin narrowed significantly from 23.3% in 2018 to 0.9% in the five months ended May 31, 2021, reflecting our improved operational efficiency with strong network effects and economies of scale:

	Year ended December 31,			Five months ended May 31,	
	2018	2019	2020	2020	2021
	(Unaudited)				
Gross loss					
(RMB'000)	(231,372)	(336,205)	(188,506)	(58,103)	(27,660)
Gross loss margin	(23.3)%	(16.0)%	(3.9)%	(4.1)%	(0.9)%

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## FINANCIAL INFORMATION

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Despite our continuous growth in revenue and volume and our narrowing gross loss margin, we have incurred operating losses, net loss and net operating cash outflow during the Track Record Period, mainly due to our continuous investment in our business development and customer acquisition, technology advancement and expansion of our general business supporting team. Set out below are analyses of the key relevant items:

- Our selling and marketing expenses increased from RMB12.2 million in 2018 to RMB111.0 million in 2020, and from RMB24.6 million in the five months ended May 31, 2020 to RMB76.8 million in the five months ended May 31, 2021, as we continued to intensify our marketing and promotion activities and enlarge our business development team to drive the growth of our customer base. As a result, the number of our active merchants increased from approximately 13,000 in 2018 to approximately 167,043 in 2020; the number of our active consumers increased from approximately 411,100 in 2018 to approximately 5.1 million in 2020. Such growth of our customer base from varied scenarios helped us significantly enhance our economies of scale, which, in turn, drove gross margin improvement. In 2021, we expect our selling and marketing expenses to continue to increase.
- Our research and development expenses increased from RMB3.3 million in 2018 to RMB69.4 million in 2020, and from RMB20.7 million in the five months ended May 31, 2020 to RMB47.3 million in the five months ended May 31, 2021, as we continued to expand our research and development team to support technology innovation. In particular, the significant increase of research and development expenses from 2019 to 2020 was attributed to a higher proportion of capitalized employee expenses in relation to the development of our CLS in 2019. We expect our research and development investment to continue to increase in 2021. The CLS has always been important to our operational efficiency and margin improvement.
- Our administrative expenses increased from RMB114.1 million in 2018 to RMB418.0 million in 2020, and from RMB133.3 million in the five months ended May 31, 2020 to RMB216.3 million in the five months ended May 31, 2021, as we increased number of administrative staff to suit our business expansion need. However, administrative expenses as a percentage of revenue continuously decreased during the Track Record Period, from 11.5% in 2018 to 7.1% in the five months ended May 31, 2021, as a result of economies of scale.

Despite further narrowing gross loss and gross loss margin, our operating loss, net losses and net operating cash outflow may expand in absolute amounts in 2021, compared to 2020, due to our continued geographical expansion into new cities where the profitability tends to be lower due to the lack of economies of scale, and increased investments in business development and customer acquisition, technology advancement and expansion of our general business supporting team, as well as a one-off considerable increase of share-based compensation in relation to our Global Offering.

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## FINANCIAL INFORMATION

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Our net current liabilities and net liabilities position as of December 31, 2019 improved from that as of December 31, 2018, and turned into net current asset and net asset position as of December 31, 2020 and as of May 31, 2021. Such improvement was primarily due to: (i) an increase in cash and cash equivalents as a result of fundraising from Pre-IPO Investments, and (ii) the repayment of outstanding borrowings. We expect to retain our consolidated net current asset and net asset position upon Listing. However, we may turn to net current liabilities/net liabilities position if our profitability deteriorates after Listing.

In the long term, we aim to achieve profitability by: (i) expanding customer base and order volume; (ii) controlling our operating costs, narrowing gross loss and gross loss margin; and (iii) enhancing operating leverage. With our improved profitability, we also expect our operating cash flow to improve concurrently. However, due to the fast-evolving business environment and competitive landscape, we are not able to predict when or if we will be able to start generating positive cash flow and profits.

### Growing Customer Base and Order Volume

We believe that expanding our customer base and order volume is essential to monetizing our business, thereby increasing revenue and improving profitability.

The new consumption era is coming, featuring increasing customer demand for on-demand delivery service. Under the trend of digitalization, merchants are increasingly seeking to build and strengthen proprietary customer acquisition channels, which calls for third-party on-demand delivery platforms like us to empower their growth prospects. This trend has been translated into our growth in the number of active merchants and active consumers as well as order volume during the Track Record Period, with a CAGR of 258.3%, 253.5% and 208.7%, respectively, from 2018 to 2020:

The following table sets out the number of our active merchants and active consumers for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
Active merchants ( '000)	13.0	56.1	167.0	62.8	147.5
Active consumers ( '000)	411.1	1,463.8	5,138.7	1,580.4	4,513.4

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## FINANCIAL INFORMATION

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The following table sets out our order volume for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
Order volume (million)	79.8	211.1	760.9	204.5	513.7

Such growth was driven by: (i) our deepening penetration into existing service scenarios; (ii) our expansion into new service scenarios; and (iii) our geographical expansion, especially in lower-tier cities. We started to serve the local retail, local e-commerce and local services scenarios in 2018, subsequently achieving annual order volume growth at a CAGR of 424.1%, 105.7% and 152.5%, respectively, from 2018 to 2020. The growth of order volume for local retail, local e-commerce and local services continued to be strong at 272.4%, 143.1% and 223.2%, respectively, from the five months ended May 31, 2020 to the same period in 2021. In addition, the number of cities and counties covered by our service network increased from over 200 as of December 31, 2018 to over 1,000 as of May 31, 2021. With the same growth drivers, we expect to continue to increase our customer base and order volume in the future, and the strong network effect of our business model can accelerate such growth. More specifically, we plan to offer more tailored services and technological support to merchants, including SaaS cloud solution for key merchants featuring integrated management and dispatching for on-demand delivery orders from various online channels (such as mini programs and apps), and faster and higher quality on-demand services in broader daily life scenarios to consumers, for increasing customer stickiness and wallet share, thus further penetrating into existing scenarios. To accelerate expansion into new service scenarios, we have established dedicated project teams to explore local consumer needs and to develop new services and products, such as customized grouping and packaging of products from various merchants for a single end customer, and assistance in site inspection. Across different service scenarios and customer segments, our growth of customer base and order volume is expected to be supported by a series of marketing and branding campaigns, including online social media activities and offline advertisement display, which help enhance customer mindshare and brand recognition. Besides, we aim to broaden our presence to approximately 1,400 cities and counties by 2024.

### Narrowing Gross Loss and Gross Loss Margin

Our gross loss margin narrowed from 23.3% in 2018 to 3.9% in 2020 and further to 0.9% in the five months ended May 31, 2021, primarily due to a decrease in average fulfillment cost per order. Fulfillment cost, defined as the sum of labor outsourcing costs and employee benefit expenses in relation to the riders, accounted for more than 97% of the cost of revenue during the Track Record Period. Our labor outsourcing costs accounted for over 100% of our revenue

## FINANCIAL INFORMATION

in 2018, 2019 and 2020; as such, we may incur additional loss for each parcel delivered in the future until we achieve greater economies of scale as our business expands. The following table sets out the average fulfillment cost per order for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
Average fulfillment cost per order (RMB)	15.0	11.3	6.5	7.1	5.9

The decrease of unit fulfillment cost and the improvement of gross loss margin were and is expected to be continuously driven by:

- (i) ***Increasing economies of scale.*** Driven by expansion of service scenarios and geographical coverage, the order volume increased across cities where we operate. With higher order density, riders can group more orders together for delivery for each trip and reduce the average fulfillment cost per order. For dedicated riders in particular, because a portion of their employee benefits is fixed in nature, the average unit cost resulting from such component decreases as order volume and density increase. Below is a hypothetical example for illustration purposes only:

	Smaller order volume	Larger order volume
Number of orders delivered by a rider on a day	35	45
Average fee payable to a rider (RMB/order)	6	5.5
Total fee payable to a rider (RMB/day)	210	247.5

*Note:* The hypothetical example and figures used herein are for the purpose of illustrating the arithmetic outcome of our fulfillment cost per order and aggregate fees payable to riders in the case of a smaller and a larger order volume, which should not be read or understood as indicative of the Group's past or future performance. This illustration assumes that the relevant orders are delivered by a rider without taking into account dynamic pricing factors (such as bad weather and traffic conditions). The arithmetic outcome of such illustration may vary if different or additional assumptions are applied.

It is demonstrated that on one hand, the rider can enjoy an increase in income and is incentivized to stay on our platform and take on more orders. On the other hand, our average delivery fee can be lowered, thus driving a lower loss margin.



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## FINANCIAL INFORMATION

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- (ii) **Optimization of order structure.** The fulfillment cost is usually high during peak hours, such as lunchtime. As our multi-scenario business model becomes more developed and the sources of customer orders become more diverse, we can further optimize order structure and rider scheduling by leveraging the variations of peak hours and order density across service scenarios and smooth out the load for riders throughout a day, thus enhancing the utilization of our rider delivery capacity and lowering the average fulfillment costs. In the future, we aim to gradually increase the volume contribution from new scenarios such as local retail, local e-commerce and local services. With that, we will have greater room to further smooth out the schedules of the riders. Below is a hypothetical example for illustration purposes only:

	Without order structure optimization <sup>(1)(3)</sup>		With order structure optimization <sup>(2)(3)</sup>	
	Number of orders delivered	Average fulfillment cost per order	Number of orders delivered	Average fulfillment cost per order
During peak hours	30	RMB8	30	RMB8
During off-peak hours	0	RMB4	15	RMB4
Total rider cost (RMB)	240		300	
Average rider cost (RMB/order)	8		6.7	

*Notes:*

- (1) Assuming all orders are fulfilled during peak hours.
  - (2) Assuming the rider fulfills (i) the same number of orders during peak hours as in the scenario without order structure optimization and (ii) off-peak hour orders representing 50% of the number of orders fulfilled during peak hours.
  - (3) The hypothetical example and the figures used herein are for the purpose of illustrating the arithmetic outcome of rider cost with or without order structure optimization, which should not be read or understood as indicative of the Group's past or future performance. This illustration assumes that the relevant orders are delivered by a rider without taking into account dynamic pricing factors (such as bad weather and traffic conditions). The arithmetic outcome of such illustration may vary if different or additional assumptions are applied.
- (iii) **Enhancing technology capabilities.** With the help of advanced technologies, we can predict the fluctuation of demand, provide more accurate rider scheduling, order recommendation and dispatching, order grouping and route planning, thus enhancing fulfillment efficiency. We will continuously strengthen our technology infrastructure by enlarging and enhancing our talent pool and by investing in advanced SaaS cloud solution, network security solutions and fundamental operating systems. We will hire more top experts, senior engineers and specialized talents in areas such as AI and big data; and

## FINANCIAL INFORMATION

- (iv) ***Increasing volume mix of orders fulfilled by crowd-sourced riders.*** During the Track Record Period, the percentage of orders delivered by crowd-sourced riders increased from approximately 19% in 2018 to 92% in the five months ended May 31, 2021. As dedicated riders receive fixed fees, fulfillment cost per order delivered by dedicated riders is generally higher than that delivered by crowd-sourced riders. As the ratio of order number delivered by crowd-sourced riders to the total order number increases, we are able to lower the average fulfillment cost per order and enjoy better unit economies, thereby narrowing the gross loss margin.

To gauge our delivery efficiency enhancement, we have tracked the average volume of orders delivered per active rider per year. This number increased notably from approximately 1,113.4 orders in 2018 to 1,507.8 orders in the five months ended May 31, 2021, representing a significant improvement in efficiency, leading to margin improvement.

### Enhancing Operating Leverage

Our administrative expenses and research and development expenses primarily comprise of employee benefits. As our business scale is rapidly expanding, we expect the ratio of such expenses to our revenue to decline as the relevant headcounts and compensation do not grow at the same rate as revenue. The table below demonstrates the improvement during the Track Record Period. For research and development expenditure, we take the holistic approach of looking at the total research and development expenditure, including both the expensed and capitalized portion, as a percentage of revenue.

	Year ended December 31,						Five months ended May 31,			
	2018	2019		2020			2020	2021		
	% of		% of		% of		% of		% of	
	RMB'000	revenue	RMB'000	revenue	RMB'000	revenue	RMB'000	revenue	RMB'000	revenue
	(unaudited)									
Research and development										
expenditure	(57,901)	5.8	(70,373)	3.3	(136,698)	2.8	(38,530)	2.7	(73,679)	2.4
Expensed portion	(3,281)	0.3	(4,271)	0.2	(69,374)	1.4	(20,650)	1.4	(47,278)	1.6
Capitalized portion	(54,620)	5.5	(66,102)	3.1	(67,324)	1.4	(17,880)	1.3	(26,401)	0.8
Administrative expenses	(114,129)	11.5	(203,877)	9.7	(418,017)	8.6	(133,256)	9.3	(216,261)	7.1

We expect our research and development expenses to grow in absolute amounts as we (i) expand and strengthen our research and development team by incentivizing and retaining our research and development personnel, as well as attracting top experts, senior engineers and specialized talents in areas such as AI, big data and technology infrastructure; (ii) optimize existing systems and develop system for new businesses to enhance our service quality and operational efficiency; (iii) enhance our technology capabilities and infrastructure, such as subscription of SaaS cloud solution and purchasing network security solutions and fundamental operating systems to improve the function and scale of our technology infrastructure, to drive long-term service innovation; and (iv) develop solutions and services to better serve our

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## FINANCIAL INFORMATION

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customers, such as upgrading our intelligent order recommendation and dispatching system to improve our capability of multi-scenario operation and strengthening our information security management to enhance data protection. Supported by our strong technology capabilities and infrastructure, we are able to provide better customer experience, which helps deepen our penetration of various service scenarios, and to optimize delivery efficiency, leading to continuous growth in order volume.

Our selling and marketing expenses may increase both in absolute amounts and as a percentage of revenue in the short term as we continue to strengthen our brand promotion and expand the business development team to enlarge our customer base. Specifically, such increase may be primarily due to (i) our strengthened brand promotion and marketing activities to promote our service offerings, including online social media activities and offline advertisement display to help enhance customer mindshare and brand recognition, which is key to the growth of our business scale, in particular our to-consumer services; and (ii) the expansion of business development team to enlarge our customer base as we continue to broaden our geographic presence nationally and generally incur higher labor outsourcing costs and employee benefits for on-the-ground business development teams when we first enter a new city or a new business district to establish our market position. As we have more established nationwide footprints and increased brand recognition, we expect the selling and marketing expenses to revenue ratio to gradually decline in the medium to longer term.

### **Working Capital Sufficiency**

Our Directors are of the opinion that we possess sufficient working capital, including sufficient cash and liquidity assets, supplemented by strong fund-raising capabilities to meet our present requirements and for the next 12 months from the date of this prospectus, estimated based on our improved profitability conditions during the Track Record Period, taking into account the cash and cash equivalent on hand, internally generated funds, and the estimated net proceeds received from the Global Offering. Taking into account the above, as well as based on the written confirmation from the Company in respect of working capital sufficiency, review of the accountants' report, the financial due diligence conducted on the historical financial information of the Group during the Track Record Period and the discussion with the Directors, the Joint Sponsors concur with the Directors' view.

In addition, as evidenced by our Pre-IPO Investments and other historical fund-raising activities, we have a good track record in being able to raise money from renowned investors to finance our business. See "History, Development and Corporate Structure – Principal Shareholding Changes of Our Company and Pre-IPO Investments – Pre-IPO Investments." We believe that the Global Offering and other potential external financing sources, including those to which we will gain access after Listing, will provide additional funding for our business expansion operations.

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## FINANCIAL INFORMATION

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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in Notes 2 and 4 of Appendix I to this prospectus.

#### Revenue Recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if our performance: (i) provides all of the benefits received and consumed simultaneously by the customer; (ii) creates and enhances an asset that the customer controls as we perform; or (iii) does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

We have determined that we act as a principal in the intra-city on-demand delivery services as we are primarily responsible for the intra-city on-demand delivery service which meets the quality criteria promised to customers. We identify and direct riders to complete the intra-city on-demand delivery orders. Also, we have full discretion in establishing fee rates for intra-city on-demand delivery services to customers. Revenue deriving from these services are recognized on a gross basis at a fixed rate or a pre-determined amount for each completed intra-city on-demand delivery, with the amounts paid to the labor suppliers recorded in cost of revenue. We offer various incentive programs to business and individual customers in the form of coupons or volume-based discounts that are recorded as reduction of revenue as we do not receive a distinct good or service in consideration.

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## FINANCIAL INFORMATION

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For revenue recognition of our other businesses, we offer online group catering options to enterprise customers. Specifically, we offer a wide selection of high-quality staff meals, banquet catering, high tea and employee welfare catering through our Fengshi platform in collaboration with merchants. Merchants can choose to either provide delivery service on their own or engage us to provide delivery service. When we are responsible for delivery, merchants pay an aggregated fee both for platform and delivery services. We perform two obligations: (a) platform service for handling food supply; and (b) delivery services. As the two performance obligations are satisfied almost at the same time, we determined that it is not necessary to allocate the transaction price to each performance obligation. We thereby recognize both aggregated fee for platform service and delivery service as revenue once a transaction is completed.

See Note 2.20 of Appendix I to this prospectus.

### **Share-based Payments**

We operate an equity-settled, share-based compensation plan, under which we receive services from employees as consideration for our equity instruments. The fair value of the employee services received in exchange for the grant of equity instruments (including share scheme) is recognized as an expense on the consolidated statements of comprehensive income. For details, see Note 2.19 of Appendix I to this prospectus.

### **Financial Assets**

We classify our financial assets into: (i) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and (ii) those to be measured at amortized cost, which depend on the entity's business model for managing the financial assets and the contractual terms of the cash flows. And we reclassify debt investments when, and only when, their business model for managing those assets changes.

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. We subsequently measure all equity investments at fair value. Where our management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when our right to receive payments is established.

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## FINANCIAL INFORMATION

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Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other (loss)/gains, net' in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value. See Note 2.8(ii) of Appendix I to this prospectus.

We have the following types of financial assets subject to IFRS 9's new expected credit loss model: (i) trade receivables; and (ii) other receivables and due from related parties. See Note 2.8(iii) of Appendix I to this prospectus. Details of the key assumptions and inputs used and whether there has been a significant increase in credit risk are disclosed in the tables in Note 3.1.2 of Appendix I to this prospectus.

### **Current and Deferred Income Tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. See Note 2.17 of Appendix I to this prospectus.

Our management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. We measure its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. For details of the recognition of the deferred income tax, see Notes 2.17.2 and 16 of Appendix I to this prospectus.

### **Impairment of Long-term Assets**

Property, plant and equipment, intangible assets and other long-term assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Included in intangible assets are capitalized development costs related to the CLS that are in the development stage and not yet available for use. The recoverable amount is determined based on fair value less costs of disposal calculation, which use the discounted cash flow approach and include level 3 fair value hierarchy inputs. The fair value less costs of disposal calculations are based on 10-year period cash flow projections. See Note 15(b) of Appendix I to this prospectus.

## FINANCIAL INFORMATION

When assessing whether the above assets are impaired, management mainly evaluates and analyses: (1) whether events affecting asset impairment have occurred; (2) whether the present value of expected cash flows arising from the continuing use or disposal of the asset is lower than its carrying amount; and (3) whether the significant assumptions used in the calculation of the present value of the estimated cash flows are appropriate. See Note 4(a) of Appendix I to this prospectus.

### Capitalization of Development Costs as Intangible Assets

Costs incurred in upgrading existing application and platform (primarily relating to upgrade of the existing features or additions of new features/modules) and developing new application and platform are capitalized as intangible assets when recognition criteria as detailed in Note 2.6 of Appendix I to this prospectus are fulfilled. Management has applied its professional judgment in determining whether these applications and platforms could generate probable future economic benefits to us based on the historical experience of the existing products and the prospects of the markets. Any severe change in market performance or technology advancement will have an impact on the development costs capitalized.

### DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue	993,274	2,107,014	4,843,366	1,429,491	3,045,590
Cost of revenue	(1,224,646)	(2,443,219)	(5,031,872)	(1,487,594)	(3,073,250)
<b>Gross loss</b>	<u>(231,372)</u>	<u>(336,205)</u>	<u>(188,506)</u>	<u>(58,103)</u>	<u>(27,660)</u>
Selling and marketing expenses	(12,158)	(33,715)	(111,016)	(24,636)	(76,780)
Research and development expenses	(3,281)	(4,271)	(69,374)	(20,650)	(47,278)
Administrative expenses	(114,129)	(203,877)	(418,017)	(133,256)	(216,261)
Other income	–	7,165	18,081	6,723	11,201
Other (losses)/gains, net	(4)	152	441	506	5,961
Net (reversals of)/impairment losses of trade and other receivables	<u>(616)</u>	<u>(2,669)</u>	<u>(850)</u>	<u>606</u>	<u>(2,322)</u>
<b>Operating loss</b>	<u>(361,560)</u>	<u>(573,420)</u>	<u>(769,241)</u>	<u>(228,810)</u>	<u>(353,139)</u>



## FINANCIAL INFORMATION

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Finance income	–	751	2,978	915	6,671
Finance costs	–	(10,282)	(17,927)	(13,807)	(6,464)
Finance (costs)/income, net	–	(9,531)	(14,949)	(12,892)	207
<b>Loss before income tax</b>	<u>(361,560)</u>	<u>(582,951)</u>	<u>(784,190)</u>	<u>(241,702)</u>	<u>(352,932)</u>
Income tax credit	<u>33,163</u>	<u>113,156</u>	<u>26,513</u>	<u>26,513</u>	<u>–</u>
<b>Loss and total comprehensive loss for the year/period</b>	<u><u>(328,397)</u></u>	<u><u>(469,795)</u></u>	<u><u>(757,677)</u></u>	<u><u>(215,189)</u></u>	<u><u>(352,932)</u></u>

### Non-IFRS Measure

We adopt the adjusted net loss for the year/period (with share-based compensation expenses adjusted), which is not required by or presented in accordance with IFRS as an additional financial measure to supplement our consolidated financial statements. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company, by eliminating potential impacts of items that our management does not consider indicative of our operating performance. We believe that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

We define adjusted loss for the year/period as loss for the year/period adjusted by adding back share-based compensation expenses. Share-based compensation expenses are non-operational expenses arising from granting restricted shares to selected employees, the amount of which may not directly correlate with the underlying performance of our business operations. Thus, the expenses are neither related to our ordinary course of business nor indicative of our ongoing core operating performance. We therefore believe that these items should be adjusted for when calculating our adjusted net loss in order to provide potential investors with a complete and fair understanding of our core operating results and financial performance, so that they can assess our underlying core performance undistorted by items unrelated to our ordinary course of business operations, especially in (i) making period-to-period comparisons of, and assessing the profile of, our operating and financial performance, and (ii) making comparisons with other comparable companies with similar business operations. We have made the adjustments consistently during the Track Record Period

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## FINANCIAL INFORMATION

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complying with Guidance Letter HKEX-GL103-19 issued by the Stock Exchange. However, our presentation of such non-IFRS measure may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

The following table reconciles our adjusted net loss (non-IFRS measure) for the year/period (with share-based compensation expenses adjusted) to loss for the year/period, with its most directly comparable financial measure calculated and presented in accordance with IFRS, for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
<b>Reconciliation of net loss to adjusted net loss (non-IFRS measure)</b>					
Net loss for the year/period	<u>(328,397)</u>	<u>(469,795)</u>	<u>(757,677)</u>	<u>(215,189)</u>	<u>(352,932)</u>
<b>Add:</b>					
Share-based compensation expenses	<u>–</u>	<u>11,653</u>	<u>152,726</u>	<u>38,134</u>	<u>55,534</u>
<b>Adjusted net loss (non-IFRS measure) (unaudited)</b>	<u><u>(328,397)</u></u>	<u><u>(458,142)</u></u>	<u><u>(604,951)</u></u>	<u><u>(177,055)</u></u>	<u><u>(297,398)</u></u>

## FINANCIAL INFORMATION

### Revenue

The following table sets out a breakdown of our revenue for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2018		2019		2020		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Intra-city on-demand delivery service	993,274	100.0	2,107,014	100.0	4,841,920	100.0	1,429,491	100.0	3,038,103	99.8
Intra-city delivery service	973,139	98.0	1,928,889	91.5	3,220,164	66.5	1,024,950	71.7	1,848,244	60.7
To Merchants	924,247	93.1	1,796,841	85.3	2,740,666	56.6	933,526	65.3	1,427,506	46.9
To Consumers	48,892	4.9	132,048	6.2	479,498	9.9	91,424	6.4	420,738	13.8
Last-mile delivery service	20,135	2.0	178,125	8.5	1,621,756	33.5	404,541	28.3	1,189,859	39.1
Others	–	0.0	–	0.0	1,446	0.0	–	0.0	7,487	0.2
<b>Total</b>	<b>993,274</b>	<b>100.0</b>	<b>2,107,014</b>	<b>100.0</b>	<b>4,843,366</b>	<b>100.0</b>	<b>1,429,491</b>	<b>100.0</b>	<b>3,045,590</b>	<b>100.0</b>

During the Track Record Period, we derived substantially all of our revenue from intra-city on-demand delivery service business. Driven by the rapid growth of order volume brought about by strong network effects and economies of scale under our multi-scenario business model, our revenue generated from intra-city on-demand delivery service business increased from RMB993.3 million in 2018 to RMB2,107.0 million in 2019 and further to RMB4,841.9 million in 2020. Our revenue generated from intra-city on-demand delivery service business increased from RMB1,429.5 million in the five months ended May 31, 2020 to RMB3,038.1 million in the five months ended May 31, 2021. In 2020 and the five months ended May 31, 2021, we also derived revenue from others, mainly relating to our online group catering service platform.

## FINANCIAL INFORMATION

### Cost of Revenue

Our cost of revenue mainly consists of: (i) labor outsourcing costs, which represent expenses charged by outsourcing firms relating to outsourced riders, see “Business – Our Suppliers,” and (ii) employee benefit expenses relating to riders employed by us. We engage outsourcing firms to provide substantially all of the riders for our operations, supplemented by employee riders. The following table sets out a breakdown of cost of revenue for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2018		2019		2020		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Labor outsourcing costs	1,045,360	85.4	2,111,180	86.4	4,860,237	96.6	1,423,034	95.7	3,005,126	97.8
Employee benefit expenses	152,328	12.4	265,959	10.9	61,262	1.2	28,936	1.9	17,831	0.6
Cost of material	7,097	0.6	17,389	0.7	34,661	0.7	8,502	0.6	21,381	0.7
Amortization of intangible assets	6,985	0.6	19,576	0.8	31,142	0.6	12,266	0.8	15,839	0.5
Depreciation of property, plant and equipment	7	0.0	372	0.0	1,071	0.0	336	0.0	615	0.0
Depreciation of right-of-use assets	–	–	67	0.0	752	0.0	238	0.0	1,152	0.0
Others	12,869	1.1	28,676	1.2	42,747	0.9	14,282	1.0	11,306	0.4
<b>Total</b>	<b>1,224,646</b>	<b>100.0</b>	<b>2,443,219</b>	<b>100.0</b>	<b>5,031,872</b>	<b>100.0</b>	<b>1,487,594</b>	<b>100.0</b>	<b>3,073,250</b>	<b>100.0</b>

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## FINANCIAL INFORMATION

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### Gross Loss

Our intra-city on-demand delivery service business was in the early development stage and experienced significant growth during the Track Record Period. We had gross loss of RMB231.4 million, RMB336.2 million, RMB188.5 million and RMB27.7 million in 2018, 2019, 2020 and the five months ended May 31, 2021, respectively. Our gross loss margin decreased from 23.3% in 2018 to 16.0% in 2019 and further to 3.9% in 2020. Our gross loss margin decreased from 4.1% in the five months ended May 31, 2020 to 0.9% in the five months ended May 31, 2021, primarily due to a decrease in average fulfillment cost per order driven by: (i) our improving operational efficiency with strong network effects and economies of scale; (ii) optimization of our order structure; (iii) enhancement of our technology capabilities; and (iv) increasing volume mix of orders fulfilled by crowd-sourced riders. The following table sets out a breakdown of our gross loss and gross loss margin for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31, 2020	2021
	<i>(Unaudited)</i>				
Gross loss					
(RMB'000)	(231,372)	(336,205)	(188,506)	(58,103)	(27,660)
Gross loss margin <sup>(1)</sup>					
(%)	<u>(23.3)</u>	<u>(16.0)</u>	<u>(3.9)</u>	<u>(4.1)</u>	<u>(0.9)</u>

*Note:*

- (1) Gross loss margin equals gross loss for the year/period divided by revenue for the year/period and multiplied by 100%.

### Selling and Marketing Expenses

Our selling and marketing expenses primarily include: (i) marketing and promotion expenses, mainly representing advertising and online promotion expenses relating to social media marketing; (ii) information technology expenses relating to consumer communications; (iii) labor outsourcing costs relating to our outsourced business development team; and (iv) employee benefit expenses relating to our business development staff.

## FINANCIAL INFORMATION

The following table sets out a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2018		2019		2020		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Marketing and promotion expenses	5,183	42.6	19,293	57.2	30,221	27.2	5,339	21.7	25,225	32.9
Information technology expenses	4,488	36.9	9,522	28.2	25,143	22.6	7,832	31.8	11,261	14.7
Labor outsourcing costs	–	–	–	–	22,489	20.3	3,412	13.8	21,853	28.5
Employee benefit expenses	–	–	383	1.2	19,243	17.3	4,312	17.5	10,660	13.9
Call center service expenses	1,483	12.2	3,146	9.3	10,394	9.4	3,088	12.5	6,570	8.5
Others	1,004	8.3	1,371	4.1	3,526	3.2	653	2.7	1,211	1.5
<b>Total</b>	<b>12,158</b>	<b>100.0</b>	<b>33,715</b>	<b>100.0</b>	<b>111,016</b>	<b>100.0</b>	<b>24,636</b>	<b>100.0</b>	<b>76,780</b>	<b>100.0</b>

### Research and Development Expenses

Our research and development expenses primarily consist of: (i) employee benefit expenses relating to our research and development staff; and (ii) labor outsourcing costs relating to outsourced services for developing our technology system. We capitalized all of employee benefit expenses relating to research and development in 2018 and 2019. Our research and development activities are primarily related to our CLS, such as developing and upgrading the order grouping algorithm. See “Business – Intellectual Property Rights.” The following table sets out a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2018		2019		2020		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Employee benefit expenses	–	–	–	–	55,560	80.1	16,423	79.5	22,473	47.5
Labor outsourcing costs	–	–	2,426	56.8	6,863	9.9	1,264	6.1	18,913	40.0
Information technology expenses	1,841	56.1	1,187	27.8	4,457	6.4	1,611	7.8	1,548	3.3
Others	1,440	43.9	658	15.4	2,494	3.6	1,352	6.6	4,344	9.2
<b>Total</b>	<b>3,281</b>	<b>100.0</b>	<b>4,271</b>	<b>100.0</b>	<b>69,374</b>	<b>100.0</b>	<b>20,650</b>	<b>100.0</b>	<b>47,278</b>	<b>100.0</b>

## FINANCIAL INFORMATION

### Administrative Expenses

Our administrative expenses primarily consist of: (i) employee benefit expenses (including share-based compensation expenses) relating to our administrative staff, see Note 9 of Appendix I to this prospectus; and (ii) professional service expenses, mainly including legal fees and financial adviser's fees for our equity financing. The following table sets out a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2018		2019		2020		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Employee benefit expenses	91,728	80.4	147,356	72.3	324,486	77.6	104,969	78.8	169,235	78.3
Professional service expenses	4,769	4.2	22,378	11.0	18,744	4.5	4,039	3.0	5,969	2.8
Labor outsourcing costs	6,516	5.7	11,284	5.5	24,453	5.8	8,167	6.1	9,819	4.5
Depreciation of right-of-use assets	–	–	2,384	1.2	8,167	2.0	3,175	2.4	2,976	1.4
Office and rental expenses	4,013	3.5	6,776	3.3	4,970	1.2	1,355	1.0	4,078	1.9
Listing expenses	–	–	–	–	5,934	1.4	–	–	7,756	3.6
Others	7,103	6.2	13,699	6.7	31,263	7.5	11,551	8.7	16,428	7.5
<b>Total</b>	<b>114,129</b>	<b>100.0</b>	<b>203,877</b>	<b>100.0</b>	<b>418,017</b>	<b>100.0</b>	<b>133,256</b>	<b>100.0</b>	<b>216,261</b>	<b>100.0</b>

### Other Income

Our other income mainly represents government grants relating to certain preferential value-added tax policy for the daily life service industry, effective in April 2019. See Note 6 of Appendix I to this prospectus. The following table sets out a breakdown of our other income for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Government grants	–	5,519	15,360	5,563	9,587
Others	–	1,646	2,721	1,160	1,614
<b>Total</b>	<b>–</b>	<b>7,165</b>	<b>18,081</b>	<b>6,723</b>	<b>11,201</b>



## FINANCIAL INFORMATION

### Finance Income and Costs

Our finance income represents interest income on deposits with financial institutions. Our finance costs mainly represent interest expenses on borrowings. The following table sets out a breakdown of our finance income and costs for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
<b>Finance income:</b>					
Interest income on deposits in financial institutions	—	751	2,978	915	6,671
<b>Finance costs:</b>					
Interest expenses on borrowings	—	(9,844)	(16,693)	(13,315)	(5,617)
Interest expenses on leasing liabilities	—	(438)	(1,234)	(492)	(847)
<b>Total finance costs</b>	—	(10,282)	(17,927)	(13,807)	(6,464)
<b>Finance (costs)/income, net</b>	—	(9,531)	(14,949)	(12,892)	207

### Income Tax Credit

Our income tax credit primarily represents provision for deferred income tax assets which can be utilized to deduct future taxable profit. Corporate income tax was provided for the taxable income of the entities within our Group incorporated in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC. The general tax rate applicable to us was 25% in 2018, 2019, 2020 and the five months ended May 31, 2021.

During the Track Record Period and up to the Latest Practicable Date, we had made all the required tax filings with the relevant tax authorities in the PRC, and we are not aware of any outstanding or potential disputes with such tax authorities.

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## FINANCIAL INFORMATION

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### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Five Months Ended May 31, 2021 Compared to Five Months Ended May 31, 2020

##### *Revenue*

Our total revenue increased significantly from RMB1,429.5 million in the five months ended May 31, 2020 to RMB3,045.6 million in the five months ended May 31, 2021, primarily due to the increase in our total order volume from 204.5 million in the five months ended May 31, 2020 to 513.7 million in the five months ended May 31, 2021, partially offset by a decrease in average service fee per order. The increase in order volume was primarily attributable to: (i) expansion into new service scenarios, especially non-food scenarios, and penetration of existing ones; (ii) expansion of our geographical network; and (iii) increasing customer demand for intra-city on-demand delivery service due to increasing online purchases as a result of the COVID-19 pandemic, as well as the gradual recovery from temporary closures of certain stores of our customers. Our expansion in terms of service scenario and geographical coverage was supported by both our expanded and diverse rider pool and technology enhancement. The decrease in average service fee per order was primarily due to a significant increase in order volume for our last-mile delivery service, which is typically priced competitively for large volume and lower fulfillment costs.

##### *Cost of Revenue, Gross Loss and Gross Loss Margin*

Our cost of revenue increased significantly from RMB1,487.6 million in the five months ended May 31, 2020 to RMB3,073.3 million in the five months ended May 31, 2021, corresponding to our revenue growth during the same period. Our gross loss decreased by 52.4% from RMB58.1 million in the five months ended May 31, 2020 to RMB27.7 million in the five months ended May 31, 2021. Our gross loss margin decreased from 4.1% in the five months ended May 31, 2020 to 0.9% in the five months ended May 31, 2021, primarily due to a decrease in average fulfillment cost per order, resulting from: (i) economies of scale; (ii) changes in order mix, partially due to a larger volume of last-mile delivery services; (iii) additional operational efficiency improvement brought about by enhanced technology capabilities; and (iv) optimized mix of rider groups.

##### *Selling and Marketing Expenses*

Our selling and marketing expenses increased significantly from RMB24.6 million in the five months ended May 31, 2020 to RMB76.8 million in the five months ended May 31, 2021, primarily as a result of our continuous efforts in relation to marketing and promotion activities, as well as our enlarging marketing and business development teams to drive the growth of our customer base. See “Business – Marketing and Promotion.”

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## FINANCIAL INFORMATION

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### ***Research and Development Expenses***

Our research and development expenses increased significantly from RMB20.7 million in the five months ended May 31, 2020 to RMB47.3 million in the five months ended May 31, 2021, primarily due to the increased number of our research and development staff supporting our technology innovation such as developing and upgrading the order grouping algorithm, as well as the development of our Fengshi business.

### ***Administrative Expenses***

Our administrative expenses increased by 62.4% from RMB133.3 million in the five months ended May 31, 2020 to RMB216.3 million in the five months ended May 31, 2021, primarily due to an increase in the number of administrative staff to suit our business expansion need.

### ***Other Income***

Our other income increased by 66.7% from RMB6.7 million in the five months ended May 31, 2020 to RMB11.2 million in the five months ended May 31, 2021, primarily due to an increase in government grants in accordance with the applicable tax policy in our industry, driven by our revenue growth.

### ***Finance Income and Costs***

We had net finance income of RMB0.2 million in the five months ended May 31, 2021, compared to net finance costs of RMB12.9 million in the five months ended May 31, 2020, primarily due to a decrease in our interest expenses resulting from our repayment of borrowings.

### ***Income Tax Credit***

We did not have income tax credit in the five months ended May 31, 2021, as compared to our income tax credit of RMB26.5 million in the five months ended May 31, 2020, because no provision for deferred income tax was made in the five months ended May 31, 2021.

### ***Loss for The Period***

As a result of the foregoing, our total loss for the period increased by 64.0% from RMB215.2 million in the five months ended May 31, 2020 to RMB352.9 million in the five months ended May 31, 2021.

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## FINANCIAL INFORMATION

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### 2020 Compared to 2019

#### *Revenue*

Our total revenue increased significantly from RMB2,107.0 million in 2019 to RMB4,843.4 million in 2020, primarily due to an increase in the order volume of intra-city on-demand delivery services from 211.1 million in 2019 to 760.9 million in 2020, partially offset by a decrease in average service fee per order. The increase in order volume was primarily attributable to: (i) expansion into new service scenarios and penetration of existing ones; (ii) expansion of our geographical network; and (iii) the increasing customer demand during the COVID-19 pandemic. Our expansion in terms of service scenario and geographical coverage was supported by both our expanded and diverse rider pool and technology enhancement. The decrease in average service fee per order was primarily due to a significant increase in order volume for our last-mile delivery service which is typically priced competitively for large volume and lower fulfillment costs.

#### *Cost of Revenue, Gross Loss and Gross Loss Margin*

Our cost of revenue increased significantly from RMB2,443.2 million in 2019 to RMB5,031.9 million in 2020, corresponding to our revenue growth during the same period.

Our gross loss decreased by 43.9% from RMB336.2 million in 2019 to RMB188.5 million in 2020. Our gross loss margin decreased from 16.0% in 2019 to 3.9% in 2020, primarily due to a decrease in average fulfillment cost per order, resulting from: (i) economies of scale; (ii) changes in order mix, partially due to larger volume for the last-mile delivery service; (iii) additional operational efficiency improvement brought about by enhanced technology capabilities; and (iv) optimized mix of rider groups.

#### *Selling and Marketing Expenses*

Our selling and marketing expenses increased significantly from RMB33.7 million in 2019 to RMB111.0 million in 2020, primarily as a result of our increasing efforts on marketing and promotion: (i) we enlarged both our in-house and outsourced marketing and business development teams; and (ii) we continue to enhance our customer services. See “Business – Marketing and Promotion.”

#### *Research and Development Expenses*

Our research and development expenses increased significantly from RMB4.3 million in 2019 to RMB69.4 million in 2020, primarily because: (i) we capitalized more employee benefit expenses relating to research and development in 2019 than in 2020, due to the ongoing development and upgrade of our CLS; (ii) the number of research and development staff increased significantly in 2020 to support technology innovation. See “Business – Technology Infrastructure.”

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## FINANCIAL INFORMATION

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### *Administrative Expenses*

Our administrative expenses increased significantly from RMB203.9 million in 2019 to RMB418.0 million in 2020, primarily due to: (i) an increase in salaries, wages and bonuses to our administrative staff as a result of an increasing number of administrative staff to suit our business expansion need; and (ii) our share-based compensation expenses, see Note 9 of Appendix I to this prospectus.

### *Other Income*

Our other income increased significantly from RMB7.2 million in 2019 to RMB18.1 million in 2020, primarily due to an increase in government grants in accordance with applicable tax policy in our industry, driven by our revenue growth.

### *Finance Income and Costs*

Our net finance costs increased by 56.8% from RMB9.5 million in 2019 to RMB14.9 million in 2020, primarily due to an increase in the interest expenses of borrowings.

### *Income Tax Credit*

Our income tax credit decreased by 76.6% from RMB113.2 million in 2019 to RMB26.5 million in 2020, primarily because we had less provision for deferred income tax assets in 2020 compared to 2019.

### *Loss for The Year*

As a result of the foregoing, our total loss for the year increased by 61.3% from RMB469.8 million in 2019 to RMB757.7 million in 2020.

## **2019 Compared to 2018**

### *Revenue*

Our total revenue increased significantly from RMB993.3 million in 2018 to RMB2,107.0 million in 2019, primarily due to an increase in the order volume from 79.8 million in 2018 to 211.1 million in 2019. The increase was primarily attributable to: (i) further scale up sales initiatives targeting small- to medium-sized merchants and consumers; and (ii) expansion into new service scenarios and penetration of existing ones. Our expansion in terms of service scenarios was supported both by our expanded and diverse rider pool and technology enhancement.

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## FINANCIAL INFORMATION

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### ***Cost of Revenue, Gross Loss and Gross Loss Margin***

Our cost of revenue increased significantly from RMB1,224.6 million in 2018 to RMB2,443.2 million in 2019, corresponding to our revenue growth during the same period.

As a result of foregoing, our gross loss increased by 45.3% from RMB231.4 million in 2018 to RMB336.2 million in 2019. Our gross loss margin decreased from 23.3% in 2018 to 16.0% in 2019, primarily due to: (i) economies of scale; (ii) additional operational efficiency improvement brought about by enhanced technology capabilities; and (iii) optimized mix of rider groups.

### ***Selling and Marketing Expenses***

Our selling and marketing expenses increased significantly from RMB12.2 million in 2018 to RMB33.7 million in 2019, primarily as a result of our increasing efforts on marketing and promotion, especially on social media platforms. See “Business – Marketing and Promotion.”

### ***Research and Development Expense***

Our research and development expense increased by 30.2% from RMB3.3 million in 2018 to RMB4.3 million in 2019 relating to our continuous efforts on improvement of our CLS.

### ***Administrative Expenses***

Our administrative expenses increased by 78.6% from RMB114.1 million in 2018 to RMB203.9 million in 2019, primarily due to: (i) an increase in employee benefit expenses relating to the increase in the number of administrative staff for our business development; and (ii) an increase of professional service fees for our equity financing in 2019.

### ***Other Income***

We had other income of RMB7.2 million in 2019, substantially all of which was government grants.

### ***Finance Income and Costs***

Our net finance costs were RMB9.5 million in 2019, mainly representing interest expenses of borrowings.

## FINANCIAL INFORMATION

### *Income Tax Credit*

Our income tax credit increased significantly from RMB33.2 million in 2018 to RMB113.2 million in 2019, primarily because we had deferred income tax assets of RMB114.5 million in 2019. For details of the recognition of the deferred income tax assets, see Notes 2.17.2 and 12 of Appendix I to this prospectus.

### *Loss for the Year*

As a result of the foregoing, our total loss for the year increased by 43.1% from RMB328.4 million in 2018 to RMB469.8 million in 2019.

## DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets out selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Total non-current assets	61,001	246,883	326,489	344,249
Total current assets	161,347	691,976	1,087,031	2,332,076
<b>Total assets</b>	<u>222,348</u>	<u>938,859</u>	<u>1,413,520</u>	<u>2,676,325</u>
Total non-current liabilities	–	18,467	25,714	28,591
Total current liabilities	754,344	1,036,779	1,022,342	748,315
<b>Total liabilities</b>	<u>754,344</u>	<u>1,055,246</u>	<u>1,048,056</u>	<u>776,906</u>
<b>Net (liabilities)/assets</b>	<u>(531,996)</u>	<u>(116,387)</u>	<u>365,464</u>	<u>1,899,419</u>
<b>Total (deficits)/equity and liabilities</b>	<u>222,348</u>	<u>938,859</u>	<u>1,413,520</u>	<u>2,676,325</u>
<b>Net current (liabilities)/assets</b>	<u>(592,997)</u>	<u>(344,803)</u>	<u>64,689</u>	<u>1,583,761</u>



## FINANCIAL INFORMATION

### Non-current Assets and Liabilities

The following table sets out our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Non-current assets				
Financial assets at fair value				
through other				
comprehensive income	–	–	3,000	3,000
Property, plant and equipment	4,065	4,989	11,306	14,857
Intangible assets	56,936	102,289	135,797	144,433
Right-of-use assets	–	25,153	36,031	41,604
Deferred income tax assets	–	114,452	140,355	140,355
<b>Total non-current assets</b>	<b>61,001</b>	<b>246,883</b>	<b>326,489</b>	<b>344,249</b>
<b>Non-current liabilities</b>				
Lease liabilities	–	18,467	25,714	28,591
<b>Total non-current liabilities</b>	<b>–</b>	<b>18,467</b>	<b>25,714</b>	<b>28,591</b>
<b>Net non-current assets</b>	<b>61,001</b>	<b>228,416</b>	<b>300,775</b>	<b>315,658</b>

### Intangible Assets

Our intangible assets represent our software systems for our business operation. Our intangible assets increased by 79.7% from RMB56.9 million as of December 31, 2018 to RMB102.3 million as of December 31, 2019, mainly related to our continuous upgrades and the functions development of the CLS. Our intangible assets increased by 32.8% from RMB102.3 million as of December 31, 2019 to RMB135.8 million as of December 31, 2020, primarily relating to our self-developed software systems. Our intangible assets remained relatively stable as of December 31, 2020 and May 31, 2021, being RMB135.8 million and RMB144.4 million, respectively. The costs for acquired and self-developed software are amortized using the straight-line method over their estimated useful lives of five years. See Note 2.6 of Appendix I to this prospectus.

## FINANCIAL INFORMATION

### ***Right-of-use Assets***

Our right-of-use assets are for the leases of properties. Our daily operations were conducted in the office buildings of SF Holding Group in 2018 and we did not have right-of-use assets as of December 31, 2018 because, prior to the incorporation of our Company and the completion of the Reorganization, the Listing Business has not operated as a separate legal entity and related rental expenses have been recorded in profit or loss directly. Our right-of-use assets increased by 43.2% from RMB25.2 million as of December 31, 2019 to RMB36.0 million as of December 31, 2020, reflecting an increase in the number of leased properties to meet our business expansion needs. Our right-of-use assets increased by 15.5% from RMB36.0 million as of December 31, 2020 to RMB41.6 million as of May 31, 2021, reflecting an increase in our long-term leases to meet our business expansion needs.

