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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

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 six months ended June 30, 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period ended June 30, 2022. Unless otherwise defined, capitalised terms used herein shall have the same meanings as given to them in the prospectus dated November 30, 2021 issued by the Company (the “**Prospectus**”).

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

FINANCIAL HIGHLIGHTS

- Our revenue from continuing operations increased from RMB4,464.0 million for the six months ended June 30, 2022 to RMB5,749.2 million for the six months ended June 30, 2023, representing an increase of 28.8%.
- We have achieved a gross profit and a gross profit margin from continuing operations of RMB383.4 million and 6.7% in the six months ended June 30, 2023, compared with a gross profit of RMB180.6 million and a gross profit margin of 4.0% in the six months ended June 30, 2022.
- Our net profit and net profit margin from continuing operations for the six months ended June 30, 2023 was RMB44.6 million and 0.8%. Our net profit and net profit margin attributable to owners of the Company was RMB30.3 million and 0.5% for the Reporting Period. We achieved a turnaround from loss to profit.
- The Board has resolved not to recommend the distribution of an interim dividend for the six months ended June 30, 2023 (the six months ended June 30, 2022: nil).

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
Continuing operations			
Revenue	3	5,749,191	4,463,963
Cost of revenue	4	<u>(5,365,762)</u>	<u>(4,283,351)</u>
Gross profit		<u>383,429</u>	<u>180,612</u>
Selling and marketing expenses	4	(92,837)	(81,837)
Research and development expenses	4	(41,248)	(34,532)
Administrative expenses	4	(240,180)	(227,027)
Other income		16,520	34,690
Other gains/(losses), net		6,877	(6,263)
Net impairment losses of financial assets		<u>(4,003)</u>	<u>(1,622)</u>
Operating profit/(loss)		<u>28,558</u>	<u>(135,979)</u>
Finance income		19,375	22,902
Finance costs		<u>(1,741)</u>	<u>(1,156)</u>
Finance income, net		<u>17,634</u>	<u>21,746</u>
Share of loss of joint ventures accounted for using the equity method		<u>(586)</u>	<u>–</u>
Profit/(loss) before income tax		<u>45,606</u>	<u>(114,233)</u>
Income tax expenses	5	<u>(1,030)</u>	<u>–</u>
Profit/(loss) for the period from continuing operations		<u>44,576</u>	<u>(114,233)</u>
Discontinued operation			
Loss for the period from discontinued operation		<u>(14,262)</u>	<u>(29,707)</u>
Profit/(loss) for the period		<u>30,314</u>	<u>(143,940)</u>
Profit/(loss) for the period attributable to			
– Owners of the Company		<u>30,314</u>	<u>(143,940)</u>

	<i>Notes</i>	Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Restated)
			(Unaudited)
Earnings/(losses) per share for profit/loss from continuing operations attributable to owners of the Company (expressed in RMB per share)			
– Basis and diluted earnings/losses per share (in RMB)		0.05	(0.12)
		<u>0.05</u>	<u>(0.12)</u>
Earnings/(losses) per share for profit/loss attributable to owners of the Company (expressed in RMB per share)			
– Basis and diluted earnings/losses per share (in RMB)	6	0.03	(0.15)
		<u>0.03</u>	<u>(0.15)</u>
Profit/(loss) for the period		30,314	(143,940)
		<u>30,314</u>	<u>(143,940)</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		8,262	–
		<u>8,262</u>	<u>–</u>
Other comprehensive income for the period, net of tax		8,262	–
		<u>8,262</u>	<u>–</u>
Total comprehensive income/(loss) for the period		38,576	(143,940)
		<u>38,576</u>	<u>(143,940)</u>
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		38,576	(143,940)
		<u>38,576</u>	<u>(143,940)</u>
Total comprehensive income/(loss) for the period attributable to owners of the Company arises from:			
Continuing operations		52,838	(114,233)
Discontinued operation	11	(14,262)	(29,707)
		<u>52,838</u>	<u>(114,233)</u>
		<u>(14,262)</u>	<u>(29,707)</u>
		<u>38,576</u>	<u>(143,940)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		11,559	14,799
Intangible assets		133,041	186,799
Right-of-use assets		28,115	40,103
Investments accounted for using the equity method		14,414	15,000
Financial assets at fair value through other comprehensive income		63,545	63,545
Financial assets at fair value through profit or loss		–	210,522
Deferred income tax assets		152,465	146,034
Other non-current assets		399	416
Total non-current assets		403,538	677,218
Current assets			
Inventories		11,723	15,576
Trade receivables	7	1,121,898	1,092,539
Other receivables and prepayments		183,491	255,751
Financial assets at fair value through profit or loss		819,316	601,565
Cash and cash equivalents		1,501,068	1,460,024
Total current assets		3,637,496	3,425,455
Total assets		4,041,034	4,102,673
EQUITY			
Equity attributable to owners of the Company			
Share capital		933,458	933,458
Share premium		4,161,560	4,161,560
Shares held for employee incentive scheme		(653)	–
Other reserves		833,319	825,057
Accumulated losses		(2,873,224)	(2,903,538)
Total equity		3,054,460	3,016,537

