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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 incorporated in the People's Republic of China with limited liability)

(Stock code: 9699)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The board of directors (the **“Board”**) of Hangzhou SF Intra-City Industrial Co., Ltd. (the **“Company”**) hereby announces the results of the Company and its subsidiaries (collectively, the **“Group”**) for the year ended December 31, 2022 (the **“Reporting Period”**), together with the comparative figures for the year ended December 31, 2021.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

- Our revenue increased from approximately RMB8,174.0 million for the year ended December 31, 2021 to approximately RMB10,265.2 million for the year ended December 31, 2022, representing an increase of 25.6%. In particular, our revenue from intra-city delivery service has increased by 28.7%.
- We have achieved a gross profit of RMB413.4 million and a gross profit margin of 4.0% for the year ended December 31, 2022, compared with a gross profit of RMB94.8 million and a gross profit margin of 1.2% for the year ended December 31, 2021.
- Our net loss decreased 68.1% to RMB286.9 million for the year ended December 31, 2022; net loss margin narrowed from 11.0% in 2021 to 2.8% in 2022. Our net loss margin has continued to improve over the years.
- The Board has resolved not to recommend the distribution of a final dividend for the year ended December 31, 2022 (2021: nil).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
	Notes	2022	2021
		RMB'000	RMB'000
Revenue	3	10,265,191	8,173,953
Cost of revenue	4	<u>(9,851,834)</u>	<u>(8,079,144)</u>
Gross profit		413,357	94,809
Selling and marketing expenses	4	(201,928)	(270,348)
Research and development expenses	4	(96,557)	(123,441)
Administrative expenses	4	(509,150)	(655,132)
Other income		50,951	44,847
Other gains, net		14,046	731
Net impairment losses of financial assets		<u>(1,969)</u>	<u>(4,477)</u>
Operating loss		(331,250)	(913,011)
Finance income		45,009	18,055
Finance costs		<u>(2,606)</u>	<u>(7,630)</u>
Finance income, net		42,403	10,425
Loss before income tax		(288,847)	(902,586)
Income tax credit	5	<u>1,944</u>	<u>3,735</u>
Loss for the year		<u>(286,903)</u>	<u>(898,851)</u>
Loss attributable to			
– Owners of the Company		<u>(286,903)</u>	<u>(898,851)</u>

		Year ended December 31,	
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
Losses per share (expressed in RMB per share)			
– Basis and diluted losses per share (in RMB)	6	<u>(0.31)</u>	<u>(1.28)</u>
Loss for the year		<u>(286,903)</u>	<u>(898,851)</u>
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(5,414)	–
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income		<u>(589)</u>	<u>–</u>
Other comprehensive loss for the year, net of tax		<u>(6,003)</u>	<u>–</u>
Total comprehensive loss for the year		<u>(292,906)</u>	<u>(898,851)</u>
Total comprehensive loss for the year attributable to:			
– Owners of the Company		<u>(292,906)</u>	<u>(898,851)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31, 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		14,799	16,715
Intangible assets		186,799	173,939
Right-of-use assets		40,103	37,811
Investments accounted for using the equity method		15,000	–
Financial assets at fair value through other comprehensive income		63,545	3,000
Financial assets at fair value through profit or loss		210,522	–
Deferred income tax assets		146,034	144,090
Other non-current assets		416	–
Total non-current assets		677,218	375,555
Current assets			
Inventories		15,576	4,202
Trade receivables	7	1,092,539	764,299
Other receivables and prepayments		255,751	196,549
Financial assets at fair value through profit or loss		601,565	330,084
Cash and cash equivalents		1,460,024	2,538,226
Total current assets		3,425,455	3,833,360
Total assets		4,102,673	4,208,915
EQUITY			
Equity attributable to owners of the Company			
Share capital	8	933,458	933,458
Share premium	8	4,161,560	4,161,560
Other reserves		825,057	831,060
Accumulated losses		(2,903,538)	(2,616,635)
Total equity		3,016,537	3,309,443

	<i>Notes</i>	As at December 31, 2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>17,311</u>	<u>20,505</u>
Total non-current liabilities		<u>17,311</u>	<u>20,505</u>
Current liabilities			
Trade payables	9	616,886	488,025
Other payables and accruals		382,057	339,795
Contract liabilities		46,658	34,494
Lease liabilities		<u>23,224</u>	<u>16,653</u>
Total current liabilities		<u>1,068,825</u>	<u>878,967</u>
Total liabilities		<u>1,086,136</u>	<u>899,472</u>
Total equity and liabilities		<u>4,102,673</u>	<u>4,208,915</u>

NOTES TO THE FINANCIAL STATEMENTS

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 and the principal place of business are respectively located at Room 1626, 16/F, Chengchuang Building, 198 Zhoushan East Road, Gongshu District, Hangzhou City, Zhejiang Province, PRC and Floor 21-22, Shunfeng Headquarters Building, No. 3076 Xinghai Road, Nanshan District, Shenzhen City, Guangdong 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 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.

The Company completed its listing on Main Board of the Stock Exchange of Hong Kong Limited. (“**the Listing**”) on December 14, 2021.

The consolidated financial statements are presented in Renminbi (“**RMB**”) and rounded to nearest thousand yuan, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (“**FVPL**”) and financial assets at fair value through other comprehensive income (“**FVOCI**”), which are carried at fair value.

2.2 New and amended standards adopted by the Group

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 1, 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contract – Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41	Annual Improvements to IFRSs 2018-2020

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.3 New standards and interpretations not yet adopted

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 12	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	To be determined
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	January 1, 2024

3 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 two segments, which are intra-city on-demand delivery service business and other business including online group catering platform and delivery services, for the year ended December 31, 2022 and 2021.

For the year ended December 31, 2022, the CODM assessed the performance of the operating segments mainly based on segment revenues and segment gross profit. The revenues from external customers reported to the CODM are measured as segment revenues, which are the revenues derived from customers of each segment. The comparative segments information for the year ended December 31, 2021 has been presented in the same way as that for the year ended December 31, 2022.