### **Current Assets and Liabilities**

The following table sets out our current assets and liabilities as of the dates indicated:

	<b>As of December 31,</b>			<b>As of</b>	<b>As of</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>May 31, 2021</b>	<b>September 30, 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
<b>Current assets</b>					
Inventories	–	–	6,819	4,463	7,755
Trade receivables	161,347	406,300	678,363	642,525	723,868
Other receivables and prepayments	–	18,622	71,176	113,577	150,814
Amounts due from related parties	–	147,768	67,205	162,311	71,068
Loans to related parties	–	48,000	–	400,398	–
Cash and cash equivalents	–	71,286	263,468	1,008,802	1,227,166
<b>Total current assets</b>	<u>161,347</u>	<u>691,976</u>	<u>1,087,031</u>	<u>2,332,076</u>	<u>2,180,671</u>
<b>Current liabilities</b>					
Trade payables	116,522	241,802	371,635	399,644	377,346
Other payables and accruals	51,513	100,735	231,570	254,745	260,251
Amounts due to related parties	586,203	112,540	19,501	38,405	16,562
Current income tax liabilities	–	1,295	–	–	2,511
Contract liabilities	106	6,048	21,847	39,638	51,163
Lease liabilities	–	7,959	10,709	15,883	16,206
Borrowings	–	566,400	367,080	–	–
<b>Total current liabilities</b>	<u>754,344</u>	<u>1,036,779</u>	<u>1,022,342</u>	<u>748,315</u>	<u>724,039</u>
<b>Net current (liabilities)/assets</b>	<u>(592,997)</u>	<u>(344,803)</u>	<u>64,689</u>	<u>1,583,761</u>	<u>1,456,632</u>

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## FINANCIAL INFORMATION

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Our net current liabilities decreased from RMB593.0 million as of December 31, 2018 to RMB344.8 million as of December 31, 2019, primarily due to: (i) an increase in trade receivables; (ii) the increase in amounts due from related parties; and (iii) a decrease in amounts due to related parties; partially offset by an increase in borrowings.

Compared with our net current liabilities of RMB344.8 million as of December 31, 2019, our net current assets were RMB64.7 million as of December 31, 2020, primarily due to: (i) an increase in trade receivables; (ii) an increase in cash and cash equivalents; (iii) a decrease in amounts due to related parties; and (iv) a decrease in borrowings; partially offset by: (i) an increase in trade payables; and (ii) an increase in other payables and accruals.

Our net current assets increased from RMB64.7 million as of December 31, 2020 to RMB1,583.8 million as of May 31, 2021, primarily due to: (i) an increase in our cash and cash equivalents in relation to fundraising from Series B Pre-IPO Investments; and (ii) the repayment of outstanding borrowings.

Our net current assets decreased from RMB1,583.8 million as of May 31, 2021 to RMB1,456.6 million as of September 30, 2021, primarily due to: (i) a decrease in our amounts due from related parties; and (ii) a decrease in our loans to related parties; partially offset by an increase in our cash and cash equivalents.

### ***Trade Receivables***

We had net trade receivables of RMB161.3 million, RMB406.3 million, RMB678.4 million and RMB642.5 million, respectively, as of December 31, 2018, 2019 and 2020 and May 31, 2021. Our net trade receivables increased significantly from RMB161.3 million as of December 31, 2018 to RMB406.3 million as of December 31, 2019, mainly due to a significant increase in trade receivables from third parties, corresponding to our revenue growth during the same period. Our net trade receivables increased by 67.0% from RMB406.3 million as of December 31, 2019 to RMB678.4 million as of December 31, 2020, mainly due to a significant increase in trade receivables from related parties reflecting the growth of our last-mile delivery service in 2020. Despite the revenue growth, our net trade receivables remained relatively stable as of December 31, 2020 and May 31, 2021, being RMB678.4 million and RMB642.5 million, respectively, primarily due to our enhanced debt collection efforts. See “Connected Transactions – Non-exempt Continuing Connected Transactions.”

## FINANCIAL INFORMATION

The following table sets out a breakdown of our trade receivables as of the date indicated:

	As of December 31,			As of
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
Trade receivables				
– third parties	160,116	348,221	359,404	372,658
– related parties	2,042	60,628	320,956	272,388
Loss allowance	(811)	(2,549)	(1,997)	(2,521)
<b>Trade receivables, net</b>	<b>161,347</b>	<b>406,300</b>	<b>678,363</b>	<b>642,525</b>

Our trading terms with some of our customers are on credit. We generally grant a credit period of 15 days to 90 days. Trade receivables are generally settled in accordance with the terms of the respective contracts. The following table sets out an aging analysis of our trade receivables based on the invoice dates as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
Within 30 days	120,645	298,584	547,630	451,331
– related parties	1,847	36,046	301,765	195,515
– third parties	118,798	262,538	245,865	255,816
30 to 180 days	41,364	109,082	132,730	193,715
– related parties	195	23,959	19,191	76,873
– third parties	41,169	85,123	113,539	116,842
Over 180 days	149	1,183	–	–
– related parties	–	623	–	–
– third parties	149	560	–	–
	<b>162,158</b>	<b>408,849</b>	<b>680,360</b>	<b>645,046</b>

## FINANCIAL INFORMATION

The following table sets out our trade receivables turnover days for the periods indicated:

	Years ended December 31,			Five months ended May 31,
	2018	2019	2020	2021
Trade receivables turnover days <sup>(1)</sup>	59	70	51	32
Trade receivables turnover days for related parties	37	80	72	35
Trade receivables turnover days for third parties	60	69	41	30

*Note:*

- (1) Trade receivables turnover days equals to ending balance of trade receivables divided by revenue of the year and multiplied by 365 days. For the five months ended May 31, 2021, the trade receivables turnover days equals to the ending balance of trade receivables divided by revenue of the five months and multiplied by 151 days.

Substantially all of our trade receivables, being 99.9%, 99.7%, 100% and 100% as of December 31, 2018, 2019 and 2020 and May 31, 2021, respectively, were aged within 180 days. The majority of our trade receivables were settled within the credit term of 15 days to 90 days granted to our customers, and the historical amounts of trade receivables written off as uncollectible during the Track Record Period were immaterial. See Note 20(b) of Appendix I to this prospectus. Our management makes periodic overall assessments as well as individual assessments on the recoverability of trade receivables based on historical settlement records and past experience. The trade receivables turnover days for related parties are generally longer than those for third parties, because we commonly grant longer credit terms to related parties after considering our relationship and past experience with them and their historical settlement records. Based on the low default of trade receivables during the Track Record Period, we are of the view that the credit risk of trade receivables is low as our customers have demonstrated strong capabilities to meet their contractual obligations.

In 2018, 2019, 2020 and the five months ended May 31, 2021, our trade receivables turnover days were 59 days, 70 days, 51 days and 32 days, respectively. We had longer average turnover days of trade receivables in 2019 than in 2018, primarily due to slowing down of debt collection efforts while we were transitioning to our own settlement system in 2019. Our average turnover days decreased from 70 days in 2019 to 51 days in 2020, and further decreased to 32 days in the five months ended May 31, 2021, primarily due to: (i) our enhanced debt collection efforts using a dedicated team; and (ii) more stringent credit terms resulting from enhanced relationships with our customers.

Approximately RMB642.2 million, or 99.6%, of our trade receivables as of May 31, 2021 had been settled as of September 30, 2021, of which RMB271.8 million and RMB370.4 million were attributable to related parties and Independent Third Parties, respectively.

## FINANCIAL INFORMATION

### *Other Receivables and Prepayments*

Our other receivables and prepayments primarily consist of: (i) value-added tax recoverable; and (ii) prepayment to suppliers. We did not have value-added tax recoverable as of December 31, 2018 because the Listing Business was operated by other subsidiaries of SF Holding before the Reorganization, and the benefits from value-added tax recoverable incurred prior to February 28, 2019 were available for utilization by other subsidiaries controlled by SF Holding. Therefore, the value-added tax recoverable is accounted for as a deemed distribution to the controlling party. We did not have prepayments to suppliers as of December 31, 2018 because the net cash used in operating activities of the Listing Business are deemed as immediately having been paid by other subsidiaries of SF Holding and thus was recorded as an amount due to related parties in the consolidated statements of financial position as of December 31, 2018. Our other receivables and prepayments increased significantly from RMB18.6 million as of December 31, 2019 to RMB71.2 million as of December 31, 2020, primarily due to an increase in value added tax recoverable as a result of the rapid growth of our business. Our other receivables and prepayments increased by 59.6% from RMB71.2 million as of December 31, 2020 to RMB113.6 million as of May 31, 2021, primarily due to an increase in value-added tax recoverable, as well as an increase in payments on behalf of platform users, both as results of the rapid growth of our business.

The following table sets out a breakdown of our other receivables and prepayments as of the dates indicated:

	<b>As of December 31,</b>	<b>As of</b>
	<b>2018</b>	<b>May 31,</b>
	<b>2019</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Other receivables		
– Value-added tax recoverable	–	8,277
– Payments on behalf of platform users	–	3,437
– Deposits paid	–	1,365
– Advances to employees	–	2,799
– Prepaid social insurance premium	–	336
– Others	–	870
	<u>–</u>	<u>13,647</u>
		64,080
		<u>97,057</u>
Prepayments of listing expenses	–	–
Prepayments to suppliers	–	5,002
	<u>–</u>	<u>7,208</u>
		7,208
		<u>16,658</u>
– Less: allowance for other receivables	–	(27)
	<u>–</u>	<u>(112)</u>
		(138)
<b>Total</b>	<u>–</u>	<u>18,622</u>
		<u>71,176</u>
		<u>113,577</u>

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## FINANCIAL INFORMATION

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### *Amounts due from Related Parties*

We did not have amounts due from related parties as of December 31, 2018 because the Listing Business was operated by other subsidiaries of SF Holding before the Reorganization, and the net cash used in operating activities of the Listing Business is deemed as immediately having been paid by other subsidiaries of SF Holding and thus was recorded as an amount due to related parties in the consolidated statements of financial position as of December 31, 2018. Our amounts due from related parties decreased by 54.5% from RMB147.8 million as of December 31, 2019 to RMB67.2 million as of December 31, 2020, because we started to collect delivery fees directly from third-party online payment channels in 2020, instead of via SF Holding Group. Despite the collection of delivery fees from third-party online payment channels, our amounts due from related parties still increased significantly from RMB67.2 million as of December 31, 2020 to RMB162.3 million as of May 31, 2021, primarily due to our business growth and resulting increasing payments collected from Cash Customers passing through SF Holding's Online Access Channels. See "Connected Transactions – Exempt Continuing Connected Transaction – 2. Fund Collection Service Framework Agreement." Our amounts due from related parties as of May 31, 2021 will be settled before Listing. We expect to continue to receive such services from SF Holding and/or its associates from time to time under and pursuant to the Fund Collection Service Framework Agreement after Listing. These amounts were unsecured, interest-free, collectible on demand, and were denominated in RMB for each of the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2021.

### *Loans to Related Parties*

Our loans to related parties were non-trade related loans to subsidiaries of SF Holding. We had loans to related parties of nil, RMB48.0 million, nil and RMB400.4 million as of December 31, 2018, 2019 and 2020 and May 31, 2021, respectively. Loans to related parties were unsecured, bearing interest at 4.35% per annum with a term of one year as of December 31, 2019. Loans to related parties were unsecured, bearing interest at 3.3% per annum as of May 31, 2021, which will be repaid before listing. As advised by our PRC Legal Advisor, our loans to related parties are in compliance with applicable PRC laws and regulations during the Track Record Period.

### *Trade Payables*

Our trade payables primarily represent outsourcing cost payable. Our trade payables increased significantly from RMB116.5 million as of December 31, 2018 to RMB241.8 million as of December 31, 2019, mainly due to increases in trade payables to related parties and outsourcing cost payable, reflecting our strong business growth in the same period. Our trade payables further increased by 53.7% from RMB241.8 million as of December 31, 2019 to RMB371.6 million as of December 31, 2020, and by 7.5% from RMB371.6 million as of December 31, 2020 to RMB399.6 million as of May 31, 2021, primarily due to increases in our outsourcing cost payable to support our business growth.

## FINANCIAL INFORMATION

The following table sets out a breakdown of our trade payables as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Outsourcing cost payable	113,587	152,359	344,070	368,935
Trade payables to related parties	2,935	89,443	27,565	30,709
<b>Total</b>	<b>116,522</b>	<b>241,802</b>	<b>371,635</b>	<b>399,644</b>

The credit period of our trade payables is mainly less than three months. The following table sets out an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Within three months	116,522	205,485	370,741	395,629
Three months to one year	–	36,317	894	4,015
<b>Total</b>	<b>116,522</b>	<b>241,802</b>	<b>371,635</b>	<b>399,644</b>

The following table sets out our trade payables turnover days for the periods indicated:

	Years ended December 31,			Five months ended
	2018	2019	2020	May 31,
				2021
Trade payables turnover days	35	36	27	20

*Notes:* Trade payables turnover days equals to ending balance of trade payables divided by cost of revenue of the year and multiplied by 365 days. For the five months ended May 31, 2021, the trade payables turnover days equals to the ending balance of trade payables divided by cost of revenue of the five months and multiplied by 151 days.

Approximately RMB373.9 million, or 93.6%, of our trade payables as of May 31, 2021 had been settled as of September 30, 2021.



## FINANCIAL INFORMATION

In 2018, 2019, 2020 and the five months ended May 31, 2021, our trade payables turnover days were 35 days, 36 days, 27 days and 20 days, respectively. Our average turnover days decreased from 36 days in 2019 to 27 days in 2020, and further decreased to 20 days in the five months ended May 31, 2021, primarily due to our optimized payment settlement process to strategically enhance our suppliers' loyalty.

### *Other Payables and Accruals*

Our other payables and accruals primarily consist of: (i) accrued salaries, wage and bonus of our staff; and (ii) deposits received and payables, primarily representing deposits required by our platform for registration, which the riders are required to pay when first registering with the platform. Our other payables and accruals increased by 95.6% from RMB51.5 million as of December 31, 2018 to RMB100.7 million as of December 31, 2019, primarily due to an increase in the accrued salaries, wages and bonuses as a result of the increasing staff numbers needed to meet our business growth need. Our other payables and accruals increased significantly from RMB100.7 million as of December 31, 2019 to RMB231.6 million as of December 31, 2020, primarily due to a significant growth of deposits received and payables, reflecting the enlarged rider pool. Our other payables and accruals increased by 10.0% from RMB231.6 million as of December 31, 2020 to RMB254.7 million as of May 31, 2021, primarily due to: (i) increases in our accrued professional service expenses and listing expenses, in line with our listing progress; and (ii) an increase in deposits received, as a result of increasing registration with our platform.

The following table sets out our trade payables as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Accrued salaries, wage and bonus	50,094	78,492	99,773	107,635
Deposits received	—	10,874	52,152	66,890
Refundable advance	—	6,298	33,624	—
Temporary receipts	—	305	26,607	37,898
Other tax payable	—	2,877	8,970	7,450
Accrued professional service expenses and listing expenses	—	—	8,228	24,856
Payables for assets purchases	—	60	1,517	6,989
Others	1,419	1,829	699	3,027
<b>Total</b>	<b>51,513</b>	<b>100,735</b>	<b>231,570</b>	<b>254,745</b>

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## FINANCIAL INFORMATION

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### *Amounts due to Related Parties*

Our amounts due to related parties decreased significantly from RMB586.2 million as of December 31, 2018 to RMB112.5 million as of December 31, 2019, primarily because the Listing Business was operated by other subsidiaries of SF Holding before the Reorganization, and the net cash used in operating activities of the Listing Business are deemed as immediately having been paid by other subsidiaries of SF Holding and thus was recorded as an amount due to related parties in the consolidated statements of financial position as of December 31, 2018. As the transfer of the Listing Business from entities controlled by SF Holding to the Group effective on March 1, 2019 did not include the above amounts due to related parties, the reduction of the amounts due to related parties which resulted from the above business transfer is accounted for as a deemed contribution from the controlling party and recorded as other reserves in the consolidated statements of financial position as of December 31, 2019. Our amounts due to related parties decreased by 82.7% from RMB112.5 million as of December 31, 2019 to RMB19.5 million as of December 31, 2020, because we settled the outstanding balance for the CLS with our related parties in 2020. Our amounts due to related parties increased by 96.9% from RMB19.5 million as of December 31, 2020 to RMB38.4 million as of May 31, 2021, primarily due to the amounts to be paid to SF Holding and/or its subsidiaries for purchasing certain customized research and development services during our ordinary course of business, see “Connected Transactions – Non-Exempt Continuing Connected Transaction – 4. Comprehensive Service Purchasing Framework Agreement.” Our amounts due to related parties as of May 31, 2021 will be settled before Listing. We expect to continue to purchase such services from SF Holding and/or its associates from time to time under and pursuant to the Comprehensive Service Purchasing Framework Agreement after Listing. These amounts were unsecured, interest-free, repayable on demand, and were denominated in RMB for each of the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2021.

### *Contract Liabilities*

Our contract liabilities were advance from customers for our intra-city on-demand delivery services. Our contract liabilities increased from RMB0.1 million as of December 31, 2018 to RMB6.0 million as of December 31, 2019, then to RMB21.8 million as of December 31, 2020, and further to RMB39.6 million as of May 31, 2021, primarily due to an increasing demand for our services.

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## FINANCIAL INFORMATION

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### KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
				2020	
				(Unaudited)	
Revenue growth (%)	N/A	112.1	129.9	N/A	113.1
Gross loss margin <sup>(1)</sup>					
(%)	(23.3)	(16.0)	(3.9)	(4.1)	(0.9)
Net loss margin <sup>(2)</sup>					
(%)	(33.1)	(22.3)	(15.6)	(15.1)	(11.6)
Non-IFRS measure:					
adjusted net loss					
margin <sup>(3)</sup> (%)	(33.1)	(21.7)	(12.5)	(12.4)	(9.8)

*Notes:*

- (1) Gross loss margin equals gross loss for the year/period divided by revenue for the year/period and multiplied by 100%.
- (2) Net loss margin equals net loss for the year/period divided by revenue for the year/period and multiplied by 100%.
- (3) Adjusted net loss margin (non-IFRS measure) equals adjusted net loss (non-IFRS measure) for the year/period divided by revenue for the year/period and multiplied by 100%.

See “– Description of Major Components of Our Results of Operations.”

### LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from equity financing and borrowings from SF Holding Group.

As of December 31, 2018, we did not have cash and cash equivalents, because the Listing Business was operated by other subsidiaries controlled by SF Holding before the Reorganization and it did not maintain separate bank accounts. As of December 31, 2019, and 2020 and May 31, 2021, we had cash and cash equivalents of RMB71.3 million, RMB263.5 million and RMB1,008.8 million, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash and cash equivalents, internally generated funds and the estimated net proceeds received from the Global Offering.

## FINANCIAL INFORMATION

### Cash Flow

The following table sets out our cash flows for the periods indicated:

	Year ended December 31,			Five months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Operating cash flows before changes in working capital	(352,814)	(534,906)	(571,697)	(174,396)	(269,158)
Changes in working capital	(13,695)	(121,789)	5,949	54,393	(19,228)
Interest received	–	751	2,978	915	6,617
Income tax paid	–	–	(685)	(685)	–
Net cash used in operating activities	(366,509)	(655,944)	(563,455)	(119,773)	(281,715)
Net cash used in investing activities	(57,778)	(115,958)	(28,417)	(20,255)	(426,687)
Net cash generated from financing activities	424,287	843,188	784,054	278,750	1,453,736
Net increase in cash and cash equivalents	–	71,286	192,182	138,722	745,334
Cash and cash equivalents at the beginning of the year/period	–	–	71,286	71,286	263,468
Cash and cash equivalents at the end of the year/period	–	71,286	263,468	210,008	1,008,802

### *Net Cash Used in Operating Activities*

Net cash used in operating activities primarily comprises our loss before income tax for the period adjusted by: (i) non-cash and non-operating items; and (ii) changes in working capital. We had negative cash flows from our operating activities during the Track Record Period, primarily due to our continuous investment in our business development and customer

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## FINANCIAL INFORMATION

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acquisition, technology advancement and expansion of general business supporting team. We expect our net operating cash outflows position to improve concurrently with our profitability as we outgrow the early development stage, mainly through the following measures:

- (i) expanding customer base and order volume by further deepening penetration into existing service scenarios and expanding into new service scenarios and geographic regions. The expansion of our business has led to a revenue growth at a CAGR of 120.8% from 2018 to 2020, thus contributing to growth of our cash inflow from operating activities;
- (ii) narrowing gross loss and gross loss margin by increasing economies of scale, optimizing order structure, enhancing technology capabilities and increasing volume mix of orders fulfilled by crowd-sourced riders who are engaged as our non-full-time contractors through outsourcing firms, see “Business – Our Service Network And Riders – Our Rider Pool.” All these measures are expected to help our cash inflow from operating activities attributable to revenue to offset and finally outgrow the cash outflow in relation to cost of revenue. During the Track Record Period, our gross loss margin narrowed from 23.3% in 2018 to 3.9% in 2020, and further to 0.9% in the five months ended May 31, 2021; and
- (iii) enhancing operating leverage by reducing administrative expenses and research and development expenses as a percentage of revenue as our business scale expands, thus alleviating the pace of cash outflow in relation to the operating expenses, compared to the cash inflow from operating activities attributable to revenue.

For detailed strategies and measures we plan to take to achieve long-term profitability, see “– Business Sustainability.”

We also expect to improve our cash flow position by continuous enhancement of our working capital efficiency. Our trade receivables turnover days improved from 59 days in 2018 to 32 days in the five months ended May 31, 2021, primarily due to (i) our enhanced debt collection efforts using a dedicated team; and (ii) more stringent credit terms resulting from enhanced relationships with our customers. We plan to continue to enhance our working capital management through (i) further strengthened receivables collection efforts through dedicated team, and (ii) further negotiation of stringent credit terms as we create more values for our customers.

In the five months ended May 31, 2021, our net cash used in operating activities was RMB281.7 million, which was primarily attributable to our loss before income tax of RMB352.9 million, as adjusted by: (i) non-cash and non-operating items, primarily comprising share-based compensation expenses of RMB55.5 million and amortization of intangible assets of RMB17.8 million; and (ii) changes in working capital, which primarily comprised the increase in trade and other payables and contract liabilities of RMB82.4 million, and such cash inflow was partially offset by the increase in trade receivables, other receivables and prepayments of RMB104.0 million.

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## FINANCIAL INFORMATION

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In 2020, our net cash used in operating activities was RMB563.5 million, which was primarily attributable to our loss before income tax of RMB784.2 million, as adjusted by: (i) the non-cash and non-operating items, primarily comprising share-based compensation expenses of RMB152.7 million and amortization of intangible assets of RMB33.8 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables, and contract liabilities of RMB257.7 million, and such cash inflow was partially offset by an increase in trade receivables, other receivables and prepayments of RMB244.9 million.

In 2019, our net cash used in operating activities was RMB655.9 million, which was primarily attributable to our loss before income tax of RMB583.0 million, as adjusted by: (i) the non-cash and non-operating items, primarily comprising amortization of intangible assets of RMB20.7 million and share-based compensation expense of RMB11.7 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables, and contract liabilities of RMB292.2 million, and such cash inflow was partially offset by an increase in trade receivables, other receivables and prepayments of RMB414.0 million.

In 2018, our net cash used in operating activities was RMB366.5 million, which was primarily attributable to our loss before income tax of RMB361.6 million, as adjusted by: (i) the non-cash and non-operating items, primarily amortization of intangible assets of RMB7.0 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables, and contract liabilities of RMB108.4 million, and such cash inflow was partially offset by an increase in trade receivables, other receivables and prepayments of RMB122.1 million.

### ***Net Cash Used in Investing Activities***

In the five months ended May 31, 2021, our net cash used in investing activities was RMB426.7 million, which was primarily attributable to the addition of intangible assets of RMB22.7 million and loans advanced to related parties of RMB400.0 million.

In 2020, our net cash used in investing activities was RMB28.4 million, which was primarily attributable to addition of intangible assets of RMB67.3 million, primarily offset by proceeds from settlement of loans advanced to related parties of RMB48.0 million.

In 2019, our net cash used in investing activities was RMB116.0 million, which was primarily attributable to addition of intangible assets of RMB66.1 million and loans advanced to related parties of RMB48.0 million.

In 2018, our net cash used in investing activities was RMB57.8 million, which was attributable to addition of intangible assets of RMB54.6 million and purchases of property, plant and equipment of RMB3.2 million.

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## FINANCIAL INFORMATION

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### *Net Cash Generated from Financing Activities*

In the five months ended May 31, 2021, our net cash generated from financing activities was RMB1,453.7 million, which was primarily attributable to capital injections from shareholders of RMB1,831.4 million, primarily offset by repayments of borrowings from financial institution of RMB409.0 million.

In 2020, our net cash generated from financing activities was RMB784.1 million, which was primarily attributable to capital injections from shareholders of RMB1,076.8 million and proceeds of borrowings from financial institution of RMB855.0 million, primarily offset by repayments of borrowings from financial institution of RMB1,054.3 million.

In 2019, our net cash generated from financing activities was RMB843.2 million, which was primarily attributable to proceeds of borrowings from financial institution of RMB879.4 million and capital injections from shareholders of RMB396.8 million, partially offset by repayments of borrowings from financial institution of RMB313.0 million.

In 2018, our net cash generated from financing activities was RMB424.3 million, which represented the cash inflow of advances from the controlling party prior to the Reorganization.

### **INDEBTEDNESS**

As of September 30, 2021, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB39.9 million. As of the same date, we did not have unutilized banking facilities.

We did not have any borrowings as of December 31, 2018 because the Listing Business had not operated as a separate legal entity. We had short-term and interest-bearing borrowings of RMB566.4 million and RMB367.1 million as of December 31, 2019 and 2020, respectively, from the financial institution operated by SF Holding Group, which were unsecured and repayable within one year. We have repaid such borrowings and, as of September 30, 2021, we did not have any borrowings. See Note 31 of the Appendix I of this prospectus. Our Directors confirm that, as of the Latest Practicable Date, there was no material covenant which would impact our ability to undertake additional debt financing. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach our covenants during the Track Record Period and up to the Latest Practicable Date.

We did not have any lease liabilities as of December 31, 2018 because the Listing Business had not operated as a separate legal entity. As of December 31, 2019, 2020 and May 31 and September 30, 2021, our current and non-current lease liabilities were RMB26.4 million, RMB36.4 million, RMB44.5 million and RMB39.9 million, respectively, relating to leases of properties.

## FINANCIAL INFORMATION

Except as disclosed above, during the Track Record Period and up to September 30, 2021, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), or acceptance credits, which were either guaranteed or unguaranteed, secured or unsecured on a consolidated basis.

### CONTINGENT LIABILITIES

As of December 31, 2018, 2019 and 2020 and as of May 31, 2021, we did not have any material contingent liabilities.

### CAPITAL COMMITMENTS

We did not have capital commitments as of December 31, 2018 and 2019. And our capital commitments as of December 31, 2020 and May 31, 2021 were mainly intangible assets and property, plant and equipment. See Note 35 of the Appendix I to this prospectus. The following table sets out our capital commitments as of the date indicated:

	<b>2018</b>	<b>As of December 31,</b>	<b>2020</b>	<b>As of</b>
	<b>RMB'000</b>	<b>2019</b>	<b>RMB'000</b>	<b>May 31,</b>
		<b>RMB'000</b>		<b>2021</b>
			<b>RMB'000</b>	<b>RMB'000</b>
Intangible assets	–	–	4,818	1,340
Property, plant and equipment	–	–	3,284	–
<b>Total</b>	<u>–</u>	<u>–</u>	<u>8,102</u>	<u>1,340</u>

### CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated:

	<b>Year ended December 31,</b>		<b>Five months ended</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>May 31,</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>2021</b>
			<b>RMB'000</b>	<b>RMB'000</b>
Payment for intangible assets	54,620	66,102	67,324	17,880
Payment for property, plant and equipment	3,158	2,869	9,876	3,420
<b>Total</b>	<u>57,778</u>	<u>68,971</u>	<u>77,200</u>	<u>21,300</u>
				<u>32,321</u>



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## FINANCIAL INFORMATION

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Our capital expenditures in 2018, 2019, 2020 and the five months ended May 31, 2021 were RMB57.8 million, RMB69.0 million, RMB77.2 million and RMB32.3 million, respectively, primarily attributable to payment for intangible assets. We funded our capital expenditure requirements during the Track Record Period mainly with equity financing.

We intend to fund our future capital expenditures and long-term investments with our proceeds from equity financing, borrowings and net proceeds received from the Global Offering. See “Future Plans and Use of Proceeds.” We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

### MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 34 of Appendix I to this prospectus.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s-length basis, and they did not distort our results of operations or make our historical results unreflective of our future performance.

### FINANCIAL RISK DISCLOSURE

We have adopted a risk management program focused on minimizing potential adverse effects of the unpredictability of financial markets as we are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. See Note 3.1 of Appendix I to this prospectus.

#### Financial Risk Factors

##### *Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks, which arise from foreign exchange rates and cash flow and fair value interest rate.

##### *Foreign Exchange Risk*

As of December 31, 2018, 2019 and 2020 and May 31, 2021, we have no significant exposure to foreign exchange risk, as substantially all of our operating activities are carried out in the PRC, with most of the transactions denominated in RMB.

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## FINANCIAL INFORMATION

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### *Cash Flow and Fair Value Interest Rate Risk*

As of December 31, 2018, 2019 and 2020 and May 31, 2021, we have no significant interest rate risk as we do not hold any long-term interest-bearing debt.

### *Credit Risk*

Credit risk refers to the risk that one party to a financial instrument cannot fulfill its obligations, and causes financial loss to the other party. We are exposed to credit risk in relation to our cash and cash equivalents, trade receivables and other receivables. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to financial assets.

### *Credit Risk Management*

We are exposed to credit risk in relation to our cash and cash equivalents, trade receivables, other receivables and amounts due from related parties. The carrying amounts of cash and cash equivalents, trade receivables, other receivables and amounts due from related parties represent our maximum exposure to credit risk in relation to financial assets. To manage this risk arising from cash and cash equivalents, we only transact with state-owned or reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions.

### *Expected Credit Loss*

We formulate the credit losses of cash and cash equivalents, trade receivables, and other receivables due from related parties using expected credit loss models according to IFRS 9 requirements.

For financial assets whose impairment losses are measured using the expected capital loss (“ECL”) model, we assess whether their credit risk has increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their impairment allowance and recognize their ECL.

### *Trade Receivables*

Our trade receivables consist of trade receivables from related parties and third parties. Given the strong financial capability of SF Holding Group and its subsidiaries, our management does not consider there is a risk of default and does not expect any losses from nonperformance by these related parties, and, accordingly, no impairment was recognized in respect of the amounts due from related parties. See Note 3.1.2(ii) of Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### Other Receivables Due From Related Parties

As of December 31, 2018, 2019 and 2020 and May 31, 2021, our management considered the credit risk of other receivables from third parties and other receivables from related parties to be low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. We have assessed that the expected credit losses for these other receivables from third parties and other receivables from related parties were minimal when assessed under the 12-months-expected-losses method. Therefore, the impairment loss allowance required for these balances was minimal.

### *Liquidity Risk*

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet our obligations as they become due.

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of our underlying businesses, we regularly monitor our liquidity risk to maintain adequate cash and cash equivalents to meet our liquidity requirements.

For the maturity profile of our financial liabilities, based on contractual maturity dates, see Note 3.1.3 of Appendix I to this prospectus.

### **DIVIDEND**

No dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period.

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. We currently do not have any fixed dividend pay-out ratio. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. As confirmed by our PRC Legal Adviser, according to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

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## FINANCIAL INFORMATION

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### WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that we possess sufficient working capital, including sufficient cash and liquidity assets, supplemented by strong fund-raising capabilities to meet our present requirements and for the next 12 months from the date of this prospectus, estimated based on our improving profitability conditions during the Track Record Period, taking into account the cash and cash equivalent on hand, internally generated funds, and the estimated net proceeds received from the Global Offering. Taking into account the above, as well as based on the written confirmation from the Company in respect of working capital sufficiency, review of the accountants' report, the financial due diligence conducted on the historical financial information of the Group during the Track Record Period and the discussion with the Directors, the Joint Sponsors concur with the Directors' view.

### DISTRIBUTABLE RESERVES

As of May 31, 2021, we had no distributable reserves.

### LISTING EXPENSES

Listing expenses consist of professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We expect to incur listing expenses of approximately HK\$125.7 million (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised), which accounts for approximately 5.6% of the gross proceeds from the Global Offering. We estimate the listing expenses to consist of approximately HK\$59.9 million in underwriting fees and HK\$65.8 million in non-underwriting fees. Among the total listing expenses, approximately HK\$91.2 million will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the Global Offering, and the remaining HK\$34.5 million will be expensed in our consolidated statements of comprehensive income. Our Directors do not expect such expenses to materially impact our results of operations in 2021.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to owners of our Company as of May 31, 2021 as if the Global Offering had taken place on that date.

## FINANCIAL INFORMATION

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets had the Global Offering been completed as of May 31, 2021 or at any future dates. Our unaudited pro forma statement of adjusted net tangible assets is based on our consolidated net tangible assets attributable to owners of our Company as of May 31, 2021 as set out in the Accountant's Report of our Company, the text of which is set out in Appendix I to the prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of our Company as of May 31, 2021 <i>(Note 1)</i> RMB'000	Estimated net proceeds from the Global Offering <i>(Note 2)</i> RMB'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company as of May 31, 2021 RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>(Note 3)</i> RMB	HK\$
Based on an Offer Price of HK\$16.42 per share	1,754,986	1,684,047	3,439,033	4.03	4.90
Based on an Offer Price of HK\$17.96 per share	1,754,986	1,845,169	3,600,155	4.22	5.13

*Notes:*

- (1) Our audited consolidated net tangible assets attributable to the equity owners of our Company as of May 31, 2021 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity owners of our Company as of May 31, 2021 of RMB1,899,419,000 with adjustments for the intangible assets as of May 31, 2021 of RMB144,433,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$16.42 and HK\$17.96 per share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses and share issue costs of approximately RMB13.7 million which have been accounted for during the Track Record Period) payable by our Company and take no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by our Company pursuant to the general mandates.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 853,457,707 shares were in issue assuming that the Global Offering had been completed on May 31, 2021 but takes no account of the 80,000,000 shares to be issued and granted pursuant to the Pre-IPO Restricted Share Scheme subsequent to May 31, 2021, any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued and granted or repurchased by our Company pursuant to the general mandates.
- (4) The pro forma consolidated net tangible asset per share presented above has not taken into account the 80,000,000 shares to be issued and granted pursuant to the Pre-IPO Restricted Share Scheme subsequent to May 31, 2021.

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## FINANCIAL INFORMATION

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However, had such the 80,000,000 shares to be issued and granted pursuant to the Pre-IPO Restricted Share Scheme subsequent to May 31, 2021 been taken into account, such that 933,457,707 Shares were in issue immediately following the completion of the Global Offering, the unaudited pro forma adjusted consolidated net tangible assets per Share would have been RMB3.77 (equivalent to HK\$4.58) (based on the Offer Price of HK\$16.42 per Share) and RMB3.94 (equivalent to HK\$4.79) (based on the Offer Price of HK\$17.96 per Share), respectively. This does not take into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares that may be issued and granted or repurchased by the Company pursuant to the general mandates.

- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8223. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to May 31, 2021.

### NO MATERIAL ADVERSE CHANGE

Based on information available to our Directors, our business operations remained stable after the Track Record Period. Our revenue for the eight months ended August 31, 2021 was approximately 92% higher than our revenue for the same period in 2020, which was primarily attributable to the increase in our order volume. For the eight months ended August 31, 2021, our order volume increased by 118.5% as compared to the eight months ended August 31, 2020. After performing sufficient due diligence work which our Directors consider appropriate, and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since May 31, 2021, being the end date of the periods reported in Appendix I to this prospectus, and there is no event since May 31, 2021 that would materially affect the information as set out in the Accountant's Report in Appendix I to this prospectus.

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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## FUTURE PLANS AND USE OF PROCEEDS

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Assuming an Offer Price of HK\$17.19 per Share (being the mid-point of the Offer Price Range stated in this prospectus), we estimate that we will receive net proceeds of approximately HK\$2,129.3 million from the Global Offering after deducting the underwriting commission and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 35% of the net proceeds, or HK\$745.3 million (equivalent to approximately RMB612.8 million), is expected to be used for research and development and technology infrastructure. We plan to continuously optimize our system to improve our multi-scenario integrated rider scheduling, order recommendation and dispatching, and intelligent operation optimization. We also plan to strengthen our technology toolkits including big data analytics and AI, and recruit and retain research and development personnel to build a robust technology infrastructure to enhance our service quality and operational efficiency. See “Business – Technology Infrastructure.”
- o approximately 24.5% of the net proceeds, or HK\$521.7 million (equivalent to approximately RMB429.0 million), is expected to be used to further build up and strength our talent pool by incentivizing and retaining our research and development personnel, as well as attracting top experts, senior engineers and specialized talents in areas such as AI, big data and technology infrastructure. We expect to recruit approximately 200 such talents in the next three years.
- o approximately 10.5% of the net proceeds, or HK\$223.6 million (equivalent to approximately RMB183.8 million), is expected to be used to further build up and strengthen our technology infrastructure, which is expected to drive long-term service innovation. We plan to purchase advanced SaaS cloud solution, network security solutions (such as DDOS, WAF and server security solutions) and fundamental operating systems to improve the function and scale of our technology infrastructure. With the purchase of SaaS cloud solution, we can enjoy the latest features updated by the cloud vendors at any time without additional cost rather than going through costly upgrades and sometimes even complete redeployment. The purchase of SaaS cloud solution also affords us with flexible subscription options and easy access as it is subscribed based on business needs and does not require the conventional steps of installation, set-up and operation as required by service providers. In addition, we aim to continuously invest in: (i) developing and upgrading our intelligent order recommendation and dispatching system to improve our capacity in multi-scenario operation, and (ii) strengthening our information security management to enhance data protection. The intelligent order recommendation and dispatching system automatically matches orders with riders, either through real-time recommendation of incoming orders to selected

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## FUTURE PLANS AND USE OF PROCEEDS

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groups of riders, or through order dispatching to assigned dedicated riders. In addition, our system tracks the location of each rider in real time, and calculates and recommends the optimal delivery route. The system also automatically batches the orders that can be efficiently delivered as a bundle, and recommends the optimal delivery sequence and routes, to maximize fulfillment efficiency and decrease delivery costs. The system is significant to our business operation as it accumulates data and analyzes the big data to help create a cost-effective and efficient ecosystem, which affords riders with a flexible working schedule, reduces safety risks associated with overload of orders, and ultimately provides customers with high-quality delivery services. With such enforcement, we intend to build a highly adaptable platform to support our business growth, improve our service capabilities to enhance customer experience, digitalize HR, finance, project and execution processes, and achieve higher operational and management efficiency. We believe that with a strengthened technology infrastructure and the resulting highly efficient operations, we are able to cater to the evolving needs of the market and better execute our multi-scenario strategies.

- approximately 20% of the net proceeds, or HK\$425.9 million (equivalent to approximately RMB350.2 million), is expected to be used to expand our service coverage, including scenario coverage and geographical coverage, and to expand the rider pool.
  - o We plan to further expand to lower-tier cities to reach a geographical coverage of approximately 1,400 cities. Lower-tier cities exhibit high market potential coupled with lower competition compared to first- and second-tier cities. We plan to prioritize cities adjacent to prefecture level cities within our coverage and lower-tier cities in developed regions. Specifically, we aim to expand into cities and counties including the districts and counties under the outer suburbs of the first- and second-tier cities with faster economic growth located in the northeast and west central regions. From 2022 to 2024, we aim to establish our presence in approximately 100 new cities and counties per year. The expansion plan is feasible in view of our established market leadership in the industry.
  - o We plan to increase service offerings and enhance intra-city coverage in the cities and counties where we have achieved coverage but still see room for optimization. We strive to build up order density in business districts by attracting target customers via online brand promotion and offline advertising, retaining customers by improving our delivery service quality and capacity and customizing our delivery service attending differentiated customer needs. We also strive to attract targeted merchants to optimize our customer structure by increasing our delivery capacity to cover customers of varied sizes, forming a healthy and balanced order structure that balances orders from varied service



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## FUTURE PLANS AND USE OF PROCEEDS

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scenarios aligning business growth with rider capacity. Such a targeted business strategy further stimulates order volume growth, lowers costs and increases efficiency, boosting our abilities to better serve merchants and consumers.

- o We plan to offer new services to capture the tremendous opportunities under a wide range of scenarios and solidify our leading position in the fast-growing non-food scenarios such as local retail, local e-commerce and local services.
  - We plan to introduce new intra-city on-demand delivery service offerings, including SaaS cloud solution for key merchants featuring on-demand delivery order management and dispatching for proprietary customer acquisition channels (such as mini programs and apps), customized to-consumer services in collaboration with merchants (such as group meal planning and eco-friendly packaging), and special-need delivery (such as extra-large items and items requiring special storage conditions). To be specific, SaaS cloud solution first integrates orders from key merchants' proprietary customer acquisition channels (such as mini programs and apps) and then manages and distributes orders to different delivery service providers, including us, according to key merchants' spontaneous delivery needs.
- approximately 20% of the net proceeds, or HK\$425.9 million (equivalent to approximately RMB350.2 million), is expected to be used for funding the potential strategic acquisition of and investment in upstream and downstream businesses along the industry value chain, which we may seek from time to time to supplement and expand our business operations. While we have not made any acquisitions during the Track Record Period, we will consider potential strategic acquisitions in the future as our profitability and cash flow improve and we have better access to capital post listing. In the 36 months following the Global Offering, we plan to actively seek targets that can expand the services we offer, complement our geographical coverage and strengthen our technological capabilities. For a potential acquisition or investment, we mainly evaluate factors including strategic value, assets, business operations, potential synergies with our business, expected return, investor rights and potential risks. We might acquire majority or minority interests in the targets, depending on our commercial needs. We may consider an investment or acquisition target that: (i) has reached a revenue of more than RMB1 billion; (ii) has a geographical coverage in China that is complementary to our business and strategies; (iii) has an operational history of more than three years; and (iv) is valued at RMB500 million to RMB1 billion, depending on market conditions, industry development and valuation benchmarks. As of the Latest Practicable Date, there were over 20 platforms in the on-demand delivery service industry, according to the iResearch Report. As of the Latest Practicable Date, we had not identified any

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## FUTURE PLANS AND USE OF PROCEEDS

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investment or acquisition target. When determining the portion of net proceeds to be allocated to strategic acquisitions and investments, we have taken into account the typical considerations paid for similar transactions in the industry.

- approximately 15% of the net proceeds, or HK\$319.4 million (equivalent to approximately RMB262.6 million), is expected to be used for marketing and branding. When determining the portion of net proceeds to be allocated to marketing and branding, we have taken into account our past experience of conducting such activities, the pricing of services provided to us and our business growth.
- o approximately 10% of the net proceeds, or HK\$212.8 million (equivalent to approximately RMB175.1 million), is expected to be used on online marketing and branding.
  - We plan to strengthen our communication with customers by participating in online social media activities, including production of videos and streaming of our new services.
  - We plan to utilize high-quality online channels to further boost our order volume.
- o approximately 5% of the net proceeds, or HK\$106.6 million (equivalent to approximately RMB87.5 million), is expected to be used on offline marketing and branding.
  - We plan to display advertisements in locations with high traffic flow.
  - We plan to participate in activities such as industry conferences in regions with high population density to enhance our recognition by merchants.
  - We plan to organize activities, such as delivery of popular products, to increase the exposure of our services under new scenarios.
- approximately 10% of the net proceeds, or HK\$212.8 million (equivalent to approximately RMB175.1 million), is expected to be used for working capital and general corporate uses.

We based our allocation of each portion of the net proceeds on past experience in operating our business. We plan to utilize the net proceeds in a prudent and sustainable manner in approximately 12 to 36 months following the Global Offering.

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## FUTURE PLANS AND USE OF PROCEEDS

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We estimate that we will receive from the Global Offering net proceeds, after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering, in the amount as set out in the following table:

	<b>Based on the low-end of the proposed Offer Price range of HK\$16.42</b>	<b>Based on the middle-end of the proposed Offer Price range of HK\$17.19</b>	<b>Based on the high-end of the proposed Offer Price range of HK\$17.96</b>
Assuming the Over-allotment Option is not exercised	Approximately HK\$2,031.3 million	Approximately HK\$2,129.3 million	Approximately HK\$2,227.3 million
Assuming the Over-allotment Option is exercised in full	Approximately HK\$2,344.7 million	Approximately HK\$2,457.4 million	Approximately HK\$2,570.1 million

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes or if we are unable to put into effect any part of our plan as intended, and to the extent permitted by the relevant laws and regulations, we will deposit such net proceeds only into interest-bearing, demand bank accounts with licensed commercial banks or other authorized financial institutions so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

### THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, for such number of Offer Shares that may be purchased with an aggregate amount of HK\$890.07 million at the Offer Price (exclusive of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$17.96 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 49,558,200, representing approximately 37.78% of the Offer Shares and approximately 5.31% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Based on the Offer Price of HK\$17.19 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 51,778,200, representing approximately 39.47% of the Offer Shares and approximately 5.55% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Based on the Offer Price of HK\$16.42 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 54,206,200, representing approximately 41.32% of the Offer Shares and approximately 5.81% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors’ investment experience and market position, the Cornerstone Placing will help to promote our resource integration capability and create synergy in the industry, to raise the profile of our Company, and to signify that such investors have confidence in our Company’s business and prospect.

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue following the completion of the Global Offering and to be listed on the Stock Exchange, and will be counted towards the public float of our Company. Our Company became acquainted with each of the Cornerstone Investors through introduction by the Underwriters.

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## CORNERSTONE INVESTORS

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Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial Shareholder (as defined in the Listing Rules) of our Company and will not have any Board representation in our Company. Certain affiliate companies of Taobao China (as defined below) are existing customers of our Group. To the best knowledge of our Company, save as disclosed in this section, each of Cornerstone Investors (i) is an Independent Third Party and is not our connected person (as defined under the Listing Rules), (ii) is independent of other Cornerstone Investors, (iii) is not financed by us, our Directors, chief executive, existing Shareholders or any of its subsidiaries or their respective close associates, and (iv) is not accustomed to taking instructions from us, our Directors, chief executive, existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them. Save as disclosed in this section, there are no side agreements or arrangements between us and the Cornerstone Investors.

As confirmed by each Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment as each of them has general authority to invest.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's H Shares commence on the Stock Exchange.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by the reallocation in the event of over-subscription under the Hong Kong Public Offering, as described in "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and Clawback." Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around Monday, December 13, 2021. If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by all Cornerstone Investors under the Cornerstone Placing. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares on or before 8 a.m. on the Listing Date. If there is no over-allocation in the International Offering, delayed delivery will not take place. There will be no deferred payment for the Offer Shares to be subscribed by the Cornerstone Investors. For details of the Over-allotment Option, see "Structure of the Global Offering – The International Offering – Over-allotment Option."

## CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

Based on an Offer Price of HK\$16.42 (being the low-end of the Offer Price range)						
Cornerstone Investor	Subscription amount	Number of Offer Shares <sup>(1)</sup>	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital <sup>(2)</sup>	Approximate % of the Offer Shares	Approximate % of the issued share capital <sup>(2)</sup>
Taobao China Holding Limited (淘寶中國控股 有限公司)	HK\$851.28 million	51,844,000	39.52%	5.55%	34.37%	5.44%
	HK\$38.79 million					
Hello Inc.	million	2,362,200	1.80%	0.25%	1.57%	0.25%
	HK\$890.07 million					
Total	million	54,206,200	41.32%	5.81%	35.93%	5.69%

Based on an Offer Price of HK\$17.19 (being the mid-end of the Offer Price range)						
Cornerstone Investor	Subscription amount	Number of Offer Shares <sup>(1)</sup>	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital <sup>(2)</sup>	Approximate % of the Offer Shares	Approximate % of the issued share capital <sup>(2)</sup>
Taobao China Holding Limited (淘寶中國控股有限公司)	HK\$851.28 million	49,521,800	37.75%	5.31%	32.83%	5.20%
	HK\$38.79 million					
Hello Inc.	million	2,256,400	1.72%	0.24%	1.50%	0.24%
	HK\$890.07 million					
Total	million	51,778,200	39.47%	5.55%	34.32%	5.43%

## CORNERSTONE INVESTORS

Based on an Offer Price of HK\$17.96 (being the high-end of the Offer Price range)						
Cornerstone Investor	Subscription amount	Number of Offer Shares <sup>(1)</sup>	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital <sup>(2)</sup>	Approximate % of the Offer Shares	Approximate % of the issued share capital <sup>(2)</sup>
Taobao China Holding Limited (淘寶中國控股有限公司)	HK\$851.28 million	47,398,600	36.13%	5.08%	31.42%	4.97%
Hello Inc.	HK\$38.79 million	2,159,600	1.65%	0.23%	1.43%	0.23%
<b>Total</b>	HK\$890.07 million	49,558,200	37.78%	5.31%	32.85%	5.20%

*Notes:*

- (1) Subject to rounding down to the nearest whole board lot of 200 Shares. Calculated based on the exchange rate set out in the section headed “Information about this Prospectus and the Global Offering – Currency Translations.”
- (2) Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised.

### THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

#### **Taobao China Holding Limited (淘寶中國控股有限公司) (“Taobao China”)**

Taobao China is a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Alibaba Group Holding Limited (“**Alibaba Holding**”). Taobao China is the direct holding company of certain PRC subsidiaries of Alibaba Holding relating to Taobao Marketplace, China’s leading social commerce platform, and Tmall, the world’s leading third-party online and mobile commerce platform for brands and retailers. Alibaba Holding is a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988). Alibaba Group’s mission is to make it easy to do business anywhere. Alibaba Group aims to build the future infrastructure of commerce and envisions that its customers will meet, work and live at Alibaba, and that it aspires to be a good company that will last for 102 years. Alibaba Group’s businesses are comprised of commerce, cloud computing, digital media and entertainment and innovation initiatives.

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## CORNERSTONE INVESTORS

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Our Company entered into a business cooperation framework agreement (“**Taobao China Business Cooperation Framework Agreement**”) with a wholly-owned subsidiary of Taobao China on arm’s length basis, pursuant to which the parties agreed to establish and commence business cooperation in areas including, but not limited to, marketing, supply chain, logistics and delivery services and software technology. The Taobao China Business Cooperation Framework Agreement intends to identify potential areas for future cooperation and the parties may further discuss and enter into specific arrangements and/or agreements pursuant to the Taobao China Business Cooperation Framework Agreement.

### **Hello Inc.**

Hello Inc. is an exempted company incorporated in Cayman Islands with limited liability. Hello Inc. is ultimately controlled by Mr. Yang Lei (楊磊), the joint founder and chief executive officer of Hello Inc. Hello Inc. is also held as to 31.4% equity interest by Antfin (Hong Kong) Holding Limited which is an indirect wholly-owned subsidiary of Ant Group Co., Ltd. (螞蟻科技集團股份有限公司). In addition, Taobao China also holds an immaterial equity interest in Hello Inc. Hello Inc. is a leading local services platform in China and operates the popular mobile app Hello, which offers a range of local services and products. The local services and products offered by Hello Inc. currently include shared two-wheeler services, a carpooling marketplace and e-scooters. Hello Inc. is also in the pilot testing process of emerging local services and products including in-store services marketplace, ride-hailing, hotel reservations, mobile grocery stores and online advertising services.

Our Company entered into a business cooperation framework agreement (“**Hello Business Cooperation Framework Agreement**”) with Hello Inc. on arm’s length basis, pursuant to which the parties agreed to establish and commence business cooperation in areas including, but not limited to, hardware and equipment. The Hello Business Cooperation Framework Agreement intends to identify potential areas for future cooperation and the parties may further discuss and enter into specific arrangements and/or agreements pursuant to the Hello Business Cooperation Framework Agreement.

### **CLOSING CONDITIONS**

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- a. the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;



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## CORNERSTONE INVESTORS

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- b. the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the underwriters of the Global Offering);
- c. the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- d. no applicable laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- e. the representations, warranties, undertakings, confirmations and acknowledgements of such Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor.

### RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly- owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited  
Merrill Lynch (Asia Pacific) Limited (in alphabetical order)  
Credit Suisse (Hong Kong) Limited  
Huatai Financial Holdings (Hong Kong) Limited  
CLSA Limited  
CMB International Capital Limited  
ABCI Securities Company Limited  
Futu Securities International (Hong Kong) Limited

### HONG KONG UNDERWRITING ARRANGEMENTS

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 13,118,200 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus.

Subject to (a) the Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued and sold pursuant to the Global Offering (including any additional H Shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option) as mentioned herein and (b) to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for Termination*

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion, shall be entitled by notice (in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any event, or series of events, whether in continuation or in the nature of force majeure (including, without limitation, any acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, mutation or aggravation of diseases

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## UNDERWRITING

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(including, without limitation, SARS, swine or avian flu, H5N1, H1N1, H7N9, contagious coronavirus (COVID-19) and such related/mutated forms), accident, economic sanctions, strikes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or delay in transportation) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, or the European Union (as a whole) or any other jurisdiction relevant to the Group (collectively, the “**Relevant Jurisdictions**”);

- (ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority (as defined in the Hong Kong Underwriting Agreement)), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (as a whole) or any of the other Relevant Jurisdictions (declared by the relevant Authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;
- (v) any new law or regulation or any change or development involving a prospective change or any event or circumstance likely to result in a change or development involving a prospective change in (or in the interpretation or application by any court or any competent Authority) existing law or regulation, in each case in or affecting any of the Relevant Jurisdictions;

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## UNDERWRITING

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- (vi) any change or development involving a prospective change or amendment in or affecting Taxation (as defined in the Hong Kong Underwriting Agreement) or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or adversely affecting an investment in the Offer Shares;
- (vii) any litigation, legal action, writ, suit, proceeding, claim, regulatory investigation or action being threatened or instigated or announced against any member of the Group or any Director (which in the case of an independent non-executive Director with respect to his actions as independent non-executive Director of the Company);
- (viii) the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, the Green Application Form, offering circular or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;
- (ix) any change, development or event involving a prospective change in, or a materialization of, any of the risks set out in the section headed “Risk Factors” of this prospectus;
- (x) a contravention by the Company or any member of the Group or any Director or SF Holding of any applicable Laws (as defined in the Hong Kong Underwriting Agreement), including the Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the PRC Company Law to the extent applicable to them;
- (xi) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws;
- (xii) the chief executive officer, chief financial officer, any Director, any Supervisor (as defined in the Hong Kong Underwriting Agreement) or any member of senior management of the Company is vacating his/her office;
- (xiii) a Director (which in the case of an independent non-executive Director with respect to his actions as independent non-executive Director of the Company) or a Supervisor being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company;

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## UNDERWRITING

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- (xiv) there is any order or petition for the winding-up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), (1) has or will or may have a material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, management, prospects, shareholders' equity, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole ("**Material Adverse Change**"); (2) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering; (3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or (4) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Joint Global Coordinators that:
  - (i) any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the preliminary offering circular, and/or any notices, announcements, advertisements or communications issued or on behalf of the Company or SF Holding in connection with the Hong Kong Public Offering and the Global Offering (including any supplement or amendment thereto (the "**Offer-Related Documents**") but excluding information furnished by the Underwriters, being the names and addresses of such underwriters appearing in the Offer-Related Documents) was, when it was issued, or has become, untrue, inaccurate, incomplete or misleading, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such Offer-Related Documents is not fair and honest and based on reasonable grounds or reasonable assumptions;

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## UNDERWRITING

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- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offer-Related Documents;
- (iii) there is a material breach of any of the obligations imposed upon the Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (iv) there is an event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities given by it under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (v) any Material Adverse Change;
- (vi) there is a breach of, or any event or circumstance rendering untrue, inaccurate or misleading, any of the warranties given by the Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (vii) the approval of the Stock Exchange of the listing of, and permission to deal in, the H Shares in issue and the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued upon the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;
- (viii) any of the experts (other than the Joint Sponsors) specified in this prospectus has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (ix) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;
- (x) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the Option Shares (as defined in the Hong Kong Underwriting Agreement)) pursuant to the terms of the Global Offering.

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## UNDERWRITING

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The exercise of right of the Joint Global Coordinators shall be effective when a majority of the Joint Global Coordinators in number elects to exercise such right, and such exercise shall be final, conclusive and binding on the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters.

### **UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES**

#### **Undertakings by Our Company**

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except for: (a) any capitalization issue, capital reduction or consolidation or sub-division of shares; or (b) issue of shares or securities pursuant to the Global Offering and the Over-allotment Option; or (c) any other applicable circumstances provided under rule 10.08 of the Listing Rules.

#### **Undertakings by our Controlling Shareholders**

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and our Company that:

- (a) at any time in the period commencing on the date by reference to which disclosure of his/its shareholding in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, he/it shall not and shall procure the registered holder(s) shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which the relevant Controlling Shareholder is shown in the prospectus to be the beneficial owner; and
- (b) at any time in the period of six months commencing on the date on which the period referred to in the above paragraph (a) expires, he/it shall not and shall procure the registered holder(s) shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders will cease to be our Controlling Shareholders.

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## UNDERWRITING

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Our Controlling Shareholders have further undertaken to the Stock Exchange and to our Company respectively that, within the period commencing on the date by reference to which disclosure of his/its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (1) when he/it pledges or charges any securities or interests in any securities of the Company beneficially owned by him/it, whether directly or indirectly, in favor of any authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of Shares of the Company so pledged or charged; and
- (2) when he/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged securities of the Company will be disposed of, immediately inform the Company in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholder and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

### UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

#### Undertaking by Our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option), during the period commencing on the date of this Agreement and ending on, and including, the date that is six months after the Listing Date (the “First Six-Month Period”), the Company hereby undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any interest in any H Shares or other equity securities of the Company, or any



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## UNDERWRITING

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interest in any of the foregoing (including, but not limited to, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any such H Shares or such other equity securities of the Company), or deposit any H Shares or other equity securities of the Company, with a depositary in connection with the issue of depositary receipts; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any H Shares or other equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any such H Shares or such other equity securities of the Company); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or contract to or agree to or announce, or publicly disclose that the Company will or may enter into any such intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) and (c) above is to be settled by delivery of such H Shares or such other equity securities of the Company, or in cash or otherwise (whether or not the issue of such H Shares or other equity securities of the Company will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), the Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or contracts to or agrees to or announces or publicly announces, any intention to effect any such transaction, the Company undertakes to take all reasonable steps to ensure that such transaction, agreement, announcement or disclosure (as the case may be) will not create a disorderly or false market for such equity securities of the Company.

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## UNDERWRITING

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### INTERNATIONAL OFFERING

#### International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions set out therein, will agree severally to purchase, or procure subscribers or purchasers for, the International Offer Shares being offered pursuant to the International Offering. Please refer to the paragraph headed “Structure of the Global Offering – The International Offering” in this prospectus.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators at their sole and absolute discretion for themselves and on behalf of the International Underwriters, on or before Thursday, January 6, 2022, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require us to issue and allot, up to an aggregate of 19,677,000 Shares, representing in aggregate approximately 15% of Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering. Please refer to the paragraph headed “Structure of the Global Offering – The International Offering – Over-allotment Option” in this prospectus.

### COMMISSION AND EXPENSES

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will receive an underwriting commission equal to 2.25% of the aggregate Offer Price in respect of all of the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering), out of which the Hong Kong Underwriters will pay any sub-underwriting commissions payable, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters. In respect of the International Offering, we expect to pay an underwriting commission of equal to 2.25% of the aggregate Offer Price payable in respect of all International Offer Shares (including any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering). In addition, our Company may, at our absolute discretion, pay to any one or all of the Hong Kong Underwriters an incentive fee up to 0.75% of the aggregate Offer Price in respect of all of the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering).

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## UNDERWRITING

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The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK\$125.7 million in total (based on the Offer Price of HK\$17.19 per Offer Share which is the mid-point of the Offer Price range and assuming the Over-allotment Option is not exercised).

### HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for its obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right or option (whether legally enforceable or not) to purchase or subscribe for or to nominate persons to purchase or subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

### JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Hong Kong Listing Rules.

### ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

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## UNDERWRITING

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In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited, Credit Suisse (Hong Kong) Limited and Huatai Financial Holdings (Hong Kong) Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus.

The Global Offering consists of (subject to reallocation and the Over-allotment Option):

- (i) the Hong Kong Public Offering of 13,118,200 H Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” in this section; and
- (ii) the International Offering of 118,062,600 H Shares (subject to reallocation and Over-allotment Option as mentioned below) in the United States to QIBs in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the United States in offshore transactions in reliance on Regulation S.

The Offer Shares will represent approximately 14.1% of the total issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 15.8% of the total issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed “The International Offering – Over-allotment Option” in this section.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest, if qualified to do so, for International Offer Shares under the International Offering,

but may not do both.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the

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## STRUCTURE OF THE GLOBAL OFFERING

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U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Underwriters and the Joint Bookrunners are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed "The Hong Kong Public Offering – Reallocation and Clawback" in this section.

### THE HONG KONG PUBLIC OFFERING

#### Number of Shares Initially Offered

Subject to reallocation as mentioned below, the Company is initially offering 13,118,200 H Shares at the Offer Price under the Hong Kong Public Offering for subscription by the public in Hong Kong, representing approximately 10.0% of the 131,180,800 H Shares initially available under the Global Offering. Subject to reallocation as mentioned below, the number of H Shares initially offered under the Hong Kong Public Offering will represent approximately 1.4% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Joint Global Coordinators (on behalf of the Underwriters) and the Joint Sponsors may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators and the Joint Sponsors so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed "Conditions of the Global Offering" in this section.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Allocation**

For allocation purposes only, the 13,118,200 H Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally (to the nearest board lot) into two pools: Pool A comprising 6,559,200 Hong Kong Offer Shares and Pool B comprising 6,559,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### **Reallocation and Clawback**

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of H Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 39,354,400 (in the case of (i)), 52,472,400



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## STRUCTURE OF THE GLOBAL OFFERING

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(in the case of (ii)), and 65,590,400 Shares (in the case of (iii)), respectively, representing approximately 30%, 40%, and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinator deem appropriate.

In addition to any mandatory reallocation required as described above, the Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators. The Joint Global Coordinators may, at their sole discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Joint Global Coordinators have the authority to reallocate International Offer Shares originally in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 13,118,200 Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 26,236,400 Shares; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e., HK\$16.42 per Offer Share).

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering expected to be published on Monday, December 13, 2021.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken



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## STRUCTURE OF THE GLOBAL OFFERING

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up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected multiple applications and any application for more than 50% of the 13,118,200 H Shares initially comprised in the Hong Kong Public Offering (that is 6,559,000 Hong Kong Offer Shares) will be rejected.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$17.96 per H Share in addition to any brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" in this section, is less than the maximum Offer Price of HK\$17.96 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applications, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

### THE INTERNATIONAL OFFERING

#### Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered by us for subscription under the International Offering will consist of an initial offering of 118,062,600 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 12.7% of our total issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

#### Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as with institutional and professional investors and other investors and expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

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## STRUCTURE OF THE GLOBAL OFFERING

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Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

### **Reallocation and Clawback**

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed – The Hong Kong Public Offering – Reallocation and Clawback” in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

### **Over-allotment Option**

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators at their sole and absolute discretion for themselves and on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the right to require our Company to issue and allot, at the Offer Price, up to an aggregate of additional 19,677,000 H Shares representing in aggregate approximately 15% of the number of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 2.1% of the issued share capital of the Company immediately after the completion of the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, an activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end on Thursday, January 6, 2022, being the 30th day from the last day for the lodging of applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be issued and/or sold under the Over-allotment Option, namely 19,677,000 H Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

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## STRUCTURE OF THE GLOBAL OFFERING

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Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (i) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;
- (ii) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- (iii) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the H Shares;
- (iv) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- (v) the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- (vi) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 19,677,000 H Shares, representing up to approximately 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be fully paid before the Listing Date, accordingly there will be no delayed settlement of the Offer Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

### **Over-Allocation**

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager may cover such over-allocations by exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

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## STRUCTURE OF THE GLOBAL OFFERING

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### PRICING OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Tuesday, December 7, 2021 and in no event later than Thursday, December 9, 2021.

The Offer Price will be not more than HK\$17.96 per Offer Share and is currently expected not to be less than HK\$16.42 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$17.96 for each Hong Kong Offer Share together with brokerage of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027%. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative price range stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors consider it appropriate, with our consent the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus may be reduced at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Tuesday, December 7, 2021, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk), and on our Company’s website at <https://www.sf-cityrush.com/> notice of such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. Upon issue of such notice, the number of Offer Shares in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range.

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## STRUCTURE OF THE GLOBAL OFFERING

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As soon as practicable after such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, and, where appropriate, extend the period under which the Hong Kong Public Offering is open for acceptance, and give potential investors who had applied for the Offer Shares to withdraw their applications.

In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is so reduced, such applications can subsequently be withdrawn. All applicants who have already submitted an application will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed in accordance with the procedures set out in the supplemental prospectus are received. All unconfirmed applications will not be valid.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Joint Global Coordinators and the Joint Sponsors.

The final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the basis of allocations of the Hong Kong Offer Shares and the results of applications in the Hong Kong Public Offering are expected to be announced on Monday, December 13, 2021 through a variety of channels described in the paragraph headed “How to Apply for Hong Kong Offer Shares – 11. Publication of Results” in this prospectus.

## UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

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## STRUCTURE OF THE GLOBAL OFFERING

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We expect that our Company will, on or around Tuesday, December 7, 2021, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, inter alia:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- the Offer Price having been agreed between the Joint Global Coordinator (on behalf of the Underwriters) and the Company;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date;
- our Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Stock Exchange; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by Thursday, December 9, 2021 between us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us on the websites of the Company at <https://www.sf-cityrush.com/>, and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), respectively on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the



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## STRUCTURE OF THE GLOBAL OFFERING

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application monies will be held in separate bank account(s) with the Company's receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

H Share certificates for the Offer Shares are expected to be issued on Monday, December 13, 2021 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our H Shares, which is expected to be on Tuesday, December 14, 2021, provided that (i) the Global Offering has become unconditional in all respects at or before that time and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares prior to the receipt of H Share certificates or prior to the H Share certificates bearing valid certificates of title do so entirely at their own risk.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, December 14, 2021, it is expected that dealings in our H Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, December 14, 2021. Our H Shares will be traded in board lots of 200 H Shares each and the stock code will be 9699.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at <https://www.sf-cityrush.com/>. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, **broker** or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar, Tricor Investor Services Limited, at +852 3907 7333 (i) from 9:00 a.m. to 6:00 p.m. on Tuesday, November 30, 2021 to Friday, December 3, 2021; (ii) from 9:00 a.m. to 6:00 p.m. on Monday, December 6, 2021; and (iii) from 9:00 a.m. to 12:00 noon on Tuesday, December 7, 2021.

#### 1. HOW TO APPLY

**We will not provide any printed application forms for use by the public.**

To apply for Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)) or at [www.hkeipo.hk](http://www.hkeipo.hk); or

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
- (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the designated **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

## 2. WHO CAN APPLY

### Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must also provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

### 3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our H Share Registrar, receiving bank(s), the Joint Global Coordinator, the Joint Sponsor, the Joint Bookrunners, the Joint Lead Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “– 14. Despatch/Collection of H Share Certificates and Refund Monies – Personal Collection” in this section to collect the H Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

#### 4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

**Hangzhou SF Intra-city Industrial Co., Ltd.\***  
(Stock Code: 9699) (HK\$17.96 per Hong Kong Offer Share)

#### NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
200	3,628.20	7,000	126,986.88	80,000	1,451,278.63	900,000	16,326,884.63
400	7,256.39	8,000	145,127.86	90,000	1,632,688.46	1,000,000	18,140,982.92
600	10,884.59	9,000	163,268.84	100,000	1,814,098.29	2,000,000	36,281,965.84
800	14,512.79	10,000	181,409.83	200,000	3,628,196.58	3,000,000	54,422,948.76
1,000	18,140.98	20,000	362,819.66	300,000	5,442,294.88	4,000,000	72,563,931.68
2,000	36,281.97	30,000	544,229.49	400,000	7,256,393.17	5,000,000	90,704,914.60
3,000	54,422.94	40,000	725,639.32	500,000	9,070,491.46	6,000,000	108,845,897.52
4,000	72,563.93	50,000	907,049.15	600,000	10,884,589.75	6,559,000*	118,986,706.97
5,000	90,704.91	60,000	1,088,458.98	700,000	12,698,688.04		
6,000	108,845.90	70,000	1,269,868.80	800,000	14,512,786.34		

\* Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

#### General

Individuals who meet the criteria in the paragraph headed “– 2. Who can apply” in this section may apply through the **HK eIPO White Form** Service Provider for the Hong Kong Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are on the **IPO App** or the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** Service Provider.

If you have any questions on how to apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the H Share Registrar, Tricor Investor Services Limited at +852 3907 7333 which is available (i) from 9:00 a.m. to 6:00 p.m. on Tuesday, November 30, 2021 to Friday, December 3, 2021; (ii) from 9:00 a.m. to 6:00 p.m. on Monday, December 6, 2021; and (iii) from 9:00 a.m. to 12:00 noon on Tuesday, December 7, 2021.

#### Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the designated **HK eIPO White Form** service through the **IPO App** or at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, November 30, 2021 until 11:30 a.m. on Tuesday, December 7, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, December 7, 2021 or such later time under the paragraph headed “– 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this section.

### 6. APPLYING THROUGH CCASS EIPO SERVICE

#### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong if you complete an input request.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Sponsors, the Joint Global Coordinators and our H Share Registrar.

### Applying through CCASS EIPO service

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allotted to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between the Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to this prospectus);
- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company Law, the Special Regulations on Listing Overseas and the Articles of Association;
- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):
  - (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;
  - (b) that any award made in such arbitration shall be final and conclusive; and
  - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H Shares in the Company are freely transferable by their holders;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### Effect of Applying through CCASS EIPO service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

### Time for Inputting Electronic Application Instructions<sup>(1)</sup>

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, November 30, 2021 – 9:00 a.m. to 8:30 p.m.
- Wednesday, December 1, 2021 – 8:00 a.m. to 8:30 p.m.
- Thursday, December 2, 2021 – 8:00 a.m. to 8:30 p.m.
- Friday, December 3, 2021 – 8:00 a.m. to 8:30 p.m.
- Monday, December 6, 2021 – 8:00 a.m. to 8:30 p.m.
- Tuesday, December 7, 2021 – 8:00 a.m. to 12:00 noon

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, November 30, 2021 until 12:00 noon on Tuesday, December 7, 2021 (24 hours daily, except on Tuesday, December 7, 2021, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, December 7, 2021, the last application day or such later time as described in the paragraph headed “– 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this section.

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

### **Personal Data**

The following Personal Information Collection Statement applies to any personal data held by the Company, the H Share Registrar, the receiving bank(s), the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

#### ***Personal Information Collection Statement***

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

#### ***Reasons for the collection of your personal data***

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

### *Purposes*

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Transfer of personal data*

Personal data held by the Company and its H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

### *Retention of personal data*

The Company and its H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

### *Access to and correction of personal data*

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Company's H Share Registrar for the attention of the privacy compliance officer.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the designated **HK eIPO White Form** Service Provider will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System or the CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, December 7, 2021, the last application day, or such time as described in the paragraph headed “– 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this section.

### 8. HOW MANY APPLICATIONS YOU CAN MAKE

#### No Multiple Applications

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$17.96 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 200 Hong Kong Offer Shares, you will pay HK\$3,628.20.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in “– 4. Minimum Application Amount and Permitted Numbers”, or as otherwise specified on the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Structure of the Global Offering – Pricing of the Global Offering” in this prospectus.



### 10. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 am and 12:00 noon on Tuesday, December 7, 2021. Instead they will open between 11:45 am and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 am and 12:00 noon.

If the application lists do not open and close on Tuesday, December 7, 2021 or if there is/are a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made on our website at <https://www.sf-cityrush.com/> and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, December 13, 2021 on the Company’s website at <https://www.sf-cityrush.com/> and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on the Company’s website at <https://www.sf-cityrush.com/> and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 am on Monday, December 13, 2021;
- from “IPO Results” function in the **IPO App** or the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, December 13, 2021 to 12:00 midnight, on Friday, December 17, 2021; and

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, December 13, 2021 to Thursday, December 16, 2021 (excluding Saturday, Sunday & public holidays).

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### **12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES**

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

#### **(i) If your application is revoked:**

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** Service Provider, you agree that your application or application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- (a) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this prospectus; or

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (b) if any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the designated **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, December 13, 2021.

### 14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Monday, December 13, 2021. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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H Share certificates will only become valid at 8:00 a.m. on Tuesday, December 14, 2021 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

### Personal Collection

#### *(i) If you apply through the HK eIPO White Form service*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from our H Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, December 13, 2021, or such other date as notified by the Company in the newspapers as the date of despatch/collection of H Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, December 13, 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) in your name (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

#### *(ii) If you apply through CCASS EIPO service*

#### *Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Deposit of H Share Certificates into CCASS and Refund of Application Monies*

If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant's stock account on Monday, December 13, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a **broker** or **custodian**, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed “– 11. Publication of Results” in this section on Monday, December 13, 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, December 13, 2021 or such other date as determined by HKSCC or HKSCC Nominees.

If you have instructed your **broker** or **custodian** to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Monday, December 13, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your **broker** or **custodian** on Monday, December 13, 2021.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Settlement Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HANGZHOU SF INTRA-CITY INDUSTRIAL CO., LTD., CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED AND MERRILL LYNCH (ASIA PACIFIC) LIMITED**

**Introduction**

We report on the Historical Financial Information of Hangzhou SF Intra-city Industrial Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-75, which comprises the consolidated statements of financial position as at December 31, 2018, 2019 and 2020 and May 31, 2021, the Company statements of financial position as at December 31, 2019 and 2020 and May 31, 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-75 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated November 30, 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)



**Reporting accountant's responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2019 and 2020 and May 31, 2021 and the consolidated financial position of the Group as at December 31, 2018, 2019 and 2020 and May 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended May 31, 2020 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “LISTING RULES”) AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE****Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**Dividends**

We refer to Note 32 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, November 30, 2021

**I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Five months ended	
		2018	2019	2020	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	5	993,274	2,107,014	4,843,366	1,429,491	3,045,590
Cost of revenue	8	(1,224,646)	(2,443,219)	(5,031,872)	(1,487,594)	(3,073,250)
<b>Gross loss</b>		<u>(231,372)</u>	<u>(336,205)</u>	<u>(188,506)</u>	<u>(58,103)</u>	<u>(27,660)</u>
Selling and marketing expenses	8	(12,158)	(33,715)	(111,016)	(24,636)	(76,780)
Research and development expenses	8	(3,281)	(4,271)	(69,374)	(20,650)	(47,278)
Administrative expenses	8	(114,129)	(203,877)	(418,017)	(133,256)	(216,261)
Other income	6	-	7,165	18,081	6,723	11,201
Other (losses)/gains, net	7	(4)	152	441	506	5,961
Net (reversals of)/impairment losses of trade and other receivables	11	<u>(616)</u>	<u>(2,669)</u>	<u>(850)</u>	<u>606</u>	<u>(2,322)</u>
<b>Operating loss</b>		<u>(361,560)</u>	<u>(573,420)</u>	<u>(769,241)</u>	<u>(228,810)</u>	<u>(353,139)</u>
Finance income	10	-	751	2,978	915	6,671
Finance costs	10	<u>-</u>	<u>(10,282)</u>	<u>(17,927)</u>	<u>(13,807)</u>	<u>(6,464)</u>
Finance (costs)/income, net		<u>-</u>	<u>(9,531)</u>	<u>(14,949)</u>	<u>(12,892)</u>	<u>207</u>
<b>Loss before income tax</b>		<u>(361,560)</u>	<u>(582,951)</u>	<u>(784,190)</u>	<u>(241,702)</u>	<u>(352,932)</u>
Income tax credit	12	<u>33,163</u>	<u>113,156</u>	<u>26,513</u>	<u>26,513</u>	<u>-</u>
<b>Loss and total comprehensive loss for the year/period</b>		<u>(328,397)</u>	<u>(469,795)</u>	<u>(757,677)</u>	<u>(215,189)</u>	<u>(352,932)</u>
<b>Loss and total comprehensive loss attributable to</b>						
- Equity holders of the Company		<u>(328,397)</u>	<u>(469,795)</u>	<u>(757,677)</u>	<u>(215,189)</u>	<u>(352,932)</u>
<b>Losses per share (expressed in RMB per share)</b>						
- Basic and diluted losses per share (in RMB)	13	<u>(1.23)</u>	<u>(1.75)</u>	<u>(1.60)</u>	<u>(0.63)</u>	<u>(0.54)</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at
	Notes	2018	2019	2020	May 31,
		RMB'000	RMB'000	RMB'000	2021
					RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income		–	–	3,000	3,000
Property, plant and equipment	14	4,065	4,989	11,306	14,857
Intangible assets	15	56,936	102,289	135,797	144,433
Right-of-use assets	17	–	25,153	36,031	41,604
Deferred income tax assets	16	–	114,452	140,355	140,355
<b>Total non-current assets</b>		<b>61,001</b>	<b>246,883</b>	<b>326,489</b>	<b>344,249</b>
<b>Current assets</b>					
Inventories	18	–	–	6,819	4,463
Trade receivables	20	161,347	406,300	678,363	642,525
Other receivables and prepayments	21	–	18,622	71,176	113,577
Amounts due from related parties	34(d)	–	147,768	67,205	162,311
Loans to related parties	34(d)	–	48,000	–	400,398
Cash and cash equivalents	22	–	71,286	263,468	1,008,802
<b>Total current assets</b>		<b>161,347</b>	<b>691,976</b>	<b>1,087,031</b>	<b>2,332,076</b>
<b>Total assets</b>		<b>222,348</b>	<b>938,859</b>	<b>1,413,520</b>	<b>2,676,325</b>
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital and premium	23	–	396,816	1,483,618	3,314,971
Shares held for employee share scheme	26	–	–	(4,426)	(4,426)
Other reserves	24	(41,684)	446,904	604,056	659,590
Accumulated losses	25	(490,312)	(960,107)	(1,717,784)	(2,070,716)
<b>Total (deficits)/equity</b>		<b>(531,996)</b>	<b>(116,387)</b>	<b>365,464</b>	<b>1,899,419</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Lease liabilities	30	–	18,467	25,714	28,591
<b>Total non-current liabilities</b>		<b>–</b>	<b>18,467</b>	<b>25,714</b>	<b>28,591</b>
<b>Current liabilities</b>					
Trade payables	27	116,522	241,802	371,635	399,644
Other payables and accruals	28	51,513	100,735	231,570	254,745
Amounts due to related parties	34(d)	586,203	112,540	19,501	38,405
Current income tax liabilities		–	1,295	–	–
Contract liabilities	29	106	6,048	21,847	39,638
Lease liabilities	30	–	7,959	10,709	15,883
Borrowings	31	–	566,400	367,080	–
<b>Total current liabilities</b>		<b>754,344</b>	<b>1,036,779</b>	<b>1,022,342</b>	<b>748,315</b>
<b>Total liabilities</b>		<b>754,344</b>	<b>1,055,246</b>	<b>1,048,056</b>	<b>776,906</b>
<b>Total (deficits)/equity and liabilities</b>		<b>222,348</b>	<b>938,859</b>	<b>1,413,520</b>	<b>2,676,325</b>

## COMPANY STATEMENTS OF FINANCIAL POSITION

		As at December 31,		As at
	Notes	2019	2020	May 31,
		RMB'000	RMB'000	2021
				RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income		–	3,000	3,000
Investment in the subsidiaries	39	16,340	913,168	1,602,702
<b>Total non-current assets</b>		<u>16,340</u>	<u>916,168</u>	<u>1,605,702</u>
<b>Current assets</b>				
Other receivables and prepayments		315	464	10,262
Loans and amounts due from subsidiaries		183,500	580,271	765,528
Loans and amounts due from related parties	39	48,000	–	400,398
Cash and cash equivalents	39	60,863	51,321	674,181
<b>Total current assets</b>		<u>292,678</u>	<u>632,056</u>	<u>1,850,369</u>
<b>Total assets</b>		<u><u>309,018</u></u>	<u><u>1,548,224</u></u>	<u><u>3,456,071</u></u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital and premium	23	396,816	1,483,618	3,314,971
Other reserves	39	11,653	164,379	219,913
Accumulated losses	39	(100,313)	(108,498)	(103,736)
<b>Total equity</b>		<u>308,156</u>	<u>1,539,499</u>	<u>3,431,148</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables		90	494	67
Other payables and accruals		106	8,231	24,856
Current income tax liabilities		666	–	–
<b>Total current liabilities</b>		<u>862</u>	<u>8,725</u>	<u>24,923</u>
<b>Total liabilities</b>		<u>862</u>	<u>8,725</u>	<u>24,923</u>
<b>Total equity and liabilities</b>		<u><u>309,018</u></u>	<u><u>1,548,224</u></u>	<u><u>3,456,071</u></u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Share capital and premium <i>RMB'000</i> <i>(Note 23)</i>	Other reserves <i>RMB'000</i> <i>(Note 24)</i>	Accumulated losses <i>RMB'000</i> <i>(Note 25)</i>	Total deficits <i>RMB'000</i>
<b>Balance at January 1, 2018</b>		—	—	(161,915)	(161,915)
<b>Comprehensive loss</b>					
Loss for the year	25	—	—	(328,397)	(328,397)
<b>Total comprehensive loss for the year</b>		—	—	(328,397)	(328,397)
<b>Transactions with owners in their capacity as owners</b>					
Deemed distribution	24	—	(41,684)	—	(41,684)
<b>Total transactions with owners in their capacity as owners</b>		—	(41,684)	—	(41,684)
<b>Balance at December 31, 2018</b>		<u>—</u>	<u>(41,684)</u>	<u>(490,312)</u>	<u>(531,996)</u>
<b>Balance at January 1, 2019</b>		—	(41,684)	(490,312)	(531,996)
<b>Comprehensive loss</b>					
Loss for the year	25	—	—	(469,795)	(469,795)
<b>Total comprehensive loss for the year</b>		—	—	(469,795)	(469,795)
<b>Transactions with equity holders in their capacity as owners</b>					
Capital injections from shareholders	23	396,816	—	—	396,816
Deemed contribution	24	—	476,935	—	476,935
Share-based compensation expenses	26	—	11,653	—	11,653
<b>Total transactions with equity holders in their capacity as owners</b>		<u>396,816</u>	<u>488,588</u>	<u>—</u>	<u>885,404</u>
<b>Balance at December 31, 2019</b>		<u>396,816</u>	<u>446,904</u>	<u>(960,107)</u>	<u>(116,387)</u>

	<i>Note</i>	Share capital and premium <i>RMB'000</i> ( <i>Note 23</i> )	Shares held for employee share scheme <i>RMB'000</i> ( <i>Note 24</i> )	Other reserves <i>RMB'000</i> ( <i>Note 24</i> )	Accumulated losses <i>RMB'000</i> ( <i>Note 25</i> )	Total equity <i>RMB'000</i>
<b>Balance at</b>						
<b>January 1, 2020</b>		396,816	–	446,904	(960,107)	(116,387)
<b>Comprehensive loss</b>						
Loss for the year	25	–	–	–	(757,677)	(757,677)
<b>Total comprehensive loss for the year</b>		–	–	–	(757,677)	(757,677)
<b>Transactions with owners in their capacity as owners</b>						
Capital injections from shareholders	23	1,086,802	(10,000)	–	–	1,076,802
Prepaid exercise price of restricted share scheme	26	–	–	10,000	–	10,000
Share-based compensation expenses	26	–	–	152,726	–	152,726
Vesting of restricted shares	26	–	5,574	(5,574)	–	–
<b>Total transactions with owners in their capacity as owners</b>		1,086,802	(4,426)	157,152	–	1,239,528
<b>Balance at</b>						
<b>December 31, 2020</b>		1,483,618	(4,426)	604,056	(1,717,784)	365,464



	<i>Note</i>	Share capital and premium <i>RMB'000</i> ( <i>Note 23</i> )	Shares held for employee share scheme <i>RMB'000</i> ( <i>Note 24</i> )	Other reserves <i>RMB'000</i> ( <i>Note 24</i> )	Accumulated losses <i>RMB'000</i> ( <i>Note 25</i> )	Total equity <i>RMB'000</i>
(Unaudited)						
<b>Balance at January 1, 2020</b>		396,816	–	446,904	(960,107)	(116,387)
<b>Comprehensive loss</b>						
Loss for the period	25	–	–	–	(215,189)	(215,189)
<b>Total comprehensive loss for the period</b>		–	–	–	(215,189)	(215,189)
<b>Transactions with owners in their capacity as owners</b>						
Capital injections from shareholders	23	364,206	(10,000)	–	–	354,206
Prepaid exercise price of restricted share scheme		–	–	10,000	–	10,000
Share-based compensation expenses	26	–	–	38,134	–	38,134
<b>Total transactions with owners in their capacity as owners</b>		364,206	(10,000)	48,134	–	402,340
<b>Balance at May 31, 2020</b>		761,022	(10,000)	495,038	(1,175,296)	70,764

	<i>Note</i>	Share capital and premium <i>RMB'000</i> ( <i>Note 23</i> )	Shares held for employee share scheme <i>RMB'000</i> ( <i>Note 24</i> )	Other reserves <i>RMB'000</i> ( <i>Note 24</i> )	Accumulated losses <i>RMB'000</i> ( <i>Note 25</i> )	Total equity <i>RMB'000</i>
<b>Balance at January 1, 2021</b>		1,483,618	(4,426)	604,056	(1,717,784)	365,464
<b>Comprehensive loss</b>						
Loss for the period	25	—	—	—	(352,932)	(352,932)
<b>Total comprehensive loss for the period</b>		—	—	—	(352,932)	(352,932)
<b>Transactions with owners in their capacity as owners</b>						
Capital injections from shareholders	23	1,831,353	—	—	—	1,831,353
Share-based compensation expenses	26	—	—	55,534	—	55,534
<b>Total transactions with owners in their capacity as owners</b>		1,831,353	—	55,534	—	1,886,887
<b>Balance at May 31, 2021</b>		<u>3,314,971</u>	<u>(4,426)</u>	<u>659,590</u>	<u>(2,070,716)</u>	<u>1,899,419</u>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Five months ended	
	Notes	2018	2019	2020	May 31,	2021
		RMB'000	RMB'000	RMB'000	2020	2021
					RMB'000	RMB'000
					(Unaudited)	
<b>Cash flows from operating activities</b>						
Cash used in operations	33	(366,509)	(656,695)	(565,748)	(120,003)	(288,386)
Interest received		–	751	2,978	915	6,671
Income tax paid		–	–	(685)	(685)	–
<b>Net cash used in operating activities</b>		<u>(366,509)</u>	<u>(655,944)</u>	<u>(563,455)</u>	<u>(119,773)</u>	<u>(281,715)</u>
<b>Cash flows from investing activities</b>						
Addition of intangible assets		(54,620)	(66,102)	(67,324)	(17,880)	(22,687)
Purchases of property, plant and equipment		(3,158)	(2,809)	(8,419)	(3,480)	(4,162)
Proceeds from disposals of property, plant and equipment		–	18	268	234	162
Loans advanced to related parties		–	(48,000)	–	–	(400,000)
Proceeds from settlement of loans advanced to related parties		–	–	48,000	–	–
Interests received from loans advanced to related parties		–	935	2,058	871	–
Addition of financial assets at fair value through other comprehensive income		–	–	(3,000)	–	–
<b>Net cash used in investing activities</b>		<u>(57,778)</u>	<u>(115,958)</u>	<u>(28,417)</u>	<u>(20,255)</u>	<u>(426,687)</u>
<b>Cash flows from financing activities</b>						
Capital injections from shareholders		–	396,816	1,076,802	354,206	1,831,353
Prepaid proceeds of exercise price of restricted share scheme		–	–	10,000	10,000	–
Advances from/(payments to) the controlling party prior to the Reorganisation	1.3	424,287	(34,269)	–	–	–
Cash payments for CLS accounted for as deemed distribution	1.3	–	(75,000)	(75,000)	(75,000)	–
Interest paid on borrowings		–	(9,143)	(17,394)	(9,608)	(5,617)
Proceeds of borrowings from financial institution		–	879,400	854,980	300,000	41,920
Repayments of borrowings from financial institution		–	(313,000)	(1,054,300)	(296,900)	(409,000)
Payments of lease liabilities		–	(1,616)	(11,034)	(3,948)	(4,920)
<b>Net cash generated from financing activities</b>		<u>424,287</u>	<u>843,188</u>	<u>784,054</u>	<u>278,750</u>	<u>1,453,736</u>
<b>Net increase in cash and cash equivalents</b>		–	71,286	192,182	138,722	745,334
Cash and cash equivalents at beginning of the year/period		–	–	71,286	71,286	263,468
<b>Cash and cash equivalents at end of the year/period</b>		<u>–</u>	<u>71,286</u>	<u>263,468</u>	<u>210,008</u>	<u>1,008,802</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

#### 1.1 General information

The Company was a joint stock company incorporated in the People's Republic of China (the "PRC") on June 21, 2019 with limited liability. The address of the Company's registered office is Room 1626, 16/F, Chenchuang Building, 198 Zhoushan East Road, Gongshu District, Hangzhou City, Zhejiang Province, PRC.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the intra-city on-demand delivery services in the PRC (the "Listing Business").

The ultimate holding company of the Company is Shenzhen Mingde Holding Development Co., Ltd. (the "Mingde Holding"), which is incorporated in the PRC with limited liability. The intermediate holding company of the Company is S.F. Holding Co., Ltd. (the "SF Holding"), which is incorporated in PRC with limited liability, and the shares of SF Holding have been listed on Shenzhen Stock Exchange. The ultimate controlling party of the Group is Mr. Wang Wei (王衛, "Mr. Wang").

#### 1.2 Reorganisation and subsidiaries

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the Listing Business was operated as an independent business unit under entities controlled by SF Holding.

For the purpose of strengthening the Listing Business and to consolidate the market, the Group underwent the Reorganisation pursuant to which the Listing Business was transferred to the entities now comprising the Group and a separate legally constituted group is formed. The Reorganisation involved the followings:

##### *(a) Incorporation of a series of companies to operate the Listing Business independently*

On October 26, 2018, Shenzhen SF Intra-city Logistics Co., Ltd. was incorporated by Shenzhen S.F. Taisen Holding (Group) Co., Ltd. ("SF Taisen"), the subsidiary of SF Holding, in the PRC with a paid-in capital of RMB100 million.

On December 25, 2018, Shenzhen Zhongplus Internet Technology Co., Ltd. was incorporated by SF Taisen in the PRC with a paid-in capital of RMB20 million.

On January 16, 2019, Shanghai Fengpaida Supply Chain Co., Ltd. was incorporated by SF Taisen in the PRC with a paid-in capital of RMB26 million.

Effective on March 1, 2019, the Listing Business, including management and employees, has been transferred to Shenzhen SF Intra-city Logistics Co., Ltd., Shenzhen Zhongplus Internet Technology Co., Ltd. and Shanghai Fengpaida Supply Chain Co., Ltd. at nil consideration.

##### *(b) Incorporation of the Company*

On June 21, 2019, the Company was incorporated by SF Taisen and Beijing SF Intra-city Technology Co., Ltd., another subsidiary of SF Holding, in the PRC with a registered share capital of RMB160 million which was fully paid for cash, divided into 160,000,000 shares.

##### *(c) Recapitalisation*

In August 2019, the controlling shareholder of the Company, SF Taisen, transferred 100% equity of its three wholly-owned subsidiaries, including Shenzhen SF Intra-city Logistics Co., Ltd., Shanghai Fengpaida Supply Chain Co., Ltd. and Shenzhen Zhongplus Internet Technology Co., Ltd., to the Company in exchange for an issuance of 107,000,000 shares with an aggregate par value amount of RMB107 million.

**(d) Acquisition of legal ownership of CLS**

In October 2019, the Group acquired the legal ownership of CLS from a wholly owned subsidiary of SF Holding at a cash consideration of RMB150 million.

Upon completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group. As at the date of this report and during the Track Record Period, the Company has direct/indirect interests in the following principal subsidiaries:

Name of subsidiaries	Place and date of incorporation	Registered capital/ paid-in capital	Principal activities	Effective interest held by the Group				As the date of report	Note
				As at December 2018	2019	31, 2020	As at May 31, 2021		
Directly held:									
Shenzhen SF Intra-city Logistics Co., Ltd. (深圳市順豐同城物流有限公司)	PRC, October 26, 2018	RMB2,200,000,000/ RMB1,962,400,000	Third party On-demand delivery services	100%	100%	100%	100%	100%	(a)
Shenzhen Zhongplus Internet Technology Co., Ltd. (深圳市眾普拉斯網絡科技有限公司)	PRC, December 25, 2018	RMB20,000,000/ RMB2,000,000	Information technology services	100%	100%	100%	100%	100%	(b)
Shanghai Fengpaida Supply Chain Co., Ltd. (上海豐湃達供應鏈有限公司)	PRC, January 16, 2019	RMB50,000,000	Third party On-demand service	N/A*	100%	100%	100%	100%	(c)
Beijing Shunda Tongxing Technology Co., Ltd. (北京順達同行科技有限公司)	PRC, September 20, 2019	RMB200,000,000	Software development and information technology services	N/A*	100%	100%	100%	100%	(c)
Shanghai Fengzan Technology Co., Ltd. (上海豐贊科技有限公司)	PRC, May 26, 2020	RMB410,000,000/ RMB213,000,000	Information technology services	N/A*	N/A*	100%	100%	100%	(d)
Indirectly held:									
Beijing Fengzan Technology Co., Ltd. (北京豐贊科技有限公司)	PRC, January 25, 2021	RMB150,000,000/ RMB20,000,000	Information technology services	N/A*	N/A*	N/A*	100%	100%	(e)
Shenzhen Fengzan Technology Co., Ltd. (深圳豐贊科技有限公司)	PRC, January 29, 2021	RMB20,000,000/ RMB500,000	Software and information technology services	N/A*	N/A*	N/A*	100%	100%	(e)
Shanghai Fengtiao Yushun Catering Management Co., Ltd. (上海豐調裕順餐飲管理有限公司)	PRC, July 26, 2021	RMB100,000,000/ RMB1,000,000	Catering management services	N/A*	N/A*	N/A*	100%	100%	(e)

\* : The companies had not yet incorporated.

- (a) The statutory financial statements for the years ended December 31, 2019 and 2020 were audited by PricewaterhouseCoopers Zhong Tian LLP. No audited statutory financial statements were prepared for the subsidiary for the period ended December 31, 2018 as it remained inactive during the year.
- (b) The statutory financial statements for the year ended December 31, 2020 were audited by PricewaterhouseCoopers Zhong Tian LLP. No audited statutory financial statements were prepared for the subsidiary for the period ended December 31, 2018 and the year ended December 31, 2019, as it remained inactive during the year/period.
- (c) The statutory financial statements for the period/year ended December 31, 2019 and 2020 were audited by PricewaterhouseCoopers Zhong Tian LLP.
- (d) The statutory financial statements for the period ended December 31, 2020 were audited by PricewaterhouseCoopers Zhong Tian LLP.
- (e) No audited statutory financial statements were prepared for these subsidiaries as they are newly incorporated in 2021.

The English names of the PRC companies referred herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

### 1.3 Basis of presentation

Immediately prior to the Reorganisation, the Listing Business has been conducted by a number of other subsidiaries controlled by SF Holding, and did not exist as a separate legally constituted group. Pursuant to the Reorganisation, the Listing Business is transferred to and held by companies now comprising the Group. The Company and other newly incorporated subsidiaries have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management and controlling party of such business. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the Listing Business for all periods presented from the perspective of Listing Business and SF Holding.