	<i>Notes</i>	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>11,122</u>	<u>17,311</u>
Total non-current liabilities		<u>11,122</u>	<u>17,311</u>
Current liabilities			
Trade payables	8	556,796	616,886
Other payables and accruals		345,177	382,057
Contract liabilities		55,856	46,658
Lease liabilities		<u>17,623</u>	<u>23,224</u>
Total current liabilities		<u>975,452</u>	<u>1,068,825</u>
Total liabilities		<u>986,574</u>	<u>1,086,136</u>
Total equity and liabilities		<u><u>4,041,034</u></u>	<u><u>4,102,673</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

Hangzhou SF Intra-city Industrial Co., Ltd. (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, Chenchuang 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. (“**Mingde Holding**”), which is incorporated in the PRC with limited liability. The intermediate holding company of the Company is S.F. Holding Co., Ltd. (“**SF Holding**”), which is incorporated in the PRC with limited liability, and the shares of SF Holding have been listed on Shenzhen Stock Exchange. The parent company of the Company is SF Taisen Holdings Group Co., Ltd. and the ultimate controlling party of the Group is Mr. Wang Wei.

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

The interim financial information comprises the interim condensed consolidated statement of financial position as at June 30, 2023, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of material accounting policies and other explanatory notes (the “**Interim Financial Information**”).

The Interim Financial Information is presented in Renminbi (“**RMB**”) and rounded to nearest thousand yuan, unless otherwise stated.

1.2 Basis of preparation

The Interim Financial Information has been prepared in accordance with the International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”. The interim report does not include all the notes of the type normally included in annual financial statements. Accordingly, the Interim Financial Information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board, as set out in the 2022 annual report of the Company dated March 28, 2023 (the “**2022 Financial Statements**”).

2 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the 2022 Financial Statements, except for the estimation of income tax and the adoption of new and amended standards as set out below.

Taxes on income for the interim period are accrued using the estimated tax rates that would be applicable to expected total annual assessable profit.

2.1 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, 2023:

IFRS 17	Insurance contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies
Amendments to IAS 8	Definition of accounting estimates
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction

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

2.2 New standards and amendments to standards not yet adopted by the Group

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for periods commencing on or after January 1, 2023 and have not been early adopted by the Group. These standards or amendments 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
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16	Lease liability in sale and leaseback	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

3 SEGMENT INFORMATION AND REVENUE

The chief operating decision-maker (“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.

Shanghai Fengzan Technology Co., Ltd. and its subsidiaries, wholly owned subsidiaries of the Company, the principal activities of which were online group catering platform and delivery services, were disposed of in May 2023. For details, please refer to Note 11. Following the disposal, the CODM considers that the Group’s operations are operated and managed as a single operating segment which is intra-city on-demand delivery service business under the requirements of IFRS 8 “Operating Segments” and therefore no segment information is presented.

(a) **Revenue by business line and nature**

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Restated) (Unaudited)
Continuing operations		
Intra-city on-demand delivery service revenue (i)	<u>5,749,191</u>	<u>4,463,963</u>

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

(b) **Unsatisfied performance obligations**

For Intra-city on-demand delivery service, they are rendered normally in a single day and there is no unsatisfied performance obligation at the end of financial periods.

(c) **Geographical information**

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

(d) **Information about major customers**

The Group's revenue derived from major customers, which individually contributed 10% or more of the Group's total revenue was as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Restated) (Unaudited)
Subsidiaries of SF Holding	<u>2,355,281</u>	<u>1,542,768</u>

4 **EXPENSES BY NATURE**

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Restated) (Unaudited)
Continuing Operations		
Labour outsourcing costs	5,304,861	4,235,254
Employee benefit expenses	247,893	233,922
Information service expenses	32,325	26,645
Costs of materials	26,798	25,527
Marketing and promotion expenses	20,768	13,196
Amortization of intangible assets	20,141	25,263
Call center service expenses	16,347	11,982
Office and rental expenses	14,311	14,492
Depreciation of right-of-use assets	12,751	8,959
Professional service expenses	5,900	7,804
Travelling expenses	5,643	3,561
Depreciation of property, plant and equipment	3,454	4,197
Other taxes and surcharges	1,109	1,275
Insurance expenses	398	387
Others	27,328	14,283
	<u>5,740,027</u>	<u>4,626,747</u>

5 INCOME TAX EXPENSES

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

(a) PRC corporate income tax ("CIT")

CIT was made on the taxable profit 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 six months ended June 30, 2023 and 2022.