(a) Description of segments and principal activities

	Year ended December 31, 2022			
	Intra-city on-demand delivery service business <i>RMB'000</i>	Other business <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	10,228,787	36,404	–	10,265,191
Cost of revenue	(9,818,060)	(33,774)	–	(9,851,834)
Segment gross profit	410,727	2,630	–	413,357
Selling and marketing expenses				(201,928)
Research and development expenses				(96,557)
Administrative expenses				(509,150)
Other income				50,951
Other gains, net				14,046
Net impairment losses of financial assets				(1,969)
Finance income – net				42,403
Loss before income tax				(288,847)
Other segment information				
Depreciation and Amortization				
– cost of sales	54,943	18,306	–	73,249
Additions of non-current assets except for financial instruments and deferred income tax assets	87,794	37,173	302	125,269

	Year ended December 31, 2021			
	Intra-city on-demand delivery service business <i>RMB '000</i>	Other business <i>RMB '000</i>	Unallocated <i>RMB '000</i>	Total <i>RMB '000</i>
Revenue	8,159,897	14,056	–	8,173,953
Cost of revenue	<u>(8,051,377)</u>	<u>(27,767)</u>	<u>–</u>	<u>(8,079,144)</u>
Segment gross profit/(loss)	<u>108,520</u>	<u>(13,711)</u>	<u>–</u>	<u>94,809</u>
Selling and marketing expenses				(270,348)
Research and development expenses				(123,441)
Administrative expenses				(655,132)
Other income				44,847
Other gains, net				731
Net impairment losses of financial assets				(4,477)
Finance income – net				<u>10,425</u>
Loss before income tax				<u><u>(902,586)</u></u>
Other segment information				
Depreciation and Amortization				
– cost of sales	36,899	10,459	–	47,358
Additions of non-current assets except for financial instruments and deferred income tax assets	<u>74,323</u>	<u>44,476</u>	<u>–</u>	<u>118,799</u>

	Intra-city on-demand delivery service business RMB'000	Other business RMB'000	Unallocated RMB'000	Total RMB'000
As at December 31, 2022				
Assets				
Segment assets	<u>1,570,637</u>	<u>130,938</u>	<u>2,255,064</u>	<u>3,956,639</u>
Deferred income tax assets				<u>146,034</u>
Total Assets				<u>4,102,673</u>
Liabilities				
Segment liabilities	<u>1,021,842</u>	<u>43,603</u>	<u>20,691</u>	<u>1,086,136</u>
Total Liabilities				<u>1,086,136</u>
As at December 31, 2021				
Assets				
Segment assets	<u>1,099,402</u>	<u>121,955</u>	<u>2,843,468</u>	<u>4,064,825</u>
Deferred income tax assets				<u>144,090</u>
Total Assets				<u>4,208,915</u>
Liabilities				
Segment liabilities	<u>777,827</u>	<u>55,529</u>	<u>66,116</u>	<u>899,472</u>
Total Liabilities				<u>899,472</u>

(b) Revenue by business line and nature

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Intra-city on-demand delivery service (i)	10,228,787	8,159,897
Others (i)	36,404	14,056
	<u>10,265,191</u>	<u>8,173,953</u>

- (i) Revenue is recognized upon the delivery of the above services which are normally completed within one day.

(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 financial years.

(d) Geographical information

Since all of the Group's revenue and operating loss were generated in PRC and all of the Group's identifiable assets and liabilities were located in PRC, no geographical information is presented.

(e) Information about major customers

For the year ended December 31, 2022, the Group's revenue derived from one major customer, which individually contributed 10% or more of the Group's total revenue, for approximately RMB3,698.1 million, accounting for approximately 36.0% of the Group's total revenue.

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Subsidiaries of SF Holding	<u>3,698,097</u>	<u>3,056,047</u>

4 EXPENSES BY NATURE

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Labour outsourcing costs	9,739,192	8,026,539
Employee benefit expenses	513,100	670,824
Amortization of intangible assets	70,610	47,885
Costs of materials	63,494	48,475
Information service expenses	61,015	49,496
Marketing and promotion expenses	39,512	133,978
Office and rental expenses	35,679	25,082
Call center service expenses	28,538	18,079
Professional service expenses	24,183	18,145
Depreciation of right-of-use assets	21,799	16,013
Travelling expenses	9,296	8,803
Depreciation of property, plant and equipment	8,052	7,535
Other taxes and surcharges	2,369	5,854
Auditor's remuneration		
– Audit and audit-related service	2,950	2,430
– Non-audit service	220	220
Transportation expenses	1,563	2,396
Insurance expenses	630	399
Listing expenses	–	20,756
Others	37,267	25,156
	10,659,469	9,128,065

5 INCOME TAX CREDIT

(a) Income tax credit

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Mainland China corporate income tax		
Current income tax	–	–
Deferred income tax	(1,944)	(3,735)
Income tax credit	<u>(1,944)</u>	<u>(3,735)</u>

The Group's principal applicable taxes and tax rates are as follows:

Mainland China corporate income tax ("CIT")

CIT was made on the taxable income of the entities within the Group incorporated in the Mainland China and was calculated in accordance with the relevant tax rules and regulations of the Mainland China after considering the available tax refunds and allowances. The general CIT rate is 25% for the years ended December 31, 2022 and 2021.

The Company's subsidiaries, Beijing Shunda Tongxing Technology Co., Ltd and Shanghai Fengzan Technology Co., Ltd are subject to "high and new technology enterprises" and, accordingly, were eligible for a preferential income tax rate of 15% for the year ended December 31, 2022 and 2021.

Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the year ended December 31, 2022.

(b) Reconciliation of income tax credit

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Loss before income tax	(288,847)	(902,586)
Tax calculated at applicable statutory tax rate of 25%	(72,212)	(225,647)
Preferential income tax rates applicable to subsidiaries	15,270	–
Tax effect of unrecognised tax losses and temporary differences	72,975	186,294
Expenses not deductible for tax purposes	1,230	60,596
Utilization of previously unrecognized tax temporary differences and tax losses	(2,649)	(8,947)
Super deduction of research and development expense	(16,558)	(15,985)
Others	–	(46)
	<u>(1,944)</u>	<u>(3,735)</u>

6 LOSSES PER SHARE

(a) Basic losses per share

Basic losses per share is calculated by dividing the loss for the years attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the years ended December 31, 2022 (2021: Basic losses per share was calculated by dividing the loss for the years attributable to ordinary shareholders by the weighted average number of outstanding shares in issue excluding shares held for employee share scheme).

	Year ended December 31,	
	2022	2021
Loss attributable to equity holders of the Company (RMB'000)	(286,903)	(898,851)
Weighted average number of shares in issue	933,457,707	701,718,240
Basic losses per share (in RMB)	<u>(0.31)</u>	<u>(1.28)</u>

(b) Diluted losses per share

For the year ended December 31, 2022, the Company had no category of dilutive potential ordinary shares, thus, diluted losses per share for the years ended December 31 2022, were the same as the basic losses per share for the year.

For the year ended December 31, 2021, the Company had one category of dilutive potential ordinary shares: restricted share granted to employees under Pre-IPO Restricted Share Scheme. The Group incurred losses for the year ended December 31 2021. As the potential ordinary shares would be anti-dilutive, they were not included in the calculation of dilutive losses per share. Accordingly, dilutive losses per share for the years ended December 31 2021, were the same as the basic losses per share for the year.