For the period from January 1, 2018 to February 28, 2019, certain financial information of the Listing Business is derived from the accounting records of SF Holding and is arrived in the following manner:

- The consolidated statements of comprehensive income of the Listing Business for the period from January 1, 2018 to February 28, 2019 include all revenues, related costs of revenue, expenses and charges directly generated or incurred by the Listing Business. Common expenses such as general office expenses and rental expenses have been allocated on a reasonable basis between the Listing Business and other businesses of SF Holding. The consolidated statements of financial position of the Listing Business include the assets and liabilities which are clearly identified and directly related to the Listing Business. No other significant allocation has been made.
- For the period from January 1, 2018 to February 28, 2019, taking into consideration that the Listing Business was operated by other subsidiaries controlled by SF Holding and it did not maintain its separate bank accounts, the ending balance of cash and cash equivalents were not allocated to the Historical Financial Information of the Group prior to February 28, 2019. The net cash used in operating and investing activities are deemed as immediately having been paid by other subsidiaries of SF Holding and thus recorded as amount due to related parties in the consolidated statements of financial position of the Listing Business. The net changes of amounts due to related parties of the above nature were presented as "Advances from/(payments to) the controlling party prior to the Reorganisation" under the "Cash flows from financing activities" in the consolidated statements of cash flows. As the transfer of the Listing Business from entities controlled by SF Holding to the Group effective on March 1, 2019 did not include the above amounts due to related parties, the reduction of the amounts due to related parties resulted from the above business transfer is accounted for as a deemed contribution from the controlling party.
- Income taxes on profits or losses attributable to the Listing Business for the period from January 1, 2018 to February 28, 2019 are calculated as if the listing business is operated under a legally constituted group. The benefits from deductible tax differences and input VAT which were utilised by entities controlling by SF Holding are accounted for as a deemed distribution to the controlling party for the year ended December 31, 2018. (Note 24)

Before October 2019, the CLS had been the core and exclusive technology infrastructure developed, maintained and used by the Listing Business while the legal ownership was with a wholly owned subsidiary of SF Holding. As a part of the Reorganization, the Group acquired the legal ownership of CLS from the subsidiary of SF Holding. Prior to the date of transferal of the legal ownership of CLS from SF Holding to the Group, the CLS and related research and development expenses are accounted for at the carrying amounts from SF Holding's perspective. The capitalized development cost of CLS is recorded as "self-developed software" under intangible assets in the consolidated statements of financial positions of the Group.

The cash consideration of RMB150 million paid for CLS is accounted for as deemed distribution to the controlling party.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 Basis of preparation

The principal accounting policies applied in the preparation of Historical Financial Information which are in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations of IFRS, which are mandatory for the financial year beginning January 1, 2018 and 2019, including IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases", are consistently applied to the Group throughout the Track Record Period.

### **2.1.1 New standards and interpretations not yet been adopted**

Standards, amendments and interpretations that have been issued but not yet effective and have not been early adopted by the Group during the Track Record Period, are as follows:

		<b>Effective for annual periods beginning on or after</b>
Amendment to IFRS 16	Covid-19-Related Rent Concessions Beyond June 30, 2021	April 1, 2021
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37	Onerous Contract – Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41	January 1, 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 12	Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date yet determined but available for adoption

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

## **2.2 Subsidiaries**

### **2.2.1 Consolidation**

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

For business combination under common control, the merger accounting has been applied. The Historical Financial Information incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

### ***2.2.2 Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill.

## **2.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

## **2.4 Foreign currency translation**

### ***2.4.1 Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the Historical Financial Information are presented in RMB, which is also the Company's functional and the Group's presentation currency.

### ***2.4.2 Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income within "other gains, net".

## **2.5 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the periods in which they are incurred.



Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Motor vehicles	2-4 years
Computers and electronic equipment	3 years
Machinery	10 years
Office equipment and other equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statements of comprehensive income.

## 2.6 Intangible assets

### 2.6.1 Software

#### (a) Self-developed software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the intangible assets include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. These costs are amortised using the straight-line method over their estimated useful lives of 5 years.

Costs associated with maintaining software programmes are recognized as an expense as incurred.

#### (b) Acquired software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives of 5 years. Costs associated with maintenance of software programmes are recognized as expenses as incurred.

### 2.6.2 Research and development

Research expenditure and development expenditure that do not meet the criteria in 2.6.1 (a) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

## 2.7 Impairment of non-financial assets

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.8 Financial assets

### (i) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held.

Details about each type of financial assets are disclosed in Note 19.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

### (ii) *Recognition and measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group has only one category of debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other (losses)/gains, net' in profit or loss as applicable.

Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

**(iii) Impairment of financial assets**

The Group has the following types of financial assets subject to IFRS 9's new expected credit loss model:

- trade receivables; and
- other receivables and due from related parties.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

The expected loss rates are based on the payment profiles of sales during the Track Record Period and the corresponding historical credit losses experiences. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified broad money supply change of PRC in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As for the trade receivables due from related parties, the Group considers the expected credit loss is immaterial on the basis that the counterparties are mainly related parties controlled by SF Holding with sound external credit rating and no losses experienced in the past, as well as no adverse change is anticipated in the business environment. No provision was made in the Track Record Period.

Impairment of other receivables and due from related parties are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.2.

**(iv) Derecognition of financial instruments***Financial assets*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

*Other financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, canceled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Financial assets and liabilities are presented respectively in the consolidated statement of financial position, without any offset. However, they are offset and the net amount reported in the balance sheet when satisfied the following: (1) There is a legally enforceable right to offset the recognized amounts. (2) There is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**2.9 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**2.10 Contract assets and contract liabilities**

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

**2.11 Trade receivables and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Majority of other receivables are advances to employees, deposit from suppliers and value-added tax recoverable. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment. See note 20 and note 21 for further information about the Group's accounting for trade receivables and other receivables and note 2.8 for a description of the Group's impairment policies.

**2.12 Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and in hand, and term deposits with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**2.13 Share capital and share premium**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases its equity instruments, for example as the result of a employee share scheme, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

**2.14 Trade payables and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**2.15 Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**2.16 Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

**2.17 Current and deferred income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

**2.17.1 Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

**2.17.2 Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future (Note 16).

**2.17.3 Offsetting**

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

**2.18 Employee benefits****2.18.1 Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

**2.18.2 Employment obligations***Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

*Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

**2.19 Share-based payments**

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (including share scheme) is recognized as an expense on the consolidated statements of comprehensive income. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions;
- Including the impact of any non-vesting conditions (for example, the requirement for employees to serve); and
- Excluding the impact of any service and non-market performance vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income with a corresponding adjustment to equity.

**2.20 Revenue recognition**

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

In accordance with the principal versus agent considerations prescribed by IFRS15, the Group determines whether we act as the principal or agent in each of its revenue streams. The principal is the entity that has promised to provide goods or services to its customers. An agent arranges for goods or services to be provided by the principal to its end customer. An agent normally receives a commission or fee for these activities.

The following is a description of the accounting policies for the principal revenue streams of the Group.

**(a) Revenue from intra-city on-demand delivery business**

The Group provides intra-city on-demand delivery services for merchants and consumer customers who place intra-city on-demand delivery orders to the Group via multiple channel including the Group's websites, mobile apps and various interfaces with customers' system.

The Group has determined that it acts as a principal in the intra-city on-demand delivery services as the Group is primarily responsible for the intra-city on-demand delivery service which meet the quality criteria promised to customers. The Group identifies and directs riders to complete the intra-city on-demand delivery orders. Also, the Group has full discretion in establishing fee rates for intra-city on-demand delivery services to customers. Revenues resulting from these services are recognized on a gross basis at a fixed rate or a pre-determined amount for each completed intra-city on-demand delivery, with the amounts paid to the labor suppliers recorded in cost of revenue.

The Group offers various incentive programs to business and individual customers in the form of coupons or volume-based discounts that are recorded as reduction of revenue as the Group does not receive a distinct good or service in consideration.

**(b) Revenue from other business**

*Online group catering platform and delivery services*

The Group offers online group catering service through the Group's platform together with delivery services. Merchants can choose to either provide delivery service on their own or engage the Group to provide delivery service. When the Group is responsible for delivery, merchants pay an aggregated fee both for platform and delivery services. The Group performs two obligations: (a) platform service for handling food supply; and (b) delivery services. As the two performance obligations are satisfied almost at the same time, the Group determined it is not necessary to allocate the transaction price to each performance obligation, and therefore, the Group recognises both aggregated fee as revenues once a transaction is completed.

**2.21 Interest income**

Interest income is recognized using the effective interest method.



**2.22 Leases*****The Group as the lessee:***

The Group leases various properties. Rental contracts are typically made for a fixed period of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

***Practical expedients applied***

In applying IFRS 16, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review; and
- accounting for operating leases with a remaining lease term of less than 12 months as short-term leases.

*The Group as the lessor:*

Lease classification is made at the inception date and is reassessed only if there is a lease modification. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. If there are variable lease payments and as a result of which the lessor does not transfer substantially all such risks and rewards, it would be an operating lease.

Lease income from operating leases where the Group is a lessor is recognized as income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

**2.23 Dividend distribution**

Dividend distribution to the shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

**2.24 Losses per share***(i) Basic losses per share*

Basic losses per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

*(ii) Diluted losses per share*

Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**2.25 Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

## 2.26 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property and equipment, and other non-current assets are included in the current liabilities and are credited to the consolidated statements of comprehensive income on a straight-line basis over the expected lives of the related assets.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the directors and senior management of the Group.

#### 3.1.1 Market risk

##### (i) Foreign exchange risk

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. As at December 31, 2018, 2019 and 2020 and May 31, 2021, the Group's companies had no significant foreign currency denominated monetary assets and monetary liabilities with respect to their respective functional currencies, therefore the Directors consider that the Group has no significant exposure to foreign exchange risk.

##### (ii) Cash flow and fair value interest rate risk

As of December 31, 2018, 2019 and 2020 and May 31, 2021, the Group does not hold any long-term interest-bearing assets or borrowings, so there is no significant interest rate risk.

#### 3.1.2 Credit risk

##### (i) Credit risk management

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade receivables, other receivables and amounts due from related parties. The carrying amounts of cash and cash equivalents, trade receivables, other receivables and amounts due from related parties represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk arising from cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions.

For trade receivables, a significant portion of trade receivables is due from catering industry customers who need delivery service. If the strategic relationship with the customers is terminated or scaled-back; or if the customers alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's receivables might be adversely affected in terms of recoverability. To manage this risk, the Group assesses the credit quality of the customers, taking into account their financial position, past trading and payment experience and forward-looking factors.

For other receivables, management make periodic collective assessments as well as individual assessment of the recoverability of other receivables based on historical settlement records, past experience as well as forward-looking factors.

(ii) *Expected credit loss ("ECL")*

The Group formulates the credit losses of cash and cash equivalents, trade receivables and other receivables using expected credit loss models according to IFRS 9 requirements.

The Group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

For financial assets whose impairment losses are measured using 3-stages general approach ECL assessment except for trade receivables, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognise their ECL, as follows:

- Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.
- Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is included in stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in the following section of "judgement of significant increase in credit risk".
- Stage 3: If the financial instruments is credit-impaired, the financial instrument is included in stage 3. The definition of credit-impaired financial assets is disclosed in the following section of "the definition of credit-impaired assets".

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of exposure at default, probabilities of default and loss given default.

According to whether the credit risk has increased significantly or whether the assets have been impaired, the Group measures the loss allowance with the expected credit losses of 12-month or the lifetime due to the credit risk characteristics of different assets.

Judgement of significant increase in credit risk ("SICR")

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group set quantitative and qualitative criteria to judge whether there has been a SICR after initial recognition. The judgement criteria mainly includes the probabilities of default changes of the debtors, changes of credit risk categories and other indicators of SICR, etc.. In the judgement of whether there has been a SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

The definition of credit-impaired assets

When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- The debtor has overdue more than 90 days after the contract payment date
- The debtor has significant financial difficulties
- The debtor is likely to go bankrupt or other financial restructuring

- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable event.

#### Forward-looking information

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. The Group has identified the broad money supply change, which affects the solvency or financial capability of the counterparty since it determines the scales of bank credit funds, to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

#### Credit risk exposure of financial assets

Without considering the impact of collateral and other credit enhancement, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements.

Concentration of credit risk reflects the sensitivity of the Group's operating results to a particular customer, industry or geographic location.

#### (1) Trade receivables

##### Trade receivables from related parties

In respect of amounts due from related parties with gross carrying value of approximately RMB2,042,000, RMB60,628,000 and RMB320,956,000 and RMB272,388,000 respectively as at December 31, 2018, 2019 and 2020 and May 31, 2021, management of the Group does not consider there is a risk of default and does not expect any losses from non-performance by these related parties, and accordingly, impairment recognized in respect of the amounts due from related parties would be immaterial.

##### Trade receivables from third parties

As at December 31, 2018, the analysis of loss allowance provision was presented as follows:

	Current (not overdue)	Less than 1 year (include 1 year) past due	Total
Expected loss rate	0.46%	2.26%	0.51%
Gross carrying amount (excluding amounts due from related parties) (RMB'000)	155,979	4,137	160,116
Loss allowance provision (RMB'000)	717	94	811

As at December 31, 2019, the analysis of loss allowance provision was presented as follows:

	<b>Current (not overdue)</b>	<b>Less than 1 year (include 1 year) past due</b>	<b>Total</b>
Expected loss rate	0.54%	2.24%	0.73%
Gross carrying amount (excluding amounts due from related parties) (RMB'000)	309,786	38,435	348,221
Loss allowance provision (RMB'000)	<u>1,687</u>	<u>862</u>	<u>2,549</u>

As at December 31, 2020, the analysis of loss allowance provision was presented as follows:

	<b>Current (not overdue)</b>	<b>Less than 1 year (include 1 year) past due</b>	<b>Total</b>
Expected loss rate	0.40%	2.10%	0.56%
Gross carrying amount (excluding amounts due from related parties) (RMB'000)	325,818	33,586	359,404
Loss allowance provision (RMB'000)	<u>1,290</u>	<u>707</u>	<u>1,997</u>

As at May 31, 2021, the analysis of loss allowance provision was presented as follows:

	<b>Current (not overdue)</b>	<b>Less than 1 year (include 1 year) past due</b>	<b>Total</b>
Expected loss rate	0.55%	3.86%	0.68%
Gross carrying amount (excluding amounts due from related parties) (RMB'000)	328,423	14,235	372,658
Loss allowance provision (RMB'000)	<u>1,971</u>	<u>550</u>	<u>2,521</u>

(2) *Other receivables and amounts due from related parties*

As at December 31, 2018, 2019 and 2020 and May 31, 2021, management considered the credit risk of other receivables and amounts due from related parties to be low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these other receivables and amounts due from related parties were minimal under 12 months expected losses method. Therefore, the impairment loss allowance required for these balances was minimal.

### 3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the Listing Business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below set out the Group's financial liabilities grouped into relevant maturity groupings based on their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group	On demand RMB'000	Within 1 Year RMB'000	Over 1 Year RMB'000	Total RMB'000	Carrying amount RMB'000
<b>As at December 31, 2018</b>					
Trade payables	116,522	–	–	116,522	116,522
Other payables and accruals (excluding receipts in advance, accrued payroll and other tax liabilities)	587,622	–	–	587,622	587,622
<b>Total</b>	<b>704,144</b>	<b>–</b>	<b>–</b>	<b>704,144</b>	<b>704,144</b>
<b>As at December 31, 2019</b>					
Trade payables	205,485	36,317	–	241,802	241,802
Lease liabilities	623	7,922	20,584	29,129	26,426
Other payables and accruals (excluding receipts in advance, accrued payroll and other tax liabilities)	131,906	–	–	131,906	131,906
Borrowings	–	587,783	–	587,783	566,400
<b>Total</b>	<b>338,014</b>	<b>632,022</b>	<b>20,584</b>	<b>990,620</b>	<b>966,534</b>
<b>As at December 31, 2020</b>					
Trade payables	370,741	894	–	371,635	371,635
Lease liabilities	615	11,593	27,096	39,304	36,423
Other payables and accruals (excluding receipts in advance, accrued payroll and other tax liabilities)	142,328	–	–	142,328	142,328
Borrowings	–	384,330	–	384,330	367,080
<b>Total</b>	<b>513,684</b>	<b>396,817</b>	<b>27,096</b>	<b>937,597</b>	<b>917,466</b>
<b>As at May 31, 2021</b>					
Trade payables	399,644	–	–	399,644	399,644
Lease liabilities	4,487	13,009	30,192	47,688	44,474
Other payables and accruals (excluding receipts in advance, accrued payroll and other tax liabilities)	178,065	–	–	178,065	178,065
<b>Total</b>	<b>582,196</b>	<b>13,009</b>	<b>30,192</b>	<b>625,397</b>	<b>622,183</b>

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statements of financial position plus net debts. For the years/period ended December 31, 2018, 2019 and 2020 and May 31, 2021, the gearing ratio of the Group were as follows:

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Net debt ( <i>Note 33</i> )	–	521,540	140,035	(964,328)
Total capital	(531,996)	405,153	505,499	935,091
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Gearing ratio (i)</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	–	1.29	0.28	not applicable

- (i) The decrease in the net debt to total equity from 1.29 as at December 31, 2019 to 0.28 as at December 31, 2020 was mainly due to the increase in total equity as a result of capital injection to the Company from shareholders (Note 23).

### 3.3 Fair value estimation

The Group made judgements and estimates in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at December 31, 2018, 2019 and 2020 and May 31, 2021, the Group had no level 1 and level 2 financial instruments and had level 3 instruments represented the financial assets at fair value through other comprehensive income, which was an equity investment.



The fair value of the unlisted equity investment is determined primarily based on recent transaction prices and taking into account of the analysis of the investees' financial position and results, risk profile, prospects, industry trend and other factors. Recent transaction prices, if any, are referenced or independent external valuer is involved, where appropriate, to determine the fair value. The fair value is measured at the historical cost of capital injection, which is also the recent transaction price.

- (a) The following table presents the changes in level 3 instruments during the Track Record Period, respectively.

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Balance at beginning of the year/period	–	–	–	3,000
Additions	–	–	3,000	–
	<u>–</u>	<u>–</u>	<u>3,000</u>	<u>–</u>
Balance at end of the year/period	–	–	3,000	3,000
	<u>–</u>	<u>–</u>	<u>3,000</u>	<u>3,000</u>

Given that the monetary value of the unlisted equity investment is immaterial, management assessed that any possible fair values changes of the investment arising from changes in unobservable inputs will have a minimal financial impact to the Group during the Track Record Period.

The carrying amounts of the Group's financial assets and liabilities, including cash and cash equivalents, trade receivable, other receivables (excluding prepayments), borrowings, trade payables and other payables (excluding non-financial liabilities) approximated their fair values due to their short maturities.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

##### (a) Impairment of long-term assets

Property, plant and equipment, intangible assets and other long-term assets are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable.

When assessing whether the above assets are impaired, management mainly evaluates and analyses: (1) whether events affecting asset impairment occurred; (2) whether the present value of expected cash flows arising from the continuing use or disposal of the asset is lower than its carrying amount; and (3) whether the significant assumptions used in the calculation of the present value of the estimated cash flows are appropriate.

Relevant assumptions adopted by the Group to determine impairment, e.g. changes in assumptions on discount rate and growth rate used to calculate the present value of future cash flows, may have material impact on the present value used in the impairment test, and cause impairment in the above-mentioned long-term assets of the Group.

**(b) Recognition of share-based compensation expense**

As disclosed in Note 26, the Company granted equity-settled restricted shares to certain employees. The fair value of the shares is determined by the income approach using discount cash flow model at the grant date, and amortization will be affected by the date of listing and staff turnover rate. Significant estimates on assumptions, including underlying equity value, weighted average cost of capital, discount for lack of marketability, discount for lack of control.

**(c) Recognition of deferred tax assets**

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary difference is related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting judgement include recognition of deferred tax assets in respect of tax losses. Recognition of the deferred tax assets involves judgement regarding the future financial performance of the Group.

Were the actual final outcome (on the judgement areas) different from the management's estimates, such difference would impact the recognition of deferred tax assets and income tax expenses in the period in which such estimate is changed.

**(d) Capitalization of development costs as intangible assets**

Costs incurred in upgrading existing application and platform (primarily relating to upgrade of the existing features or additions of new features/modules) and developing new application and platform are capitalized as intangible assets when recognition criteria as detailed in Note 2.6 are fulfilled. Management has applied its professional judgement in determining whether these application and platform could generate probable future economic benefits to the Group based on the historical experience of the existing products and the prospects of the markets. Any severe change in market performance or technology advancement will have an impact on the development costs capitalized.

**5 SEGMENT INFORMATION AND REVENUE**

The CODM identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments. An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

As a result of this evaluation, the CODM considers that the Group's operations are operated and managed as one single segment, which is intra-city on-demand delivery service business, for the year ended December 31, 2018 and 2019. In the year of 2020, the Group broadened its business scope to other business representing online group catering platform and delivery services. For the year/period ended December 31, 2020 and May 31, 2021, the Group determined that there are two operating segments, intra-city on-demand delivery service business and other business including online group catering platform and delivery services.

The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from customers of each segment. Profit and loss of the Company, share based payment and professional service fee of the Group are not allocated to segments.

## (a) Description of segments and principal activities

	Year ended December 31, 2020			
	Intra-city on-demand delivery service business RMB'000	Other business RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	4,841,920	1,446	–	4,843,366
Cost of revenue	(5,027,499)	(4,373)	–	(5,031,872)
<b>Gross loss</b>	<b>(185,579)</b>	<b>(2,927)</b>	<b>–</b>	<b>(188,506)</b>
Selling expenses	(107,814)	(3,202)	–	(111,016)
Research and development expenses	(69,374)	–	–	(69,374)
Administrative expenses	(236,144)	(15,523)	(166,350)	(418,017)
Other income	16,125	1	1,955	18,081
Other gains/(losses), net	50	(390)	781	441
Net impairment losses of trade and other receivables	(774)	(76)	–	(850)
<b>Segment loss</b>	<b>(583,510)</b>	<b>(22,117)</b>	<b>(163,614)</b>	<b>(769,241)</b>
Finance income				2,978
Finance cost				(17,927)
<b>Finance cost – net</b>				<b>(14,949)</b>
<b>Loss before income tax</b>				<b>(784,190)</b>
<b>As at December 31, 2020</b>				
<b>Assets</b>				
Segment assets	1,159,859	58,519	54,787	1,273,165
Deferred income tax assets				140,355
<b>Total Assets</b>				<b>1,413,520</b>
<b>Liabilities</b>				
Segment liabilities	972,645	66,685	8,726	1,048,056
<b>Total Liabilities</b>				<b>1,048,056</b>
<b>Other segment information</b>				
Amortization of intangible assets	31,748	2,068	–	33,816
Depreciation of property, plant, and equipment	3,230	61	–	3,291
Depreciation of right-of-use assets	8,919	–	–	8,919
Additions of non-current assets except for deferred income tax assets	69,032	27,965	–	96,997

Five months ended May 31, 2020 (Unaudited)				
	Intra-city on-demand delivery service business RMB'000	Other business RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	1,429,491	–	–	1,429,491
Cost of revenue	(1,487,594)	–	–	(1,487,594)
<b>Gross loss</b>	<b>(58,103)</b>	<b>–</b>	<b>–</b>	<b>(58,103)</b>
Selling expenses	(24,636)	–	–	(24,636)
Research and development expenses	(20,650)	–	–	(20,650)
Administrative expenses	(94,621)	(149)	(38,486)	(133,256)
Other income	5,891	–	832	6,723
Other (losses)/gains, net	(275)	–	781	506
Net reversals of impairment losses of trade and other receivables	606	–	–	606
<b>Segment loss</b>	<b>(191,788)</b>	<b>(149)</b>	<b>(36,873)</b>	<b>(228,810)</b>
Finance income				915
<b>Finance cost</b>				<b>(13,807)</b>
<b>Finance cost – net</b>				<b>(12,892)</b>
<b>Loss before income tax</b>				<b>(241,702)</b>
<b>As at May 31, 2020</b>				
<b>Assets</b>				
Segment assets	811,827	2,488	57,370	871,685
Deferred income tax assets				140,355
<b>Total Assets</b>				<b>1,012,040</b>
<b>Liabilities</b>				
Segment liabilities	939,139	–	2,137	941,276
<b>Total Liabilities</b>				<b>941,276</b>
<b>Other segment information</b>				
Amortization of intangible assets	13,393	–	–	13,393
Depreciation of property, plant, and equipment	951	–	–	951
Depreciation of right-of-use assets	3,413	–	–	3,413
Additions of non-current assets except for deferred income tax assets	21,710	–	–	21,710

	Five months ended May 31, 2021			
	Intra-city on-demand delivery service business RMB'000	Other business RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	3,038,103	7,487	–	3,045,590
Cost of revenue	(3,063,715)	(9,535)	–	(3,073,250)
<b>Gross loss</b>	<b>(25,612)</b>	<b>(2,048)</b>	<b>–</b>	<b>(27,660)</b>
Selling expenses	(48,165)	(28,615)	–	(76,780)
Research and development expenses	(26,978)	(20,300)	–	(47,278)
Administrative expenses	(134,566)	(15,148)	(66,547)	(216,261)
Other income	10,787	16	398	11,201
Other (losses)/gains, net	(207)	(24)	6,192	5,961
Net impairment losses of trade and other receivables	(2,315)	(7)	–	(2,322)
<b>Segment loss</b>	<b>(227,056)</b>	<b>(66,126)</b>	<b>(59,957)</b>	<b>(353,139)</b>
Finance income				6,671
Finance cost				(6,464)
<b>Finance income – net</b>				<b>207</b>
<b>Loss before income tax</b>				<b>(352,932)</b>
<b>As at May 31, 2021</b>				
<b>Assets</b>				
Segment assets	1,369,822	77,829	1,088,319	2,535,970
Deferred income tax assets				140,355
<b>Total Assets</b>				<b>2,676,325</b>
<b>Liabilities</b>				
Segment liabilities	651,374	99,581	25,951	776,906
<b>Total Liabilities</b>				<b>776,906</b>
<b>Other segment information</b>				
Amortization of intangible assets	13,710	4,055	–	17,765
Depreciation of property, plant, and equipment	2,052	155	–	2,207
Depreciation of right-of-use assets	5,875	676	–	6,551
Additions of non-current assets except for deferred income tax assets	38,982	5,463	–	44,445

## (b) Revenue by business line and nature

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At a point in time					
– Intra-city on-demand delivery service revenue	993,274	2,107,014	4,841,920	1,429,491	3,038,103
– Others	–	–	1,446	–	7,487
Revenue from contracts with customers	993,274	2,107,014	4,843,366	1,429,491	3,045,590

## (c) Unsatisfied performance obligations

For Intra-city on-demand delivery service and other services, they are rendered normally in a single day and there is no unsatisfied performance obligation at the end of respective periods.

## (d) Geographical information

Since all of the Group's revenue and operating profit were generated in PRC and all of the Group's identifiable assets and liabilities were located in PRC, no geographical information is presented in accordance with IFRS 8 "Operating Segments".

## (e) Information about major customers

For the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2020 and 2021, the Group's revenue derived from major customers are approximately RMB672 million, RMB1,414 million and RMB2,966 million and RMB933 million and RMB1,856 million respectively, accounting for approximately 68%, 67% and 61% and 65% and 61% of the Group's total revenue, respectively.

## 6 OTHER INCOME

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Government grants (Note)	–	5,519	15,360	5,563	9,587
Interest income	–	935	2,058	871	398
Others	–	711	663	289	1,216
	–	7,165	18,081	6,723	11,201

Note: Since April 1, 2019, taxpayers in daily-life service industry are allowed to enjoy an additional 10% of input value added tax amount to deduct from tax payable.

## 7 OTHER (LOSSES)/GAINS, NET

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net gain/(losses) on disposal of property, plant and equipment	-	235	(14)	(12)	(13)
Other exchange gains	-	-	781	781	6,192
Others	(4)	(83)	(326)	(263)	(218)
	(4)	152	441	506	5,961

## 8 EXPENSES BY NATURE

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Labour outsourcing costs	1,051,875	2,124,890	4,914,042	1,435,877	3,055,711
Employee benefit expenses (Note 9)	244,056	413,698	460,551	154,640	220,199
Professional service expenses	4,769	21,930	18,253	4,520	5,654
Marketing and promotion expenses	6,852	20,526	31,788	5,834	25,883
Amortization of intangible assets (Note 15)	6,985	20,749	33,816	13,393	17,765
Depreciation of					
– property, plant and equipment (Note 14)	1,145	1,927	3,291	951	2,207
– right-of-use assets (Note 17)	–	2,451	8,919	3,413	6,551
Costs of materials	7,097	17,389	34,661	8,502	21,381
Transportation expenses	9,513	15,897	12,630	6,651	1,048
Office and rental expenses	4,801	12,995	13,462	5,565	9,619
Information service expenses	6,329	12,494	36,132	10,941	16,215
Listing expenses	–	–	5,934	–	7,756
Travelling expenses	5,520	5,752	5,736	1,834	2,954
Call center service expenses	1,483	3,146	10,394	3,088	6,570
Insurance expenses	–	2,670	2,907	1,288	106
Tax and surcharges	31	3,134	3,879	1,265	2,881
Auditor's remuneration					
– Audit services	–	448	497	–	–
Others	3,758	4,986	33,387	8,374	11,069
	1,354,214	2,685,082	5,630,279	1,666,136	3,413,569

**9 EMPLOYEE BENEFIT EXPENSES****(a) Employee benefit expenses are analysed as follows:**

	<b>Year ended December 31,</b>			<b>Five months ended</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>May 31,</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2020</i>	<i>2021</i>
				<i>(Unaudited)</i>	
Salaries, wages and bonuses	217,212	376,316	287,060	106,522	140,047
Share-based compensation expenses ( <i>Note 26</i> )	–	11,653	152,726	38,134	55,534
Pension costs – defined contribution plans	15,912	13,580	2,047	1,497	12,374
Other employees benefits	10,932	12,149	18,718	8,487	12,244
	<u>244,056</u>	<u>413,698</u>	<u>460,551</u>	<u>154,640</u>	<u>220,199</u>

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2020 and 2021 include Nil, Nil and 1 and 1 and 1 director whose emoluments are reflected in the analysis shown in Note 38(a). The emoluments paid and payable to the remaining 5, 5 and 4 and 4 individuals during the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2020 and 2021, respectively are as follows:

	<b>Year ended December 31,</b>			<b>Five months ended</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>May 31,</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2020</i>	<i>2021</i>
				<i>(Unaudited)</i>	
Share-based compensation expenses	–	7,872	61,373	14,989	23,047
Salaries, wages and bonuses	9,671	9,671	8,050	3,260	3,354
Pension costs – defined contribution plans	310	310	198	83	83
Other employee benefits	398	398	300	125	125
	<u>10,379</u>	<u>18,251</u>	<u>69,921</u>	<u>18,457</u>	<u>26,609</u>

The emoluments of these individuals are within the following bands:

**Number of individuals**

	<b>Year ended December 31,</b>			<b>Five months ended</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>May 31,</b>	<b>2021</b>
				<i>2020</i>	<i>2021</i>
				<i>(Unaudited)</i>	
HKD					
Nil – 1,000,000	–	–	–	–	–
1,500,001 – 2,000,000	2	–	–	–	–
2,000,001 – 2,500,000	–	1	–	2	–
2,500,001 – 3,000,000	3	2	–	–	1
3,000,001 – 3,500,000	–	–	–	–	1
5,000,001 – 5,500,000	–	1	–	–	–
6,500,001 – 7,000,000	–	–	–	1	–
7,000,001 – 7,500,000	–	1	–	–	–
7,500,001 – 8,000,000	–	–	1	–	1
8,000,001 – 8,500,000	–	–	1	–	–
9,000,001 – 9,500,000	–	–	–	1	–
18,500,001 – 19,000,000	–	–	–	–	1
23,000,001 – 23,500,000	–	–	1	–	–
44,000,001 – 44,500,000	–	–	1	–	–
	<u>5</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>



## 10 FINANCE COSTS/(INCOME)

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	2020	2021
				(Unaudited)	
<b>Finance income:</b>					
Interest income on deposits in financial institutions	—	(751)	(2,978)	(915)	(6,671)
<b>Finance costs:</b>					
Interest expenses on borrowings	—	9,844	16,693	13,315	5,617
Interest expenses on leasing liabilities	—	438	1,234	492	847
	—	10,282	17,927	13,807	6,464
<b>Finance costs/(income) – net:</b>	—	9,531	14,949	12,892	(207)

## 11 NET (REVERSALS OF)/IMPAIRMENT LOSSES OF TRADE AND OTHER RECEIVABLES

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	2020	2021
				(Unaudited)	
<b>Provision of impairment allowance for:</b>					
Trade receivables (Note 20)	616	2,563	375	(609)	2,296
Other receivables (Note 21)	—	106	475	3	26
	616	2,669	850	(606)	2,322

## 12 INCOME TAX CREDIT

## (a) Income tax credit

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	2020	2021
				(Unaudited)	
PRC corporate income tax					
Current income tax	—	1,295	(610)	(610)	—
Deferred income tax (Note 16)	(33,163)	(114,451)	(25,903)	(25,903)	—
Income tax credit	(33,163)	(113,156)	(26,513)	(26,513)	—

The Group's principal applicable taxes and tax rates are as follows:

**PRC corporate income tax ("CIT")**

CIT was made on the taxable income of the entities within the Group incorporated in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC after considering the available tax refunds and allowances. The general CIT rate is 25% for the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2020 and 2021.

**(b) Reconciliation of income tax credit**

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	2020	2021
				(Unaudited)	
Loss before income tax	(361,560)	(582,951)	(784,190)	(241,702)	(352,932)
Tax calculated at applicable statutory tax rate of 25%	(90,390)	(145,738)	(196,048)	(60,426)	(88,233)
Tax effect of unrecognized tax losses (i)	53,995	28,380	139,297	28,970	79,065
Expenses not deductible for tax purposes (ii)	3,232	4,202	37,885	8,485	14,696
Over provision in prior year	–	–	(610)	(610)	–
Super deduction of research and development expense	–	–	(7,037)	(2,932)	(5,528)
	<u>(33,163)</u>	<u>(113,156)</u>	<u>(26,513)</u>	<u>(26,513)</u>	<u>–</u>

**(i) Unrecognized tax losses and temporary differences**

	As at December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	2020	2021
				(Unaudited)	
Unused tax losses for which no deferred tax asset has been recognized (iii) (iv)	–	69,361	624,031	185,149	941,989
Unrecognised temporary differences	–	–	2,517	91	819
Potential tax impact	<u>–</u>	<u>17,340</u>	<u>156,637</u>	<u>46,310</u>	<u>235,702</u>

(ii) It mainly includes share-based compensating expenses during the years ended December 31, 2019 and 2020 and the five months ended May 31, 2020 and 2021.

(iii) The unrecognised tax losses of RMB215,980,000 and RMB44,160,000 for the years ended December 31, 2018 and two months ended February 28, 2019, respectively, were incurred prior to the Reorganisation and can not be utilised by the Group in the future.

(iv) These tax losses will expire from 2024 to 2026.

**13 LOSSES PER SHARE****(a) Basic losses per share**

Basic losses per share is calculated by dividing the loss for the years/periods attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2020 and 2021.

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
				2020	2021
				(Unaudited)	
Loss attributable to equity holders of the Company (RMB'000)	(328,397)	(469,795)	(757,677)	(215,189)	(352,932)
Weighted average number of shares in issue (i)	267,000,000	268,144,311	473,887,445	343,897,202	653,153,252
Basic losses per share (in RMB)	<u>(1.23)</u>	<u>(1.75)</u>	<u>(1.60)</u>	<u>(0.63)</u>	<u>(0.54)</u>

(i) In determining the weighted average number of ordinary shares in issue, the total of 160,000,000 shares issued on June 21, 2019 and 107,000,000 shares in August, 2019 were deemed to have been issued since January 1, 2018.

**(b) Diluted losses per share**

For the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2020 and 2021, the Company had one category of dilutive potential ordinary shares: restricted share granted to employees under Pre-IPO Restricted Share Scheme. As the Group incurred losses for the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2020 and 2021, the potential ordinary shares were not included in the calculation of dilutive losses per share, which would be anti-dilutive. Accordingly, dilutive losses per share for the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2020 and 2021, was the same as the basic losses per share for the respective years/periods.

**14 PROPERTY, PLANT AND EQUIPMENT**

	Motor vehicles <i>RMB'000</i>	Computers and electronic equipment <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Office equipment and other equipment <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At January 1, 2018</b>					
Cost	22	1,934	3	1,139	3,098
Accumulated depreciation	(3)	(621)	(1)	(421)	(1,046)
Net book amount	19	1,313	2	718	2,052
<b>Year ended December 31, 2018</b>					
Opening net book amount	19	1,313	2	718	2,052
Additions	32	2,962	92	72	3,158
Depreciation	(4)	(914)	(2)	(225)	(1,145)
Closing net book amount	47	3,361	92	565	4,065
<b>At December 31, 2018</b>					
Cost	54	4,896	95	1,211	6,256
Accumulated depreciation	(7)	(1,535)	(3)	(646)	(2,191)
Net book amount	47	3,361	92	565	4,065
<b>Year ended December 31, 2019</b>					
Opening net book amount	47	3,361	92	565	4,065
Additions	15	1,455	474	925	2,869
Disposals	(3)	(15)	-	-	(18)
Depreciation	(22)	(1,593)	(50)	(262)	(1,927)
Closing net book amount	37	3,208	516	1,228	4,989
<b>At December 31, 2019</b>					
Cost	66	6,336	569	2,136	9,107
Accumulated depreciation	(29)	(3,128)	(53)	(908)	(4,118)
Net book amount	37	3,208	516	1,228	4,989

	Motor vehicles <i>RMB'000</i>	Computers and electronic equipment <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Office equipment and other equipment <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended December 31, 2020</b>					
Opening net book amount	37	3,208	516	1,228	4,989
Additions	640	5,113	91	4,032	9,876
Disposals	(158)	(104)	-	(6)	(268)
Depreciation	(86)	(2,261)	(58)	(886)	(3,291)
Closing net book amount	433	5,956	549	4,368	11,306
<b>At December 31, 2020</b>					
Cost	548	11,345	660	6,162	18,715
Accumulated depreciation	(115)	(5,389)	(111)	(1,794)	(7,409)
Closing net book amount	433	5,956	549	4,368	11,306
(Unaudited)					
<b>Five months ended May 31, 2020</b>					
Opening net book amount	37	3,208	516	1,228	4,989
Additions	11	1,604	42	1,763	3,420
Disposals	(23)	(208)	-	(3)	(234)
Depreciation	(8)	(780)	(23)	(140)	(951)
Closing net book amount	17	3,824	535	2,848	7,224
<b>At May 31, 2020</b>					
Cost	54	7,732	611	3,896	12,293
Accumulated depreciation	(37)	(3,908)	(76)	(1,048)	(5,069)
Net book amount	17	3,824	535	2,848	7,224
<b>Five months ended May 31, 2021</b>					
Opening net book amount	433	5,956	549	4,368	11,306
Additions	-	2,427	-	3,493	5,920
Disposals	-	(162)	-	-	(162)
Depreciation	(148)	(1,271)	(27)	(761)	(2,207)
Closing net book amount	285	6,950	522	7,100	14,857
<b>At May 31, 2021</b>					
Cost	548	13,610	660	9,655	24,473
Accumulated depreciation	(263)	(6,660)	(138)	(2,555)	(9,616)
Net book amount	285	6,950	522	7,100	14,857

Depreciation of the Group's property, plant and equipment has been recognized in the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of revenue	7	372	1,071	336	615
Selling and marketing expenses	–	25	112	16	71
Administrative expenses	1,138	1,530	1,882	499	1,340
Research and development expenses	–	–	226	100	181
	<u>1,145</u>	<u>1,927</u>	<u>3,291</u>	<u>951</u>	<u>2,207</u>

## 15 INTANGIBLE ASSETS

	Software RMB'000
<b>At January 1, 2018:</b>	
Cost	9,301
Accumulated amortization	–
Net book amount	<u>9,301</u>
<b>Year ended December 31, 2018:</b>	
Opening net book amount	9,301
Additions	
– Internal development	54,620
Amortization	(6,985)
Net book amount	<u>56,936</u>
<b>At December 31, 2018:</b>	
Cost	63,921
Accumulated amortization	(6,985)
Net book amount	<u>56,936</u>
<b>Year ended December 31, 2019:</b>	
Opening net book amount	56,936
Additions	
– Internal development	52,554
– Purchase	13,548
Amortization	(20,749)
Net book amount	<u>102,289</u>
<b>At December 31, 2019:</b>	
Cost	130,023
Accumulated amortization	(27,734)
Net book amount	<u>102,289</u>

	<b>Software</b> <i>RMB'000</i>
<b>Year ended December 31, 2020:</b>	
Opening net book amount	102,289
Additions	
– Internal development	52,172
– Purchase	15,152
Amortization	(33,816)
	<hr/>
Net book amount	135,797
	<hr/> <hr/>
<b>At December 31, 2020:</b>	
Cost	197,347
Accumulated amortization	(61,550)
	<hr/>
Net book amount	135,797
	<hr/> <hr/>
(Unaudited)	
<b>Five months ended May 31, 2020:</b>	
Opening net book amount	102,289
Additions	
– Internal development	17,880
Amortization	(13,393)
	<hr/>
Net book amount	106,776
	<hr/> <hr/>
<b>At May 31, 2020:</b>	
Cost	147,903
Accumulated amortization	(41,127)
	<hr/>
Net book amount	106,776
	<hr/> <hr/>
<b>Five months ended May 31, 2021:</b>	
Opening net book amount	135,797
Additions	
– Internal development	15,799
– Purchase	10,602
Amortization	(17,765)
	<hr/>
Net book amount	144,433
	<hr/> <hr/>
<b>At May 31, 2021:</b>	
Cost	223,748
Accumulated amortization	(79,315)
	<hr/>
Net book amount	144,433
	<hr/> <hr/>

**(a) Amortization**

Amortization of the Group's intangible assets has been recognized in the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Five months ended May 31,	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Cost of revenue	6,985	19,576	31,142	12,266	15,839
Administrative expenses	—	1,173	2,674	1,127	1,926
	<u>6,985</u>	<u>20,749</u>	<u>33,816</u>	<u>13,393</u>	<u>17,765</u>

**(b) Impairment tests**

Included in intangible assets are capitalized development costs related to the CLS, that are in the development stage and not yet available for use, amounted to nil, RMB13,180,000, RMB37,307,000 and RMB53,105,000 as of December 31, 2018, 2019 and 2020 and May 31, 2021, respectively.

The above development costs are incurred for function enhancement and optimization of the CLS, a self-used software of the Group, and are tested annually based on the recoverable amount of the intra-city on-demand delivery service business, which is the cash generating unit ("CGU") to which the CLS is related.

The key assumptions used in calculating recoverable amount of the CGU included estimated sales revenue with a terminal growth rate of 3%, estimated gross profit margin and applying the following post-tax discount rate:

	As at December 31, 2019	2020	As at May 31 2021
Post-tax discount rate	<u>17.6%</u>	<u>16.3%</u>	<u>15.8%</u>

The recoverable amount is determined based on fair value less costs of disposal calculations, which use the discounted cash flow approach and include level 3 fair value hierarchy inputs.

The fair value less costs of disposal calculations are based on 10-year period cash flow projections. A period longer than five years is being adopted in the projections, as the intra-city on-demand delivery service business is still at an early stage and required time building up its economic of scale. Therefore, from the viewpoint of market participants, the Group's intra-city on-demand delivery service business is expected to reach a steady and stable terminal growth state likely in ten years.

The recoverable amounts of the CGU are shown as below:

	As at December 31, 2019 RMB'000	2020 RMB'000	As at May 31 2021 RMB'000
Recoverable amount	<u>3,349,386</u>	<u>10,172,337</u>	<u>11,926,290</u>

The amounts of headroom of the CGU are shown as below:

	As at December 31, 2019 RMB'000	2020 RMB'000	As at May 31 2021 RMB'000
Headroom	<u>3,465,773</u>	<u>9,844,768</u>	<u>11,067,487</u>

Had the estimated key assumptions during the forecast period been changed by reasonably possible changes as below, the headroom would change to below:

	As at December 31, 2019 RMB'000	2020 RMB'000	As at May 31 2021 RMB'000
Gross profit margin within the forecast period decreases 1%	2,251,867	7,683,925	8,723,049
Discount rate increases 1%	2,992,427	8,542,627	9,623,572
Terminal growth rate decreases 1%	3,258,298	9,302,202	10,441,979

Given the sufficient headroom, management believed that reasonably possible changes in the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

No impairment for intangible assets not yet available for use as at December 31, 2019 and 2020 and May 31, 2021 is considered necessary based on the above impairment tests.

#### 16 DEFERRED INCOME TAX ASSETS

	As at December 31, 2018 RMB'000	2019 RMB'000	2020 RMB'000	As at May 31, 2021 RMB'000
Deferred income tax assets				
– to be realised after more than 12 months	–	114,452	140,355	140,355

##### (i) Deferred income tax assets

	Employee benefits RMB'000	Accrued expenses RMB'000	Deductible losses RMB'000	Provisions for assets impairment RMB'000	Depreciation and amortization RMB'000	Leases RMB'000	Total RMB'000
As at December 31, 2018 and January 1, 2019	–	–	–	–	–	–	–
Credit to profit or loss	794	23	111,617	644	1,056	318	114,452
As at December 31, 2019	794	23	111,617	644	1,056	318	114,452
As at January 1, 2020	794	23	111,617	644	1,056	318	114,452
Credit/(charged) to profit or loss	447	(23)	26,940	(184)	(1,056)	(221)	25,903
As at December 31, 2020	1,241	–	138,557	460	–	97	140,355
As at January 1, 2021	1,241	–	138,557	460	–	97	140,355
Credit/(charged) to profit or loss	–	–	–	–	–	–	–
As at May 31, 2021	1,241	–	138,557	460	–	97	140,355



## 17 RIGHT-OF-USE ASSETS

	<b>Properties</b> <i>RMB'000</i>
<b>At January 1 and December 31, 2018</b>	
Cost	—
Accumulated depreciation	—
Net book amount	—
<b>Year ended December 31, 2019</b>	
Opening net book amount	—
Additions	27,604
Depreciation	(2,451)
Closing net book amount	25,153
<b>At December 31, 2019</b>	
Cost	27,604
Accumulated depreciation	(2,451)
Net book amount	25,153
<b>Year ended December 31, 2020</b>	
Opening net book amount	25,153
Additions	19,797
Depreciation	(8,919)
Closing net book amount	36,031
<b>At December 31, 2020</b>	
Cost	47,401
Accumulated depreciation	(11,370)
Net book amount	36,031
(Unaudited)	
<b>Five months ended May 31, 2020</b>	
Opening net book amount	25,153
Additions	410
Depreciation	(3,413)
Closing net book amount	22,150
<b>At May 31, 2020</b>	
Cost	28,014
Accumulated depreciation	(5,864)
Net book amount	22,150

	<b>Properties</b> <i>RMB'000</i>
<b>Five months ended May 31, 2021</b>	
Opening net book amount	36,031
Additions	12,124
Depreciation	<u>(6,551)</u>
Closing net book amount	<u><u>41,604</u></u>
<b>At May 31, 2021</b>	
Cost	59,525
Accumulated depreciation	<u>(17,921)</u>
Net book amount	<u><u>41,604</u></u>

As at December 31, 2019 and 2020 and May 31, 2021, the balances related to subsidiaries of SF Holding are RMB2,667,003 and RMB2,200,038 and RMB6,565,512 respectively.

Depreciation charge of right-of-use assets was recognized in the consolidated statements of comprehensive income as follow:

	<b>Year ended December 31,</b>			<b>Five months ended</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Administrative expenses	–	2,384	8,167	3,175	2,975
Cost of revenue	–	67	752	238	1,152
Research and development expenses	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,424</u>
	<u><u>–</u></u>	<u><u>2,451</u></u>	<u><u>8,919</u></u>	<u><u>3,413</u></u>	<u><u>6,551</u></u>

## 18 INVENTORIES

	<b>As at December 31,</b>			<b>As at</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>May 31,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2021</b>
				<i>RMB'000</i>
Rider equipments	<u>–</u>	<u>–</u>	<u>6,819</u>	<u><u>4,463</u></u>

For the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2020 and 2021, the cost of inventories recognised as expense and included in “cost of revenue” amounted to RMB7,097,000, RMB17,389,000 and RMB34,661,000 and RMB8,502,000 and RMB21,381,000 respectively.