The Company's subsidiaries, Beijing Shunda Tongxing Technology Co., Ltd and Shanghai Fengzan Technology Co., Ltd (disposed of during the period ended June 30, 2023, please refer to note 11 for details), are qualified as "high and new technology enterprises" and, accordingly, were eligible for a preferential income tax rate of 15% for the six months ended June 30, 2023.

(b) 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 six months ended June 30, 2023.

(c) Income tax credits are recognised based on management's best knowledge of the income tax rates that would be applicable to the full financial year.

6 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share from Continuing Operations and Discontinued Operation

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) for the periods attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the six months ended June 30, 2023 and 2022.

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity owners of the Company (RMB'000)	30,314	(143,940)
Weighted average number of shares in issue	933,457,148	933,457,707
Earnings/(losses) per share (in RMB)	<u>0.03</u>	<u>(0.15)</u>

(b) Earnings/(losses) per share from Continuing Operations

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity owners of the Company (RMB'000)	44,576	(114,233)
Weighted average number of shares in issue	933,457,148	933,457,707
Earnings/(losses) per share (in RMB)	<u>0.05</u>	<u>(0.12)</u>

(c) Diluted losses per share

There were no potential dilutive ordinary shares from Continuing Operations and Discontinued Operation during the year ended June 30, 2023 (six months ended June 30, 2022: Nil).

7 **TRADE RECEIVABLES**

	As at June 30, 2023 <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Trade receivables		
– third parties	560,305	511,534
– related parties	566,345	583,852
	<u>1,126,650</u>	<u>1,095,386</u>
Impairment loss allowance	(4,752)	(2,847)
	<u><u>1,121,898</u></u>	<u><u>1,092,539</u></u>

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

	As at June 30, 2023 <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Within 30 days	903,415	911,928
30 to 180 days	223,235	183,458
	<u>1,126,650</u>	<u>1,095,386</u>

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

	Six months ended June 30, 2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
At the beginning of the period	(2,847)	(2,595)
Provision of impairment allowance		
– Continuing Operations	(3,992)	(1,701)
– Discontinued Operation	(4)	(6)
Written off as uncollectible	2,087	1,567
Disposal of subsidiaries	4	–
At the end of the period	<u><u>(4,752)</u></u>	<u><u>(2,735)</u></u>

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

8 TRADE PAYABLES

	As at June 30, 2023 <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Trade payables to third parties	540,429	598,573
Trade payables to related parties	16,367	18,313
	<u>556,796</u>	<u>616,886</u>

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

	As at June 30, 2023 <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Within 3 months	521,621	603,164
3 months to 1 year	28,964	8,543
1 year to 2 years	1,891	5,179
2 years to 3 years	4,320	–
	<u>556,796</u>	<u>616,886</u>

9 SHARE-BASED PAYMENTS

Employee Incentive Scheme

The Company adopted an employee incentive scheme (the “**Employee Incentive Scheme**”) on April 19, 2023. To implement the Employee Incentive Scheme, the Company has set up an employee incentive scheme trust (the “**Employee Incentive Scheme Trust**”) with an independent trustee appointed by the Company to administer and hold the Company’s shares acquired. The Employee Incentive Scheme Trust purchases the shares of the Company on the Stock Exchange out of the Company’s resources in accordance with the Employee Incentive Scheme Trust agreement and in accordance with the instructions of the Company and the relevant provisions of the Employee Incentive Scheme rules. Pursuant to the Employee Incentive Scheme, eligible participants are granted trust benefit units by the Company, which correspond to a certain amount of the shares of the Company.

As the Employee Incentive Scheme Trust was set up for the employee incentive scheme which is designed by the Company, and the Company can derive benefits from the contributions of the eligible persons who are awarded with the Trust Benefit Units by the scheme, the Employee Incentive Scheme Trust is controlled by the Group in accordance with IFRS 10 – *Consolidated financial statements*. The consideration paid by the Company for purchasing the Company’s shares through the Employee Incentive Scheme Trust from the market is presented as “Shares held for employee incentive scheme” and the amount is deducted from total equity.

During the six months ended June 30, 2023, the Employee Incentive Scheme Trust has purchased 75,600 shares of the Company with approximately RMB653,000 under the Employee Incentive Scheme and no shares have been granted to any employee yet.

10 DIVIDENDS

No dividend has been paid or declared by the Group during the periods ended June 30, 2023 and 2022.

11 DISPOSAL OF SUBSIDIARIES CLASSIFIED AS DISCONTINUED OPERATION

(a) Description

On May 5, 2023, the Company as the seller, and Shenzhen Fengxiang Information Technology Co.,Ltd., a non-wholly owned subsidiary of Mingde Holding, as the purchaser (the “**Purchaser**”) entered into the sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which the Company conditionally agreed to sell, and the purchaser conditionally agreed to purchase, the entire equity interest (the “**Sale Shares**”) in the Shanghai Fengzan Technology Co., Ltd. (the “**Target Company**”) and the debts (the “**Sale Debts**”) owed by the Target Company and its subsidiaries (the “**Target Group**”) to the Company.