7 TRADE RECEIVABLES

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
– related parties	583,852	369,167
– third parties	511,534	397,727
	<u>1,095,386</u>	<u>766,894</u>
Impairment loss allowance	(2,847)	(2,595)
	<u>1,092,539</u>	<u>764,299</u>

(a) The following is an ageing analysis of trade receivables presented based on invoice date:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Within 30 days	911,928	588,513
30 to 180 days	183,458	178,381
	<u>1,095,386</u>	<u>766,894</u>

(b) Movements on the Group's impairment loss allowance of trade receivables are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	(2,595)	(1,997)
Provision of impairment allowance	(1,979)	(4,061)
Written off as uncollectible	1,727	3,463
At the end of the year	<u>(2,847)</u>	<u>(2,595)</u>

(c) The Group's trade receivables were denominated in RMB.

8 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued:				
As at January 1, 2021	586,629,208	586,629	896,989	1,483,618
Capital injections from series B investors (ii)	103,407,347	103,407	1,292,675	1,396,082
Capital injections from Taisen Holdings (iii)	30,294,501	30,295	378,705	409,000
Capital injections from Jiaxing Fengrong (iii)	1,945,851	1,946	24,325	26,271
Capital injections from share incentive scheme (i)	80,000,000	80,000	18	80,018
Shares issued pursuant to the IPO (iv)	131,180,800	131,181	1,626,496	1,757,677
Share issuance cost (iv)	—	—	(57,648)	(57,648)
As at December 31, 2021 and December 31, 2022	<u>933,457,707</u>	<u>933,458</u>	<u>4,161,560</u>	<u>5,095,018</u>

- (i) 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夥企業(有限合夥)) subscribed 90,000,000 registered shares of the Company. In April 2020, Ningbo Shunxiang injected RMB10 million as paid-in capital. In June 2021, Ningbo Shunxiang and Sharp Land Development Limited injected RMB60 million and RMB20 million as paid-in capital respectively.
- (ii) 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.
- (iii) 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夥企業(有限合夥)) and SF Taisen Holdings Group Co., Ltd (“**Taisen Holdings**”) 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 approximately RMB409 million from Taisen Holdings in cash. In April 2021, the Company received capital injection of approximately RMB26 million from Jiaxing Fengrong in cash.
- (iv) On December 14, 2021, 131,180,800 ordinary shares were issued at an offer price of HKD16.42 per share pursuant to the IPO. Gross proceeds from the issuance of these shares amounted to approximately HKD2,154 million (equivalent to approximately RMB1,758 million). After netting of share issuance cost of approximately RMB57.7 million, approximately RMB131.2 million and RMB1,568.8 million are credited to the share capital and share premium account of the Company respectively.

9 TRADE PAYABLES

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables to related parties	18,313	18,897
Trade payables to third parties	598,573	469,128
	<u>616,886</u>	<u>488,025</u>

The aging analysis of the trade payables based on invoice date are as follows:

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	603,164	480,707
3 months to 1 year	8,543	7,318
1 year to 2 years	5,179	—
	<u>616,886</u>	<u>488,025</u>

10 DIVIDENDS

No dividend has been paid or declared by the Group during each of the financial years ended December 31, 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are the largest third-party on-demand delivery service provider in China¹. As a neutral and open infrastructure platform, we serve the needs of multi-channel, multi-scenario, multi-time and multi-category on-demand delivery with high quality and high efficiency services.

In 2022, despite the uncertainties caused by the economic environment and the pandemic, we adhered to our goal of pursuing long-term sustainable and high-quality growth. We demonstrated our robust business resilience by steadily expanding our business while continuing improving our financial performance significantly. In terms of revenue, we have broadened our sources of revenue growth and strengthened our resilience to risk, attributable to the diversification of revenue structure under our multi-scenario business model. In terms of cost, with further enhancement of economies of scale, we have consistently refined our operations to increase efficiency and reduce costs, resulting in significant improvement on financial performance.

Our core business indicators continued to improve in 2022. We achieved a steady revenue growth with a 25.6% increase of total revenue from RMB8,174.0 million in 2021 to RMB10,265.2 million in 2022 and a 28.3% increase of revenue from external customers². Revenue from our intra-city delivery service increased by 28.7% from RMB5,089.6 million in 2021 to RMB6,548.4 million in 2022. Revenue from our last-mile delivery service increased by 19.9% from RMB3,070.3 million in 2021 to RMB3,680.4 million in 2022. The following table sets forth our revenue breakdown:

	Year ended December 31,	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Intra-city on-demand delivery service	10,228,787	8,159,897
Intra-city delivery service	6,548,394	5,089,644
(1) To Merchants (<i>i.e. to B</i>)	4,649,671	3,882,508
(2) To Consumers (<i>i.e. to C</i>)	1,898,723	1,207,136
Last-mile delivery service	3,680,393	3,070,253
Others	36,404	14,056
Total	<u>10,265,191</u>	<u>8,173,953</u>

¹ Such ranking is based on the independent third-party order volume in China in 2022 according to iResearch. The calculation of order volume takes into account the number of orders sourced independently from the market participants and excludes orders from related parties.

² Revenue from external customers refers to revenue attributable to independent third parties of the Company (which excludes revenue attributable to the SF Holding Group and its associates).

Additionally, we further enhanced our financial performance during the Reporting Period, displaying impressive continuous improvement for four consecutive years, which was mainly attributable to: (i) further economies of scale and network effects; (ii) differentiated services which drove high-value orders to fulfill various customer requirements; (iii) higher efficiency of delivery network driven by our technology; and (iv) further improvement in the efficiency of resource allocation and utilisation from continuously refined management. For the year ended December 31, 2022, we recorded a gross profit of RMB413.4 million and a gross profit margin of 4.0%, representing a significant improvement over last year's gross profit of RMB94.8 million and gross profit margin of 1.2%. Our net loss for the year ended December 31, 2022 was RMB286.9 million, representing a year-on-year improvement of 68.1%. Net loss margin narrowed from 11.0% in 2021 to 2.8% in 2022.

Intra-city Delivery

Revenue from our intra-city delivery service increased by 28.7% from RMB5,089.6 million in 2021 to RMB6,548.4 million in 2022. The steady growth in revenue was mainly attributable to: (i) the increasing delivery scenarios and business opportunities as more participants entered the local lifestyles and on-demand retail markets; (ii) our comprehensive logistics capabilities which enabled us to provide professional and high-quality on-demand delivery service to our customers to fulfill their diverse needs and delivery requirements; (iii) the strong performance of non-food delivery scenarios³, recording a revenue of RMB2,417.4 million in 2022, representing a year-on-year increase of 29.2%, due to the increasingly stronger consumption habits of “what you see is what you get”; (iv) the continuing expansion in our industry-leading and professional on-demand delivery services and personal errand service to consumers, with a growth in revenue of 57.3% year-on-year to RMB1,898.7 million in 2022; and (v) the further extension of our reach to markets of lower-tier cities⁴, with a growth in revenue of 36.5% year-on-year to RMB2,285.1 million in 2022.