## 19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<b>Financial assets</b>				
<b>Financial assets at amortised cost:</b>				
Cash and cash equivalents (Note 22)	–	71,286	263,468	1,008,802
Trade receivables (Note 20)	161,347	406,300	678,363	642,525
Other receivables excluding non- financial assets (Note 21)	–	5,007	11,925	25,291
Amount due from related parties	–	147,768	67,205	162,311
Loans to related parties	–	48,000	–	400,398
	<u>161,347</u>	<u>678,361</u>	<u>1,020,961</u>	<u>2,239,327</u>
<b>Financial assets at fair value</b>				
Financial assets at fair value through other comprehensive income	–	–	3,000	3,000
	<u>161,347</u>	<u>678,361</u>	<u>1,023,961</u>	<u>2,242,327</u>
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Borrowings	–	566,400	367,080	–
Trade payables	116,522	241,802	371,635	399,644
Other payables excluding non- financial liabilities	1,419	19,366	122,827	139,660
Amount due to related parties	586,203	112,540	19,501	38,405
Lease liabilities	–	26,426	36,423	44,474
	<u>704,144</u>	<u>966,534</u>	<u>917,466</u>	<u>622,183</u>

## 20 TRADE RECEIVABLES

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Trade receivables				
– related parties ( <i>Note 34(d)</i> )	2,042	60,628	320,956	272,388
– third parties	160,116	348,221	359,404	372,658
	<u>162,158</u>	<u>408,849</u>	<u>680,360</u>	<u>645,046</u>
Loss allowance	<u>(811)</u>	<u>(2,549)</u>	<u>(1,997)</u>	<u>(2,521)</u>
	<u>161,347</u>	<u>406,300</u>	<u>678,363</u>	<u>642,525</u>

(a) The following is an ageing analysis of trade receivables presented based on invoice date:

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Within 30 days	120,645	298,584	547,630	451,331
30 to 180 days	41,364	109,082	132,730	193,715
Over 180 days	149	1,183	–	–
	<u>162,158</u>	<u>408,849</u>	<u>680,360</u>	<u>645,046</u>

Third party customers are usually granted with a credit period ranging between 15 and 90 days, which depends on amounts of transaction and credit position of specific customers. Trade receivables from related parties are granted with a credit period of 30 days.

(b) Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	2020	2021
				RMB'000	RMB'000
				<i>(Unaudited)</i>	
At beginning of year/period	(195)	(811)	(2,549)	(2,549)	(1,997)
Allowance for impairment ( <i>Note 11</i> )	(616)	(2,563)	(375)	609	(2,296)
Written off as uncollectible	–	825	927	37	1,772
At end of year/period	<u>(811)</u>	<u>(2,549)</u>	<u>(1,997)</u>	<u>(1,903)</u>	<u>(2,521)</u>

(c) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Details are disclosed in Note 3.1.2.

(d) The Group's trade receivables were denominated in RMB.

## 21 OTHER RECEIVABLES AND PREPAYMENTS

## The Group

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Other receivables				
– Value-added tax recoverable	–	8,277	51,460	70,912
– Payments on behalf of platform users	–	–	3,437	14,161
– Deposits paid	–	1,365	4,905	8,310
– Advances to employees	–	2,799	2,615	1,729
– Prepaid social insurance premium	–	336	583	716
– Others	–	870	1,080	1,229
	–	13,647	64,080	97,057
Prepayments of listing expenses	–	–	–	10,262
Prepayments to suppliers	–	5,002	7,208	6,396
	–	5,002	7,208	16,658
– Less: allowance for other receivables	–	(27)	(112)	(138)
	–	18,622	71,176	113,577

During the Track Record Period, management estimated that the credit loss of other receivables was insignificant.

(a) Movements on the Group's allowance for impairment of other receivables are as follows:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	2020	2021
				RMB'000	RMB'000
				(Unaudited)	
At beginning of year/period	–	–	(27)	(27)	(112)
Allowance for impairment (Note 11)	–	(106)	(475)	(3)	(26)
Written off as uncollectible	–	79	390	2	–
At end of year/period	–	(27)	(112)	(28)	(138)

(b) The carrying amounts of prepayments and other receivables were primarily denominated in RMB and approximate to their fair values due to their short maturity at the reporting date. As at December 31, 2018, 2019 and 2020 and May 31, 2021, there were no significant balances that were past due except for those provided for impairment loss.

## 22 CASH AND CASH EQUIVALENTS

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Cash at banks and a financial institution operated by SF Holding Group	–	71,286	263,468	1,008,802

The Group's cash and cash equivalents were demand deposits with market interest rate denominated in RMB.

## 23 SHARE CAPITAL AND PREMIUM

	Number of shares	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Total RMB'000
Issued:				
Ordinary shares of RMB1 each on June 21, 2019 (date of incorporation)	160,000,000	160,000	–	160,000
Capital injections from SF Taisen (i)	107,000,000	107,000	–	107,000
Capital injections from Series A investors (ii)	10,581,413	10,581	49,419	60,000
Capital injection from Xingrui Yongying (iii)	12,312,500	12,313	57,503	69,816
<b>Year ended December 31, 2019</b>	<b>289,893,913</b>	<b>289,894</b>	<b>106,922</b>	<b>396,816</b>
Capital injections from Beijing SF Intra-city Technology Co., Ltd.	15,000,000	15,000	–	15,000
Capital injections from series A investors (ii)	37,500,000	37,500	173,902	211,402
Capital injections from share incentive scheme (iv) (Note 26)	10,000,000	10,000	–	10,000
Capital injections from SF Holding Limited	128,000,000	128,000	–	128,000
Capital injections from SF Taisen (v)	106,235,295	106,235	616,165	722,400
<b>Year ended December 31, 2020</b>	<b>586,629,208</b>	<b>586,629</b>	<b>896,989</b>	<b>1,483,618</b>
Capital injections from series B investors (vi)	103,407,347	103,407	1,292,675	1,396,082
Capital injections from SF Taisen (vii)	30,294,501	30,295	378,705	409,000
Capital injections from Jiaying Fengrong (vii)	1,945,851	1,946	24,325	26,271
<b>Five month ended May 31, 2021</b>	<b>722,276,907</b>	<b>722,277</b>	<b>2,592,694</b>	<b>3,314,971</b>

- (i) In August 2019, the controlling shareholder of the Company, SF Taisen, transferred 100% equity of its three wholly-owned subsidiaries, which included Shenzhen Zhongplus Internet Technology Co., Ltd., Shanghai Fengpaida Supply Chain Co., Ltd. and Shenzhen SF Intra-city Logistics Co., Ltd., to the Company, respectively, in exchange for the Company issuing 107,000,000 ordinary shares.
- (ii) The Company issued first batch of Pre-IPO shares (the "Series A") at an issue price of RMB5.65 per share. Details of capital injections from Series A investors are shown below:

	Number of shares	Equivalent nominal value of shares RMB'000	Share premium RMB'000
Issued:			
Capital injection from Huangshan SAIF Tourism Cultural Industry Development Fund (Limited Partnership) (黃山賽富旅 遊文化產業發展基金(有限合伙))	10,581,413	10,581	49,419
Capital injection from Shining Star Fund, L.P.	37,500,000	37,500	173,902
	<u>48,081,413</u>	<u>48,081</u>	<u>223,321</u>

- (iii) In December 2019, the Company issued 12,312,500 shares at an issue price of RMB5.65 per share to Fuzhou Economic and Technological Development Zone Xingrui Yongying Equity Investment Partnership (Limited Partnership) (福州經濟技術開發區興睿永瀛股權投資合伙企業(有限合伙)).
- (iv) In December 2019, Ningbo Shunxiang Tongcheng Venture Capital Investment Partnership (Limited Partnership) (the "Ningbo Shunxiang", 寧波順享同成創業投資合伙企業(有限合伙)) subscribed 90,000,000 registered shares of the Company. In April 2020, Ningbo Shunxiang injected RMB10 million as paid-in capital.
- (v) In June 2020, the Company issued shares at an issue price of RMB6.80 per share.
- (vi) In December 2020, the Company had entered into a set of arrangements in relation to Series B rounds of Pre-IPO investment (the "Series B"), and issued Series B shares at an issue price of RMB13.50 per share. Details of capital injections from Series B investors are shown below:

	Number of shares	Equivalent nominal value of shares RMB'000	Share premium RMB'000
Issued:			
Duckling Fund, L.P.	14,533,583	14,534	181,681
Shanghai Zhixin Xinming Investment Partnership (Limited Partnership) (上海 摯信信明投資合伙企業(有限合伙))	2,422,263	2,422	30,280
Shanghai Shengye Equity Investment Fund Co., Ltd. (上海盛業股權投資基金 有限公司)	4,844,528	4,844	60,561
Idea Flow Limited	11,793,004	11,793	147,422
Goldman Sachs Asia Strategic II Pte. Ltd.	3,875,622	3,876	48,448
BAI GmbH	7,266,791	7,267	90,841
Stonebridge 2020 (Singapore) Pte. Ltd.	5,813,433	5,813	72,673
TB Bullet Fast Holdings (HK) Limited	9,689,055	9,689	121,121
Green Juice II (Hong Kong), Limited	4,844,527	4,844	60,561
Nation Sky Investment Limited	4,844,527	4,844	60,561
Beijing Xinrunheng Equity Investment Partnership (Limited Partnership) (北京 信潤恒股權投資合伙企業(有限合伙))	9,689,055	9,689	121,121

	Number of shares	Equivalent nominal value of shares RMB'000	Share premium RMB'000
Beijing Daotong Changjing Investment Management Center (Limited Partnership) (北京道同長菁投資管理中心(有限合伙))	931,575	932	11,645
Jiaxing Tengyuan Investment Partnership (Limited Partnership) (嘉興騰元投資合伙企业(有限合伙))	740,697	741	9,259
New Hope Asia-Pacific Investment Holdings Limited (新希望亞太投資股權有限公司)	9,689,055	9,689	121,121
Shenzhen Redland Yuechuan Private Equity Investment Fund Partnership Enterprise (Limited Partnership) (深圳市紅土岳川股權投資基金合伙企业(有限合伙))	2,422,263	2,422	30,280
Shaoxing Keqiao Guoke Junlian Yuxin Venture Capital Investment Partnership (Limited Partnership) (紹興柯橋國科君聯譽新創業投資合伙企业(有限合伙))	2,740,578	2,741	34,259
Broad River Logistics Fund (金豐博潤(廈門)股權投資合伙企业(有限合伙))	7,266,791	7,267	90,841
	<u>103,407,347</u>	<u>103,407</u>	<u>1,292,675</u>

- (vii) On March 16, 2021 and March 18, 2021, the Company had entered into subscription agreements with Jiaxing Fengrong Equity Investment Partnership (Limited Partnership) (the "Jiaxing Fengrong", 嘉興豐榮股權投資合伙企业(有限合伙)) and SF Taisen to issue 1,945,851 shares and 30,294,501 shares respectively, at an issue price of RMB13.50 per share. In March 2021, the Company received capital injection of RMB409 million from SF Taisen in cash. In April 2021, the Company received capital injection of RMB26 million from Jiaxing Fengrong in cash.

## 24 OTHER RESERVES

### The Group

	Year ended December 31,			Five months ended May 31,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year	—	(41,684)	446,904	446,904	604,056
Prepaid exercise price of restricted share scheme (Note 26)	—	—	4,426	10,000	—
Share-based compensation expenses (Note 26)	—	11,653	152,726	38,134	55,534
Deemed (distribution)/ contribution (a)	(41,684)	476,935	—	—	—
At the end of the year	<u>(41,684)</u>	<u>446,904</u>	<u>604,056</u>	<u>495,038</u>	<u>659,590</u>



- (a) Prior to March 1, 2019, the Listing Business was operated as an independent business unit under entities controlled by SF Holding. Pursuant to the Reorganisation and basis of presentation as described in Notes 1.2 and 1.3, the following items are accounted for as deemed distribution to or contribution from the controlling party.

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Benefit of deductible tax differences prior to March 1, 2019*	(33,163)	(461)
Benefit of deductible input value-added tax prior to March 1, 2019*	(8,521)	–
Cash consideration for CLS	–	(150,000)
Reduction of the amounts due to related parties resulted from the Reorganisation*	–	627,396
	<u>(41,684)</u>	<u>476,935</u>

\*: The above items are non-cash transactions (Note 33).

## 25 ACCUMULATED LOSSES

### The Group

	<b>Year ended December 31,</b>			<b>Five months ended</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>May 31,</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2020</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
At the beginning of the year/period	(161,915)	(490,312)	(960,107)	(960,107)	(1,717,784)
Loss for the year/period	<u>(328,397)</u>	<u>(469,795)</u>	<u>(757,677)</u>	<u>(215,189)</u>	<u>(352,932)</u>
At the end of the year/period	<u>(490,312)</u>	<u>(960,107)</u>	<u>(1,717,784)</u>	<u>(1,175,296)</u>	<u>(2,070,716)</u>

## 26 SHARE-BASED PAYMENTS

### Pre-IPO Restricted Share Scheme

In September 2019 and January 2020, the Board of Directors of the Company approved the establishment of share incentive plans to grant restricted shares to the Group's employees ("Pre-IPO Restricted Share Scheme") for the purpose of attracting and retaining the best available personnel, and to provide additional incentive to employees and directors to promote the success of the Group's business. Accordingly, in December 2019, the relevant grantee became the limited partner of a newly established limited liability partnership, namely Ningbo Shunxiang, which became the shareholder of the Company with registered 90,000,000 shares. Ningbo Shunxiang transferred 20,000,000 shares of the Company to Sharp Land Development Limited in January 2020. As at December 31, 2020, Ningbo Shunxiang and Sharp Land Development Limited were the shareholders of the Company with 70,000,000 registered shares and 20,000,000 registered shares. In April 2020, Ningbo Shunxiang had injected RMB10 million as paid-in capital. In June, 2021, Ningbo Shunxiang and Sharp Land Development Limited had injected RMB60 millions and RMB20 millions respectively as paid-in capital.

Pursuant to the Pre-IPO Restricted Share Scheme, the Group has discretion to invite any employee of the Group to participate in the above limited liability partnerships by subscribing for their partnership interest. The participating employees are entitled to all the economic benefits generated by the above limited liability partnerships with the requisition service period. As the Pre-IPO Restricted Share Scheme is designed by the Group for its benefit and the Group has discretion in determining the participating employees, the restricted shares of the Company held by Ningbo Shunxiang and Sharp Land Development Limited are controlled by the Group. The restricted shares of the Company held by the above limited liability partnerships for the purpose of the Pre-IPO Restricted Share Scheme with the consideration paid but not vested are recorded as “shares held for employee share scheme” under equity of the Group. Prepaid exercise price of restricted shares of amount RMB10,000,000 and RMB4,426,020 as of May 31, 2020 and December 31, 2020, for which the Group has no refund obligation, is recorded as “other reserve” under the equity of the Group. (Note 24)

For the Pre-IPO Restricted Share Scheme granted in September 2019, 20% of the restricted shares will be vested in the first year after the grant date, whereas the remaining 80% will be vested upon the date of Listing. As for the Pre-IPO Restricted Share Scheme granted in January 2020, all the restricted shares will be vested upon the date of Listing.

Certain employees obtained the partnership units, as limited partners, of aforesaid partnership at a price lower than their fair value, such transactions were considered as equity-settled share-based payment to employees.

The fair value of the shares granted to employees on the grant date, September 29, 2019 and January 22, 2020, as determined by a professional valuation firm was RMB163,690,800 and RMB333,638,100 respectively. The significant inputs into the income approach using discount cash flow model were listed as below:

	As at September 29, 2019	As at January 22, 2020
Weighted Average Cost of Capital	17.7%	17.6%
Discount for lack of marketability (“DLOM”)	23%	20%
Discount for lack of control (“DLOC”)	18%	20%

The share-based compensation expenses recognised during the Track Record Period is summarised in the following table:

	Year ended December 31,			Five months ended May 31,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Share-based compensation expenses for employees	–	11,653	152,726	38,134	55,534

The number of shares granted to the Group's employees is summarised in the following table:

	As at December 31,			As at May 31,
	2018	2019	2020	2021
At the beginning of the year/period	–	–	27,870,000	84,426,000
Granted during the year/period	–	27,870,000	62,130,000	–
Vested during the year/period	–	–	(5,574,000)	–
At the end of the year/period	–	27,870,000	84,426,000	84,426,000

## 27 TRADE PAYABLES

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Trade payables to related parties (Note 34)	2,935	89,443	27,565	30,709
Outsourcing cost payable	113,587	152,359	344,070	368,935
	<u>116,522</u>	<u>241,802</u>	<u>371,635</u>	<u>399,644</u>

The aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date are follows:

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Within 3 months	116,522	205,485	370,741	395,629
3 months to 1 year	–	36,317	894	4,015
	<u>116,522</u>	<u>241,802</u>	<u>371,635</u>	<u>399,644</u>

## 28 OTHER PAYABLES AND ACCRUALS

## The Group

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Accrued salaries, wage and bonus	50,094	78,492	99,773	107,635
Deposits received	–	10,874	52,152	66,890
Refundable advance	–	6,298	33,624	–
Temporary receipts	–	305	26,607	37,898
Other tax payable	–	2,877	8,970	7,450
Accrued professional service expenses and listing expenses	–	–	8,228	24,856
Payables for assets purchases	–	60	1,517	6,989
Others	1,419	1,829	699	3,027
	<u>51,513</u>	<u>100,735</u>	<u>231,570</u>	<u>254,745</u>

## 29 CONTRACT LIABILITIES

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Contract liabilities – Intra-city on-demand delivery service				
– Related parties (Note 34)	–	1,624	136	454
– Third parties	106	4,424	21,711	39,184
	<u>106</u>	<u>4,424</u>	<u>21,711</u>	<u>39,184</u>
Total current contract liabilities	<u>106</u>	<u>6,048</u>	<u>21,847</u>	<u>39,638</u>

## (a) Revenue recognized in relation to contract liabilities

For the years ended December 31, 2019 and 2020 and the five months ended May 31, 2021, revenue recognized that included in the contract liability balance at the beginning of the period were RMB106,000 and RMB6,048,000 and RMB21,847,000 respectively.

The Group receives payments from customers based on the billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly for providing intra-city on-demand delivery service. The increase in contract liabilities during the years ended December 31, 2020 was mainly attributable to the increase of the business scale.

## 30 LEASE LIABILITIES

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<b>Minimum lease payments due</b>				
– Within 1 year	–	8,545	12,208	17,496
– Between 1 and 2 years	–	5,826	12,756	15,577
– Between 2 and 5 years	–	14,758	14,340	12,619
– Later than 5 years	–	–	–	1,996
	<u>–</u>	<u>29,129</u>	<u>39,304</u>	<u>47,688</u>
Less: future finance charges	<u>–</u>	<u>(2,703)</u>	<u>(2,881)</u>	<u>(3,214)</u>
Present value of lease liabilities	<u>–</u>	<u>26,426</u>	<u>36,423</u>	<u>44,474</u>
 At the end of the year				
– Within 1 year	–	7,959	10,709	15,883
– Between 1 and 2 years	–	5,056	11,815	14,663
– Between 2 and 5 years	–	13,411	13,899	12,105
– Later than 5 years	–	–	–	1,823
	<u>–</u>	<u>26,426</u>	<u>36,423</u>	<u>44,474</u>

The Group leases various properties to operate its businesses and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. No extension options are included in such property leases across the Group.

As at December 31, 2019 and 2020 and May 31, 2021, balances related to the subsidiaries of SF Holding were RMB2,722,000 and RMB2,326,000 and RMB6,652,000 respectively.

## 31 BORROWINGS

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Borrowings from a financial institution operated by SF Holding Group	–	566,400	367,080	–

(a) The weighted average effective interest rates per annum at the balance sheet dates are set out as follows:

	As at December 31,			As at
	2018	2019	2020	May 31,
	%	%	%	2021
				%
A financial institution operated by SF Holding Group	–	4.23%	4.15%	–

(b) The carrying amounts of the borrowings approximated their fair values as at December 31, 2019 and 2020, as the borrowings are all unsecured and are repayable within 1 year.

## 32 DIVIDENDS

No dividend has been paid or declared by the companies now comprising the Group during each of the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2021.

## 33 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

## Net cash used in operations

Reconciliation from loss before income tax to cash used in operations:

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	2020	2021
				RMB'000	RMB'000
				(Unaudited)	
Loss before income tax	(361,560)	(582,951)	(784,190)	(241,702)	(352,932)
Adjustment for:					
Finance costs/(income) (Note 10)	–	9,531	14,949	12,892	(207)
Interest income (Note 6)	–	(935)	(2,058)	(871)	(398)
Depreciation of right-of-use assets (Note 17)	–	2,451	8,919	3,413	6,551
Depreciation of property, plant and equipment (Note 14)	1,145	1,927	3,291	951	2,207
Amortization of intangible assets (Note 15)	6,985	20,749	33,816	13,393	17,765
Impairment of financial assets measured at amortised cost (Note 11)	616	2,669	850	(606)	2,322
Share-based compensation expense (Note 26)	–	11,653	152,726	38,134	55,534
Operating cash flows before changes in working capital	(352,814)	(534,906)	(571,697)	(174,396)	(269,158)
Changes in working capital:					
(Increase)/decrease in inventories	–	–	(6,819)	(3,635)	2,356
(Increase)/decrease in trade receivables, other receivables and prepayments	(122,112)	(414,012)	(244,904)	99,404	(103,991)
Increase/(decrease) in trade and other payables and contract liabilities	108,417	292,223	257,672	(41,376)	82,407
Cash used in operations	(366,509)	(656,695)	(565,748)	(120,003)	(288,386)

**Non-cash transactions**

For the years ended December 31, 2018 and 2019, deemed contribution and a portion of deemed distributions (Note 24) were the Group's material non-cash transactions. For the years ended December 31, 2020 and the five months ended May 31, 2020 and 2021, the Group did not have any material non-cash transactions.

**Cash and cash equivalents**

	<b>2018</b>	<b>As at December 31, 2019</b>	<b>2020</b>	<b>As at May 31, 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and financial institution	–	71,286	263,468	1,008,802

**Net debt reconciliation**

This section sets out an analysis of net debt and the movements in the debt for each of the period presented.

	<b>As at December 31, 2019</b>	<b>2020</b>	<b>As at May 31, 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings – repayable within 1 year	566,400	367,080	–
Lease liabilities	26,426	36,423	44,474
Less: cash and cash equivalents	(71,286)	(263,468)	(1,008,802)
Net debt	521,540	140,035	(964,328)

**Analysis of liabilities arising from financing activities**

This section sets out an analysis of liabilities arising from financing activities and the movements in the liabilities arising from financing activities for each of the period presented.

	<b>Borrowings</b>	<b>Lease liability</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Balance as at January 1, 2019</b>	–	–
Cash flows	566,400	(1,616)
Interest expenses accrued	–	438
Addition	–	27,604
<b>Balance as at December 31, 2019</b>	566,400	26,426
<b>Balance as at January 1, 2020</b>	566,400	26,426
Cash flows	(199,320)	(11,034)
Interest expenses accrued	–	1,234
Addition	–	19,797
<b>Balance as at December 31, 2020</b>	367,080	36,423
(Unaudited)		
<b>Balance as at January 1, 2020</b>	566,400	26,426
Cash flows	3,100	(3,948)
Interest expenses accrued	4,408	492
Addition	–	410
<b>Balance as at May 31, 2020</b>	573,908	23,380
<b>Balance as at January 1, 2021</b>	367,080	36,423
Cash flows	(367,080)	(4,920)
Interest expenses accrued	–	847
Addition	–	12,124
<b>Balance as at May 31, 2021</b>	–	44,474

## 34 RELATED PARTY TRANSACTIONS

## The Group

The information of parent entities is set out in note 1.1.

Interests in subsidiaries are set out in note 1.2.

(a) *Names and relationships with related parties*

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed in note 1.2, 23, 26 and 38 of this accountant's report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2020 and 2021:

Name of related parties	Relationship with the Group
SF Holding	Intermediate holding company
Subsidiaries of SF Holding (i)	Controlled by SF Holding
Subsidiaries of S.F. Commerce Co., Ltd. (ii)	Under the control of the ultimate holding company of the Group before November 2020
Shenzhen Shun Jie Feng Da Express Co., Ltd.	Associate of SF Holding
Tianjin Wulianshantong Supply Chain Management Co., Ltd.	Joint venture of SF Holding
Shenzhen Shenghai Information Service Co., Ltd.	Joint Venture of SF Holding
Beijing Shunhetongxin Technology Co., Ltd.	Joint Venture of SF Holding
Shenzhen Fengyi Technology Co., Ltd.	It was the subsidiary of SF Holding before May 2019, after that, it became an external related party of SF Holding.

- (i) Major subsidiaries of SF Holding that had transactions with the Group during the Track Record Period were as follows:

Related parties	Chinese name
Beijing S.F. Express Co., Ltd.	北京順豐速運有限公司
Zhejiang S.F. Express Co., Ltd.	浙江順豐速運有限公司
Jiaxing S.F. Transportation Co., Ltd.	嘉興順豐運輸有限公司
Jinhua S.F. Express Co., Ltd.	金華市順豐速運有限公司
Shaoxing S.F. Express Co., Ltd.	紹興順豐速運有限公司
Ningbo S.F. Express Co., Ltd.	寧波順豐速運有限公司
S.F. Express (Huzhou) Co., Ltd.	順豐速運(湖州)有限公司
Anhui S.F. Express Co., Ltd.	安徽順豐速運有限公司
Zhuhai S.F. Express Co., Ltd.	珠海順豐速運有限公司
Jiangxi S.F. Express Co., Ltd.	江西順豐速運有限公司
Zhongshan S.F. Express Co., Ltd.	中山順豐速運有限公司
Nantong S.F. Express Co., Ltd.	南通順豐速遞有限公司
Suzhou Industrial Park S.F. Express Co., Ltd.	蘇州工業園區順豐速運有限公司
Wuxi S.F. Express Co., Ltd.	無錫市順豐速運有限公司
Jiangsu S.F. Express Co., Ltd.	江蘇順豐速運有限公司
S.F. Transportation (Changzhou) Co., Ltd.	順豐運輸(常州)有限公司

## Related parties

## Chinese name

Shanghai Shunxiaofeng Transportation Co., Ltd.	上海順嘯豐運輸有限公司
S.F. Express Co., Ltd.	順豐速運有限公司
Shanghai Shunheng Logistics Co., Ltd.	上海順衡物流有限公司
Guangdong S.F. E-Commerce Co., Ltd.	廣東順豐電子商務有限公司
S.F. Express (Shanghai) Co., Ltd.	順豐速運集團(上海)速運有限公司
S.F. Data Service (Wuhan) Co., Ltd.	順豐數據服務(武漢)有限公司
S.F. Express (Shenyang) Co., Ltd.	順豐速運(瀋陽)有限公司
Dalian S.F. Express Co., Ltd.	大連順豐速運有限公司
S.F. Express (Chongqing) Co., Ltd.	順豐速運重慶有限公司
Guizhou S.F. Express Co., Ltd.	貴州順豐速運有限公司
Yunnan S.F. Express Co., Ltd.	雲南順豐速運有限公司
Shantou S.F. Express Co., Ltd.	汕頭市順豐速運有限公司
Guangzhou S.F. Express Co., Ltd.	廣州順豐速運有限公司
Foshan S.F. Express Co., Ltd.	佛山順豐速運有限公司
Shantou S.F. Express Chenghai District Co. Ltd.	汕頭市澄海區順豐快遞服務有限公司
Henan S.F. Express Co., Ltd.	河南省順豐速運有限公司
Zhanjiang S.F. Express Co., Ltd.	湛江順豐速運有限公司
Lishui S.F. Express Co., Ltd.	麗水市順豐速運有限公司
Wenzhou S.F. Express Co., Ltd.	溫州順豐速運有限公司
Taizhou S.F. Express Co., Ltd.	台州順豐速運有限公司
Sichuan S.F. Express Co., Ltd.	四川順豐速運有限公司
Shanghai Shunyifeng S.F. Express Co., Ltd.	上海順意豐速運有限公司
Fuzhou S.F. Express Co., Ltd.	福州順豐速運有限公司
Quanzhou S.F. Transportation Co., Ltd.	泉州順豐運輸有限公司
Longyan S.F. Express Co., Ltd.	龍岩順豐速運有限公司
Zhangzhou S.F. Express Co., Ltd.	漳州順豐速運有限公司
Putian S.F. Express Co., Ltd.	莆田市順豐速運有限公司
Nanping S.F. Express Co., Ltd.	南平市順豐速運有限公司
Sanming S.F. Express Co., Ltd.	三明市順豐速運有限公司
Ningde S.F. Express Co., Ltd.	寧德市順豐速運有限公司
Xiamen S.F. Express Co., Ltd.	廈門市順豐速運有限公司
Meizhou S.F. Express Co., Ltd.	梅州市順豐速運有限公司
Ganzhou S.F. Express Co., Ltd.	贛州順豐速運有限公司
Xi'an S.F. Express Co., Ltd.	西安順豐速運有限公司
S.F. Express (Huizhou) Co., Ltd.	順豐速運(惠州)有限公司
Shandong S.F. Express Co., Ltd.	山東順豐速運有限公司
Qingdao S.F. Express Co., Ltd.	青島順豐速運有限公司
Yantai S.F. Express Co., Ltd.	煙台順豐速運有限公司
Weihai S.F. Express Co., Ltd.	威海順豐速運有限公司
Weifang S.F. Express Co., Ltd.	濰坊順豐速運有限公司
Guangxi S.F. Express Co., Ltd.	廣西順豐速運有限公司
S.F. Express (Dongguan) Co., Ltd.	順豐速運(東莞)有限公司
Hainan S.F. Express Co., Ltd.	海南順豐速運有限公司
S.F. Express (Ningxia) Co., Ltd.	順豐速運(寧夏)有限公司
Neimenggu S.F. Express Co., Ltd.	內蒙古順豐速運有限公司
Heilongjiang S.F. Express Co., Ltd.	黑龍江省順豐速運有限公司
Chaozhou S.F. Express Co., Ltd.	潮州市順豐速運有限公司
Jieyang S.F. Express Co., Ltd.	揭陽市順豐速運有限公司
Jilin S.F. Express Co., Ltd.	吉林省順豐速遞有限公司
Suqian S.F. Express Co., Ltd.	宿遷順豐速運有限公司
Yangzhou S.F. Express Co., Ltd.	揚州順豐速運有限公司
Huaian S.F. Express Co., Ltd.	淮安順豐速運有限公司
Lianyungang S.F. Express Co., Ltd.	連雲港順豐速運有限公司
Taizhou S.F. Express Co., Ltd.	泰州順豐運輸有限公司
Yancheng S.F. Express Co., Ltd.	鹽城順豐速運有限公司
Xuzhou S.F. Express Co., Ltd.	徐州順豐速運有限公司
Hunan S.F. Express Co., Ltd.	湖南順豐速運有限公司



## Related parties

## Chinese name

Shanxi S.F. Express Co., Ltd.	山西順豐速運有限公司
Xinjiang S.F. Express Co., Ltd.	新疆順豐速運有限公司
Qinghai S.F. Express Co., Ltd.	青海順豐速運有限公司
Tianjin S.F. Express Co., Ltd.	天津順豐速遞有限公司
S.F. Express (Tianjin) Co., Ltd.	順豐速運(天津)有限公司
Hebei S.F. Express Co., Ltd.	河北順豐速運有限公司
Hubei S.F. Express Co., Ltd.	湖北順豐速運有限公司
Wuhan Shunheng Express Co., Ltd.	武漢順衡速運有限公司
S.F. Transportation Quzhou Co., Ltd.	順豐集團衢州運輸有限公司
Xizang S.F. Express Co., Ltd.	西藏順豐速運有限公司
Lanzhou S.F. Express Co., Ltd.	蘭州順豐速運有限公司
Shanwei S.F. Express Co., Ltd.	汕尾市順豐速運有限公司
Zhoushan S.F. Express Co., Ltd.	舟山順豐速運有限公司
Jiangmen S.F. Express Co., Ltd.	江門順豐速運有限公司
Zhenjiang S.F. Express Co., Ltd.	鎮江市順豐速運有限公司
Zhaoqing S.F. Express Co., Ltd.	肇慶市順豐速運有限公司
S.F. Express (Nanjing) Co., Ltd.	順豐運輸(南京)有限公司
Shenzhen Integrated Logistics Service Co., Ltd.	深圳市順豐綜合物流服務有限公司
Zhejiang Shunlu Logistics Co., Ltd.	浙江順路物流有限公司
S.F. Medical Supply Chain Management Co., Ltd.	順豐醫藥供應鏈有限公司
S.F. Medical Supply Chain Management (Beijing) Co., Ltd.	順豐醫藥供應鏈管理(北京)有限公司
Quanzhou Shunlu Logistics Co., Ltd.	泉州順路物流有限公司
Shenzhen Shunlu Logistics Co., Ltd.	深圳順路物流有限公司
S.F. Pharmaceutical Supply Chain Hubei Co., Ltd.	順豐醫藥供應鏈湖北有限公司
Hubei S.F. Transportation Co., Ltd.	湖北順豐運輸有限公司
Chengdu Shunyifeng Medicine Limited.	成都順意豐醫藥有限公司
Shenzhen S.F. City Distribution Information Technology Co., Ltd.	深圳市順豐同城信息技術有限公司
Beijing SF Intra-city Technology Co., Ltd.	北京順豐同城科技有限公司
S.F. Technology Co., Ltd.	順豐科技有限公司
S.F. Hengtong Pay Co., Ltd.	順豐恒通支付有限公司
Shenzhen S.F. Da Dang Jia Tech Co., Ltd.*1	深圳市順豐大當家科技有限公司
Shenzhen S.F. Da Dang Jia Business Co., Ltd.*1	深圳市順豐大當家商貿有限公司
Guangzhou S.F. Freight Co., Ltd.	廣州順豐快運有限公司
Anhui S.F. Freight Co., Ltd.	安徽順和快運有限公司
Beijing S.F. Freight Co., Ltd.	北京順豐快運有限公司
Shanghai Haosiju Supply Chain Management Co., Ltd.	上海好駟駒供應鏈管理有限公司
Shenzhen Shuncheng Supply Chain Service Ltd.	深圳市順成供應鏈服務有限公司
Shenzhen Fengxiu Technology Ltd.	深圳市豐修科技有限公司
Jiaxing Fengtai E-Commerce Industrial Park Management Ltd.*2	嘉興市豐泰電商產業園管理有限公司
Shanghai Solution Plus Supply Chain Co., Ltd.	上海方案家供應鏈有限公司
Guangzhou S.F. Information Services Co., Ltd.	廣州順豐信息服務有限公司
DHL Logistics (Beijing) Co., Ltd.	豐豪物流(北京)有限公司
S.F. Airlines Company Limited	順豐航空有限公司
S.F. Multimodal Co., Ltd.	順豐多式聯運有限公司
SF Holding Group Finance Co., Ltd.	順豐控股集團財務有限公司
Shenzhen Shunfeng Runtai Management Consulting Co., Ltd.	深圳順豐潤泰管理諮詢有限公司
Shenzhen S.F. Hefeng Microfinance Co., Ltd.	深圳市順豐合豐小額貸款有限公司
Shanghai Fengtai Yuanxing Property Management Service Co., Ltd.	上海豐泰源興物業管理服務有限公司
Yiwu Fengyutai Enterprise Management Co., Ltd.	義烏市豐預泰企業管理有限公司
Shenzhen Fengnong Technology Co., Ltd.	深圳市豐農科技有限公司
Shenzhen S.F. Communication Service Co.,Ltd.	深圳順豐通訊服務有限公司
Anhui S.F. Communication Service Co.,Ltd.	安徽順豐通訊服務有限公司
S.F. Sharing Precision Information Technology (Shenzhen) Co., Ltd.	順豐共享精密信息技術(深圳)有限公司

**Related parties****Chinese name**

Shunqihe (Shenzhen) Technology Co., Ltd.	順啟和(深圳)科技有限公司
Shenzhen Fengchi Shunxing Information Technology Co., Ltd.	深圳市豐馳順行信息技術有限公司
Shenzhen Chengfeng Facilities Operation Service Co., Ltd.	深圳成豐綜合設施運營服務有限公司
Shenzhen Yijiyi Technology Co., Ltd.	深圳驛加易科技有限公司
Shenzhen Fenge Apartment Management Co., Ltd.	深圳市豐樂公寓管理有限公司
Hefei Fengtai E-Commerce Industrial Park Management Ltd.	合肥市豐泰電商產業園管理有限公司
Changsha Jietai E-Commerce Industrial Park Management Ltd.	長沙捷泰電商產業園管理有限公司
S.F. Insurance Brokers (Shenzhen) Co., Ltd.	順豐保險經紀(深圳)有限公司
JUNHE Information Service Technology (Shenzhen) Co., Ltd.	君和信息服務科技(深圳)有限公司
Runxianghe human resource service (Wuhan) Co., Ltd.	潤祥和人力資源服務(武漢)有限公司
Shenzhen S.F. Taisen Holding (Group) Co., Ltd.	深圳順豐泰森控股(集團)有限公司

\*1: It was disposed by SF Holding on April 30, 2020. The related party transactions disclosed in the financial statements refer to the transaction volumes for the period from January 2018 to April 2020.

\*2: It was disposed by SF Holding on November 30, 2020. The related party transactions disclosed in the financial statements refer to the transaction volumes for the period from January 2018 to November 2020.

- (ii) Subsidiaries of S.F. Commerce Co., Ltd. that had transactions with the Group during the Track Record Period were as follows:

**Related parties****Chinese name**

Shenzhen S.F. Commerce Co., Ltd.*	深圳市順豐商業有限公司
S.F. Holding (Group) Commerce Co., Ltd.*	順豐控股集團商貿有限公司

The above companies were controlled by the Mingde Holding and subsequently disposed in November 2020 to a third party. The related party transactions disclosed in the financial statements refer to the transaction volumes for the period from January 2018 to November 2020. The balance of related transactions on December 31, 2020 is listed as “not applicable”.

**(b) Key management compensation**

Key management includes directors, supervisor and the senior management of the Group.

The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,			Five months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Share-based compensation expenses	–	8,298	113,722	28,817	40,984
Wages, salaries and bonuses	9,671	10,119	11,541	4,714	4,809
Pension costs – defined contribution plans	310	319	274	114	114
Other employee benefits	398	410	367	153	153
	10,379	19,146	125,904	33,798	46,060

## (c) Significant transactions with related parties

During the Track Record Period, save as disclosed in note 1.2, 23, 26 and 38 of this accountant's report, the following is a summary of the significant transactions carried out between the Group and its related parties.

*Recurring transactions*

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	2020	2021
				(Unaudited)	
<b>Intra-city on-demand delivery business and other business revenue</b>					
– Subsidiaries of SF Holding	28,566	196,096	1,620,653	402,908	1,174,467
<b>Comprehensive services and material purchasing fee*</b>					
– Subsidiaries of SF Holding	2,774	23,064	43,724	14,750	36,594
<b>Rental expense</b>					
– Subsidiaries of SF Holding	4,011	7,230	7,894	3,226	2,385

\*: Comprehensive services and material purchasing fee mainly include the costs and expenses of technical services, call center services and integrated support services.

*Non-recurring transactions\**

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	2020	2021
				(Unaudited)	
<b>Interest expense</b>					
– Subsidiaries of SF Holding	–	9,844	16,693	13,315	5,422
<b>Outsourcing services and labor safety supplies purchasing fee</b>					
– Subsidiaries of SF Holding	20,440	70,118	45,126	12,855	18,010
– Tianjin Wulianshantong Supply Chain Management Co., Ltd.	–	31,504	21,175	12,380	–
– Shenzhen Shun Jie Feng Da Express Co., Ltd.	–	2,450	1,524	1,224	19
– Subsidiaries of S.F. Commerce Co., Ltd.	–	1,017	895	338	not applicable
– Shenzhen Fengyi Technology Co., Ltd.	–	8,056	609	261	82
– Shenzhen Shenghai Information Service Co., Ltd	–	–	10	–	–
<b>Total</b>	20,440	113,145	69,339	27,058	18,111

	Year ended December 31,			Five months ended	
	2018	2019	2020	May 31,	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Rental expense</b>					
– Subsidiaries of SF Holding	–	744	2,506	989	330
– Shenzhen Shenghai Information Service Co., Ltd	–	–	2	–	–
<b>Total</b>	<u>–</u>	<u>744</u>	<u>2,508</u>	<u>989</u>	<u>330</u>
<b>Interest income of deposits</b>					
– Subsidiaries of SF Holding	<u>–</u>	<u>732</u>	<u>2,581</u>	<u>904</u>	<u>3,447</u>
<b>Financial service charges</b>					
– Subsidiaries of SF Holding	<u>–</u>	<u>24</u>	<u>55</u>	<u>40</u>	<u>94</u>
<b>Purchase of non-current assets</b>					
– Subsidiaries of SF Holding	<u>3,158</u>	<u>36,950</u>	<u>20,708</u>	<u>1,506</u>	<u>67</u>
<b>Borrowings</b>					
– Subsidiaries of SF Holding	<u>–</u>	<u>879,400</u>	<u>854,980</u>	<u>300,000</u>	<u>41,920</u>
<b>Repayments of borrowings</b>					
– Subsidiaries of SF Holding	<u>–</u>	<u>(313,000)</u>	<u>(1,054,300)</u>	<u>(296,900)</u>	<u>(409,000)</u>
<b>Loans advanced to related parties</b>					
– Subsidiaries of SF Holding	<u>–</u>	<u>48,000</u>	<u>–</u>	<u>–</u>	<u>400,000</u>
<b>Proceeds from settlement of loans to related parties</b>					
– Subsidiaries of SF Holding	<u>–</u>	<u>–</u>	<u>(48,000)</u>	<u>–</u>	<u>–</u>
<b>Interests income of loans</b>					
– Subsidiaries of SF Holding	<u>–</u>	<u>935</u>	<u>2,058</u>	<u>871</u>	<u>398</u>

\*: The transactions are not continuing since the date of listing.

Transactions with related companies are determined based on terms mutually agreed between the relevant parties.

(d) *Balances with related parties***Trade related**

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<b>Cash deposited in related party</b>				
(Note 22)				
– Subsidiaries of SF Holding	–	69,297	252,719	441,378
<b>Trade receivables from related parties</b>				
(Note 20)				
– Subsidiaries of SF Holding	2,042	60,628	320,956	272,388
<b>Prepayments to related parties</b>				
– Subsidiaries of SF Holding	–	65	15	371
– Beijing Shunhetongxin Technology Co., Ltd.	–	–	5	–
	–	65	20	371
<b>Trade payables to related parties (i)</b>				
– Subsidiaries of SF Holding	2,935	73,671	23,166	30,319
– Tianjin Wulianshuntong Supply Chain Management Co., Ltd.	–	15,381	4,321	327
– Subsidiaries of S.F. Commerce Co., Ltd.	–	40	not applicable	not applicable
– Shenzhen Shun Jie Feng Da Express Co., Ltd.	–	–	52	62
– Beijing Shunhetongxin Technology Co., Ltd.	–	–	26	–
– Shenzhen Fengyi Technology Co., Ltd.	–	351	–	1
	2,935	89,443	27,565	30,709
<b>Contract liabilities from related parties</b>				
– Subsidiaries of SF Holding	–	1,624	136	454

(i) Trade payables to related parties are granted with a credit period of 30 days.

## Non-trade related

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<b>Loans to related parties (i)</b>				
– Subsidiaries of SF Holding	–	48,000	–	400,398
<b>Amount due from related parties (ii)</b>				
– Subsidiaries of SF Holding	–	147,768	67,205	162,311
<b>Borrowings from related parties (Note 31(b))</b>				
– Subsidiaries of SF Holding	–	566,400	367,080	–
<b>Amount due to related parties (ii)</b>				
– Subsidiaries of SF Holding	586,203	112,540	19,501	38,405

- (i) Loans to related parties were unsecured, bearing interest at 4.35% per annum with term of one year as at December 31, 2019. Loans to related parties were unsecured, bearing interest at 3.3% per annum as at May 31, 2021, which will be repaid before listing.
- (ii) Amount due from/to related parties were unsecured, interest-free, collectible/repayable on demand and were denominated in RMB for each of the year/period ended the Track Record Period, which will be settled before listing.

## 35 COMMITMENTS

- (i) The table below lists the future minimum lease payments under non-cancellable short term leases according to their remaining term to maturity.

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
With 1 year	–	1,202	648	2,494

Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows:

	As at December 31,			As at
	2018	2019	2020	May 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Property, plant and equipment	–	–	3,284	–
Intangible assets	–	–	4,818	1,340
	–	–	8,102	1,340

**36 CONTINGENCY**

As at December 31, 2018, 2019 and 2020 and May 31, 2021, the Group did not have any material contingent liabilities.

**37 SUBSEQUENT EVENTS**

In June, 2021, Ningbo Shunxiang and Sharp Land Development Limited had injected RMB60 millions and RMB20 millions respectively as paid-in capital for the Pre-IPO Restricted Share Scheme.

**38 BENEFITS AND INTERESTS OF DIRECTORS****(a) Directors' emoluments**

Remuneration of every director during the Track Record Period was as follows:

	Fees <i>RMB'000</i>	Salaries and wages <i>RMB'000</i>	Share-based compensation expense <i>RMB'000</i>	Allowances and benefits in kind <i>RMB'000</i>	Employer's contribution to retirement benefit plan <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended</b>						
<b>December 31, 2019</b>						
<b>Non-executive Directors (ii)</b>						
Mr. Li Qiuyu	-	-	-	-	-	-
<b>Supervisors (i)</b>						
Mr. Yang Zunmiao	-	-	-	-	-	-
Mr. Wu Guozhong	-	-	-	-	-	-
Ms. Su Xiaohui	-	448	426	12	10	896
<b>Total</b>	-	448	426	12	10	896
<b>Year ended</b>						
<b>December 31, 2020</b>						
<b>Executive directors (ii)</b>						
Mr. Sun Haijin	-	2,371	47,627	19	38	50,055
<b>Non-executive Directors (ii)</b>						
Mr. Chan Fei	-	-	-	-	-	-
Mr. Xu Zhijun	-	-	-	-	-	-
Mr. Li Qiuyu	-	-	-	-	-	-
<b>Supervisors</b>						
Mr. Yang Zunmiao	-	-	-	-	-	-
Mr. Wu Guozhong	-	-	-	-	-	-
Ms. Su Xiaohui	-	1,120	4,722	47	38	5,927
<b>Total</b>	-	3,491	52,349	66	76	55,982

	Fees RMB'000	Salaries and wages RMB'000	Share-based compensation expense RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit plan RMB'000	Total RMB'000
(Unaudited)						
Five months ended May 31, 2020						
Executive directors (ii)						
Mr. Sun Haijin	—	988	12,574	8	16	13,586
Non-executive Directors (ii)						
Mr. Chan Fei	—	—	—	—	—	—
Mr. Li Qiuyu	—	—	—	—	—	—
Supervisors						
Mr. Yang Zunmiao	—	—	—	—	—	—
Mr. Wu Guozhong	—	—	—	—	—	—
Ms. Su Xiaohui	—	466	1,254	20	16	1,756
<b>Total</b>	<b>—</b>	<b>1,454</b>	<b>13,828</b>	<b>28</b>	<b>32</b>	<b>15,342</b>
Five months ended May 31, 2021						
Executive directors (ii)						
Mr. Sun Haijin	—	988	16,330	8	16	17,342
Non-executive Directors (ii)						
Mr. Chan Fei	—	—	—	—	—	—
Mr. Xu Zhijun	—	—	—	—	—	—
Mr. Li Qiuyu	—	—	—	—	—	—
Supervisors						
Mr. Yang Zunmiao	—	—	—	—	—	—
Mr. Wu Guozhong	—	—	—	—	—	—
Ms. Su Xiaohui	—	466	1,607	20	16	2,109
<b>Total</b>	<b>—</b>	<b>1,454</b>	<b>17,937</b>	<b>28</b>	<b>32</b>	<b>19,451</b>

- (i) Mr. Yang Zunmiao, Mr. Wu Guozhong were appointed as the supervisors of the Company in June 2019, Ms. Su Xiaohui was appointed as the supervisors of the Company in October 2019.
- (ii) Mr. Li Qiuyu was appointed as the director of the Company in June 2019, Mr. Sun Haijin and Mr. Chan Fei were appointed as the directors of the Company in December 2019, Mr. Xu Zhijun was appointed as the director of the Company in June 2020.
- (iii) No emoluments have been paid by the Group to the director as an inducement to join or upon joining the Group or as compensation for loss of office or no director waived or agreed to waive any emoluments during the years ended December 31, 2018, 2019 and 2020 and the five months ended May 31, 2020 and 2021.