Intra-city Delivery to Merchants

We empower and maintain extensive cooperation with merchants with our open and inclusive on-demand delivery network, as well as our professional, efficient and multi-scenario solutions. In 2022, intra-city delivery to merchants achieved a revenue of RMB4,649.7 million with a year-on-year increase of 19.8%.

During the year, focusing on high-density, high-potential business districts, cities and counties, we continued to broaden the channels for merchant introduction, optimized the online functionalities such as shop creation and operation, and improved the offline fulfilment to bring better user experience and higher operational efficiency to our merchants. We have also upgraded our merchant rights and benefits system and launched various online marketing campaigns to further enhance merchant retention and activity. In 2022, the number of annual active merchants⁵ on our platform reached 330,000, representing a year-on-year growth of 27.7%, with over 3,600 branded customers served cumulatively. We also developed new cooperation with branded customers such as Mixue Bingcheng (蜜雪冰城), Chayan Yuese (茶颜悦色), vivo and Chando (自然堂) during the year. More than 90% of our top 100 customers in 2021 by revenue chose to continue cooperating with us in 2022. We also have long-standing relationships with our top customers and continue to expand the scale and depth of our partnerships.

³ “non-food delivery scenarios” refers to local consumption scenarios that are unrelated to food delivery scenarios, mainly comprising local retail, local e-commerce and local services. Local e-commerce generally covers delivery of 3C Electronics, apparel, jewelry and other scenarios. Local services generally cover personal errands and task-based government and enterprise services etc.

⁴ “lower-tier cities” refers to third-tier or below cities, counties, and towns.

⁵ “active merchant(s)” refers to the number of unique merchant accounts that purchase a particular service at least once during the prescribed period.

Our multi-scenario service model and differentiated network capabilities are well-positioned to meet the diversified on-demand service needs of merchants in the food and beverage and the non-food industries. We empowered our customers to elevate their competitive advantages by co-creating differentiated delivery standards and service experiences. We introduced industry solutions with competitive barriers by integrating these industry insights into our businesses to achieve mutual success. In 2022, revenue from high value-added scenarios such as local e-commerce and local services continued to grow at a high rate of over 50% compared with 2021. Revenue from representative categories such as tea and beverages, convenience stores, tobacco and alcohol, cosmetics, pharmaceuticals, 3C electronics and pets supplies all recorded a year-on-year growth of over 100%.

In 2022, we further strengthened our differentiated network capabilities. As of December 31, 2022, our network covered approximately 2,000 cities and counties nationwide, and the number of cities and counties with 24-hour operation increased by over 80% year-on-year to over 1,300 cities. Our flexible network enabled us to quickly cope with the requirements of our merchant customers' demands in terms of the increase in number of stores, the expansion in delivery area per store and the extension of business hours, supporting them to fulfil more incremental orders and increasing our order volume in the meantime. In addition to our two-wheeled delivery network, we introduced and continued to enhance the four-wheeled delivery network. We launched products such as "delivery within half a day" and "Two-wheels + Four-wheels"⁶ to better serve the needs of non-standardized long-tail scenarios such as mid-to-long-distance, large-volume or heavy goods, and multi-point deliveries. These solutions cater to our customers in industries such as supermarkets, fresh produce, specialized marketplace and high-end equipment and have also significantly enhanced our ground delivery capabilities and range of services. We continued to improve our networks flexibility and provided stable services for merchants during peak seasons such as e-commerce promotional campaigns, holidays and bad weather. In 2022, the revenue and order volume during peak seasons such as festivals and holidays increased significantly compared to last year. Moreover, the fluctuations in the fulfillment in-time rate⁷ during holidays and bad weather were less than 2.5% and 4.0% respectively, which reflected our commitment to service quality and stability.

We continued to actively seize multi-channel traffic opportunities and promote ecosystem-building with major local lifestyle service platforms. In 2022, we participated in the formulation of on-demand delivery standards for e-commerce platforms and short video live-streaming platforms, with in-depth collaboration on both operational and system levels. During the year, we were among the first batch of business partners to formally cooperate with Douyin Life Services (抖音生活服务) and became one of the major on-demand delivery service providers to access Douyin's "group purchase and delivery" (團購配送) to meet the diverse and omni-channel delivery needs of merchants on the platform, to improve the delivery efficiency and to provide the users with the "see-now-buy-now-get-now" experience. We continued to strengthen our cooperation with WeChat and our connection to the WeChat eco-system through various channels such as the real-time logistics assistant (即時物流助手), the accounts ledger services (收款小賬本), and the takeaways delivery locator (門店快送), thereby providing the merchants with a closed-loop cycle of "business traffic + on-demand delivery"「商流+即時物流」. Currently, we are also exploring other new business opportunities with a few strategic partners.

⁶ "Two-wheels + Four-wheels" refers to intra-city delivery achieved through combined efforts of "four-wheeled" vehicles and our riders on their "two-wheeled" motorcycles.

⁷ "fulfillment in-time rate" refers to a ratio calculated by the number of orders that are delivered to the right recipients in time over the total number of orders placed.

We also strategically cooperate with participants of SF Holding Group's ecosystem to devise integrated supply chain solutions for customers, namely "front-end warehousing + mid-end trunk + intra-city on-demand delivery". Customers can choose their logistics products more easily through integration of our resources and capabilities within the SF Holding Group. The integrated solutions broadened the customer reach and increased customer loyalty for both parties. In 2022, our service to Credit Customers⁸ with SF Holding Group has led to a contribution of RMB190.2 million in our revenue from external customers, representing a year-on-year growth of 94.5%.

Intra-city Delivery to Consumers

In 2022, revenue from intra-city delivery to consumers was RMB1,898.7 million, representing an increase of 57.3% year-on-year. The increase in revenue was mainly due to: (i) the increasingly stronger consumption habits of "what you see is what you get" and broader consumer base; and (ii) the acknowledgement and trust by our consumer gained through our quality service. The number of annual active consumers⁹ continued to expand to more than 15.6 million as of December 31, 2022, with an increase of 47.5% year-on-year.

For consumers, we are committed to offering industry-leading and professional on-demand delivery services. Our "Deliver for Me, Fetch for Me, Purchase for Me, Solve for Me" services covered personal work and life scenarios such as daily errands, medical and healthcare, and business agency services. These services helped to shape the consumers' mindset that "SF Intra-city is the best delivery choice for urgent and valuable items". During the Reporting Period, we strengthened our brand marketing to consumers by working with our partner merchants during festivals and popular activities to broaden users reach. We extended our channels to attract new consumers and optimized our marketing tactics to improve customer acquisition efficiency and conversion rate of new users. We improved our membership system to enhance the user experience, thereby driving retention and repeat orders among our core C-users base. We launched brand-new upgraded service named "Safe Delivery"(安心送) for delivery of valuable items. For insured valuable items, we provide full order monitoring, as well as full and speedy insurance claim process services. We continued to develop our personal service scenarios by improving the delivery process and quality to enhance the consumer experience. In 2022, as an increasing number of consumers recognized SF Intra-city's "fast and reliable" service, the revenue from the running errands business that covered "fetching, delivering, purchasing and solving plus" (取送買辦+) services had doubled. Moreover, we continued to extend our personal service scenarios, such as partnering with local governments in the elderly care sector to provide quality community services.