**(b) Directors' retirement and termination benefits**

No retirement or termination benefits have been paid to the Company's directors for the years/periods ended December 31, 2018, 2019 and 2020 and May 31, 2021.



**(c) Consideration provided to third parties for making available directors' services**

No consideration was provided to third parties for making available directors' services during the years/periods ended December 31, 2018, 2019 and 2020 and May 31, 2021.

**(d) Information about loans, quasi-loans or other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors**

Save as disclosed in Note 34, no loans, quasi-loans or other dealings were entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors during the years/periods ended December 31, 2018, 2019 and 2020 and May 31, 2021.

**(e) Directors' material interests in transactions, arrangements or contracts**

Save as disclosed in Note 34, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years/periods or at any time during the years/periods ended December 31, 2018, 2019 and 2020 and May 31, 2021.

**39 NOTES TO BALANCE SHEET OF THE COMPANY****(a) Investment in subsidiaries**

	As at December 31,		As at May 31,
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Investment, at cost:			
– Capital injection to subsidiaries	4,687	748,789	1,382,789
– Share-based compensation	11,653	164,379	219,913
	<u>16,340</u>	<u>913,168</u>	<u>1,602,702</u>

**(b) Loans and amounts due from related parties**

	As at December 31,		As at May 31,
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
<b>Loans and amounts due from related parties</b>			
– Subsidiaries of SF Holding	48,000	–	400,398
	<u>48,000</u>	<u>–</u>	<u>400,398</u>

**(c) Cash and cash equivalents**

	As at December 31,		As at May 31,
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Cash at banks and a financial institution operated by SF Holding Group	60,863	51,321	674,181
	<u>60,863</u>	<u>51,321</u>	<u>674,181</u>

The Company's cash and cash equivalents were demand deposits with market interest rate denominated in RMB.

## (d) Other reserves

	Year ended December 31,		Five months ended May 31,	
	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
At the beginning of the year	–	11,653	11,653	164,379
Share-based compensation expenses (Note 26)	11,653	152,726	38,134	55,534
At the end of the year	11,653	164,379	49,787	219,913

## (e) Accumulated losses

	Year ended December 31,		Five months ended May 31,	
	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
At the beginning of the year/period	–	(100,313)	(100,313)	(108,498)
(Loss)/profit for the year/period	(100,313)	(8,185)	(1,037)	4,762
At the end of the year/period	(100,313)	(108,498)	(101,350)	(103,736)

## III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to May 31, 2021 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to May 31, 2021.

*The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.*

#### A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at May 31, 2021 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at May 31, 2021 or at any future dates. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the consolidated net tangible assets of the Group attributable to owners of the Company as at May 31, 2021 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at May 31, 2021 (Note 1) RMB'000	Estimated net proceeds from the Global Offering (Note 2) RMB'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at May 31, 2021 RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share (Note 3) RMB      HK\$	
Based on an Offer Price of HK\$16.42 per share	<u>1,754,986</u>	<u>1,684,047</u>	<u>3,439,033</u>	<u>4.03</u>	<u>4.90</u>
Based on an Offer Price of HK\$17.96 per share	<u>1,754,986</u>	<u>1,845,169</u>	<u>3,600,155</u>	<u>4.22</u>	<u>5.13</u>

*Notes:*

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at May 31, 2021 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at May 31, 2021 of RMB1,899,419,000 with adjustments for the intangible assets as at May 31, 2021 of RMB144,433,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$16.42 and HK\$17.96 per share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses and share issue costs of approximately RMB13.7 million which have been accounted for during the Track Record Period) payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 853,457,707 shares were in issue assuming that the Global Offering had been completed on May 31, 2021 but takes no account of the 80,000,000 shares to be issued and granted pursuant to the Pre-IPO Restricted Share Scheme subsequent to May 31, 2021, any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued and granted or repurchased by the Company pursuant to the general mandates.
- (4) The pro forma consolidated net tangible asset per share presented above has not taken into account the 80,000,000 shares to be issued and granted pursuant to the Pre-IPO Restricted Share Scheme subsequent to May 31, 2021. However, had such the 80,000,000 shares to be issued and granted pursuant to the Pre-IPO Restricted Share Scheme subsequent to May 31, 2021 been taken into account, such that 933,457,707 Shares were in issue immediately following the completion of the Global Offering, the unaudited pro forma adjusted consolidated net tangible assets per Share would have been RMB3.77 (equivalent to HK\$4.58) (based on the Offer Price of HK\$16.42 per Share) and RMB3.94 (equivalent to HK\$4.79) (Based on the Offer Price of HK\$17.96 per Share), respectively. This does not take into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares that may be issued and granted or repurchased by the Company pursuant to the general mandates.
- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8223. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to May 31, 2021.

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

## **INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Hangzhou SF Intra-city Industrial Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hangzhou SF Intra-city Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at May 31, 2021, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated November 30, 2021, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at May 31, 2021 as if the proposed initial public offering had taken place at May 31, 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended May 31, 2021, on which an accountant's report has been published.

### **Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at May 31, 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, November 30, 2021

**TAXATION OF SECURITY HOLDERS**

The following summary of certain PRC and Hong Kong tax consequences of the purchase, ownership and disposition of the H Shares is based upon the laws, regulations, rules and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the H Shares and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules, which does not and shall not be deemed as constituting a legal or taxation suggestion. Prospective investors should consult their own tax advisers concerning the application of PRC and Hong Kong tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the shares arising under the laws of any other taxing jurisdiction.

The taxation of the Company and that of the Shareholders is described below. Where PRC and Hong Kong tax laws are discussed, these are merely an outline implications of such laws. It should not be assumed that the relevant tax authorities or the PRC or Hong Kong courts will accept or agree with the explanations or conclusions that are set out below.

Investors should note that the following statements are based on advice received by the Company regarding taxation laws, regulations and practice in force as at the date of this prospectus, which may be subject to change.

**OVERVIEW OF TAX IMPLICATIONS OF THE PRC**

Taxation of income and capital gains of holders of H Shares is subject to the laws and regulations of the PRC or the jurisdictions in which the H Shares are held as residents or subject to taxation. The following summary of certain relevant tax regulations is based on the laws and practices currently in force and no opinion or advice is given as to, or in anticipation of, any change or adjustment to relevant laws or policies. This discussion does not purport to cover all possible tax consequences of investing in H Shares and does not take into account the individual circumstances of any particular investor, some of whom may be subject to special rules. Accordingly, you should consult your own tax adviser as to the tax consequences of investing in H Shares. This discussion is based on the laws and related interpretations in effect at the date of this document and is subject to change or adjustment, and may have retrospective effect. Other than income tax, capital gains and profits tax, business tax/value added tax, stamp duty and estate duty, this discussion does not deal with other PRC or Hong Kong tax matters. Prospective investors are advised to consult their own financial advisers as to the PRC, Hong Kong and other tax consequences of the holding and disposal of H Shares.



**TAXATION ON DIVIDENDS****Individual Investors**

Pursuant to the Law of the People's Republic of China on Individual Income Tax (《中華人民共和國個人所得稅法》) (the "IIT Law"), which was last amended on August 31, 2018 and the Regulations on Implementation of the Law of the People's Republic of China on Individual Income Tax (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Ministry of Finance and the State Administration on Taxation on Continuous Exemption of Individual Income Tax for the Proceeds from Stock Transfer by Individuals (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61), from January 1, 1997, income of individuals from the transfer of shares of listed enterprises shall continue to be exempted from individual income tax. Subsequently on December 31, 2009, the Notice on Relevant Issues Concerning the Levy of Individual Income Tax on Income from Individual Transfer of Non-tradable Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) came into effect which provided that individuals' income from the transfer of listed shares on relevant domestic stock exchanges shall continue to be exempted from individual income tax, except for relevant shares subject to sales restriction as defined in the Supplementary Notice of the Ministry of Finance, the State Administration of Taxation and China Securities Regulatory Commission on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Listed Companies' Shares with Trading Limited Conditions (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70).

Pursuant to the Notice on Differentiated Individual Income Tax Policies Applicable to the Stock Dividends Distributed by Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101) issued by the Ministry of Finance, the State Administration of Taxation ("SAT") and the China Securities Regulatory Commission on September 7, 2015 and effective on September 8, 2015, shares of listed companies acquired by individuals from public issue and market transfer and held for a period of over 1 year, the income from dividends and bonuses is temporarily exempted from individual income tax. For shares of listed companies acquired by individuals from the public issue and market transfer and held for a period of no more than 1 month (including 1 month), the income from dividends and bonuses is fully included in the taxable income; for shares held for a period of more than 1 month to 1 year (including 1 year), the income from dividends and bonuses is temporarily included in the taxable income at 50%; the above income is subject to a flat rate of 20% for the calculation of individual income tax.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered Guo Shui Fa [1993] No. 045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, normally withhold individual income tax at the rate of 10% without applying to PRC tax authority. If the tax rate of 10% is not applicable, relevant non-foreign-invested enterprises in the PRC shall (i) if the country of relevant individual investors has entered an income tax treaty with PRC which provides a tax rate lower than 10%, relevant non-foreign-invested enterprises in the PRC can apply for the preference on behalf of these investors, and the excess tax shall be returned subject to the approval of the competent tax authority; (ii) if the country of relevant individual investors has entered an income tax treaty with PRC which provides a tax rate higher than 10% but lower than 20%, relevant non-foreign-invested enterprises in the PRC shall withhold tax based on the treaty without application; (iii) if the country of relevant individual investors has entered no income tax treaty with PRC or in other cases, relevant non-foreign-invested enterprises in the PRC shall withhold a 20% individual income tax.

Pursuant to the Specification of Arrangements the Mainland of China Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income Order (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed by the SAT on August 21, 2006 and became effective on December 8, 2006, PRC Government may levy taxes on the dividends paid by a PRC resident company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the PRC resident company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC resident company, then such tax shall not exceed 5% of the total dividends payable by the PRC resident company. In addition, the Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) signed by the SAT on July 19, 2019 and became effective on December 6, 2019 states that such tax preference shall not apply to those arrangements or transactions, of which the main purpose includes gaining such tax benefit. The application of the dividend clause of tax treaty shall be subject to the Notice of the SAT on the Issues Concerning the Implementation of the Dividend Clauses of Tax Treaty (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81) and other PRC tax laws and regulations.

For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested

enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Notice on Several Policies Concerning the Individual Income Tax (《關於個人所得稅若干政策問題的通知》) issued by the MOF and the SAT on May 13, 1994 and effective on the same date, foreign individuals are temporarily exempted from individual income tax on dividend and bonus income received from foreign-invested enterprises.

### Enterprise Investors

Pursuant to the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) (the "EIT Law") promulgated by the NPC on March 16, 2007, which came into effect on January 1, 2008 and was last amended on December 29, 2018, and the Regulations on the Implementation of Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) promulgated on December 6, 2007, which came into effect on January 1, 2008 and was last amended on April 23, 2019, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends and bonuses received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected to such establishment or place in the PRC. The aforesaid income tax may be reduced pursuant to applicable treaties to avoid double taxation. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Notice of the SAT on Issues Related to the Withholding and Remittance of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-resident Enterprises Which hold H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) which was issued by the SAT on November 6, 2008, further clarified that a PRC resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to overseas non-resident enterprise shareholders of H Shares for 2008 and subsequent years. In addition, the Reply of the State Administration of Taxation on Imposition of Enterprise Income Tax on B-share Dividends of Non-resident Enterprises (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that PRC has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Specification of Arrangements the Mainland of China Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income Order (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) which became effective on December 6, 2019 states that such tax provisions shall not apply to those arrangements or transactions, of which the main purpose includes gaining such tax benefit. The application of the dividend clause of tax treaty shall be subject to the Notice of the SAT on the Issues Concerning the Implementation of the Dividend Clauses of Tax Treaty (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81) and other PRC tax laws and regulations.

### **Tax Treaties**

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties/arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the PRC tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the PRC tax authorities.

According to the Notice of the SAT on Issues Relating to the Implementation of Dividend Provisions of Tax Treaties (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81), which was promulgated and implemented on February 20, 2009, dividends distributed by a PRC company may be entitled to special tax treatment in accordance with the provisions of the relevant tax treaties only after certain conditions are satisfied. For example, the dividend recipient shall meet the conditions set forth in the relevant tax treaties and directly hold shares of a particular class and shares with voting rights of the PRC company to which the relevant tax treaties apply at any time within 12 consecutive months prior to the receipt of the dividend. In addition, according to the Administrative Measures for Entitlement of Non-resident Taxpayer to Agreement Treatment (《非居民納稅人享受協定待遇管理辦法》) promulgated on October 14, 2019 and implemented on January 1, 2020, tax treatment of non-resident taxpayers under relevant treaties shall adopt the approach of “self-judgment, declaration for enjoyment and retention of relevant data for examination”. If non-resident taxpayers consider they are eligible for treatments under the tax treaties through

self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to relevant regulations, and accept tax authorities' post-filing administration.

### **Taxation on Share Transfer**

#### ***Value-Added Tax and Local Surcharges***

Pursuant to the Notice on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No.36, "Circular 36") promulgated by MOF and SAT, became effective on May 1, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and sales of services within the PRC refers to the situation where either the seller or the buyer of a taxable service is located within the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable income (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals are exempt from VAT upon transfer of financial products, which was also provided in the Notice of the MOF and the SAT on Certain Tax Exemption Policies on Purchase and Sale of Individual Financial Products (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) (Cai Shui [2009] No. 111) which became effective on January 1, 2009.

Meanwhile, VAT taxpayers are also subject to urban maintenance and construction tax, education surcharge and local education surcharge (collectively, "local surcharges"), which is usually at 12% of the VAT payable, if any.

### ***Income Tax***

#### ***Individual Investors***

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to the individual income tax at a rate of 20%.

Pursuant to the Notice of the MOF and the SAT on Declaring that Individual Income Tax Continues to be Exempted over Individual Income from Transfer of Shares (《財政部及國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 20, 1998, from January 1, 1997, income of individuals from the transfer of shares of listed companies shall continue to be exempted from individual income tax. On December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Notice on Relevant Issues Concerning the Levy of Individual Income Tax on Income from Individual Transfer of Non-tradable Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on Shanghai Stock Exchange or Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the



relevant shares which are subject to sales restriction as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Listed Companies' Shares with Trading Limited Conditions (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the three aforementioned authorities on November 10, 2010.

As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect income tax from non-PRC resident individuals on gains from the sale of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices, which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H Share.

### **Enterprise Investors**

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income does not have actual connection with such establishment or premise. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or exempted pursuant to relevant treaties or agreements on avoidance of double taxation.

### **Taxation Policy of Shanghai-Hong Kong Stock Connect**

According to the Notice on Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No.81) jointly issued by the MOF, the SAT and the CSRC on October 31, 2014 and the Announcement of the MOF, the SAT, and the CSRC on the Continued Implementation of the Individual Income Tax Policies on the Interconnection Mechanisms for Transactions in the Shanghai and Hong Kong Stock Markets and for Transactions in the Shenzhen and Hong Kong Stock Markets (《財政部、稅務總局、證監會關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的通知》) (Cai Shui [2019] No.93) issued and came into effect on December 4, 2019, income tax on income derived by Mainland China individual investors shall: (i) temporarily be exempt from individual income tax for the period from December 5, 2019 to December 31, 2022, when deriving income on price difference from transfer of shares listed on the Hong Kong Stock Exchange; and (ii) be subject to withholding tax at a rate of 20% by H-share companies, when deriving income from share dividend from investment in shares listed on the Hong Kong Stock Exchange. Individual investors, who have

paid withholding taxes overseas, with effective taxation certificates, can apply to competent taxation authorities under China Securities Depository and Clearing Company Limited (the “CSDCC”) for tax credit. Dividends derived by mainland securities investment funds through investment into shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect are subject to individual income tax pursuant to provisions above; Mainland China corporate investors shall be subject to EIT pursuant to the law based on the total income derived from price difference from transfer of shares listed on the Hong Kong Stock Exchange or from share dividend from their investment in shares listed on the Hong Kong Stock Exchange. In particular, EIT will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprise investors, the H-share companies will not withhold income tax for dividend and bonus of mainland enterprises, and the tax payable shall be declared and paid by the enterprises themselves.

Mainland China investors who deal with, inherit, and are bestowed upon with shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect are subject to stamp duties in accordance with current taxation requirements in Hong Kong. CSDCC and Hong Kong Securities Clearing Company Ltd. (the “HKSCC”) are authorised to levy stamp duties above on behalf of each other.

According to the Shanghai-Hong Kong Stock Connect Taxation Policy and the Notice on Continuing the Application of Relevant Individual Income Tax Policies under the Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》) (Cai Shui [2017] No. 78) issued on November 1, 2017 and effective from November 11, 2017, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect from November 17, 2014 to December 4, 2019. Business tax will be temporarily exempted in accordance with the current policy for spread income derived from dealing in shares listed on the Hong Kong Stock Exchange by mainland individual investors through Shanghai-Hong Kong Stock Connect. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax is withheld by H-share companies at the tax rate of 20% by applying to the CSDCC for the latter to provide the former with the register of the mainland individual investors; for dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax is withheld by CSDCC at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing valid tax credit documents.

According to the Shanghai-Hong Kong Stock Connect Taxation Policy and the Notice on Continuing the Application of Relevant Individual Income Tax Policies under the Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》), transfer spread income derived from investment by mainland individual investors in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be included in the total income and subject to enterprise income tax according to relevant laws. Business tax will be temporarily exempted in accordance with the current policy for spread income derived from dealing in shares listed on the Hong Kong Stock Exchange by mainland corporate investors through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprise investors, the H-share companies will not withhold income tax for dividend and bonus of mainland enterprises, and the tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax by themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

#### **Taxation Policy of Shenzhen-Hong Kong Stock Connect**

On November 5, 2016, the MOF, the SAT and the CSRC jointly issued the Notice on the Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (《財政部、國家稅務總局、中國證券監督管理委員會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2016] No. 127) (hereinafter as “Shenzhen-Hong Kong Stock Connect Taxation Policy”) which clarified the relevant taxation policy under Shenzhen-Hong Kong Stock Connect.

Pursuant to the Shenzhen-Hong Kong Stock Connect Taxation Policy, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect from December 5, 2016 to December 4, 2019.

VAT will be temporarily exempted in accordance with the current policy for spread income derived from dealing in shares listed on the Hong Kong Stock Exchange by mainland individual investors through Shenzhen-Hong Kong Stock Connect during the period of the pilot program of replacing business tax with VAT. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, individual income tax is withheld by H-share companies at the tax rate of 20% by applying to the CSDCC for the latter to provide the former with the register of the mainland individual investors. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, individual income tax is withheld by CSDCC at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing the valid tax credit document.



Pursuant to the Shenzhen-Hong Kong Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income (included in total income) derived from investment by mainland corporate investors in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect. VAT will be exempted in accordance with the current policy for spread income derived from dealing in shares listed on the Hong Kong Stock Exchange by mainland entity investors through Shenzhen-Hong Kong Stock Connect during the period of the pilot program of replacing business tax with VAT. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors, and the tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax by themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the Shenzhen-Hong Kong Stock Connect Taxation Policy, mainland China investors who deal with, inherit, and are bestowed upon with shares listed on the Stock Exchange via the Shenzhen-Hong Kong Stock Connect are subject to stamp duties in accordance with current taxation requirements in Hong Kong. CSDCC and Hong Kong Securities Clearing Company Ltd. are authorised to levy stamp duties above on behalf of each other.

**Stamp Duty**

Pursuant to the Interim Regulations of the People's Republic of China on Stamp Tax (《中華人民共和國印花稅暫行條例》) effective from October 1, 1988 and amended on January 8, 2011, and the Detailed Rules for Implementation of Interim Regulations of the People's Republic of China on Stamp Tax (《中華人民共和國印花稅暫行條例施行細則》) effective from October 1, 1988, PRC stamp duty only applies on specific proof executed or received within the PRC and legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

**Estate Duty**

The PRC currently has not imposed any estate duty.

**PRINCIPAL TAXATION OF THE COMPANY IN THE PRC****Enterprise Income Tax**

Pursuant to EIT Law and its implementation provisions, enterprises and other organizations which generate income within the PRC are enterprise income tax payers and shall pay enterprise income tax at a tax rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay enterprise income tax for the income originated from domestic and overseas sources at an EIT rate of 25%. For a non-resident enterprise having no office or establishment within the PRC, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment within the PRC, it shall pay enterprise income tax on the incomes derived from the PRC at the EIT rate of 10%.

**Value-added Tax**

According to the Interim Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》) (the "VAT Interim Regulations") which was promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, February 6, 2016 and November 19, 2017 and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) (the "Implementation Rules of VAT Interim Regulations") which was promulgated by the MOF on December 25, 1993 and amended on December 15, 2008 and October 28, 2011, entities and individuals that sell goods or labour services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the PRC are VAT taxpayers, and shall pay VAT in accordance with such regulations. Unless otherwise stipulated by the law, the VAT rate is 17% for taxpayers selling goods, labour services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovables, transferring land use rights, or selling or importing specific goods; 6% for taxpayers selling services or intangible assets; zero for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; and zero for exporting goods (except as otherwise specified by the State Council).

According to Circular 36, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of VAT instead of business tax.

According to the Notice on Adjusting Value-added Tax Rate (Cai Shui [2018] No.32) (《關於調整增值稅稅率的通知》) promulgated by the MOF and the SAT on April 4, 2018 and became effective on May 1, 2018, the tax rates for the taxable sales or goods import activity of taxpayers, which were subject to the original tax rates of 17% and 11% respectively, were adjusted to 16% and 10% respectively.

Pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated by the MOF, the SAT and the General Administration of Customs of the PRC on March 20, 2019 and came into effect on April 1, 2019) (“Circular 39”), the tax rates for the taxable sales or goods import activity of general VAT taxpayers, which were subject to the original tax rates of 16% and 10% respectively, were adjusted to 13% and 9% respectively.

## **OVERVIEW OF TAX IMPLICATIONS OF HONG KONG**

### **Tax on Dividends**

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

### **Capital Gains and Profit Tax**

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

### **Stamp Duty**

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

### **Estate Duty**

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

**FOREIGN EXCHANGE CONTROL IN THE PRC**

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange controls and cannot be freely converted into foreign currency. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to Regulations of the People's Republic of China on Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Administration Regulations"), which was promulgated by the State Council of on January 29, 1996 and came into effect on 1 April 1996, the Foreign Exchange Administration Regulations classify all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to the approval of foreign exchange administration agencies, while capital account items are subject to such approval. The Foreign Exchange Administration Regulations were subsequently amended on January 14, 1997 and amended and came into effect on August 5, 2008. The latest amendment to the Foreign Exchange Administration Regulations clearly states that PRC will not impose any restriction on international payments and transfers under current account items.

On June 20, 1996, PBOC promulgated the Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "Settlement Regulations"), which became effective on July 1, 1996. The Settlement Regulations do not impose any restrictions on convertibility of foreign exchange under current account items, while imposes restrictions on foreign exchange transactions under capital account items.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current account transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carry out foreign exchange business or operating institutions that carry out foreign exchange settlement and sale business, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts opened at financial institutions that carry out foreign exchange business or institutions that carry out foreign exchange settlement and sale business, or effect exchange and payment at financial institutions that carry out foreign exchange business or institutions that carry out foreign exchange settlement and sale business.

According to the Announcement on Promoting the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》) issued by the PBOC on July 21, 2005, the PRC would implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

According to the Announcement of the PBOC on the Improvement of the Inter-bank Spot Foreign-Exchange Market (《中國人民銀行關於進一步完善銀行間即期外匯市場的公告》), starting from January 4, 2006, the PBOC improved the method of generating the central parity for quoting the Renminbi exchange rate by introducing an enquiry system while keeping the matchmaking system in the interbank foreign exchange spot market. In addition, the liquidity of the foreign exchange market was also improved by adopting a market-making system in the interbank foreign exchange market.

The Decision of the State Council on Issues Concerning Removing or Adjusting A Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which was issued and became effective on October 23, 2014, has cancelled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

On December 26, 2014, the SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation; and the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

On February 13, 2015, the SAFE issued the Notice of the SAFE on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13), which came into effect on June 1, 2015 and was partly revoked on December 30, 2019. The notice has cancelled the confirmation of foreign exchange registration of domestic direct investment and the confirmation of foreign exchange registration of overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration of domestic direct investment and foreign exchange registration of overseas direct investment, and the SAFE and its local offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the SAFE on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE on June 9, 2016, relevant policies have clearly stated that discretionary settlement of foreign exchange capital income (including repatriation of capital raised by overseas listing) can be settled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may timely adjust the above proportion based on international balance of payments.

On January 26, 2017, the Notice of the SAFE on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) was issued by the SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans in relation to trading and exporting of goods, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the free trade pilot zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE promulgated the Notice of the SAFE on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the “SAFE Notice 28”), which became effective on the same date. The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign invested enterprises and the restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets, and relaxed the restrictions on the use and foreign exchange settlement of foreign investors' security deposits. Eligible enterprises in the pilot area are also allowed to use capital income such as capital funds, foreign debts and proceeds from overseas listing for domestic payments without providing materials to the bank in advance for authenticity verification on a case-by-case basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital income management regulations.

On April 10, 2020, the SAFE promulgated the Notice of the SAFE on Optimizing Foreign Exchange Management Service in Support of Foreign Business Development (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (Hui Fa [2020] No. 8), which took effect on the same day. According to such notice, the capital income payment facilitation reform shall be promoted nationwide. On the premise of ensuring the authentic and compliant use of funds and complying with the existing regulations on the use of capital income, eligible enterprises are allowed to use capital income such as capital funds, foreign debts and proceeds from overseas listing for domestic payments without providing materials to the bank in advance for authenticity verification on a case-by-case basis.



This Appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III – Taxation and Foreign Exchange." This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain of the material differences between PRC and Hong Kong company law, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

## **PRC LAWS AND REGULATIONS**

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of the Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, see the section headed "Regulatory Overview" in this document.

## **PRC LEGAL SYSTEM**

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "Constitution") promulgated on December 4, 1982 and amended for five times on April 12, 1988, March 29, 1993, March 15, 1999, March 14, 2004 and March 11, 2018, respectively, and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, and international treaties of which the PRC government is a signatory. Court verdicts may be used as judicial reference and guidance. However, they do not constitute binding precedents.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "Legislation Law") promulgated on July 1, 2000 and amended on March 15, 2015, National People's Congress (the "NPC") and the Standing Committee of the NPC (the "SCNPC") are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The people's congress of the national autonomous region has the power to formulate autonomous regulations and separate regulations in accordance with the political, economic and cultural characteristics of the local ethnic groups, and make flexible provisions on the provisions of laws and administrative regulations, but shall not make flexible provisions on the provisions of the Constitution and the laws of regional ethnic autonomy, as well as other relevant laws and administrative regulations on ethnic autonomy.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws, administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate departmental rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the local ethnic groups in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government, cities divided into districts and autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts or autonomous prefectures within the administrative areas of the provinces and the autonomous regions.



The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee, but contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate departmental rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is invested in the SCNPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws effective from June 10, 1981, if the scope prescribed by laws or decrees needs to be further defined or supplementary provisions need to be made, the SCNPC shall interpret them or make provisions by means of decrees. Issues involving the specific application of laws and decrees in the trial work of the court shall be interpreted by the Supreme People's Court. Issues involving the specific application of laws and decrees in the procuratorial work of the procuratorate shall be interpreted by the Supreme People's Procuratorate. If there are principled differences in the interpretation of the Supreme People's Court and the Supreme People's Procuratorate, they shall be submitted to the SCNPC for interpretation or decision. Issues that do not involve the specific application of laws and decrees in judicial and procuratorial work shall be interpreted by the State Council and the competent departments. The State Council and its ministries also have the right to interpret the administrative rules and departmental regulations issued by them. If the scope of local laws and regulations needs to be further defined or supplemented, the standing committee of the people's congress of each province, autonomous region and municipality directly under the central government that promulgates such laws and regulations shall interpret or enact regulations. Issues involving the specific application of local laws and regulations shall be interpreted by the competent departments of the people's governments of all provinces, autonomous regions and municipalities directly under the central government.

**PRC JUDICIAL SYSTEM**

According to the Constitution and the Organic Law of the People's Courts of the People's Republic of China (《中華人民共和國人民法院組織法》) ("the Organic Law of the People's Court") which came into effect on January 1, 1980 and amended for four times on September 2, 1983, December 2, 1986, October 31, 2006 and October 26, 2018, respectively, the people's court is composed of the Supreme People's Court, the local people's courts at all levels and the special people's courts.

Local people's courts at all levels are composed of primary people's courts, intermediate people's courts and higher people's courts. The primary people's courts may set up civil, criminal and economic tribunals. The intermediate people's court has similar structure with the primary people's court, and can set up other tribunals, such as intellectual property tribunal when necessary. Special people's courts include military courts, maritime courts, intellectual property courts, financial courts, etc. The higher level of people's court supervises the trial work of the people's court at a lower level. The people's procuratorate also has the right to exercise legal supervision over the proceedings of the people's court at the same level or at a lower level. The Supreme People's Court is the highest judicial organ in the PRC and supervises the trial work of local people's courts at all levels and special people's courts.

In accordance with the Criminal Procedure Law of the PRC (《中華人民共和國刑事訴訟法》) ("Criminal Procedure Law") promulgated on July 7, 1979 and amended for three times on March 17, 1996, March 14, 2012 and October 26, 2018, respectively, and the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) ("Civil Procedure Law") promulgated April 9, 1991 and amended for three times on October 28, 2007, August 31, 2012 and June 27, 2017, respectively, the people's courts apply a two-tier appellate system. Before a judgment or ruling of first instance has legal effect, the parties may appeal to the people's court at the next higher level. A judgment or ruling of second instance made by a higher court shall be final and legally binding. The first instance judgment or ruling of the Supreme People's Court is also final and conclusive. However, if the Supreme People's Court or the people's court at a higher level finds an error in the effective judgment, ruling or conciliation statement made by the people's court at a lower level, it shall have the right to bring the case up for trial or order the people's court at a lower level to hold the case. If the president of a people's court at any level finds that there is an error in the effective judgment, written order or conciliation statement made by his court and considers that a retrial is necessary, he shall submit it to the judicial committee for discussion and decision.

The Civil Procedure Law contains provisions on the jurisdiction of the people's court, the procedures to be followed in conducting civil proceedings and the procedures for the enforcement of civil judgments or rulings. All parties to a civil action in the PRC shall abide by the Civil Procedure Law. Generally speaking, civil cases are heard by the local court where the defendant lives. The parties to the contract may also choose the court of jurisdiction to file a civil action by express agreement, but the court of jurisdiction shall be the place where the dispute is actually related, such as the place where the plaintiff or the defendant lives, the place where the contract is signed or performed, or the place where the subject matter of the action is located, etc. However, in any case, the above selection shall not violate the provisions of the Civil Procedure Law on level jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization that institute or respond to proceedings in a people's court is given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens and enterprises, the PRC court shall apply the same limitations to the citizens and enterprises of such foreign country.

If any party to a civil action refuses to comply with the effective judgement, ruling, conciliation statement and other legal documents to be executed by the people's court or an award made by the arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same. However, there are time limits of two years imposed on the right to apply for such enforcement. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

A party seeking to enforce a judgement or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgement or ruling. A foreign judgement or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

#### **THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS**

The Company Law (《公司法》) was passed by the Standing Committee of the Eighth NPC on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The revised Company Law came into effect on October 26, 2018.

Special Provisions of the State Council Concerning Issuing and Listing of Shares Overseas by Joint Stock Limited Company (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations") were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and were promulgated and implemented on August 4, 1994. The Special Regulations were formulated according to the then applicable Article 85 and Article 155 of the Company Law and should be applicable to the overseas share issue and listing of joint stock limited companies.

The Mandatory Clauses of the Articles of Association of Companies Seeking Overseas Listing (《到境外上市公司章程必備條款》) (the “Mandatory Provisions”) were promulgated and implemented by the former Securities Commission of the State Council and the former State Economic System Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association.

According to the Approval Reply on Adjusting the Provisions Applicable to the Notification Period for Convening Shareholders’ Meeting and Other Matters by Overseas Listed Companies (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) (Guo Han [2019] No. 97) (the “Official Reply”) issued on October 17, 2019, the notice period for a shareholders’ meeting, the shareholder proposal right, and the procedures for convening a shareholders’ meeting, for those joint stock companies established within the territory of the PRC but listed overseas should be governed by the relevant provisions of the Company Law, and the provisions laid down in Article 20 through Article 22 of the Special Regulations will no longer apply to the aforesaid matters.

Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations, and the Mandatory Provisions applicable to the Company.

### **General Provisions**

A joint stock limited company is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

### **Incorporation**

A company may be incorporated by promotion or public subscription.

A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. A company incorporated by promotion is the one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, unless otherwise provided, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or specific parties.

The Company Law provides that for companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for industry and commerce. Shares in the company shall not be offered to others unless the registered capital has been fully paid up.

For companies incorporated by way of public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant administrative bureau for industry and commerce. The promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed in accordance with laws if such assets are to be contributed as capital.

The latest revision of the Company Law no longer imposes restrictions on minimum amount or requirements for payment deadlines of paid-up registered capital. However, if there are laws, administrative regulations and other requirements imposed by the State Council provide for payment deadlines of paid-up registered capital or the minimum registered capital of a limited liability company or a joint stock limited company, such laws, administrative regulations and requirements shall prevail.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been completely paid up. The inaugural meeting may be convened only with the presence of promoters and subscribers holding shares representing more than 50% of the total issued shares of the company. Matters to be dealt with at the inaugural meeting include passing the draft articles of association proposed by the promoters and electing the members of board of directors and the board of supervisors of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the relevant administrative bureau for industry and commerce and a business license has been issued.

The promoters of a company shall individually and jointly be liable for the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated, the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated, and damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Regulations on the Administration of the Issuing and Trading of Stocks (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

**Share Capital**

The promoters of a company may make capital contributions in cash, or in kind that can be valued in currency and transferable according to laws such as intellectual property rights or land-use rights based on their appraised value.

There is no limit under the Company Law as to the percentage of shares held by an individual shareholder in a company. If capital contribution is made other than in cash by the promoters of the company, the properties contributed must be valued and verified and converted into shares.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency.

Pursuant to the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan and subscribed in foreign currency are defined as foreign shares. Foreign shares listed overseas are defined as overseas listed and foreign invested shares. Shares issued to investors within the PRC other than the aforementioned areas and subscribed in RMB are defined as domestic shares. Qualified Foreign Institutional Investors (“QFII”) approved by the China Securities Regulatory Commission (the “CSRC”) may invest in the PRC securities market.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Detailed measures shall be specified by the State Council based on the Special Regulations. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after deducting the number of underwritten shares.

The share price may be equal to or in excess of par value, but shall not be less than par value.

The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council.

**Increase of Share Capital**

Pursuant to the Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for above-mentioned conditions of obtaining approval at the general meeting required by the Company Law, the Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the "Securities Law") requires the following conditions for the initial public offering of new shares by the company in the PRC: the company is a complete and well-operated organization; the company is able to operate on a going concern; the financial and accounting reports of the company for the last three years were issued with unqualified audit opinion; the issuer, its controlling shareholder, and actual controller have not been involved in corruption, bribery, embezzlement, misappropriation of property, or disruption of the socialist market economic order in the past three years; the company is able to fulfill any other requirements as prescribed by the securities regulatory authority of the State Council as approved by the State Council. The approval of the securities regulatory authority of the State Council must be obtained. After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

**Reduction of Share Capital**

A company may reduce its registered capital in accordance with the following procedures stipulated by the Company Law:

- the company shall prepare a balance sheet and a list of properties;
- the reduction of registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction of capital within ten days, and publish an announcement in respect of the reduction in newspapers within thirty (30) days upon passing of the resolution approving the reduction of capital;
- creditors of the company may require the company to settle its debts or provide corresponding guarantees within the statutory time limit; and
- the company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction of registered capital.



**Repurchase of Shares**

A company shall not purchase its own shares other than for the following purposes:

- (1) reducing its registered capital;
- (2) merging with other company which holds its shares;
- (3) using shares for employees stock ownership plan or equity incentives;
- (4) acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or division;
- (5) using shares for converting convertible corporate bonds issued by the listed company; and
- (6) for the purpose of protecting the corporate value and the rights and interests of shareholders of a listed company when necessary.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) may, pursuant to its articles of association or the authorization of the shareholders' meeting, be subject to approval by resolution of a board meeting at which more than two-thirds of directors are present.

After purchasing its own shares in accordance with these requirements, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure and, under any of the circumstances set forth in items (3), (5) and (6), shall carry out trading in a public and centralized manner.

The Mandatory Provisions stipulate that upon obtaining approvals from relevant regulatory authorities in accordance with the articles of association of the company, a company may, for the aforementioned purposes, repurchase its issued shares by way of a general offer to its shareholders or purchase on a stock exchange or through off-market contract.



**Transfer of Shares**

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. Registered shares shall be transferred by means of endorsement by shareholders or by such other means as provided for by laws or administrative regulations; and after such transfer, the company shall register the names or titles and domiciles of the transferees in its register of members. No registration of changes in the register of members as stipulated by the preceding paragraph shall be made within 20 days prior to the convening of a shareholders' general meeting or within 5 days prior to the record date on which the company decides to distribute dividends. However, if the laws provide otherwise for the registration of changes in the register of members of a listed company, such laws shall prevail. Transfer of bearer shares shall become effective immediately after a shareholder delivers such share certificates to a transferee. Pursuant to the Mandatory Provisions, no registration of changes in the register of members caused by transfer of shares shall be made within 30 days prior to the convening of a shareholders' general meeting or within 5 days prior to the record date on which the company decides to distribute dividends.

According to the Company Law, shares held by the promoters of a company shall not be transferred within one year from the date the company is incorporated. Shares issued prior to the company's public offering of shares shall not be transferred within one year from the date of listing and trading of the company's shares on the stock exchange. The directors, supervisors and senior management of the company shall declare to the company the shares held by them in the company and the changes thereof, and the shares transferred each year during their term of office shall not exceed 25% of the total number of shares held by them in the company. The shares of the company held by the abovementioned persons shall not be transferred within one year from the date of listing of the company on the stock exchange; the shares of the company held by the abovementioned persons shall not be transferred within six months after their departure from the company. The articles of association may impose other restrictions on the transfer of shares held by directors, supervisors and senior management of the company.

**Shareholders**

The company's articles of association set forth the rights and duties of its shareholders, which are binding on all shareholders. Pursuant to the Company Law and the Mandatory Provisions, the rights of shareholders include:

- the right to attend shareholders' general meetings in person or by proxy and to vote in respect of the number of shares held;
- the right to transfer their shares in accordance with the applicable laws, regulations and the company's articles of association;

- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of board meetings, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's business operations;
- where a resolution passed by shareholders' general meetings or the board of directors violates the articles of association or infringe the lawful rights and interests of shareholders, the right to institute an action in a people's court demanding the cancellation of such resolution and cessation of such unlawful infringement;
- the right to receive dividends based on the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other shareholders' rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include: to abide by the company's articles of association; to pay the subscription monies in respect of shares subscribed for; to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares subscribed for; not to abuse the shareholders' rights to prejudice the interests of the company or other shareholders thereof; not to abuse the independent status of the company as a legal person and a joint stock limited company to prejudice the interests of the creditor(s) of the company; and other obligations specified in the company's articles of association.

### **Shareholders' General Meetings**

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. The shareholders' general meeting exercises the following powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors who are not representatives of the employees;
- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;

- to review and approve reports of the board of supervisors or supervisors;
- to review and approve annual financial budget and final accounts proposed by the company;
- to review and approve the company's proposals on profit distribution and recovery of loss;
- to decide on any increase or reduction of the registered capital of the company;
- to decide on the company's issuance of bonds;
- to decide on merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as specified in the articles of association.

Annual general meetings shall be held once a year and within six months after the end of the previous fiscal year. An extraordinary general meeting shall be held within two months after the occurrence of any of the following circumstances:

- the number of directors is less than the number stipulated by the Company Law or less than two thirds of the number specified in the articles of association;
- the losses of the company which are not recovered reach one-third of the company's total paid up share capital;
- as requested by shareholders alone or in aggregate holding 10% or more of the shares of the company;
- when deemed necessary by the board of directors;
- when proposed by the board of supervisors; or
- other circumstances as specified in the articles of associations.

The general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. If the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice-chairman. If the vice-chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the general meeting, the

board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding 10% or more of the total shares of the company for 90 days consecutively may unilaterally convene and preside over such meeting.

The notice to convene an annual general meeting and an extraordinary general meeting shall be given 20 days and 15 days, respectively, before the date of such meeting pursuant to the Company Law. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

There is no specific provisions in the Company Law regarding the number of shareholders constituting a quorum in a general meeting. Shareholders alone or in aggregate holding more than 3% of the shares of the company may put forth interim proposals and submit the same in writing to the board of directors 10 days before a general meeting. The board of directors shall notify other shareholders within 2 days after receiving such proposals, and submit the interim proposals to the general meeting for review and approval if such proposals are within the scope of its duties and powers. The contents of the interim proposal shall be within the scope of the functions and powers of the general meeting of shareholders, with clear topics and specific matters for resolutions. The general meeting shall not make any resolution on any matter not listed in a notice as stipulated in either of the preceding two notices. Where holders of bearer shares intend to attend the shareholders' general meeting, they shall deposit their share certificates with the company for a period beginning from five days prior to the convening of the meeting to the end of the meeting.

Pursuant to the Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic shares and holders of overseas listed and foreign invested shares are deemed to be different classes of shareholders for this purpose.

### **Board of Directors**

A company shall have a board of directors, which shall consist of 5 to 19 members. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms by re-election upon the expiry of term.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. As for extraordinary meetings convened by the board of directors, the way of giving notice and the notice period may be otherwise determined.

Under the Company Law, the board of directors exercises the following functions and powers:

- to convene the general meeting and report on its work to the shareholders;
- to implement the resolution of the general meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate plans for the merger, division, dissolution or change in the form of the company;
- to decide on the company's internal management structure;

- to appoint or dismiss the company's general manager, and based on the general manager's nomination, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment to the articles of association of a company. Interim board meetings may be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene the meeting within ten days of receiving such proposal, and preside over the meeting. Meetings of the board of directors could be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. If a director is unable to attend a board meeting, he/she may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his/her behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offense of corruption, bribery, embezzlement, misappropriation of property or disruption of the order of socialist market economy, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who have been former directors, factory managers or general managers of a company or an enterprise that has been bankrupt and has been liquidated, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license; or
- persons who have a relatively large amount of debt due and outstanding; or
- other circumstances under which a person is disqualified from acting as a director of a company as set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including):

- to preside over general meetings and convene and preside over meetings of the board of directors;
- and to check on the implementation of the resolutions of the board of directors.

According to the Company Law, the legal representative of a company may be the chairman, any executive director (if the limited liability company does not have a board of directors) or the general manager. However, the Mandatory Provisions require that the legal representative of the company shall be the chairman.

The Special Regulations provide that a company's directors, supervisors, general managers and other senior management shall bear fiduciary duties and the obligation to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions and power for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix V) contain further elaborations of such duties.

### **Board of Supervisors**

A company shall have a board of supervisors composed of not less than three members. The term of office of a supervisor shall be three years, and the supervisors may hold consecutive terms by re-election. The board of supervisors is made up of shareholders' representatives and an appropriate proportion of the company's staff representatives, which shall be no less than one-third. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. According to the Letter from the Overseas Listing Department of the CSRC and the Production System Department of the State Commission for Restructuring the Economic System on the

Opinions on Additional Amendments to the Articles of Association of Hong Kong Listed Companies (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), the chairman of the board of supervisors shall be elected by two-thirds or more of all supervisors. Directors and senior management shall not serve as supervisors at the same time.

The board of supervisors exercises the following functions and powers:

- check the financial affairs of the company;
- supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior management who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;
- require the director or senior management to make corrections if his/her act is detrimental to the interests of the company;
- propose the convening of extraordinary general meetings, and to convene and preside over shareholders' meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' meetings;
- put forward proposals at general meetings;
- initiate actions against directors or senior management; and
- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director described above apply *mutatis mutandis* to supervisors of a company.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.



**General Manager and Senior Management**

A company shall have a general manager who shall be appointed or removed by the board of directors. The general manager is accountable to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company's annual business and investment plans;
- formulate plans for the establishment of the company's internal management structure;
- formulate the basic administration system of the company;
- formulate the company's specific rules;
- recommend the appointment and dismissal of deputy general managers and financial officers;
- decide to appoint or dismiss other management personnel (other than those required to be appointed or dismissed by the board of directors);
- attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company's articles of association.

Under the Company Law, the senior management of a company include the general manager, deputy general managers, financial officers, secretary of the board of directors of a listed company and other executives as specified in the articles of association of the company. The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to general managers and officers of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, general managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration or initiate legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association.

**Duties of Directors, Supervisors, General Manager and Senior Management**

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, administrative regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. In addition, directors and senior management are prohibited from: (1) misappropriation of the company's capital; (2) depositing the company's capital into accounts under his own name or the name of other individuals; (3) loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors; (4) entering into contracts or transactions with the company in violation of the articles of association or without prior approval of the shareholders' general meeting; (5) using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting; (6) accept and possess commissions paid by a third party for transactions conducted with the company; (7) unauthorized divulgence of confidential information of the company; and (8) other acts in violation of their fiduciary duty to the company. Income earned by a director or senior management in violation of the above provisions shall belong to the Company.

Any director, supervisor, general manager and other senior management who contravenes any laws, regulations or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, general manager and other senior management of a company owe fiduciary duties to the company and are required to perform their duties faithfully, protect the interests of the company and not to make use of their positions and power in the company for their own benefit. The Mandatory Provisions contain detailed provisions for such duties.

**Finance and Accounting**

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the MOF of the State Council. At the end of each financial year, a company shall prepare a financial report, which shall be audited and verified according to laws.

A company shall make available its financial statements for the inspection by the shareholders at least 20 days before the convening of the annual general meeting. A company established by the public subscription method must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory reserve (except where such reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory reserve from its after-tax profit, subject to a resolution of the shareholders or the general meeting, the company may make an allocation to a discretionary reserve from the after-tax profits. If the company's statutory reserve is not enough to make up for the losses of the company for the previous year, the current year's profits shall first be used for making up the losses before the statutory reserve is set aside according to the provisions of the preceding paragraph.

After the losses have been made up and reserves have been set aside, the remaining profits after-tax shall be distributed to shareholders in proportion to the number of shares held by shareholders, except as otherwise provided in the articles of association. The capital reserve of a company is made up of the premium over the nominal value of the shares of the company in issue, and other amounts required by the MOF of the State Council to be allocated to the capital reserve. The company's reserves shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company, but the capital reserve shall not be used for making up the company's losses. Where the statutory reserve is converted into registered capital, the balance of the statutory reserve shall not be less than 25% of the registered capital after such conversion.

#### **Appointment and Dismissal of Accounting Firms**

According to the Special Regulations, a company shall engage an independent PRC qualified accounting firm to audit the company's annual report and review other financial reports. Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' meeting, shareholders' general meeting or board of directors in accordance with the articles of association. The accounting firm is to be appointed for a term commencing from the conclusion of an annual general meeting and ending at the conclusion of the next annual general meeting. The accounting firm should be allowed to make representations when the shareholders' general meeting conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm which it employs without any refusal, withholding and misrepresentation.

#### **Distribution of Profits**

The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of dividends to shareholders shall be made through a receiving agent.

According to the Guide to the Program for “Full Circulation” of H shares promulgated by CSDC on February 7, 2020, cash dividends to domestic investors of H-share “full circulation” shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

#### **Amendments to the Articles of Association**

Pursuant to the Company Law, the resolution of a shareholders’ general meeting regarding any amendment to a company’s articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and the articles of association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department authorized by the State Council, while the amendment to articles of association involving matters of company registration shall be registered with the relevant authority in accordance with applicable laws.