In 2022, we persisted in optimizing the quality of services for individual consumers to provide consumers with better delivery experience through high-standard delivery process. Meanwhile, we have built a team of "pioneer riders" exclusively for individual consumers, in order to efficiently meet their growing needs for mid-to-long-distance and non-standard services and to improve service quality.

⁸ "Credit Customers" refers to certain existing customers who have entered into Master Service Agreements with SF Holding and/or its associates in respect of a variety of delivery and logistics solution service products SF Holding and/or its associates offers.

⁹ "active consumer(s)" refers to the number of unique consumer accounts that purchase a particular service at least once during the prescribed period.

Last-mile Delivery

Our last-mile delivery service acts as a flexible supplement to all aspects of logistics service providers. For logistics service providers, we aim to address their mismatch between order volume and delivery capacity, to improve the operational efficiency and reduce delivery cost while accelerating all aspects of logistics and customized services.

Revenue from our last-mile delivery service increased by 19.9% from RMB3,070.3 million in 2021 to RMB3,680.4 million in 2022. In 2022, our last-mile business experienced short-term pressure due to the pandemic. However, we have started to see a rapid recovery after the pandemic receded. We deepened our cooperation scenarios with key customers and product innovation, so that they were able to better cope with the peak order periods such as Double 11 and Double 12 Shopping Festivals, as well as the tight courier capacity at the end of the year. Not only has last-mile delivery service enabled us to further expand our network and achieve network effect and improve economies of scale, it has also enhanced riders' income, strengthened riders' long-term loyalty, and reduced our fulfillment cost.

Our Riders

Riders are our closest business partners. We have an integrated rider pool to service the nationwide coverage of our network. We are pleased to see that the number of annual active riders¹⁰ on our platform continue to grow in 2022 to over 780,000 with an increase of 29.4% year-on-year. We focused on the quality growth in terms of both existing business as well as exploration of new business lines, thereby strengthening the economies of scale. The citywide delivery coordination and scheduling enables us to adapt to different business and customer needs and maintain stable performance quality. In 2022, we increased the proportion of medium-to-long distances orders of over 3km, and the average delivery distance¹¹ exceeded 3km. The average delivery time and fulfillment-in-time rate maintained a stable performance. Such expansion of business scale and our multi-scenario coverage have helped to provide our riders with higher income and more choices and have encouraged more riders to join our platform. While generating a large number of flexible part-time jobs opportunities, we continue to strictly implement our platform responsibilities and expand our services to protect the rights and interests of our riders, and are committed to providing professional empowerment and comprehensive support to our riders.

We value riders' personal development and skill enhancement, and have built a rider development system. Riders can freely choose among professional path, management path and other aspects, in order to achieve personal growth. We enriched the online learning resources offered by the Rider Academy (騎手學院) and encourage our riders to participate in the On-Demand Delivery Professional Certification (網約配送員職業認證). In addition, we have launched the Dream Fulfillment Scheme (圓夢計劃), which provides bursaries to riders to support their continuing education. We have also continued to develop our "Riders Public Welfare Fund" to support the basic life of riders and alleviate their worries.

¹⁰ "active rider(s)" refers to the number of unique rider(s) who fulfil at least one order during the prescribed period.

¹¹ "average delivery distance" refers to the average delivery distance per order of intra-city delivery during the prescribed period, and last-mile delivery orders are not included.

We attach great importance to our riders' platform experience and the protection of their interest. We design riders' equipment in accordance with different categories of delivery items to enable our riders to fulfill the orders in a safe and efficient manner. We regularly launch rider welfare activities with prizes such as free equipment, SF Intra-city "coins" (同城幣), and "benefits vouchers (權益兌換券)". We work with external partners to provide support such as vehicle rental and battery charge/swap, and phone cards to reduce the delivery cost of rider. We launched the "Rider's Home" (騎手之家) platform to encourage online sharing and communication within the community. We have also launched the online "direct channel to station managers" (站長直通車) to help riders contact managers more easily in solving their problems. During winter of 2022, we set up "convenience service stations" for riders to rest in certain northern cities by working with external partners. We also acknowledge our riders' diversified interests. We continuously upgrade our riders' rights and incentive system by enriching the benefits and by making the tasks more fun. Not only do we welcome experienced riders to join us, but we also offer extra benefits for active riders and tailored policies in support of rookie riders, which further expanded our rider pool and improved retention. Particularly, in 2022, we build the industry's first exclusive welfare guarantee for female riders with customized equipments and care for them.

We care about the safety and health of our riders. In addition to arranging daily safety course training, working hours reminders, safety information notifications and other initiatives, we have made design improvements in the safety performance of rider equipment, as well as launching a voice safety reminder function designated for and in combination with smart helmets. During the pandemic, we provided subsidies and prevention supplies to our riders to pass on the spirit of mutual assistance and overcome difficult times together.

Our Technologies

Technology is the core of our business and is the key to efficiency enhancement and cost improvement. Our City Logistics System ("CLS") has three core functions, namely business forecasting and planning, integrated order recommendation and dispatching and real-time operation monitoring, which enable us to optimize riders' scheduling in different industries and scenarios across complex delivery networks. Our highly efficient real-time order dispatching system supports our complex delivery network, which has different layers of geographical coverage, including store level, business district level and city level. With the threefold delivery network above, we are able to dynamically and flexibly adjust the dispatch of orders, shorten delivery time and lower delivery costs.

For merchants, as an open and neutral third-party platform, we have continued to strengthen our ability to connect their order sources from different channels, platforms, and private domains, with intelligent distribution and planning, and strive to become the first choice for service providers based on the growing trend of multi-channel traffic in the future.

For riders, we prioritize order recommendation in related with business categories around designated rider groups to ensure consistent service quality and improvement of rider loyalty. In addition, the system will also account for factors such as rookie riders, female riders and other groups to support them in terms of scheduling, thereby reflecting corporate care on a technical level.

In 2022, based on the accumulation of our technology capabilities, we launched the “SF Intra-city Delivery Cloud” (豐配雲) SaaS real-time logistics system to provide one-stop intra-city logistics solutions for delivery service providers and brands with self-delivery business. The core functions of the “SF Intra-city Delivery Cloud” system comprises of multi-scenario intelligent scheduling, full-process operation management system, big-data assisted intelligent operation center and high-precision intelligent order forecasting system. These functions cover all aspects of intra-city on-demand delivery which enable service providers and merchants to access multi-channel orders and efficiently manage the full process, thereby improving their efficiency and achieving cost-saving.

In order to further improve our delivery capability and deployment of smart delivery network, we successfully launched our on-demand drone delivery service, providing a new service experience for our customers and the merchants.

Outlook

Looking back to 2022, facing the external uncertainties and the challenges of the pandemic, we emphasized on the long-term sustainable and high-quality development of our business, and successfully enhanced our profitability while achieving steady growth in our core business.

Looking forward to 2023, as part of the intra-city delivery infrastructure, we will strive to seize the opportunities arising from multi-channel traffic, local retail development and third party on-demand delivery service. We are confident in the development of the industry and the future of the Group. We plan to fully leverage on our advantages and continue to focus on high-quality growth, improved profitability, and steady development.

Our services go beyond the delivery. We hope to bring more extensive value creation to the customers and the society. Based on the trend of “bring all you need to your side”, the demands and scenarios of intra-city on-demand delivery services are increasingly diversified. We have also been striving to expand our service boundaries, and to become an open platform for local lifestyle service that connects all parties to create a new business model consisting of local service together, with a view to achieving the mission of “bring enjoyable lifestyle to your fingertips”.

FINANCIAL REVIEW

The following table sets forth the comparative figures for the years ended December 31, 2021 and 2022.

Consolidated Statement of Comprehensive Income

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	10,265,191	8,173,953
Cost of revenue	(9,851,834)	(8,079,144)
Gross profit	413,357	94,809
Selling and marketing expenses	(201,928)	(270,348)
Research and development expenses	(96,557)	(123,441)
Administrative expenses	(509,150)	(655,132)
Other income	50,951	44,847
Other gains, net	14,046	731
Net impairment losses of financial assets	(1,969)	(4,477)
Operating loss	(331,250)	(913,011)
Finance income	45,009	18,055
Finance costs	(2,606)	(7,630)
Finance income, net	42,403	10,425
Loss before income tax	(288,847)	(902,586)
Income tax credit	1,944	3,735
Loss for the year	(286,903)	(898,851)
Loss attributable to		
– Owners of the Company	(286,903)	(898,851)

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Losses per share (expressed in RMB per share)		
– Basis and diluted losses per share (in RMB)	(0.31)	(1.28)
Other comprehensive loss		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(5,414)	–
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	(589)	–
Other comprehensive loss for the period, net of tax	(6,003)	–
Total comprehensive loss for the period	(292,906)	898,851
Total comprehensive loss for the period attributable to:		
– Owners of the Company	(292,906)	898,851
Key Balance Sheet Items		
	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Total non-current assets	677,218	375,555
Total current assets	3,425,455	3,833,360
Total assets	4,102,673	4,208,915
Total non-current liabilities	17,311	20,505
Total current liabilities	1,068,825	878,967
Total liabilities	1,086,136	899,472
Total equity	3,016,537	3,309,443
Total equity and liabilities	4,102,673	4,208,915
Net current assets	2,356,630	2,954,393

REVENUE

The following table sets forth our revenue by line of business for the years ended December 31, 2021 and 2022 respectively.

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Intra-city on-demand delivery service	10,228,787	8,159,897
Intra-city delivery service	6,548,394	5,089,644
(1) To Merchants (<i>i.e. to B</i>)	4,649,671	3,882,508
(2) To Consumers (<i>i.e. to C</i>)	1,898,723	1,207,136
Last-mile delivery service	3,680,393	3,070,253
Others	36,404	14,056
Total	10,265,191	8,173,953

Revenue increased significantly by 25.6% to RMB10,265.2 million for the year ended December 31, 2022, compared to RMB8,174.0 million for the year ended December 31, 2021, mainly due to (i) our commitment to building a healthy and robust business structure by providing high quality, efficient and stable real-time delivery services; and (ii) our in-depth cultivation and strong performance within diversified service scenarios such as delivery in a broad range of sectors including the food and beverage and retail sectors, lower-tier cities and personalised services.

Cost of Revenue

The following table sets forth our cost of revenue by category for the years ended December 31, 2021 and 2022 respectively.

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Labour outsourcing costs	9,633,718	7,918,221
Employee benefit expenses	23,589	32,550
Cost of material	59,868	48,475
Amortization of intangible assets	63,435	43,022
Depreciation of property, plant and equipment	1,892	1,679
Depreciation of right-of-use assets	7,922	2,657
Others	61,410	32,540
Total	9,851,834	8,079,144

Cost of revenue increased by 21.9% to RMB9,851.8 million for the year ended December 31, 2022, compared to RMB8,079.1 million for the year ended December 31, 2021, mainly due to the expansion of our business and the increase of order volume which in turn led to the growth in our rider pool.

Gross Profit and Margin

As a result of the foregoing, our gross profit and margin for the year ended December 31, 2022 was RMB413.4 million and 4.0% respectively, compared to the gross profit and margin of RMB94.8 million and 1.2% respectively for the year ended December 31, 2021. The gross profit increased significantly in 2022, which is mainly due to (i) a healthy growth in our revenue and further enhanced economies of scale and network effect; (ii) the traction of high-value orders through our differentiated services; (iii) the achieving of better efficiency of our delivery network; and (iv) the improvement in the efficiency of resource allocation and utilisation attributable to our continuous efficient management, refinement of operational quality and other initiatives.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 25.3% to RMB201.9 million for the year ended December 31, 2022, compared to RMB270.3 million for the year ended December 31, 2021, mainly due to the impact of the pandemic causing reduced offline and online promotion and marketing activities.

Research and Development Expenses

Our research and development expenses decreased by 21.7% to RMB96.6 million for the year ended December 31, 2022, compared to RMB123.4 million for the year ended December 31, 2021, mainly due to the reduction of share-based compensation expenses for our research and development staff.

Administrative Expenses

Our administrative expenses decreased by 22.3% to RMB509.2 million for the year ended December 31, 2022, compared to RMB655.1 million for the year ended December 31, 2021, mainly due to the reduction of share-based compensation expenses and listing expenses, partially offset by the increase in salaries, bonuses and outsourcing expenses arising from enlarged management team and increased outsourced personnel to accommodate business growth.

Other Income

Our other income increased by 13.8% to RMB51.0 million for the year ended December 31, 2022, compared to RMB44.8 million for the year ended December 31, 2021, mainly due to the increased deduction of value-added tax.

Finance Income, Net

Our finance income, net increased from RMB10.4 million for the year ended December 31, 2021 to RMB42.4 million for the year ended December 31, 2022, mainly due to (i) the increase in finance income due to the substantial increase in funds through the Series B financing and our Global Offering in December 2021; and (ii) a reduction in finance costs due to the absence of borrowings during the reporting period.