#### **Dissolution and Liquidation**

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the people’s court has made a declaration of the company’s insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the Company Law, a company shall be dissolved in any of the following events:

- (1) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;
- (2) the shareholders have resolved to dissolve the company in shareholders’ general meeting;
- (3) the company is dissolved by reason of its merger or split;
- (4) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or
- (5) in the event that the company encounters substantial difficulties in its operation and management, and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders’ voting rights of the company may present a petition to the people’s court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 days after the date of dissolution. Members of the liquidation committee shall be appointed by shareholders at the shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment. The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he has not received any notification.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- to take stock of the company's assets and to prepare a balance sheet and a property list;
- to notify creditors or issue public notices;
- to deal with any outstanding business of the company related to the liquidation;
- to pay any tax overdue;
- to settle the company's financial claims and liabilities;
- to handle the remaining assets of the company after its debts have been paid off; and
- to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any remaining assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it shall immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or relevant regulatory authorities for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation committee are required to discharge their duties diligently and perform their obligation according to laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

**Overseas Listing**

According to the Special Regulations, the shares of a company shall only be listed overseas after obtaining approval from CSRC. The Company shall submit a written report to the CSRC on the relevant circumstances of the overseas issuance and listing within 15 working days after the completion of the overseas issuance and listing of shares.

**Loss of H Shares Certificates**

In the event H share certificates in registered form are either stolen or lost, shareholder may, in accordance with the relevant provisions set out in the Civil Procedure Law, apply to a people's court for a declaration that such certificates are no longer valid. Upon such declaration, the shareholder may apply to the company for the issue of replacement certificates. The Mandatory Provisions provide for a separate procedure regarding the loss of H share certificates.

**“Full Circulation” of H Shares**

Shareholders of domestic unlisted H shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H share listed company may be entrusted to file the said application for “full circulation”. To file an application for “full circulation”, an H share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the “examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company”.

An H share listed company may apply for “full circulation” separately or when applying for refinancing abroad. An unlisted domestic joint stock company may apply for “full circulation” when applying for an overseas initial public offering.

**Suspension and Termination of Listing**

The Company Law has deleted provisions governing suspension and termination of listing. The Securities Law has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

**Merger and Demerger**

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in a newspaper within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, demand the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

Where there is a demerger of a company, its assets shall be divided up accordingly and a balance sheet and a property list shall be prepared. The company shall notify its creditors within 10 days of the date of the company's demerger resolution and shall publish an announcement in a newspaper within 30 days of the date of the company's demerger resolution. Debts of the company prior to demerger shall be assumed by the companies which exist after the division on a joint and several basis, except to the extent that prior to demerger, the company has otherwise reached a written agreement with its creditors in respect of the settlement of debts.

Changes in the registration of the companies as a result of the merger or demerger shall be registered with the relevant administration authority for industry and commerce.

**Securities Law and Other Relevant Regulations**

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis.

In April 1998, the State Council consolidated the two departments and the CSRC has since taken over the original functions of the Securities Committee.



On 22 April 1993, the Interim Regulations on the Administration of the Issuing and Trading of Stocks (《股票發行與交易管理暫行例》) were promulgated by the State Council to govern the application and approval procedures for public offerings of shares, issuance and trading of shares, acquisition of listed companies, deposit, clearing and transfer of shares, as well as the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated and implemented the Provisions on Joint Stock Companies' Listing Foreign-Invested Shares in China (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading, dividend declaration and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》) came into force on July 1, 1999, and was amended for five time on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively, and the latest Securities Law became effective from March 1, 2020. This law is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles, regulating, among others, the issuance and trading of securities, acquisition of listed companies, stock exchanges, securities companies and the duties and responsibilities of the securities regulatory authority under the State Council. The Securities Law comprehensively regulates the activities of securities market in the PRC. Article 224 of the Securities Law stipulates that a domestic enterprise shall comply with the relevant provisions of the State Council in issuing securities or listing and trading of its securities abroad directly or indirectly. Article 225 of the Securities Law stipulates that the specific measures for subscription and trading of shares of domestic companies in foreign currencies shall be separately formulated by the State Council. At present, the shares (including H shares) issued and traded abroad are still subject to the rules and regulations promulgated by the State Council and the CSRC.

#### **Arbitration and Enforcement of Arbitral Awards**

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "Arbitration Law") was passed by the SCNPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations, and the parties have entered into a written agreement to refer the matter to arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.



The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of the company and, in the case of the Listing Rules, shall also be in contracts between the company and each of its directors and supervisors, to the effect that any disputes or claims arising among the following parties will be referred to arbitration including between holders of H shares and the company, between holders of H Shares and the directors, supervisors, manager or other senior management of the company, and between holders of H shares and holders of domestic shares, with respect to any disputes or claims in relation to the companies affairs or as a result of rights or obligations arising under its articles of association, the Company Law or other relevant laws and administrative regulations. Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to register of members need not be resolved by arbitration.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitration Awards (《承認及執行外國仲裁裁決公約》) (the “New York Convention”) adopted on June 10, 1958 pursuant to a resolution passed by the SCNPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC’s accession to the Convention, the SCNPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People’s Court of China was reached. The Supreme People’s Court of China adopted the Arrangement on Mutual Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which came into effect on February 1, 2000. The arrangements reflects the spirit of the New York Convention. Under the arrangements, the awards by the Mainland arbitral bodies recognized by Hong Kong may be enforced in Hong Kong and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of Hong Kong SAR may also be enforced in Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced.

**Judicial Judgment and its Enforcement**

According to the Arrangement of the Supreme People's Court between the Courts of the Mainland and the Hong Kong Special Administrative Region on Mutual Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdiction as Agreed to by the Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of the PRC and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the people's court of the PRC or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the people's court of the PRC or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the court of the PRC or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in the PRC or Hong Kong that meet certain conditions of the aforementioned regulations.

**Shanghai-Hong Kong Stock Connect**

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as "HKSF") issued the Joint Announcement of the China Securities Regulatory Commission and the Securities and Futures Commission of Hong Kong – Principles to Be Followed upon the Expected Implementation of the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《中國證券監督管理委員會香港證券及期貨事務監察委員會聯合公告–預期實行滬港股票市場交易互聯互通機制試點時將需遵循的原則》) and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "Shanghai-Hong Kong Stock Connect") by the Shanghai Stock Exchange (hereinafter referred to as "SSE"), the Stock Exchange, China Securities Depository and Clearing Corporation Limited (hereinafter referred to as "CSDC") and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade shares listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSF that PRC investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and HKSF issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDC and HKSCC. Pursuant to the Joint Announcement, trading of shares under Shanghai-Hong Kong Stock Connect has commenced on November 17, 2014.

On September 30, 2016, CSRC issued the Provisions on the Record-Filing of the Placement of Shares to Existing Mainland Shareholders by Companies Listed in Hong Kong under the Southbound Trading Link (《關於港股通下香港上市公司向境內原股東配售股份的備案規定》) which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

#### **MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF COMPANY LAW IN THE PRC AND HONG KONG**

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the Company Law. This summary is, however, not intended to be an exhaustive comparison.

##### **Corporate Existence**

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the company upon its incorporation, and the company will acquire an independent corporate existence henceforth.

A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions, and a public company's articles of association do not contain such pre-emptive provisions.

Under the Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

**Share Capital**

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The Company Law has no provisions on minimum registered capital of joint stock companies, except where laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital of joint stock companies, such provisions shall prevail.

The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved at the general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

**Restrictions on Shareholding and Transfer of Shares**

Generally, domestic shares, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

When the application for "full circulation" has been approved by the CSRC, the domestic unlisted shares of the H share listed company might be listed and circulated on the Hong Kong Stock Exchange.

Under the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange.

Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after their departure. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on Controlling Shareholders' disposal of Shares, after the Global Offering.

#### **Financial Assistance for Acquisition of Shares**

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

#### **Notice of Shareholders' Meetings**

Under the Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

#### **Quorum for Shareholders' Meetings**

The Company Law does not specify any quorum requirement for a shareholders' general meeting.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

**Voting at Shareholders' Meetings**

Under the Company Law, the passing of any resolution requires more than one-half of the voting rights represented by the shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to the articles of association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require more than two-thirds of the voting rights represented by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

**Variation of Class Rights**

The Company Law makes no specific provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in "Appendix V – Summary of Articles of Association".

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

As required by the Hong Kong Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances: (i) where we issue, either separately or concurrently in any 12-month period, upon approval by special resolutions passed at a general meeting, domestic shares and H shares not more than 20% of each of the existing domestic shares and overseas listed foreign invested shares, respectively; (ii) where the plan for the issue of domestic shares and overseas listed foreign invested shares upon our establishment is fulfilled within 15 months following the date of approval by the securities regulatory authorities under the State Council; and (iii) with the approval of the securities regulatory authority under the State Council and with the consent of the Hong Kong

Stock Exchange, the Company's domestic shares may be transferred to foreign investors and listed on the overseas stock exchange, and all or part of the domestic shares of the Company may be converted into foreign shares, and the converted shares may be listed and traded on the overseas stock exchange.

#### **Directors, Senior Management and Supervisors**

The Company Law, unlike the Hong Kong company law, does not contain any provisions relating to directors' declaration of interests in material contracts, restrictions on the provision of certain benefits to directors and guarantees for directors' obligations and prohibitions on compensation for loss of office without shareholders' approval. The Mandatory Provisions stipulates that all directors, supervisors, managers and other senior management of a company shall disclose the nature and extent of their interest to the board of directors as soon as possible if they have a material interest, directly or indirectly, in a contract, transaction or arrangement that has been entered into or is planned by such company. In addition, a company shall stipulate in the contract with its directors and supervisors regarding compensation matters that when the company will be acquired, the company's directors and supervisors shall be entitled to receive compensation or other payments for loss of office or retirement under the conditions approved in advance at the shareholders' general meeting. Furthermore, directors, supervisors, managers and other senior management of the company have a duty to exercise their rights or perform their duties with the care, diligence and skill that a reasonably prudent person would exercise under similar circumstances.

#### **Board of Supervisors**

Under the Company Law, a joint stock limited company's directors and senior management are subject to the supervision of the board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

The Mandatory Provisions impose a duty on each supervisor to exercise his or her authority in a manner that he or she believes to be in the best interests of the Company, with the care, diligence and skill to act in good faith that a reasonably prudent person would exercise under similar circumstances.

#### **Derivative Action By Minority Shareholders**

Under Hong Kong company law, a shareholder may, with the leave of the court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.



Pursuant to the Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding 1% or more of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide the Company with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

#### **Minority Shareholder Protection**

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong. The Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a people's court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.



**Fiduciary Duties**

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

**Financial Disclosure**

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese Accounting Standards for Business Enterprises, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the Chinese Accounting Standards for Business Enterprises.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

**Information on Directors and Shareholders**

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

**Receiving Agent**

Under the Hong Kong law, dividends once declared by the board of directors will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years. The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

**Corporate Reorganization**

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, merger, division, dissolution or change to the form of a joint stock limited liability company has to be approved by shareholders in general meeting.

**Mandatory Deductions**

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory reserve.

There are no corresponding provisions under Hong Kong law.

**Arbitration of Disputes**

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic shares, arising from the Articles of Association, the Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the Hong Kong International Arbitration Centre ("HKIAC") or the China International Economic and Trade Arbitration Commission. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

### **Remedies of a Company**

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Hong Kong Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

### **Dividends**

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

### **Closure of Register of Shareholders**

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year. Unless otherwise stipulated by laws, share transfers shall not be registered within 20 days prior to convening a shareholders' general meeting or 5 days before the record date of distribution of dividends.

This appendix contains a summary of the principal provisions of the Articles of Association of the Company which will be effective from the date of listing of H Shares on the Hong Kong Stock Exchange. This appendix is primarily intended to provide potential investors with an overview of the Company's Articles of Association and therefore may not contain all the information that is material to potential investors.

#### **POWER OF DIRECTORS, SUPERVISORS AND OTHER SENIOR OFFICERS TO ALLOT AND ISSUE SHARES**

There is no provision in the Articles of Association empowering our Directors, supervisors or other senior officers to allot and issue shares.

Proposals to increase registered capital of the Company must be submitted for approval by an affirmative vote of at least two thirds or more of the voting rights at the general meeting. Any such increase is subject to the formal formalities prescribed by relevant laws and administrative regulations.

#### **POWER TO DISPOSE ASSETS OF THE COMPANY**

The Board shall not dispose of or agree to dispose of any fixed assets without approval by the general meeting if the sum of the expected value of the fixed assets to be disposed of and the value derived from the disposal of fixed assets within four months before such proposed disposal of the fixed assets exceeds 33% of the value of the fixed assets as shown on the latest balance sheet considered and approved at the general meeting. Disposals of fixed assets mentioned herein include transfer of certain asset interests, but do not include provision of security interests by pledge of fixed assets.

The effectiveness of the Company's disposal of fixed assets shall not be affected by any breach of the foregoing provisions in Paragraph 1 of this article.

#### **REMUNERATION AND INDEMNIFICATION OR COMPENSATION FOR LOSS OF OFFICE**

The Company shall enter into written contract with a director, supervisor, senior management in relation to remuneration, which shall be approved in advance by the shareholders in a general meeting. The aforesaid remuneration shall include:

- remunerations in respect of his service as director, supervisor, or senior management personnel of the Company;
- remunerations in respect of his service as a director, supervisor or senior management personnel of any subsidiary of the Company;

- remunerations in respect of the provision of other services in connection with the management of the Company and any of its subsidiaries; and
- payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

No proceedings may be brought by a director or supervisor against the Company for anything due to him except pursuant to the preceding contracts.

The contract concerning the remunerations between the Company and its directors or supervisors should provide that in the event that the Company is acquired, the Company's directors and supervisors shall, subject to the prior approval of shareholders in a general meeting, have the right to receive compensation or other payment for his loss of office or retirement. For the purposes of this paragraph, "the acquisition of the Company" includes any of the following:

- an acquisition offer made by any person to the general body of shareholders;
- an acquisition offer made by any person with a view to the offeror becoming a "controlling shareholder" within the meaning of the Articles of Association.

If the relevant director or supervisor does not comply with this article, any payment so received by him shall belong to those persons who have sold their shares as a result of the aforementioned offer. The expenses incurred in distributing such payment on a pro rata basis amongst such persons shall be borne by the relevant director or supervisor and shall not be deducted from such payment.

#### **LOANS TO DIRECTORS, SUPERVISORS AND OTHER OFFICERS**

The Company shall not directly or indirectly make a loan to or provide any guarantee in connection with the making of a loan to a director, supervisor, general manager and other senior management personnel of the Company and its controlling shareholder; and shall not make a loan to or provide any guarantee for any of their respective associates.

The foregoing prohibition shall not apply to the following circumstances:

- provision of a loan or guarantee for a loan by the Company to its subsidiary;
- the provision by the Company of a loan or a guarantee in connection with the making of a loan or other payment to its directors, supervisors and senior management personnel to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of service contracts approved by the shareholders in general meetings; and

- if the ordinary course of business of the Company includes providing loans or guarantees, the Company may make a loan to or provide a guarantee in connection with the making of a loan to a director, supervisor and senior management personnel or his associates in the ordinary course of its business on normal commercial terms.

#### **PROVISION OF FINANCIAL ASSISTANCE FOR ACQUIRING THE SHARES OF THE COMPANY**

The Company and its subsidiaries shall not, at any time, provide any form of financial assistance to a person who is acquiring or is proposing to acquire shares in the Company. This includes any person who directly or indirectly incurs any obligations as a result of acquisition of shares in the Company.

The Company and its subsidiaries shall not, at any time, provide any form of financial assistance for the purposes of reducing or discharging the obligations assumed by any person as a result of acquisition of shares in the Company. However, the following acts shall not be prohibited:

- the provision of financial assistance by the Company where the financial assistance is given in good faith and in the interests of the Company, and the principal purpose of which is not for the acquisition of shares in the Company, or the giving of the financial assistance is an incidental part of some larger purpose of the Company;
- the lawful distribution of the Company's assets as dividends;
- the distribution of dividends in the form of shares;
- a reduction of registered capital, a repurchase of shares of the Company or a reorganization of the shareholding structure of the Company effected in accordance with the Articles of Association;
- the provision of loans by the Company for its normal operations within its normal scope of business (provided that this does not reduce the net assets of the Company or that financial assistance is provided out of the distributable profits of the Company, if it does reduce the net assets of the Company); and
- contributions made by the Company to employee share schemes (provided that this does not reduce the net assets of the Company or that financial assistance is provided out of the distributable profits of the Company, if it does reduce the net assets of the Company).

In this regard:

“Financial assistance” includes, but not limited to:

- gifts;
- guarantee (including the assumption of obligations of another or provision of assets to secure the performance of obligations by another), compensation (other than compensation arising out of the Company’s own fault) or release or waiver of any right;
- provision of a loan or the making of any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or the change in parties to, or the assignment of rights under, such loan or contract; and
- any other form of financial assistance given by the Company when the Company is unable to pay its debts, has no net assets or when its net assets would be reduced by a material extent.

“Assumption of obligations” by a person includes the assumption of obligations by way of contract or other arrangement (irrespective of whether such contract or arrangement is enforceable or not and irrespective of whether such obligations are borne jointly with other persons) or by any other means which results in a change in his financial position.

#### **DISCLOSURE OF MATTERS RELATING TO THE CONTRACT RIGHTS OF THE COMPANY**

Where a director, supervisor and senior management personnel of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, he/she shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal thereof is otherwise subject to the approval of our Board.

Subject to the exceptions specifically specified in the Articles of Association approved by the Hong Kong Stock Exchange, a Director shall not vote on any resolution of the Board approving a contract, transaction or arrangement or any other related proposal in which he or any of his close associates (as defined in the applicable Rules Governing the Listing of Securities on the Hong Kong Stock Exchange in force from time to time) has a material interest, nor shall such Director be counted for the purpose of determining whether or not a quorum is present at the meeting. Unless the interested director, supervisor and senior management personnel discloses his interests to the Board in accordance with the first paragraph of this article and the contract, transaction or arrangement is approved by the Board at a meeting in which the director, supervisor, general manager or senior management

personnel is not counted as part of the quorum and refrains from voting, the Company shall have the right to cancel such contract, transaction or arrangement except as against a bona fide party who does not have notice of the breach of duty by the interested director, supervisor and senior management personnel.

A director, supervisor and senior management personnel of the Company is deemed to be interested in a contract, transaction or arrangement in which any of their associate is interested.

Where a director, supervisor and senior management personnel of the Company gives to our Board a notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements which may subsequently be made by the Company, that notice shall be deemed for the purposes of the preceding article to be a sufficient disclosure of his/her interests, so far as the content stated in such notice is concerned, provided that such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

#### **REMUNERATION**

As described in the paragraph headed “Remuneration and Indemnification or Compensation for Loss of Office” above, the remuneration of directors and supervisors is subject to approval by the shareholders at the general meeting.

#### **RESIGNATION, APPOINTMENT AND DISMISSAL**

The Company shall establish a Board, which shall comprise of six to nine Directors. The Board shall have a chairman. The chairman shall be elected and removed by more than half of all Directors and shall serve for a term of three years and may be re-elected. Any director whose term of office has not expired may be removed by an ordinary resolution of the general meeting of shareholders, subject to the provisions of relevant laws and administrative regulations (provided that claims by such director pursuant to any contract shall not be affected thereby).

None of the following persons may serve as a Director, supervisor or senior management of the Company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offense of corruption, bribery, embezzlement, misappropriation of property or disruption of the order of socialist market economy, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;



- persons who have been former directors, factory managers or managers of a company or an enterprise that has been bankrupt and has been liquidated due to poor operation and management, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and ordered to close and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license;
- persons who have a relatively large amount of debt due and outstanding;
- persons who are currently under investigation by the judicial authorities for violation of criminal law;
- persons who, according to laws and administrative regulations, cannot act as management members of an enterprise;
- persons other than natural persons;
- persons who have been adjudged by the competent authority for violation of relevant securities regulations and such conviction involves a finding that such persons have acted fraudulently or dishonestly, where not more than five years have lapsed from the date of such conviction;
- the circumstances specified in the relevant laws and regulations in the place where the Company's shares are listed.

The validity of an act carried out by directors, general manager and other senior management personnel of the Company on behalf of the Company shall, as against a bona fide third party, not be affected by any irregularity in his office, election or any defect in his qualification.

There is no provision in the Articles of Association regarding retirement or non-retirement of Directors under an age limit.

**DUTIES AND RESPONSIBILITIES**

In addition to the obligations imposed by laws, administrative regulations or the listing rules of the stock exchange on which shares of the Company are listed, each of the Company's directors, supervisors and senior management personnel owes a duty to each shareholder, in the exercise of the duties and powers which the Company has entrusted to him:

- not to procure the Company to do anything ultra vires to the scope of business as stipulated in its business license;
- to act honestly and in the best interests of the Company;
- not to embezzle the Company's property in any way, including usurpation of opportunities which may benefit the Company;
- not to deprive the shareholders of their individual interests, including rights to distribution and voting rights, save and except pursuant to a restructuring of the Company which has been submitted to the shareholders in general meeting for approval in accordance with the Articles of Association.

Each of the Company's directors, supervisors and senior management personnel owes a duty, in the exercise of his/her powers or in the discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each of the Company's directors, supervisors and senior management personnel shall exercise his/her powers or perform his/her duties in accordance with the principle of good faith, and shall not put himself in a position where his/her duty and his/her interest may conflict. This principle includes, but not limited to, discharging of the following obligations:

- to act bona fide in the best interests of the Company;
- to act within the scope of his/her powers and not to exceed such powers;
- to exercise the discretion vested in him/her personally and not to allow himself/herself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given in a general meeting, not to transfer the power to exercise his discretion to others;
- to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

- unless otherwise provided for in the Articles of Association or except with the informed consent of the shareholders given in a general meeting, not to enter into any contract, transaction or arrangement with the Company;
- not to use the Company's property for his/her own benefit, without the informed consent of the shareholders given in a general meeting;
- not to abuse his/her position to accept bribes or other illegal income or embezzle the Company's property in any way, including opportunities which benefit the Company;
- not to accept commissions in connection with the Company's transactions, without the informed consent of the shareholders given in a general meeting;
- to comply with the Articles of Association, to perform his duties faithfully, to protect the Company's interests and not to exploit his position and power in the Company to advance his/her own interests;
- not to compete with the Company in any way, save with the informed consent of the shareholders given in a general meeting;
- not to misappropriate the Company's funds, not to use the Company's assets or funds to set up deposit accounts in his own name or in the any other name; without the consent of the shareholder's general meeting or the Board, not to lend the funds of Company to others or use the properties of the Company to provide guarantee for the shareholders of the Company or other individuals in violation of the Articles of Association;
- not to divulge any confidential information relating to the Company which he/she has obtained during his/her term of office, without the informed consent of the shareholders in a general meeting; nor shall he use such information otherwise than for the Company's benefit, unless disclosure of such information to the court or other governmental authorities is made in the following circumstances:
  - disclosure is required by law;
  - public interests so require;
  - the interests of the relevant director, supervisor or senior management personnel so require.

Each director, supervisor and senior management personnel of the Company shall not direct the following persons or institutions (“associates”) to act in a manner which a director, supervisor and senior management personnel is prohibited from so acting:

- (I) the spouse or minor children of the director, supervisor and senior management personnel of the Company;
- (II) the trustee of the director, supervisor and senior management personnel or trustee of any person described in sub-paragraph (I) above;
- (III) partners of directors, supervisors and senior management personnel or any person referred to in sub-paragraphs (I) and (II);
- (IV) a company in which a director, supervisor and senior management personnel, whether alone or jointly with one or more of the persons referred to in sub-paragraphs (I), (II) and (III) of this article or other directors, supervisors and senior management personnel, has de facto controlling interest; and
- (V) the directors, supervisors and senior management of a company which is being controlled in the manner set out in sub-paragraph (IV) above.

The duty of directors, supervisors and senior management personnel to act in good faith does not necessarily terminate on the expiration of their term of office. His/her duty of confidentiality in respect of trade secrets of the Company survives the termination of his tenure. Other duties may continue for such period as the principle of fairness may require depending on the length of time which has lapsed between the termination and the act concerned and on the circumstances and the terms under which the relationship with the Company was terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a director, supervisor and senior management personnel of the Company breaches the duties which he owes to the Company, the Company has a right:

- to demand such director, supervisor and senior management personnel to compensate the Company for its losses sustained as a result of such breach;
- to rescind any contract or transaction which has been entered into between the Company and such director, supervisor and senior management personnel or entered into between the Company and a third party (where such third party knew or should have known that such director, supervisor and senior management personnel representing the Company has breached his duties owed to the Company);
- to demand such director, supervisor and senior management personnel to surrender the gains made as result of the breach of his obligations;

- to recover any monies which should have been received by the Company and which were received by such director, supervisor and senior management personnel instead, including commissions;
- to demand repayment of interest earned or which may have been earned by a director, supervisor and senior management personnel on money that should have been paid to the Company; and
- to request for judgment through legal proceedings that the properties acquired by directors, supervisors and senior management personnel through their breach of duties shall belong to the Company.

### **BORROWINGS POWER**

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

- provisions which authorize the Board to formulate proposals for the issuance of debentures and other securities by the Company;
- provisions which provide that the issuance of debentures and other securities shall be approved by the general meeting by a special resolution.

### **AMENDMENTS TO CONSTITUTIONS**

The Company may amend the Articles of Association in accordance with laws and the requirements of the Articles of Association.

An amendment to the Articles of Association in connection with the Mandatory Provisions shall be subject to approval of the company examination and approval authority authorized by the State Council; where amendment involves the registration of the Company, application shall be made for alteration of registration in accordance with the laws.

### **VARIATION TO THE EXISTING RIGHTS OF CLASS SHAREHOLDERS**

Those shareholders who hold different classes of shares are class shareholders. Class shareholders shall enjoy rights and assume obligations in accordance with laws, administrative regulations and the Articles of Association.

In addition to shareholders of other classes of shares, shareholders of domestic shares and overseas listed foreign shares shall be deemed as shareholders of different classes of shares. Rights conferred on any class of shareholders (“class rights”) may not be varied or cancelled save with the approval of a special resolution of shareholders in a general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the Articles of Association.

The following circumstances shall be deemed to be variation or cancellation of the rights attaching to a particular class of shares:

- to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of a class having equal or better voting, distribution or other rights to those of shares of that class;
- to exchange all or part of the shares of that class for shares of another class or to exchange or to create a right to exchange all or part of the shares of another class for shares of that class;
- to remove or reduce rights to accrued dividends or to cumulative dividends attaching to shares of that class;
- to reduce or remove preferential rights attaching to shares of that class to receive dividends or to the distribution of assets in the event that the Company is liquidated;
- to add, remove or reduce conversion privileges, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of the Company attaching to shares of that class;
- to remove or reduce rights to receive payment from the Company in specific currencies attaching to shares of that class;
- to create a new class of shares having equal or better voting, distribution or other rights to those of the shares of that class;
- to impose or increase restrictions on the transfer or ownership of shares of that class;
- to issue rights to subscribe for, or to convert the existing shares into, shares in the Company of that class or another class;
- to increase the rights or privileges of shares of another class;
- to restructure the Company in such a way so as to result in the disproportionate distribution of obligations between the various classes of shareholders; and
- to vary or abrogate the provisions of this chapter.

The affected class shareholders, regardless of whether they originally had voting rights at the shareholders' meeting, shall have voting rights at the class shareholders' meeting in matters involving items 2 to 8 and 11 to 12 of the preceding paragraph, but interested shareholders shall not have voting rights at the class shareholders' meeting. Resolutions of class shareholders' meeting shall only pass by a vote of at least 2/3 of the voting shares present at the class shareholders' meeting.

The time limit for issuing a written notice shall be the same as the written notice period for the non-class shareholders meeting to be convened on the same day of the general meeting of shareholders.

If a class meeting is to be convened by issuing a notice of the meeting, such notice shall be delivered only to the shareholders entitled to vote thereat.

Class meetings shall be conducted in the same manner as general meetings, to the extent possible. The provisions of the Articles of Association relating to the manner for the conduct of general meetings are also applicable to class meetings.

Apart from the holders of other classes of shares, the holders of the domestic shares and holders of overseas listed foreign shares shall be deemed to be holders of different classes of shares. The special procedures for approval by a class of shareholders shall not apply in the following circumstances:

- where the Company issues, upon the approval by special resolution of its shareholders in a general meeting, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued Domestic Shares and overseas listed foreign shares;
- where the Company's plan to issue Domestic Shares and overseas listed foreign shares at the time of its establishment is carried out within 15 months from the date of approval by the securities regulatory authority under the State Council;
- where the Shares held by the Domestic Shareholders of the Company are transferred to overseas investors and become listed for trading overseas or to be listed in an overseas securities exchange with the approval by the securities regulatory authority under the State Council.

For the purpose of class shareholders, "interested shareholder(s)" means:

- in the case of a repurchase of shares by way of a general offer to all shareholders of the Company or by way of an on-market repurchase in the Stock Exchange in accordance with the requirements under the Articles of Association, an interested shareholder is a "controlling shareholder" within the meaning of the Articles of Association;
- in the case of a repurchase of shares by an off-market agreement in accordance with the requirements under the Articles of Association, a holder of the shares to which the proposed agreement relates;

- in the case of a restructuring of the Company, a shareholder who assumes a relatively lower proportion of obligations than the obligations imposed on shareholders of the same class under the proposed restructuring or who has an interest in the proposed restructuring different from the general interests of the shareholders of that class.

### **RESOLUTIONS ARE REQUIRED TO BE PASSED BY THE MAJORITY**

Resolutions of a general meeting can be divided to ordinary resolutions or special resolutions.

An ordinary resolution of a general meeting shall be passed by an affirmative vote of more than half of the voting rights being held by the Shareholders who are present at the meeting (including proxies).

A special resolution of a general meeting shall be passed by an affirmative vote of more than two-thirds of the voting rights being held by the Shareholders who are present at the meeting (including proxies).

### **VOTING RIGHT**

The shareholders (including their proxies) exercise voting power with the number of voting shares represented by them at the general meeting, and each share has one vote. However, the Shares of the Company held by the Company do not have voting power, and such shares are not counted in the total number of shares that have voting power upon attendance at a general meeting.

The matters considered at the general meeting shall be voted by open ballot or other means permitted by the listing rules.

If the matter required to be voted by ballot is to elect chairman of a general meeting or adjourn meeting, voting by ballot shall be conducted immediately; for other matters required to be voted by ballot, the chairman will decide when to vote, the meeting can proceed to other matters, and the voting results will still be deemed as resolution adopted at the meeting.

During the voting by poll, shareholders (including their proxies) with two or more voting rights do not necessarily use all their voting rights to vote for or against a proposal or abstain from voting.

In the case of an equality of votes, the chairman of the meeting shall have a casting vote.

### **ANNUAL GENERAL MEETING**

The annual general meeting shall be convened once a year, and shall take place within 6 months of the end of the previous accounting year.



**ACCOUNT AND AUDIT**

The Company shall establish its financial and accounting systems in accordance with the laws and administrative regulations as well as the regulations formulated by the relevant departments of the State.

The Board of the Company shall place before the Shareholders at every annual general meeting such financial reports which the relevant laws, administrative regulations and directives promulgated by competent regional and central governmental authorities require a company to prepare.

The financial statements of the Company shall be prepared not only in accordance with the PRC accounting standards for business enterprises and relevant regulations but also in accordance with the accounting standards of the place(s) outside the PRC where shares of the Company are listed. If there are major differences in the financial statements prepared in accordance with these two sets of accounting standards, such differences shall be stated in such financial statements.

The Company's financial reports shall be made available for Shareholders' inspection at the Company twenty (20) days before the date of Shareholders' annual general meeting.

A copy of the aforementioned financial report (including every document required by law to be annexed in the balance sheet) shall, at least 21 days before the date of the annual general meeting, be sent or mailed by prepaid post to every overseas listed foreign shareholder, and the address of addressee shall be subject to the address registered in the register of members.

The Company shall publish financial reports twice every fiscal year, i.e. publishing interim financial reports within 60 days at the end of the first 6 months of a fiscal year, and publishing annual financial report within 120 days after the end of a fiscal year.

**NOTICE OF MEETING AND PROPOSED MATTER**

General meetings are divided into annual general meetings and extraordinary general meetings.

Extraordinary general meetings shall be convened as and when necessary. The Board shall convene an extraordinary general meeting within two (2) months after the occurrence of any one of the following circumstances:

- where the number of Directors is less than the number stipulated in PRC Company Law or less than two-thirds of the number required by the Articles of Association;
- where the accrued losses of the Company amount to one-third of its total paid up share capital;

- when requested in writing by shareholders who individually or collectively hold more than 10% of the total number of voting shares of the Company (excluding voting proxies).
- where the Board considers necessary or proposed to convene by the Board of Supervisors;
- where two or more independent non-executive Directors propose to convene;
- other circumstances stipulated by laws, administrative regulations, departmental rules and regulations, local listing rules of securities exchanges where the Company's shares are listed or the Articles of Association.

When the Company convenes a general meeting, shareholders individually or jointly holding 3% or more of the total voting shares of the Company shall be entitled to propose new resolutions in writing to the Company and submit to the convener 10 days prior to the convening of the general meeting. The convener of the general meeting shall issue a supplemental notice of general meeting to other shareholders within 2 days after the receipt of such proposal and incorporate the matters falling within the scope of duties of the general meeting into the agenda of such meeting. The new agenda shall be tabled to the general meeting for consideration.

Where the Company convenes a general meeting, each shareholder shall be notified, 20 days before the meeting is held, of the time and venue of the meeting and the matters to be deliberated; where the Company convenes an extraordinary general meeting, each shareholder shall be notified 15 days before the meeting is held.

The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authority under the State Council 20 days (for annual general meeting) or 15 days (for extraordinary general meeting) prior to the date of the meeting. Upon the publication of the announcement, all holders of domestic shares shall be deemed to have received the notice of the relevant general meeting.

The notice of a general meeting served on the holders of overseas-listed shares may be published through the websites of the Stock Exchange and the Company. Upon the publication of the announcement, all holders of overseas listed foreign shares shall be deemed to have received the notice of the relevant general meeting.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the meeting and the resolutions passed at the meeting.

Notice of a general meeting shall:

- be in writing;
- specify the time, place and date of the meeting;
- set out the matters to be considered at the meeting;
- provide such information and explanation as are necessary for the shareholders to make informed decisions on the matters to be considered. This principle includes (but is not limited to), where a proposal is made to amalgamate the Company with another, to repurchase shares, to reorganize the share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed contract (if any), and the cause and effect of such proposal shall be properly described;
- disclose the nature and extent of the material conflict of interest, if any, of any director, supervisor and senior management in the matters to be considered; and provide an explanation of the differences, if any, between the way in which the matter to be considered would affect such director, supervisor and senior management in his/her capacity as shareholders and the way in which such matter would affect other shareholders of the same class;
- set out the full text of any special resolution proposed to be passed at the meeting;
- contain conspicuously a statement that a shareholder entitled to attend and vote have the right to appoint one or more proxies to attend and vote on his behalf and that such proxy need not be a shareholder of the Company;
- specify the time and place for lodging proxy forms for the relevant meeting.

The Company shall not, without the prior approval of the general meeting, enter into any contract with any party (other than the directors, supervisors and senior management) pursuant to which such party shall be in charge of management of the whole or any substantial part of the Company's business.

The following matters shall be resolved by ordinary resolutions at a general meeting:

- work reports of the Board of Directors and the Board of Supervisors;
- plans formulated by the Board for distribution of profits and for making up losses;
- appointment or removal of members of the Board of Directors and the Board of Supervisors (except for employee representative supervisors), and their remuneration and manner of payment thereof;

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**APPENDIX V                      SUMMARY OF THE ARTICLES OF ASSOCIATION**

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- the Company's annual financial budgets and final accounts, balance sheets, income statements and other financial statements;
- matters other than those required by the laws, administrative regulations or the Articles of Association to be approved by special resolution.

The following matters shall be resolved by special resolutions at a general meeting:

- increase in or reduction of the Company's share capital, and issue of shares of any class, warrants and other similar securities;
- issue of corporate debentures of the Company;
- demerger, merger, dissolution and liquidation of the Company;
- change of corporate form of the Company;
- the purchase or disposal of material assets or provision of guarantee by the Company within a year of a value exceeding 30% of the Company's latest audited total assets;
- amendment to the Articles of Association;
- the share incentive plan to be considered and approved;
- repurchase of the Shares of the Company;
- any other matters prescribed by the laws, administrative regulations or the Articles of Association, and those approved as an ordinary resolution at a general meeting that may have material impact on the Company and are required to be approved by a special resolution;
- other matters required by the Listing Rules of the Stock Exchange to be adopted by special resolution.

**TRANSFER OF SHARES**

With the approval of the securities regulatory authority of the State Council, domestic shareholders of the Company may transfer their shares to foreign investors and have them listed and traded on overseas stock exchanges; all or part of the domestic shares may be converted into foreign shares, and the converted foreign shares may be listed and traded on overseas stock exchanges. The transferred or converted shares listed and traded on foreign stock exchanges shall also comply with the regulatory procedures, regulations and requirements of overseas stock exchanges. The transfer of shares to be listed and traded on an overseas stock exchange, or the conversion of domestic shares to foreign shares and listed and

traded on an overseas stock exchange, does not require a class meeting to be held for voting. After the conversion of domestic shares to overseas listed foreign shares, they are the same class of shares as the existing overseas listed foreign shares.

The shares of the Company held by the promoters shall not be transferred within 1 year from the date of establishment of the Company. The shares of the Company issued before the public offering of shares shall not be transferred within 1 year from the date of listing and trading of the Company's shares on the stock exchange.

The Directors, Supervisors and senior management of the Company shall declare to the Company the shares held by them and the changes thereof, and shall not transfer more than 25% of the total number of shares of the Company held by them each year during their term of office; and the shares held by them shall not be transferred within six months after their departure.

Where the laws and regulations of the PRC and the local laws and regulations of the place where the Company is listed provide for the period of closure of register of members prior to the general meeting or the record date for dividend distribution by the Company, such provisions shall prevail.

#### **THE COMPANY'S RIGHT TO REPURCHASE ITS SHARES**

The Company may, in accordance with the provisions set out in the laws, administrative regulations, departmental rules, the Listing Rules of the Stock Exchange and the Articles of Association and subject to the approval of the relevant governing authorities of the PRC, repurchase its outstanding shares under the following circumstances:

- (I) cancellation of its shares for the purpose of reducing its registered capital;
- (II) merging with another company which holds the shares of the Company;
- (III) use of shares for employee stock ownership plans or equity incentives;
- (IV) acquiring the shares upon request by shareholders who vote against any resolution adopted at the general meeting on the merger or demerger of the Company;
- (V) utilizing the shares for conversion of convertible bonds issued by a listed company which are convertible into shares;
- (VI) as required for maintenance of a listed company's value and shareholders' rights and interests;
- (VII) any other circumstances permitted by the laws and administrative regulations and approved by the regulatory authorities.

If the Company repurchases its shares for the reasons mentioned in (III), (V) or (VI) above, the repurchase shall be made in a public and centralized transaction.

Due to reasons of those mentioned in (I), (II) or (IV) above, subject to the laws, administrative regulations, departmental rules and the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association, the Company may, upon the approval of the relevant governing authorities of the PRC, repurchase its shares in one of the following ways:

- (I) making a pro rata general offer of repurchase to all its shareholders;
- (II) repurchasing shares through public trading on a stock exchange;
- (III) repurchasing by an off-market agreement outside a stock exchange;
- (IV) any other circumstances permitted by the laws and administrative regulations and approved by the governing authorities.

The Company must obtain the prior approval of the general meeting, in the manner stipulated in the Articles of Association prior to repurchasing shares by means of an off-market agreement outside a stock exchange. The Company may, by obtaining the prior approval of the general meeting in the same manner, release or vary, or waive its rights under, an agreement which has been so entered into.

A contract for the repurchase of shares includes (without limitation) a contract to become liable to repurchase shares or a contract to have the right to repurchase shares. The Company shall not assign a contract for the repurchase of its shares or any right contained in such contract.

After cancelling the repurchased shares lawfully, the Company shall apply to the original companies registration authority for registration of the change of its registered capital and issue a relevant announcement accordingly.

The aggregate par value of the cancelled shares shall be deducted from the Company's registered capital.

Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its outstanding shares:

- where the Company repurchases shares at par value, payment shall be made out of book surplus of distributable profits of the Company or out of proceeds of issue of new shares made for that purpose;

- where the Company repurchases shares of the Company at a premium to its par value, payment up to the par value may be made out of the book surplus of distributable profits of the Company, out of the proceeds of issue of new shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
  - if the shares being repurchased were issued at par value, payment shall be made out of the book surplus of distributable profits of the Company;
  - if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus of distributable profits of the Company or out of the proceeds of issue of new shares made for that purpose, provided that the amount paid out of the proceeds of issue of new shares shall not exceed the aggregate amount of premiums received by the Company on the issue of the shares repurchased nor shall it exceed the amount of the Company's premium account (or the capital reserve account) at the time of the repurchase (including the premiums on the new shares);
- the Company shall make the following payments out of the Company's distributable profits:
  - payment for the acquisition of the right to repurchase its own shares;
  - payment for variation of contract for the repurchase of its shares;
  - payment for the release of its obligations under contract for the repurchase.
  - after the Company's registered capital has been reduced by the aggregate par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value of shares repurchased shall be transferred to the Company's premium account (or capital reserve account).

Where an issuer has the right to repurchase redeemable shares:

- repurchases not made on-market or by tender shall be limited to a maximum price; and
- if repurchases are made by tender, tenders shall be made to all shareholders equally.

**POWER OF SUBSIDIARIES OF THE COMPANY TO HOLD THE SHARES OF THE COMPANY**

There is no requirement to restrict any subsidiary of the Company to hold the shares of the Company pursuant to the Articles of Association.

**DIVIDEND AND OTHER METHODS OF PROFIT DISTRIBUTION**

The Company may distribute dividends in the form of cash or share certificate (or a combination of both).

The Company shall appoint a payment receiving agent in Hong Kong for holders of overseas listed foreign shares. The payment receiving agent shall receive on behalf of such shareholders any dividends and other amounts payable by the Company to them in respect of the overseas listed foreign shares, and such payment shall be kept by the payment receiving agent on such shareholders' behalf for any payment to them.

Any shareholder who is entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that shareholder:

- the shareholder's right to speak at the meeting;
- the right to demand, whether on his own or together with others, a poll;
- the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal person, either under seal or under the hand of a director or attorney duly authorized. If the appointor is a legal person, its legal representative or any person authorized by the resolutions of the Board or other governing body shall attend the general meeting of the Company as the appointor's representative.

Any form issued to a shareholder by the Board of the Company for the purpose of appointing a proxy of shareholder shall be in such form which enables the shareholder, according to his free will, to instruct his proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointor, the proxy may vote as he thinks fit.



Where the appointor has deceased, incapacitated to act, withdrawn the appointment or the power of attorney or where the relevant shares have been transferred prior to the voting, a vote given by the proxy in accordance with the power of attorney shall remain valid provided that no written notice of such event has been received by the Company prior to the commencement of the relevant meeting.

### **CALLS ON SHARES AND FORFEITURE OF SHARES**

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the relevant shareholder to participate in respect thereof in a dividend subsequently declared.

The Company has the power to sell, by means considered appropriate by the Board, the shares of a holder of the overseas listed foreign shares who is untraceable under the following circumstances:

- during a period of 12 years at least 3 dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and
- on expiry of the 12 years the Company gives notice of its intention to sell the shares by way of an announcement published in one or more newspapers in the place where the Company's shares are listed and notifies the Stock Exchange of such intention.

### **RIGHTS OF THE SHAREHOLDERS**

Holders of ordinary shares of the Company shall have the following rights:

- the right to receive dividends and other distributions in proportion to the number of shares held;
- the right to request, convene, chair, attend and vote in person or appoint a proxy to attend and vote on his behalf at general meetings in proportion to the number of shares held in accordance with laws;
- the right to supervise and manage the Company's business operations, and to put forward proposals and raise inquiries;
- the right to transfer, give, pledge or otherwise dispose of the shares held in accordance with laws, administrative regulations and the Articles of Association;
- the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:
  1. a copy of the Articles of Association upon payment of a charge at cost;

2. the right to inspect and copy, subject to payment of a reasonable charge:
  - (1) all parts of the register of shareholders;
  - (2) personal particulars of each of our directors, supervisors and senior management, including:
    - (a) present and former names and aliases;
    - (b) principal address (place of residence);
    - (c) nationality;
    - (d) primary and all other part-time occupations and duties;
    - (e) identification documents and numbers;
  - (3) a report on the state of the issued share capital of the Company;
  - (4) the latest audited financial statements of the Company, and the reports of directors, auditors and supervisors;
  - (5) special resolutions of the Company;
  - (6) reports showing the quantity and par value in respect of each class of shares repurchased by the Company since the end of the last financial year, the aggregate amount paid by the Company for this purpose, and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between domestic shares and foreign shares);
  - (7) minutes of the general meetings (for shareholders' review only);
  - (8) corporate bond counterfoils, special resolutions of the general meeting (for shareholders' review only), special resolutions of the general meeting, resolutions of the Board meetings and resolutions of the Board of Supervisors meeting;
  - (9) copy of the latest annual return submitted to the administration for market regulation of the PRC or other competent authorities.

The Company shall deposit the documents in clauses (1) to (9) above (other than clause (2)) and other applicable documents at its Hong Kong address as required by the Main Board Listing Rules available for free inspection of the public and the holders of overseas listed foreign shares.

The Company may refuse any inspecting or copying request which involves commercial secrets and insider information on the Company and privacy of relevant personnel.

- in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining assets of the Company according to the number of shares held;
- with respect to shareholders who vote against any resolution adopted at the general meeting on the merger or demerger of the Company, the right to demand the Company to acquire the shares held by them;
- except as otherwise provided in the Company Law and the Articles of Association, shareholders individually or jointly holding 3% or more of the Company's shares can make a provisional motion in writing to the Board 10 days before the date of general meeting;
- any other rights conferred by laws, administrative regulations, departmental rules or the Articles of Association.

#### **RIGHTS OF MINORITIES IN RELATION TO FRAUD OR OPPRESSION**

In addition to obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchange on which the Company's shares are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the shareholders of the Company:

- to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;
- to approve the directors or supervisors (for their own account or for the account of other parties) to deprive the Company of its assets in any manner, including any opportunity favorable to the Company;
- to approve the directors or supervisors (for their own account or for the account of other parties) to deprive another shareholder of his personal interest, including any allocation right and voting right, but excluding any corporate restructuring proposal submitted to the general meeting for approval in accordance with the Articles of Association.

For the purpose of the Articles of Association, a “controlling shareholder” means a shareholder who satisfies any one of the following conditions:

- any person acting on his/her own or in concert with other parties has the power to elect not less than half of the directors;
- any person acting on his/her own or in concert with other parties has the power to exercise or control the exercise of 30% or more of the voting rights of the Company;
- any person acting on his/her own or in concert with other parties holds 30% or more of the outstanding shares of the Company;
- any person acting on his/her own or in concert with other parties has actual control over the Company in any other manner.

The term of “acting in concert” referred to in this article represents an act that any of two or more persons obtain the voting right in the Company by way of their agreement thereon (whether in oral or in written form), so as to realize or reinforce their purpose of controlling the Company.

#### **PROCEDURES FOR LIQUIDATION**

In any of the following circumstances, the Company shall be dissolved:

- special resolution on dissolution is passed by shareholders at a general meeting;
- dissolution is necessary due to a merger or demerger of the Company;
- the Company’s business license is revoked or it is ordered to close down or it is wound up according to laws;
- the Company is ordered to close down according to laws due to its violation of the laws and administrative regulations;
- where the Company’s operations and management encounter serious difficulty, and its continuation will cause substantial loss to the interests of the shareholders and no solution can be found through any other channel, shareholders holding 10% or more of the total voting rights of the Company may make requisition to the people’s court to dissolve the Company;
- insolvent is legally declared in accordance with the laws as a result of its inability to pay debts when due;
- the business term of the Company stipulated in the Articles of Association expires, or other events which triggers the dissolution of the Company occurs stipulated in the Articles of Association (in the event of such dissolution, the Company may survive by amending the Articles of Association).