Income Tax Credit

Our income tax credit decreased by 48.6% from RMB3.7 million for the year ended December 31, 2021 to RMB1.9 million for the year ended December 31, 2022, mainly due to reduced provision for deferred income tax assets.

Loss for the Year and Net Loss Margin

As a result of the foregoing, we had a loss of RMB286.9 million in the year ended December 31, 2022, compared to a loss of RMB898.9 million in the year ended December 31, 2021, mostly due to (i) an increase in gross profit as a result of continued growth in our revenue and improvements in operational efficiency, delivery efficiency and refined management, and (ii) a reduction in share-based compensation expenses.

Non-IFRS Measure: Adjusted Net Loss

To supplement our consolidated results which are prepared and presented in accordance with the International Financial Reporting Standards (the “IFRS”), we adopted the non-IFRS adjusted net loss as an additional financial measure. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management.

We define adjusted loss for the year as loss for the year adjusted by adding back share-based compensation expenses. Share-based compensation expenses are non-operational expenses arising from granted restricted shares to selected employees, the amount of which may not directly correlate with the underlying performance of our business operations. Thus, these expenses are neither related to our ordinary course of business nor indicative of our ongoing core operating performance. Therefore, we believe that these items should be adjusted for when calculating our adjusted net loss in order to provide investors and management with a complete and fair understanding of our core operating results and financial performance, so that they can assess our underlying core operating results and financial 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.

Nonetheless, our presentation of such non-IFRS measure may not be comparable to similarly titled measures presented by other companies. Furthermore, 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 conditions as reported under IFRS.

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

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of net loss to adjusted net loss		
(non-IFRS measure)		
Net loss for the year	(286,903)	(898,851)
Add:		
Share-based compensation expenses	–	231,430
Adjusted net loss (non-IFRS measure) (unaudited)	<u>(286,903)</u>	<u>(667,421)</u>

Liquidity and Financial Resources

Other than the funds raised through our Global Offering in December 2021, we have historically funded our cash requirements principally from capital contribution from shareholders/financing through borrowings from related party. We had cash and cash equivalents of RMB1,458.0 million as of December 31, 2022, compared to the balance of RMB2,538.2 million as of December 31, 2021. The following table sets forth our cash flows for the years indicated:

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before changes in working capital	(243,059)	(609,645)
Changes in working capital	(216,642)	59,455
Interest received	45,009	18,055
Net cash used in operating activities	(414,692)	(532,135)
Net cash used in investing activities	(644,191)	(415,078)
Net cash (used in)/generated from financing activities	(21,899)	3,219,632
Net (decrease)/increase in cash and cash equivalents	(1,080,782)	2,272,419
Cash and cash equivalents at the beginning of the year	2,538,226	263,468
Effects of exchange rate changes on cash and cash equivalents	580	2,339
Cash and cash equivalents at the end of the year	<u>1,458,024</u>	<u>2,538,226</u>

Net Cash Used in Operating Activities

Cash used in our operations primarily comprises our profit before income tax adjusted by non-cash items and changes in working capital.

For the year ended December 31, 2022, net cash used in operating activities was RMB414.7 million, which was mainly attributable to our loss before income tax of approximately RMB288.8 million, as adjusted by: (i) non-cash and non-operating items, primarily consisted of amortization and depreciation of assets and income of financial assets (accounted at fair value and which movement are included in the profit and loss) of approximately RMB90.7 million; and (ii) changes in working capital of approximately RMB216.6 million.

Net Cash Used in Investing Activities

For the year ended December 31, 2022, net cash used in investing activities was RMB644.2 million, which was mainly attributable to our (i) investments in financial assets; (ii) investments in intangible assets and purchases of fixed assets; and (iii) investment in equity investment fund.

Net Cash Generated from Financing Activities

For the year ended December 31, 2022, net cash used in financing activities was RMB21.9 million, which was mainly attributable to the payment of lease liabilities.

Gearing Ratio

Our gearing 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. As at December 31, 2022, given that the cash and cash equivalents exceed the aggregation of total borrowings and lease liabilities, gearing ratio is no longer calculated.

Financial Assets Measured at Fair Value through Profit or Loss

Our financial assets measured at fair value through profit or loss increased from RMB330.1 million as of December 31, 2021 to RMB812.1 million as of December 31, 2022, mainly due to our purchases of structured deposit products and private fund investments.

Borrowings

As of December 31, 2022, we did not have outstanding borrowing.

Capital Commitments

The following table sets forth our capital commitments as of the dates indicated.

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Investment accounted for using the equity method	35,000	—
Intangible assets	<u>—</u>	<u>1,823</u>
	<u>35,000</u>	<u>1,823</u>

Capital Expenditure

The following table sets forth a breakdown of our capital expenditures for the periods indicated.

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Payment for intangible assets	99,214	86,027
Payment for property, plant and equipment	<u>9,353</u>	<u>13,917</u>
Total	<u>108,567</u>	<u>99,944</u>

Lease Commitments and Arrangements

The table below lists the future minimum lease payments under non-cancellable leases according to their remaining term to maturity.

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
With 1 year	2,765	4,165
Between 1 to 2 year	<u>320</u>	<u>39</u>
	<u>3,085</u>	<u>4,204</u>

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For the financial year ended December 31, 2022, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Participation in an Equity Investment Fund

On December 6, 2022, Shenzhen SF Intra-city Logistics Co., Ltd. (深圳市順豐同城物流有限公司) (“**Shenzhen Intra-city**”) (a subsidiary of the Company) entered into the Xiamen Xiaoyu Qingcheng Venture Investment Partnership (limited partnership) Partnership Agreement (《廈門小雨青城創業投資合夥企業(有限合夥)合夥協議》) to establish Xiamen Xiaoyu Qingcheng Venture Investment Partnership (limited partnership) (廈門小雨青城創業投資合夥企業(有限合夥)) (the “**Fund**”). The Fund mainly invests in unlisted enterprises in the fields of intelligence, low carbon and new opportunity areas in local lifestyle service. The target size of the Fund is RMB500 million, of which Shenzhen Intra-city agreed to contribute no more than RMB50 million or 45% of the total capital contribution of the Fund, whichever is lower.

As of December 31, 2022, the Fund has been registered in the Xiamen Administration for Market Regulation, and has a capital contribution of RMB121.25 million. Please refer to the Company’s announcement dated December 6, 2022 for details.

Financial Risks

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 three types of risks, which arise from foreign exchange rates, price risk and cash flow and fair value interest rate.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities’ functional currency.

As of December 31, 2022, the Group had HKD7 million cash in bank (as at December 31, 2021: HKD2,105 million cash in bank which was generated from the Global Offering), which is different from the functional currency of RMB and exposed to foreign exchange risk. If the RMB strengthened/weakened by 1% against the HKD with all other variables held constant, net loss before tax for the year would have been RMB69,000 higher/lower (as at December 31, 2021: if the RMB strengthened/weakened by 1% against the HKD with all other variables held constant, net loss before tax would have been RMB17.2 million higher/lower).

The Group does not hedge against any fluctuation in foreign currencies during the year.

Price risk

The Group’s exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet either as financial assets at FVOCI. To manage its price risk arising from the investments, the Group diversifies its portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group’s liquidity level simultaneously. Each investment is managed by management on a case by case basis.

Cash Flow and Fair Value Interest Rate Risk

As of December 31, 2022, we had no significant interest rate risk as we did not hold any long-term interest-bearing debt.

Pledge of Assets

As of December 31, 2022, restricted cash amounting to RMB2 million were pledged to banks to secure fulfillment of contracts with certain customers.

Contingent Liabilities

As of December 31, 2022, we did not have any material contingent liabilities.

Future Plans for Material Investments and Capital Assets

As of December 31, 2022, we did not have other plans for material investments and capital assets.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Completion of the H Share Full Circulation

The Company received official approval from the China Securities Regulatory Commission in respect of the conversion of 78,947,684 unlisted domestic shares of the Company into H shares and the listing thereof on the Stock Exchange (the “**Conversion and Listing**”) on August 18, 2022, and was granted of approval by the Stock Exchange for implementation of the Conversion and Listing on September 9, 2022.

On February 6, 2023, the conversion of 78,947,684 unlisted domestic shares of the Company into H shares had been completed, and the listing of the converted H Shares on the Stock Exchange commenced on February 7, 2023. Details of the Conversion and Listing can be referred to the Company’s announcements dated May 5, 2022, August 18, 2022, September 9, 2022, February 2, 2023 and February 6, 2023, respectively.

Save as disclosed above, the Group had no other material events during the period from January 1, 2023 to the approval date of the consolidated financial statements by the Board of Directors on March 28, 2023.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2022, the Group had a total of 2,178 full-time employees.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer competitive remuneration packages for our employees, which generally include salary and bonuses. We also provide benefits, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and other national statutory insurances, housing provident fund schemes to our employees.

Furthermore, we have labour unions that protect employees' rights, help fulfil economic objectives and encourage employee participation in management decisions.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at December 31, 2022, the Company had not entered into any off-balance sheet arrangements.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2022.

USE OF PROCEEDS FROM THE LISTING

During the Reporting Period, the Group has gradually used the proceeds from the initial public offering for the intended purposes set out in the prospectus of the Company dated November 30, 2021 (the “**Prospectus**”). The unused net proceeds from the Global Offering (as defined in the Prospectus) were approximately HK\$1,107.4 million after deducting underwriting commissions and offering expenses paid or payable. See the table below for details regarding the amount of net proceeds that the Company has utilised up until December 31, 2022:

Purpose	Net proceeds from the Listing available (HK\$ million)	Actual net amount utilised for the year ended December 31, 2022 (HK\$ million)	Unused net proceeds up to December 31, 2022 (HK\$ million)	Expected timeline for utilising unutilised net amount
Research and development and technology infrastructure	718.0	232.7	485.3	by end of 2023
Expand the Company's service coverage	410.3	410.3	–	N/A
Funding the potential strategic acquisition of and investment in upstream and downstream businesses along the industry value chain	410.3	–	410.3	by end of 2024
Marketing and branding	307.7	95.9	211.8	by end of 2023
Working capital and general corporate use	205.2	205.2	–	N/A
Total	2,051.5	944.1	1,107.4	

As of December 31, 2022, the Group has utilised approximately HK\$944.1 million of the proceeds for the intended purposes set out in the Prospectus, accounting for 46.0% of all raised funds, and the remaining unutilised proceeds is approximately HK\$1,107.4 million. The balance of the proceeds from the Global Offering will continue to be utilised according to the intended purposes as mentioned above.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining and promoting stringent corporate governance to safeguard the interests of the Shareholders and to enhance our corporate value. The principle of the Group's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operation are conducted in accordance with applicable laws and regulations, to enhance the transparency of the Board, and to strength accountability to all shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14, Part 2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Save as disclosed herein, the Group has complied with the code provisions contained in the CG Code throughout the Reporting Period and up to the date of this announcement.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors of the Group, all the Directors confirmed that they have strictly complied with the Model Code throughout the Reporting Period and up to the date of this announcement.

Purchase, Sale or Redemption of the Company's Listed Securities

Throughout the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange.

Sufficiency of public float

The Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1) of the Listing Rules, so that the minimum percentage of the 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 (as defined in the Prospectus), of the enlarged issued share capital of the Company. Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained the aforementioned minimum public float required by the Stock Exchange throughout the Reporting Period.

Pursuant to the completion of the H Share Conversion and Listing on February 7, 2023, to the best knowledge of the Directors, the H Shares currently regarded as held by the public has increased to approximately 28.92%.

Audit Committee and Review of Financial Information

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code 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. The audit committee comprises three members, namely Mr. Wong Hak Kun, Mr. Chan Kok Chung, Johnny and Mr. Li Qiuyu, with Mr. Wong Hak Kun (being our independent non-executive Director with the appropriate professional qualifications) as chair of the Audit Committee.

The Audit Committee has reviewed annual results and the consolidated financial statements of the Group for the year ended December 31, 2022 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and PricewaterhouseCoopers, the auditor of the Company (the “**Auditor**”).

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in the preliminary results announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary results announcement.

Annual General Meeting

The annual general meeting is scheduled to be held on June 6, 2023 (the “**AGM**”). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

Closure of Register of Members

The register of members of the Company will be closed from June 1, 2023 to June 6, 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents of H shares accompanied by the relevant shares certificates must be lodged with the Company’s H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on May 31, 2023.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at <https://www.sf-cityrush.com/>. The annual report of the Group for the year ended December 31, 2022 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company’s shareholders by April 27, 2023.

APPRECIATION

The Board would like to express its gratitude to all of our customers, suppliers, riders and partners, and all shareholders for their understanding, support and trust, with which all employees of the Group, will continue to work diligently as one in the long run.

By order of the Board
Hangzhou SF Intra-City Industrial Co., Ltd.
Mr. Chan Fei
Chairman and non-executive Director

PRC, March 28, 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Sun Haijin, Mr. Tsang Hoi Lam and Mr. Chen Lin, as executive Directors; Mr. Chan Fei, Mr. Xu Zhijun, Mr. Li Qiuyu and Mr. Han Liu, as non-executive Directors; and Mr. Chan Kok Chung, Johnny, Mr. Wong Hak Kun, Mr. Zhou Xiang and Ms. Huang Jing, as independent non-executive Directors.