In the event that the Board decides to liquidate the Company (except for liquidation as a result of the declaration of insolvency by the Company), it shall specify in the notice convening the general meeting for such purpose that the Board has made a full inquiry of the affairs of the Company and is of the opinion that the Company will be able to pay all its debts within 12 months upon commencement of liquidation.

Upon the passing of the liquidation resolution at the general meeting, the duties of the Board of the Company shall cease.

Upon the completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report, statement of income and expenditure and the financial accounts for the liquidation which, upon verification by a registered accountant in PRC, shall be submitted to the general meeting or the people's court for confirmation.

## **PROVISIONS IMPORTANT TO THE COMPANY OR THE SHAREHOLDERS**

### **General provisions**

The Company is a perpetually existing joint stock limited company. From the effective date of the Articles of Association, the Articles of Association shall be a legally binding document which regulates the organization and acts of the Company, and defines the rights and obligations between the Company and its shareholders and among the Company's shareholders themselves.

Based on its operating and development needs, the Company may, pursuant to the laws, regulations, the listing rules of the stock exchange on which the Company's shares are listed and the Articles of Association and with the approval by special resolution in the general meeting, increase its capital in the following ways:

- offering new shares to non-specially-designated investors for subscription;
- placing new shares to its existing shareholders;
- distributing bonus shares to its existing shareholders;
- issuing new shares to specially-designated investors;
- conversion of capital reserve into share capital;
- any other means which are stipulated by laws and administrative regulations and approved by the relevant regulatory authority.

With the approval and procedures as required by the Articles of Associations, the Company shall increase the capital by way of issuing new shares in accordance with our procedures stipulated in the relevant laws and administrative regulations of the PRC.

The Company may reduce its registered capital under the requirements of the Articles of Association. Reduction of registered capital shall be made in accordance with the requirements and the procedures set out in the Company Law of the PRC and the Articles of Association.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within 10 days from the date on which the resolution for the reduction of registered capital has been passed and shall publish an announcement to that effect in a newspaper within 30 days thereof. The creditors who have received such notice shall, within 30 days thereafter, and those creditors who have not received such notice shall, within 45 days from the date the announcement, be entitled to require the Company to repay the debt or to provide appropriate alternative guarantees for the debt.

The registered capital of the Company after the reduction of capital shall not fall below the minimum amount required by relevant laws.

A holder of ordinary share(s) of the Company shall undertake the following obligations:

- to observe the laws, administrative regulations and the Articles of Association;
- to pay the subscription price in accordance with the number of shares subscribed for and in the manner of subscription;
- to fulfill its responsibility to the Company to the extent of shares held by them;
- not to withdraw their contribution after approval and registration by the Company, except as provided in laws and administrative regulations;
- to refrain from causing damages to the interest of the Company or other shareholders by abusing the rights of shareholders and causing damages to the interest of the creditors of the Company by abusing the legal person status and the limited liability of the shareholders; The shareholders of the Company who abuse their rights and cause damages to the interest of the Company or other shareholders shall be liable for compensation in accordance with laws. The shareholders of the Company who abuse the legal person status and the limited liability of shareholders to evade from debts and cause material damages to the interest of the creditors of the Company shall assume joint and several liability to the creditors of the Company;
- other obligations provided by the relevant laws, administrative regulations and the Articles of Association.

Shareholders shall not be liable to bear any further responsibilities beyond those agreed at the time of share subscription, such as future issuance of shares.

**Secretary to the Board**

The Company shall have a secretary to the Board. The secretary to the Board is a senior management of the Company.

The principal duties of the secretary to the Board are:

- to ensure that the Company has complete organizational documents and records; to keep and manage shareholder's materials; to assist the directors in addressing the routine tasks of the Board, keep the directors informed and alerted about any regulation, policy and other requirements of domestic and foreign regulatory authorities and ensure that the directors and the general manager observe domestic and foreign laws and regulations as well as the Articles of Association and other related regulations when performing their duties and responsibilities;
- to organize and arrange for the meetings of the Board and general meetings, prepare meeting materials, handle relevant meeting affairs, be responsible for keeping minutes of the meetings and ensure their accuracy, keep meeting documents and minutes and take initiative to keep abreast of the implementation of relevant resolutions. Any important issues occurring during the implementation shall be reported and relevant proposals shall be put forward to the Board;
- to ensure the material matters decided by the Board of the Company to be carried out strictly in accordance with the procedures as stipulated; at request of the Board, to participate in the organization of consultation on and analysis of the matters to be decided by the Board and offer relevant opinions and suggestions; to handle the day-to-day affairs of the Board and the its committees as authorized;
- to be the contact person of the Company with the securities regulatory authorities, and responsible for organizing the preparation for prompt submission of the documents required by the regulatory authorities, and for accepting and organizing the implementation of any assignment from the regulatory authorities;
- to be responsible for coordinating and organizing the Company's disclosure of information, to establish and improve the information disclosure system, to participate in all of the Company's meetings involving the disclosure of information, and to keep informed of the Company's material operation decisions and related information in a timely manner;

- to be responsible for keeping the Company's price-sensitive information confidential and working out effective and practical confidentiality systems and measures; where there is any disclosure of the Company's price-sensitive information due to any reason, necessary remedial measures shall be taken, timely explanation and clarification shall be made, and relevant reports shall be submitted to the stock exchange of the place where the shares of the Company are listed and the CSRC;
- to be responsible for coordinating reception of visitors, keeping in touch with news media, coordinating replies to inquiries from the public, handling the relationships with intermediaries, regulatory authorities, media and organizing the reporting of the related matters to the CSRC;
- to ensure the proper maintenance of the Company's share register, so as to ensure the persons who are entitled to obtain the relevant records and documents of the Company are able to obtain the same on a timely basis;
- to assist Directors and the general manager in duly implementing the domestic and foreign laws, regulations, the Articles of Association and other provisions in the course of discharging their duties, and upon becoming aware that the Company has passed or may pass resolutions which may breach the relevant regulations, to have a duty to immediately remind the Board, and is entitled to report such facts to the CSRC and other regulatory authorities;
- to coordinate the provision of relevant information necessary for the Company's Board of Supervisors and other auditing authorities to discharge their duties; and to assist in carrying out investigation on the performance of the chief financial officer, Directors and the general manager of the Company of their fiduciary duties;
- to exercise other functions and powers as conferred by the Board, as well as other functions and powers as required by relevant laws and regulations and the stock exchanges on which the Company's shares are listed.

### **Board of Supervisors**

The Company shall have a Board of Supervisors. The Board of Supervisors shall be composed of three supervisors, one of whom shall act as the chairman of the Board of Supervisors. The term of office of supervisors shall be three years, renewable upon re-election and re-appointment. Our Directors and senior management of the Company shall not act concurrently as the Supervisors.



The Board of Supervisors is responsible to the general meeting and exercise the following duties and powers:

- to examine the Company's financial affairs;
- to monitor any acts of directors and senior management in their performance of duties that violate the laws, administrative regulations and the Articles of Association, and to propose dismissal of any directors and senior management who violate the laws, administrative regulations, the Articles of Association or any resolutions of general meetings;
- to demand rectification from directors and senior management when the acts of such persons prejudice the Company's interest;
- to review financial information such as the financial reports, operation reports and profit distribution schemes to be submitted by the Board to the general meetings; if there is any doubt, to engage certified public accountants and practicing auditors in the name of the Company to assist their review;
- to propose to convene an extraordinary general meeting; and to convene and chair the general meeting in case the Board fails to fulfill the obligations prescribed by PRC Company Law to convene and chair the general meeting;
- to submit proposals to the general meeting;
- to represent the Company in negotiations with, or in bringing actions against, a director;
- to propose to convene an extraordinary meeting of the Board;
- to institute a suit to the directors or senior management according to PRC Company Law;
- to elect or change the chairman of the Board of Supervisors;
- to exercise other functions and powers specified in the laws, administrative regulations and the Articles of Association.

Supervisors shall attend the Board meetings as non-voting participants.

**General manager of the Company**

The general manager shall be accountable to the Board and exercise the following functions and powers:

- to be in charge of the Company's production, operation and management, organize the implementation of Board resolutions and report to the Board;
- to organize the implementation of the Company's annual business plans and investment plans;
- to draft the plan for establishment of the Company's internal management organization;
- to draft the Company's basic management system;
- to formulate the basic rules and regulations of the Company;
- to propose to the Board for appointment or dismissal of other senior management pursuant to the Articles of Associations and the internal control system of the Company;
- to appoint and dismiss the responsible management personnel and general staff other than those to be appointed and dismissed by the Board pursuant to the Articles of Associations and the internal control system of the Company;
- to propose to convene extraordinary Board meetings;
- to decide the Company's other issues within the scope of the authority of the Board;
- to decide on projects such as investment, acquisition or disposal and financing which do not need to be decided by the Board or the general meeting;
- other functions and powers granted by the Articles of Association and the Board.

In the exercise of his powers, the general manager shall comply with the laws, administrative regulations and the Articles of Association, and fulfill his duties in good faith and diligence.

**Board**

The Board shall be accountable to the general meeting and shall have the following duties and powers:

- to convene the general meeting, to propose a proposal or resolution at the general meeting for proposing to the general meeting to approve the relevant matters and report its work to the general meeting;
- to implement the resolutions passed at the general meeting;
- to determine the business plans and investment proposals of the Company;
- to prepare the annual financial budget and final accounts of the Company;
- to prepare the plans for profit distribution and plans for making up losses of the Company;
- to formulate proposals for increases or reductions of the Company's registered capital and the proposals for issue of corporate debentures;
- to formulate plans for merger, division and dissolution of the Company;
- to formulate plans for the issuance of securities other than bonds and listing of the Company.
- to formulate proposals for material asset acquisition, repurchase of the Company's shares, and change of corporate form of the Company;
- to determine the establishment of the internal management structure of the Company;
- to appoint or dismiss the general manager and the secretary to the Board of the Company and according to the nomination by the general manager, to appoint or dismiss other senior management such as the deputy general manager and the chief financial officer of the Company;
- to determine matters relating to the remuneration of the above senior management;
- to establish the basic management system of the Company;
- to draw up proposals for the amendment of the Articles of Association;
- to manage the matters of information disclosure of the Company;

- to propose at the general meetings the appointment or changes of accounting firm;
- to be informed of working reports of the senior management of the Company and to examine the work of the senior management of the Company;
- to decide on the Company's external investments, acquisition and disposal of assets, pledging of assets, external guarantee, entrusted wealth management and connected transactions within the scope of authorization by the general meeting;
- to decide on matters such as investments, acquisition and disposal of assets, financing and connected transactions which require decisions to be made by the Board in accordance with the requirements of the Listing Rules of the Stock Exchange;
- to decide on other major affairs of the Company, save for matters to be resolved at general meetings as required by PRC Company Law and the Articles of Association;
- to perform other duties and powers as stipulated in the laws and regulations, the Listing Rules of the Stock Exchange, the Articles of Association and as authorized by general meetings.

Each Director shall have one vote.

The Board shall have three special committees, i.e. the Audit Committee, the Remuneration Committee and the Nomination Committee.

#### **Appointment of accounting firm**

The Company shall appoint an independent accounting firm which is qualified according to the relevant requirements of the PRC for the purpose of auditing the annual financial report and other financial reports of the Company.

The first accounting firm of the Company may be appointed by the inaugural meeting of the Company before the first annual general meeting of shareholders and the accounting firm appointed shall hold office until the conclusion of the first annual general meeting. If the inaugural meeting fails to exercise its aforesaid powers, those powers shall be exercised by the Board.

The general meeting may by ordinary resolution remove an accounting firm prior to the expiration of its term of office notwithstanding anything contained in the contract entered into between the accounting firm and the Company but without prejudice to the right of the accounting firm to claim damages against the Company for such removal.

The decisions of the Company to appoint, dismiss or not to re-appoint an accounting firm shall be made by the general meeting and shall be put on file with the securities regulatory authority of the State Council.

**1. FURTHER INFORMATION ABOUT OUR COMPANY****A. Incorporation**

On June 21, 2019, our Company was incorporated under the name of Hangzhou SF Intra-city Industrial Co., Ltd. (杭州順豐同城實業股份有限公司) in PRC as a joint stock company, to succeed the aforementioned business as a separate entity. At the time of establishment, the registered share capital of our Company was RMB160 million, divided into 160,000,000 Domestic Shares with a nominal value of RMB1.00 each.

We have established a place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, and have been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on June 16, 2021. Ms. Chan Wai Ling is our process agent for the acceptance of services of process and notices on behalf of our Company in Hong Kong.

The Company has applied for the Conversion of Unlisted Foreign Shares into H Shares, which involves the 14,533,583 Shares held by Duckling Fund, 37,500,000 Shares held by Shining Star, the 4,844,527 Shares held by Green Juice II, the 3,875,622 Shares held by Asia Strategic II, the 5,813,433 Shares held by Stonebridge 2020, the 3,270,056 Shares held by BAI GmbH, the 11,793,004 held by Idea Flow, the 9,689,055 Shares held by TB Bullet, the 4,844,527 Shares held by Nation Sky, the 3,996,735 Shares held by BAI HK.

As we are incorporated in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendix IV and Appendix V to this prospectus.

**B. Changes in the Share Capital of our Company**

The following sets out the changes in the issued share capital of our Company during the two years immediately preceding the date of this prospectus:

- (i) on December 2, 2019, the registered share capital of the Company was increased from RMB160,000,000.00 to RMB208,081,413.00 and the newly issued capital was subscribed by Huangshan SAIF and Shining Star. See "History, Development and Corporate Structure – Principal Shareholding Changes of our Company and Pre-IPO Investments – Pre-IPO Investments" for details.
- (ii) on December 12, 2019, the registered share capital was increased from RMB208,081,413.00 to RMB298,081,413.00 and the newly issued capital was subscribed by Ningbo Shunxiang in cash at a consideration of RMB 90,000,000.

- (iii) on December 13, 2019, the registered capital of the Company was increased from RMB298,081,413.00 to RMB310,393,913.00 and the newly increased capital was subscribed by Xingrui Yongying in cash at a consideration of RMB69,815,815.00.
- (iv) on January 13, 2020, the registered capital of the Company was increased from RMB310,393,913 to RMB560,393,913, and the newly issued capital was subscribed by SF Holding Limited at nominal value, Intra-city Tech at nominal value and SF Taisen at nominal value, see “History, Development and Corporate Structure – Principal Shareholding Changes of our Company and Pre-IPO Investment – Principal Changes in the Registered Capital and Shareholding Structure of our Company” for details.
- (v) on June 9, 2020, the registered capital of the Company was increased from RMB560,393,913 to RMB666,629,208 and the newly issued capital was subscribed by SF Taisen at a total consideration of RMB722,400,000.
- (vi) on January 26, 2021, the registered capital of the Company was increased from RMB666,629,208 to RMB770,036,555 and the newly issued capital was subscribed by Series B Pre-IPO Investors. See “History, Development and Corporate Structure – Principal Shareholding Changes of our Company and Pre-IPO Investment – Pre-IPO Investment” for details.
- (vii) on April 6, 2021, the registered capital of the Company was increased from RMB770,036,555 to RMB771,982,406 and the newly issued capital was subscribed by Jiaxing Fengrong in cash at a consideration of approximately RMB26,270,546.
- (viii) on April 7, 2021, The registered capital of the Company was increased from RMB771,982,406 to RMB802,276,907 and the newly issued capital was subscribed by SF Taisen in cash at a consideration of RMB409,000,000.

Upon completion of the Global Offering, without taking into account any H Shares which may be issued pursuant to the Over-allotment Option, our registered share capital will be increased to RMB933,457,707, comprising 562,615,431 Domestic Shares, 139,500,934 Unlisted Foreign Shares, 231,341,342 H Shares, representing 60.27%, 14.95% and 24.78% of our registered capital, respectively.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

**C. Our Subsidiaries****(a) Subsidiaries**

Certain details of our principal subsidiaries are set forth in the Accountant's Report in Appendix I to this prospectus.

**(b) Changes in the share capital of subsidiaries**

The following changes in the share capital of our subsidiaries took place during the two years immediately preceding the date of this prospectus:

**(i) Shenzhen SF Intra-city**

- on May 14, 2020, the registered share capital of Shenzhen SF Intra-city was increased from RMB100,000,000 to RMB 698,400,000.
- on April 20, 2021, the registered share capital of Shenzhen SF Intra-city was increased from RMB698,400,000 to RMB1,500,000,000.
- on October 15, 2021, the registered share capital of Shenzhen SF Intra-city was increased from RMB1,500,000,000 to RMB2,200,000,000.

**(ii) Shunda Tongxing**

- Shunda Tongxing was incorporated on September 20, 2019 with registered share capital of RMB50,000,000.
- On May 21, 2020, the registered share capital of Shunda Tongxing was increased from RMB50,000,000 to RMB104,500,000.
- On April 29, 2021, the registered share capital of Shunda Tongxing was increased from RMB104,500,000 to RMB150,000,000.
- On September 28, 2021, the registered share capital of Shunda Tongxing was increased from RMB150,000,000 to RMB 200,000,000.

*(iii) Shanghai Fengpaida*

- On May 29, 2020, the registered share capital of Shanghai Fengpaida was increased from RMB20,000,000 to RMB26,000,000.
- On April 29, 2021, the registered share capital of Shanghai Fengpaida was increased from RMB26,000,000 to RMB36,000,000.
- On October 11, 2021, the registered share capital of Shanghai Fengpaida was increased from RMB36,000,000 to RMB50,000,000.

*(iv) Shanghai Fengzan*

- Shanghai Fengzan was incorporated on May 26, 2020 with registered share capital of RMB20,000,000.
- On May 10, 2021, the registered share capital of Shanghai Fengzan was increased from RMB20,000,000 to RMB150,000,000.
- On September 29, 2021, the registered share capital of Shanghai Fengzan was increased from RMB150,000,000 to RMB410,000,000.

*(v) Shenzhen Fengzan Technology Co., Ltd. (深圳豐贊科技有限公司) (the “Shenzhen Fengzan”)*

- Shenzhen Fengzan was incorporated on January 29, 2021 with registered share capital of RMB20,000,000.

*(vi) Beijing Fengzan Technology Co., Ltd. (北京豐贊科技有限公司) (the “Beijing Fengzan”)*

- Beijing Fengzan was incorporated on January 25, 2021 with registered share capital of RMB20,000,000.
- On April 29, 2021, the registered share capital of Beijing Fengzan was increased from RMB20,000,000 to RMB50,000,000.
- On September 28, 2021, the registered share capital of Beijing Fengzan was increased from RMB50,000,000 to RMB150,000,000.



(vii) *Shanghai Fengtiao Yushun Catering Management Co., Ltd.* (上海豐調裕順餐飲管理有限公司) (the “*Fengtiao Yushun*”)

- Fengtiao Yushun was incorporated on July 26, 2021 with registered share capital of RMB100,000,000.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

Save for the subsidiaries mentioned in the Accountant’s Report set out in Appendix I to this prospectus, our Company has no other subsidiaries.

**D. Resolutions of the Shareholders of our Company dated June 15, 2021**

On June 15, 2021, the Shareholders of our Company passed, among other things, the following resolutions:

- (a) the issue by our Company of our H Shares of nominal value of RMB1.00 each. Subject to the requirement of Listing Rules, the amount of our H Shares to be issued under the Global Offering is not more than 20% of the total share capital as enlarged immediately following the Global Offering (before the exercise of the Over-allotment Option);
- (b) the granting of the Over-allotment Option in respect of no more than 15% of the number of our H Shares issued under the Global Offering as mentioned above;
- (c) subject to the completion of the Global Offering, the Articles of Association have been approved and adopted, which shall only become effective from the Listing Date, and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and
- (d) approving the Board and its authorised person to handle all matters relating to, among other things, the issue of our H Shares and the Listing of our H Shares on the Stock Exchange, and the H share full circulation related matters.

## 2. FURTHER INFORMATION ABOUT OUR BUSINESS

### A. Summary of our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus which are or may be material, and a copy of each has been delivered to the Registrar of Companies in Hong Kong for registration:

- (1) a capital increase agreement dated December 3, 2019, entered into between Ningbo Shunxiang Tongcheng Venture Capital Investment Partnership (Limited Partnership) (寧波順享同成創業投資合夥企業(有限合夥)) and the Company, pursuant to which, the Company agreed to increase its registered share capital by RMB90,000,000 and Ningbo Shunxiang Tongcheng Venture Capital Investment Partnership (Limited Partnership) agreed to subscribe the Company's registered share capital of RMB90,000,000 at a total consideration of RMB90,000,000.
- (2) a capital increase agreement dated December 13, 2019, entered into among Mr. Sun Haijin (孫海金), Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司), Beijing SF Intra-city Technology Co., Ltd. (北京順豐同城科技有限公司), the Company and Fuzhou Economic and Technological Development Zone Xingrui Yongying Equity Investment Partnership (Limited Partnership) (福州經濟技術開發區興睿永瀛股權投資合夥企業(有限合夥)), pursuant to which, the Company agreed to issue and allot 12,312,500 Shares and Fuzhou Economic and Technological Development Zone Xingrui Yongying Equity Investment Partnership (Limited Partnership) (福州經濟技術開發區興睿永瀛股權投資合夥企業(有限合夥)) agreed to subscribe 12,312,500 Shares at a total consideration of of RMB69,815,815 equivalent to USD9,850,000.
- (3) a capital increase agreement dated December 31, 2019, entered into among Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司), Beijing SF Intra-city Technology Co., Ltd. (北京順豐同城科技有限公司), SF Holding Limited (順豐控股有限公司), and the Company, pursuant to which, the Company agreed to issue and allot 250,000,000 Shares in aggregate and 1) Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司) subscribed 107,000,000 Shares by transferring all its equity interest in Shenzhen SF Intra-city Logistics Co., Ltd. (深圳市順豐同城物流有限公司), Shenzhen Zhongplus Internet Technology Co., Ltd. (深圳市眾普拉斯網絡科技有限公司) and Shanghai Fengpaida Supply Chain Co., Ltd. (上海豐湃達供應鏈有限責任公司) to the Company, which was valued as RMB107 million in total; 2) Beijing SF Intra-city Technology Co., Ltd. (北京順豐同城科技有限公司) subscribed 15,000,000 Shares at a total consideration of RMB15 million; 3) SF Holding Limited (順豐控股有限公司) subscribed 128,000,000 Shares at a total consideration in USD equivalent to RMB128,000,000.

- (4) a capital increase agreement dated May 15, 2020, entered into between Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司), and the Company, pursuant to which, the Company agreed to issue and allot, and Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司) agreed to subscribe 106,235,295 Shares at a total consideration of RMB722,400,000.
- (5) a capital increase agreement dated December 18, 2020 entered into among Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司), SF Holding Limited (順豐控股有限公司), Beijing SF Intra-city Technology Co., Ltd. (北京順豐同城科技有限公司), Ningbo Shunxiang Tongcheng Venture Capital Investment Partnership (Limited Partnership) (寧波順享同成創業投資合夥企業(有限合夥)), Sharp Land Development Limited, Ningbo Yinghe Fengrui Venture Capital Investment Partnership (Limited Partnership) (寧波盈和豐瑞創業投資合夥企業(有限合夥)), Ningbo Meishan Free Trade Port Zone Tianwo Kangzhong Enterprise Management Partnership (Limited Partnership) (寧波梅山保稅港區天沃康眾企業管理合夥企業(有限合夥)), Ningbo Yingcang Fengchi Enterprise Management Partnership (Limited Partnership) (寧波盈倉豐馳企業管理合夥企業(有限合夥)), Shining Star Fund, L.P., Fuzhou Economic and Technological Development Zone Xingrui Yongying Equity Investment Partnership (Limited Partnership) (福州經濟技術開發區興睿永瀛股權投資合夥企業(有限合夥)), Huangshan SAIF Tourism Cultural Industry Development Fund (Limited Partnership) (黃山賽富旅遊文化產業發展基金(有限合夥)) and the B Round Investors (being Duckling Fund, L.P., Beijing Daotong Changjing Investment Management Center (Limited Partnership) (北京道同長菁投資管理中心(有限合夥)), Jiaying Tengyuan Investment Partnership (Limited Partnership) (嘉興騰元投資合夥企業(有限合夥)), Idea Flow Limited, Shaoxing Keqiao Guoke Junlian Yuxin Venture Capital Investment Partnership (Limited Partnership) (紹興柯橋國科君聯譽新創業投資合夥企業(有限合夥)), TB Bullet Fast Holdings (HK) Limited, Shanghai Zhixin Xinming Investment Partnership (Limited Partnership) (上海摯信信明投資合夥企業(有限合夥)), Beijing Xinrunheng Equity Investment Partnership (Limited Partnership) (北京信潤恒股權投資合夥企業(有限合夥)), Stonebridge 2020 (Singapore) Pte. Ltd., Goldman Sachs Asia Strategic II Pte. Ltd., Nation Sky Investments Limited, Shanghai Shengye Equity Investment Fund Co., Ltd. (上海盛業股權投資基金有限公司), New Hope Asia-Pacific Investment Holdings Limited (新希望亞太投資控股有限公司), Green Juice II (Hong Kong), Limited, Broad River Logistics Fund (金豐博潤(廈門)股權投資合夥企業(有限合夥)), BAI GmbH, Shenzhen Redland Yuechuan Private Equity Investment Fund Partnership Enterprise (Limited Partnership) (深圳市紅土岳川股權投資基金合夥企業(有限合夥))), and our Company, pursuant to which, the Company agreed to issue and allot, and the B Round Investors agreed to subscribe 103,407,347 Shares at a total consideration of RMB1,396,082,011 in aggregate.

- (6) an equity transfer agreement dated December 18, 2020 entered into among Ningbo Shunxiang Tongcheng Venture Capital Investment Partnership (Limited Partnership) (寧波順享同成創業投資合夥企業(有限合夥)), Duckling Fund, L.P. and the Company, pursuant to which Ningbo Shunxiang Tongcheng Venture Capital Investment Partnership (Limited Partnership) (寧波順享同成創業投資合夥企業(有限合夥)) agreed to transfer 2,424,170 Shares to Duckling Fund, L.P. at a consideration in USD equivalent to RMB32,728,234.
- (7) an equity transfer agreement dated December 18, 2020 entered into among Ningbo Shunxiang Tongcheng Venture Capital Investment Partnership (Limited Partnership) (寧波順享同成創業投資合夥企業(有限合夥)), Beijing Daotong Changjing Investment Management Center (Limited Partnership) (北京道同長菁投資管理中心(有限合夥)) and the Company, pursuant to which Ningbo Shunxiang Tongcheng Venture Capital Investment Partnership (Limited Partnership) (寧波順享同成創業投資合夥企業(有限合夥)) agreed to transfer 684,030 Shares to Beijing Daotong Changjing Investment Management Center (Limited Partnership) (北京道同長菁投資管理中心(有限合夥)) at a consideration of RMB9,234,952.
- (8) a capital increase agreement dated March 16, 2021 entered into among Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司), Jiaxing Fengrong Equity Investment Partnership (Limited Partnership) (嘉興豐榮股權投資合夥企業(有限合夥)) and the Company, pursuant to which the Company agreed to issue and allot, and Jiaxing Fengrong Equity Investment Partnership (Limited Partnership) (嘉興豐榮股權投資合夥企業(有限合夥)) agreed to subscribe 1,945,851 Shares at a total consideration of RMB26,270,546.
- (9) a capital increase agreement dated March 18, 2021 entered into among Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司) and the Company, pursuant to which the Company agreed to issue and allot 30,294,501 Shares and Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司) agreed to subscribe 30,294,501 Shares at a total consideration of RMB409,000,000.
- (10) a shareholder agreement dated March 31, 2021 entered into among our Company, Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司), SF Holding Limited (順豐控股有限公司), Beijing SF Intra-city Technology Co., Ltd. (北京順豐同城科技有限公司), Ningbo Shunxiang Tongcheng Venture Capital Investment Partnership (Limited Partnership) (寧波順享同成創業投資合夥企業(有限合夥)), Sharp Land Development Limited, Ningbo Yinghe Fengrui Venture Capital Investment Partnership (Limited Partnership) (寧波盈和豐瑞創業投資合夥企業(有限合夥)), Ningbo Meishan Free Trade Port Zone Tianwo Kangzhong Enterprise Management Partnership (Limited Partnership) (寧波梅山保稅港區天沃康眾企業管理合夥企業(有限合夥)), Ningbo Yingcang Fengchi Enterprise Management Partnership (Limited Partnership) (寧波盈倉豐馳企業管理合夥企業(有限合夥)), Shining Star Fund, L.P., Jiaxing Fengrong Equity Investment

Partnership (Limited Partnership) (嘉興豐榮股權投資合夥企業(有限合夥)), Huangshan SAIF Tourism Cultural Industry Development Fund (Limited Partnership) (黃山賽富旅遊文化產業發展基金(有限合夥)), Duckling Fund, L.P., Beijing Daotong Changjing Investment Management Center (Limited Partnership) (北京道同長菁投資管理中心(有限合夥)), Jiaying Tengyuan Investment Partnership (Limited Partnership) (嘉興騰元投資合夥企業(有限合夥)), Idea Flow Limited, Shaoxing Keqiao Guoke Junlian Yuxin Venture Capital Investment Partnership (Limited Partnership) (紹興柯橋國科君聯譽新創業投資合夥企業(有限合夥)), TB Bullet Fast Holdings (HK) Limited, Shanghai Zhixin Xinming Investment Partnership (Limited Partnership) (上海摯信信明投資合夥企業(有限合夥)), Beijing Xinrunheng Equity Investment Partnership (Limited Partnership) (北京信潤恒股權投資合夥企業(有限合夥)), Stonebridge 2020 (Singapore) Pte. Ltd., Goldman Sachs Asia Strategic II Pte. Ltd., Nation Sky Investments Limited, Shanghai Shengye Equity Investment Fund Co., Ltd. (上海盛業股權投資基金有限公司), New Hope Asia-Pacific Investment Holdings Limited (新希望亞太投資控股有限公司), Green Juice II (Hong Kong), Limited, Broad River Logistics Fund (金豐博潤(廈門)股權投資合夥企業(有限合夥)), BAI GmbH, BAI Capital HK Investment Holding Limited, Shenzhen Redland Yuechuan Private Equity Investment Fund Partnership Enterprise (Limited Partnership) (深圳市紅土岳川股權投資基金合夥企業(有限合夥)) which stipulates, among others, the rights and obligations of the then Shareholders.

- (11) the cornerstone investment agreement dated November 12, 2021 entered into among our Company, Taobao China Holding Limited (淘寶中國控股有限公司), China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Taobao China Holding Limited (淘寶中國控股有限公司) agreed to subscribe for such number of H Shares of our Company at the Offer Price in an aggregate amount of Hong Kong dollar 851,281,178, which is equivalent to Renminbi 700,000,000 (calculated at the benchmark exchange rate published by the People's Bank of China on the date of the agreement (excluding brokerage fee, the SFC transaction levy and the Stock Exchange trading fee in respect of such number of H Shares of our Company)).
- (12) the cornerstone investment agreement dated November 17, 2021 entered into among our Company, Hello Inc., China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Hello Inc. agreed to subscribe for such number of H Shares of our Company at the Offer Price in an aggregate amount of Hong Kong dollar 38,789,133.88 (excluding brokerage fee, the SFC transaction levy and the Stock Exchange trading fee in respect of such number of H Shares of our Company).
- (13) the Hong Kong Underwriting Agreement.

**B. Intellectual Property Rights***(a) Patent*

As of the Latest Practicable Date, our Group has the following patents which are considered by us to be or may be material to our business:

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Place of Application
1	Shunda Tongxing	Invention patent	Merchant clustering method, apparatus, computer device, and storage medium (商戶聚類方法、裝置、計算機設備和存儲介質)	2019113919905	December 30, 2019	China
2	Shunda Tongxing	Invention patent	Order grouping method, apparatus, computer device and storage medium (訂單分組方法、裝置、計算機設備和存儲介質)	2019113542769	December 25, 2019	China
3	Shunda Tongxing	Invention patent	Delivery order grouping method, apparatus, computer device and storage medium (物流訂單分派方法、裝置、電腦設備和存儲介質)	2020115729062	December 28, 2020	China



**(b) Trademarks**

*Trademarks licensed by SF Taisen*

No.	Trademark	Registered Owner	Class	Registration Number	Application/Registration Date	Place of Registration
1.	顺丰同城急送	SF Taisen	39	29953915	March 30, 2018	PRC
			9	29943656	March 30, 2018	
			35	29948652	March 30, 2018	
			38	29958201	March 30, 2018	
			42	29953590	March 30, 2018	
2.	顺丰同城	SF Taisen	35	21106204	August 25, 2016	PRC
			39	21106383	August 25, 2016	
3.	順豐同城急送 順豐同城急送 順豐同城急送 順豐同城急送	SF (IP) Limited (a subsidiary of SF Holding)	9 16 35 36 39 42	305620509	May 11, 2021	Hong Kong
4.		SF (IP) Limited (a subsidiary of SF Holding)	9 16 35 36 39 42	305620518	May 11, 2021	Hong Kong

**(c) Domain Name**

As of the Latest Practicable Date, the following domain names have been registered in the name of the relevant members of our Group which are considered by us to be or may be material to our business:

No.	Domain Name	Registered Owner	Effective Period
1	sf-intra-city.com	Shenzhen Intra-City	March 11, 2019 to March 11, 2022
2	sfjswl.com	Shunda Tongxing	August 12, 2019 to August 12, 2022
3	fs-tuancan.com	Shanghai Fengzan	May 13, 2020 to May 13, 2022

**(d) Copyright**

As of the Latest Practicable Date, the following copyrights have been registered in the name of the relevant members of our Group which are considered by us to be or may be material to our business:

No.	Copyright	Registered Owner	Registered Number	Registered date
1	SF CLS APP (順豐CLS APP)	Shunda Tongxing	2019SR1029101	October 11, 2019
2	SF City Rush Riders APP (順豐騎士 APP)	Shunda Tongxing	2020SR1711553	December 2, 2020
3	SF City Rush APP (順豐同城急送 APP)	Shunda Tongxing	2020SR1711554	December 2, 2020

**3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS****A. Particulars of Directors' and Supervisors' Contracts**

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors entered into a contract with our Company on November 18, 2021 in respect of, among other things, (i) the compliance of relevant laws and regulations, (ii) compliance with the Articles of Association, and (iii) the provision on arbitration.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with any of our Group (other than contracts expiring or determinable by the relevant employers within one year without the payment of compensation (other than statutory compensation)).

**B. Directors' and Supervisors' Remuneration**

Save as disclosed in "Directors, Supervisors and Senior Management – Remuneration of Directors and Supervisors" and under Note 38 to the financial information in the Accountant's Report set out in Appendix I, no Director or Supervisor received any other fees, salaries, allowances, share based compensation, pension schemes contribution and other benefits in kind (if applicable) from our Company in respect of each of the year ended December 31, 2018, 2019, 2020 and the five months ended May 31, 2021.

It is estimated that under the arrangements currently in force, total remuneration (including fees, salaries, pension schemes contribution and other benefits, excluding any share based compensation) in an amount of approximately RMB98.61 million will be payable by our Company to our Directors and Supervisors for the year ended December 31, 2021 for their services as our Directors and Supervisors.



There is no arrangement under which any Director or Supervisor has waived or agreed to waive any remuneration of benefits in kind during the Track Record Period.

#### 4. DISCLOSURE OF INTERESTS

##### A. Substantial Shareholders

For information on the persons (other than our Directors, Supervisors and chief executive of our Company) who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, please refer to the section headed “Substantial Shareholder”.

Save as disclosed above, our Directors, Supervisors, and chief executives are not aware of any person, not being a Director, Supervisor, and chief executive of our Company, who has an interest or short position in the shares and underlying shares of our Company which, once our H Shares are listed, would have to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

##### B. Directors, Supervisors or Chief Executive

Name of the Substantial Shareholder	Nature of the Interest	Class of Shares to be held after the Global Offering	Number of Shares	As of the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)		Approximate percentage of shareholding in the total issued Share capital of our Company
				Share capital of our Company	Number of Shares	the relevant class of Shares	Approximate percentage of shareholding in the total issued Share capital of our Company	
Mr. Tsang Hoi Lam	Interest held by controlled corporations <sup>(1)</sup>	Unlisted Foreign Share	20,000,000	2.49%	20,000,000	14.34%	2.14%	
Mr. Sun Haijin	Interest held by controlled corporations <sup>(2)</sup>	Domestic Shares	66,891,800	8.34%	66,891,800	11.89%	7.17%	

*Note<sup>(1)</sup>:* As of the Latest Practicable Date, Sharp Land was wholly owned by Mr. Tsang Hoi Lam. As such, Mr. Tsang Hoi Lam will be deemed to be interested in the Shares held by Sharp Land.

*Note<sup>(2)</sup>*: As of the Latest Practicable Date, the general partner of Ningbo Shunxiang was Shenzhen Tonglu Zhiyuan Investment Co., Ltd. (“Tonglu Zhiyuan”, 深圳市同路致遠投資有限公司) which was owned by Mr. Sun Haijin, our executive Director and chief executive officer, and Ms. Liu Jia, secretary of our Board and one of our Joint Company Secretaries as to 99% and 1%, respectively.

Save as disclosed above and in Substantial Shareholders section, none of the Directors, Supervisors or chief executive of our Company has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have, or are deemed to have, been taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

### C. Disclaimers

Save as disclosed in this prospectus:

- (a) save as disclosed in “– 4. Disclosure of Interests” in this section, none of our Directors, Supervisors or chief executive of our Company has any interests and short positions in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have, or are deemed to have, been taken under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;
- (b) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in our Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once our Shares are listed on the Stock Exchange;
- (c) none of our Directors or Supervisors nor any of the parties listed in “– 6. Other Information – F. Qualification of Experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

- (d) none of our Directors or Supervisors nor any of the parties listed in “– 6. Other Information – F. Qualification of Experts” of this Appendix is interested in our promotion, or in any assets which have, within two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;
- (e) none of the parties listed in the paragraph headed “– 6. Other Information – F. Qualification of Experts” of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and
- (f) none of our Directors or Supervisors or their respective associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

## 5. PRE-IPO RESTRICTED SHARE SCHEME

### A. Purpose

On January 22, 2020, the Board approved the pre-IPO restricted share scheme (the “**Scheme**”) for the purpose of incentivizing the Group’s core employees, as well as promoting the long-term development of the Group and maintaining the Group’s competitive advantages.

### B. Participants

Participants are our key employees who have direct or significant contributions to the Group’s results of operations and sustainable development, including consultants, middle and senior management personnel and core technical employees of the Group. The participants of the Scheme (the “**Participants**”, each a “**Participant**”) must have entered into written service contracts with the Group.

### C. Number of Shares involved in the Scheme

The maximum number of Shares held by Ningbo Shunxiang and Sharp Land (the “**Platforms**”) under the Scheme is 70 million Shares and 20 million Shares, respectively. On January 22, 2020, the Board resolved to ratify and confirm the 27.87 million restricted Shares granted in 2019 (the “**2019 Grant**”) and resolved to grant 62.13 million restricted Shares. We have incorporated Ningbo Shunxiang and Sharp Land as employee share ownership platforms for the Scheme. The Participants hold the restricted Shares through Ningbo Shunxiang or Sharp Land.

**D. Lock-up and Transferability**

The lock-up period for the partnership interest or equity interest held by the Participant in the Platforms commences from the date when the Participant becomes the limited partner or the shareholder of the Platforms and ends on the Listing Date or a later date should if required by applicable laws, regulations or rules (the “**Lock-up Period**”).

For the 2019 Grant, each of the Participants is entitled to one opportunity to transfer no more than 20% of the restricted Shares granted to him/her in 2019 to third party investors upon expiry of the 12 months after the Participant becomes the limited partner of Ningbo Shunxiang (the “**2019 Transfer**”).

Upon the expiry of the Lock-up Period, the Participant may submit a written application to the general partner of Ningbo Shunxiang or the director of Sharp Land, applying for the disposal of the restricted Shares he/she holds. The exit price to be received by the Participant is determined in accordance with the below item (F) Exit Price. In the event that the general partner of Ningbo Shunxiang or the director of Sharp Land is of the view that it is impractical or inappropriate for the Participant to dispose the restricted Shares he/she holds, the general partner of Ningbo Shunxiang or the director of Sharp Land has the right to reject the Participant’s request for the disposal of restricted Shares.

**E. Repurchase**

Upon the disqualification of the Participant as provided in the Scheme, the Controlling Shareholders and the third parties appointed by the Controlling Shareholders are entitled to unilaterally request but not obligated to repurchase all or part of the restricted Shares held by the Participant or request the Participant to exit the Scheme in other ways at the price provided in the Scheme.

**F. Exit Price**

Upon the expiry of the Lock-up Period, for the disposal of the restricted Shares by the Participant, the exit price equals to the total amount received by the Participant arising out of the disposal after deducting the tax and expense as well as the expense incurred by the Platforms in relation to the disposal.

**G. Dividends**

Unless otherwise provided in the Scheme, the Platforms are entitled to the dividends attached to the Shares they hold in the Company in accordance with the articles of association of the Company. The dividends distribution of the Platforms is determined by the general partner of Ningbo Shunxiang or the director of Sharp Land.

**H. Status**

As of the Latest Practicable Date, all 90,000,000 restricted Shares have been granted to a total of 17 Participants who are current employees of the Group, among which, 3,108,200 restricted Shares have been sold to third-party investors according to the 2019 Transfer, whilst Ningbo Shunxiang held 66,891,800 Shares and Sharp Land held 20,000,000 Shares. All the restricted Shares have been granted, and all Participants have completed the payment of the price of the restricted Shares under the Scheme and have been registered as the limited partners of Ningbo Shunxiang or the shareholder of Sharp Land. The details of the Participants who are connected persons of the Company are set out in the table below:

<b>Participant</b>	<b>Role within the Group</b>	<b>Number of the restricted Shares</b>	<b>Year of grant</b>	<b>Approximate percentage of issued shares immediately after the completion of the Global Offering<sup>1</sup> (%)</b>
Mr. Sun Haijin	Executive Director and chief executive officer of the Company	25,092,584	2019 and 2020	2.69%
Mr. Tsang Hoi Lam	Executive Director, chief financial officer and one of the joint company secretaries of the Company	20,000,000	2020	2.14%
Mr. Chen Lin	Executive Director, deputy general manager and chief technology officer of the Company	7,807,009	2019 and 2020	0.84%

<sup>1</sup> Assuming the Over-allotment Option is not exercised.

Participant	Role within the Group	Number of the restricted Shares	Year of grant	Approximate percentage of issued shares immediately after the completion of the Global Offering <sup>1</sup> (%)
Ms. Liu Jia	Secretary of the Board, one of the joint company secretaries of the Company, and director of Shunda Tongxing, Shanghai Fengzan and Shanghai Fengpaida	2,183,216	2019 and 2020	0.23%
Ms. Su Xiaohui	Supervisor of the Company	2,267,498	2019 and 2020	0.24%
Mr. Zhang Yanbing	Director of Shenzhen Zhongplus	3,296,361	2019 and 2020	0.35%
Ms. Xu Xiaoyan	General manager of Shanghai Fengzan	2,115,721	2019 and 2020	0.23%
Mr. Zhu Huirong	General manager of Shanghai Fengpaida	2,061,405	2019 and 2020	0.22%

## 6. OTHER INFORMATION

### A. Estate Duty

We have been advised that no material liability for estate duty under the PRC law is likely to fall upon our Company or any members of our Group.

### B. Litigation

As of the Latest Practicable Date, we are not involved in any material litigation, arbitration or administrative proceedings, and so far as our Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any members of our Group.

**C. Joint Sponsors**

The Joint Sponsors have declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Joint Sponsors have made an application on our behalf to the Hong Kong Stock Exchange for listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option), and (ii) any H Shares to be converted from the Unlisted Foreign Shares. All necessary arrangements have been made to enable our H Shares to be admitted into CCASS.

We have entered into an engagement agreement with the Joint Sponsors, pursuant to which we agreed to pay US\$500,000 to each of the Joint Sponsors to act as the sponsor to our Company in the Global Offering.

**D. Compliance Advisor**

We have appointed Guotai Junan Capital Limited as our Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

**E. Preliminary Expenses**

The Company did not incur material preliminary expense for the purpose of the Hong Kong Listing Rules.

**F. Qualification of Experts**

The qualifications of the experts, as defined under the Listing Rules, who have given their opinions or advice in this prospectus, are as follows:

<b>Name</b>	<b>Qualification</b>
<b>China International Capital Corporation Hong Kong Securities Limited</b>	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on future contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
<b>Merrill Lynch (Asia Pacific) Limited</b>	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on future contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO

<b>Jia Yuan Law Offices</b>	Legal adviser to Company as to PRC law
<b>PricewaterhouseCoopers</b>	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
<b>Shanghai iResearch Co., Ltd.</b>	Industry consultant

#### **G. Promoters**

The Company has no promoter for the purpose of the Hong Kong Listing Rules.

#### **H. Consents of Experts**

Each of the experts as referred to in “– 6. Other Information – F. Qualification of Experts” of this Appendix has given, and has not withdrawn, its respective written consents to the issue of this prospectus with the inclusion of its reports and/or letter(s) and/or opinion(s) and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any members of our Group or the right (other than the penal provisions) of sections 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

#### **I. Taxation of Holders of our H Shares**

The sale, purchase and transfer of our H shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is a total of HK\$2.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of our H shares being sold or transferred. For further information in relation to taxation, see “Appendix III – Taxation and Foreign Exchange” in this prospectus.

#### **J. No Material Adverse Change**

Our Directors confirm that, after performing all due diligence work, there has been no material adverse change in our financial or operational position since December 31, 2020 and up to the Latest Practicable Date.



**K. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**L. Related Party Transactions**

Within the two years immediately preceding the date of this prospectus, we have entered into the related party transactions as described in Note 34 to the financial information in the Accountant's Report set out in Appendix I.

**M. Agency Fees or Commissions Paid or Payable**

Save as disclosed in "Underwriting – Commission and Expenses" in connection with the Global Offering, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any members of our Group within the two years preceding the date of this prospectus.

**N. Miscellaneous**

Save as disclosed in the section headed "History, Development and Corporate Structure" and this section:

- (a) within the two years immediately preceding the date of this prospectus, we have not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Group, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued or agreed to issue any founder shares, management shares or deferred shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;
- (f) within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;

- (g) there is no arrangement under which future dividends are waived or agreed to be waived;
- (h) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;
- (i) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (j) our Company is a joint stock limited company and is subject to the PRC Company Law.

**O. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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## APPENDIX VII      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

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### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of **GREEN** application form;
- (b) the written consents referred to under the paragraph headed “Statutory and General Information – 6. Other Information – H. Consents of experts” in Appendix VI to this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “Statutory and General Information – 2. Further Information about our Business – A. Summary of our Material Contracts” in Appendix VI to this prospectus.

### DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available on display on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at <https://www.sf-cityrush.com/> during a period of 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the financial years ended December 31, 2018, 2019, 2020 and the five months ended May 31, 2021;
- (d) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (e) the PRC legal opinions issued by Jia Yuan Law Offices, our legal advisors on PRC law, in respect of certain aspects of our Group;
- (f) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translation;
- (g) the written consents referred to under the paragraph headed “Statutory and General Information – 6. Other Information – H. Consents of experts” in Appendix VI to this prospectus;

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**APPENDIX VII      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
IN HONG KONG AND AVAILABLE FOR INSPECTION**

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- (h) the material contracts referred to in “Statutory and General Information – 2. Further Information about our Business – A. Summary of our Material Contracts” in Appendix VI to this prospectus;
- (i) the service contracts referred to in “Statutory and General Information – 3. Further Information about our Directors and Supervisors – A. Particulars of Directors’ and Supervisors’ Contracts” in Appendix VI to this prospectus;
- (j) the industry report issued by iResearch, the summary of which is set forth in the section headed “Industry Overview” in this prospectus; and
- (k) terms of the Pre-IPO Restricted Share Scheme.



**杭州順豐同城實業股份有限公司**  
HANGZHOU SF INTRA-CITY INDUSTRIAL CO., LTD.