The Target Group is principally engaged in the online group catering platform and delivery services business. The Disposal was completed On May 10, 2023 (the “**Completion Date**”) and the companies within the Target Group ceased to be subsidiaries of the Company. The online group catering platform and delivery services business had become discontinued operation after the completion of the Disposal.

The amount of the Sale Shares after adjustment on completion was RMB85,187,765, and the amount of the Sale Debts was RMB32,000,000.

Within 6 years from the Completion Date, if the Target Company (or its related company, the “**Listing Vehicle**”) initiates the last round of financing (as approved by the Company and the Listing Vehicle) before the application for a qualified listing (the “**Pre-IPO Financing**”), the Company shall have the option (the “**Option**”) to participate in the Pre-IPO Financing on a preferential basis based on 88% of the valuation of the Listing Vehicle prior to the Pre-IPO Financing, so as to acquire up to 20% of the total share capital of the Listing Vehicle on a fully diluted basis after completion of the Pre-IPO Financing. If the Company exercises the Option, the Target Company and the Purchaser shall procure the Listing Vehicle to issue corresponding shares to the Company in accordance with the relevant provision in the Sale and Purchase Agreement. As at June 30, 2023, the directors of the Company considered the fair value of the Option was immaterial due to the development of the Target Group was at its early stage.

(b) Financial performance and cashflow information

The financial performance and the cash flow information for the period from January 1, 2023 to May 10, 2023 and for the six months ended June 30, 2022 from the Target Group are set out below:

	From January 1, 2023 to May 10, 2023 RMB'000 (Unaudited)	Six months ended June 30, 2022 RMB'000 (Unaudited)
Revenue	12,908	17,128
Cost of revenue	(11,863)	(17,534)
Selling and marketing expenses	(4,595)	(10,711)
Research and development expenses	(1,417)	(1,796)
Administrative expenses	(9,435)	(16,744)
Other items	140	(50)
Loss before income tax	(14,262)	(29,707)
Income tax expenses	-	-
Loss for the period	(14,262)	(29,707)
Net cash inflow from operating activities	38,565	35,108
Net cash inflow/(outflow) from investing activities (for the period from January 1, 2023 to May 10, 2023 includes an inflow of RMB55,671,000 from the sale of the Target Group)	39,559	(30,799)
Net cash outflow from financing activities	(410)	(411)
Net increase in cash generated by the Target Group	77,714	3,898
Loss from Discontinued Operation attributable to equity owners of the Company (RMB'000)	(14,262)	(29,707)
Weighted average number of shares in issue	933,457,148	933,457,707
Basic and diluted losses per share from discontinued operation (in RMB)	(0.02)	(0.03)

(c) **Details of the sale of the Target Group**

	Six months ended June 30, 2023 RMB'000 (Unaudited)
Consideration received:	
Cash	85,188
	<hr/>
Carrying amount of net assets sold	(85,188)
	<hr/>
Loss on sale before income tax	–
	<hr/>
Income tax expense	–
	<hr/>
Loss on sale after income tax	–
	<hr/> <hr/>
Net cash inflows arising on disposal:	
Cash consideration received	85,188
Less: total cash and cash equivalents disposed of	(29,517)
	<hr/>
Net cash inflows	55,671
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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 offer high-quality, efficient, and multi-scenario third-party on-demand delivery services to our customers.

In the first half of 2023, the consumer market gradually rebounded. Adhering to our goal of seeking long-term sustainable, high-quality and steady development, we proactively grasped the opportunities from market demands, and provided customers with cost-effective products and high-quality services. During the Reporting Period, we not only achieved healthy revenue growth but also experienced a substantial improvement in profitability, leading to our first profit turnaround. This milestone underscores the high quality of our business and our strong operational resilience.

During the Reporting Period, we achieved steady revenue growth from continuing operations, increasing by 28.8% from RMB4,464.0 million in the first half of 2022 to RMB5,749.2 million in the first half of 2023. Revenue from our intra-city delivery service grew by 15.7% from RMB2,929.2 million in the first half of 2022 to RMB3,388.0 million in the first half of 2023. Revenue from our last-mile delivery service increased by 53.8% from RMB1,534.8 million in the first half of 2022 to RMB2,361.2 million in the first half of 2023. The following table sets forth our revenue breakdown:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing Operations		
Intra-city on-demand delivery service	5,749,191	4,463,963
Intra-city delivery service	3,387,992	2,929,176
(1) To Merchants (<i>i.e. to B</i>)	2,418,746	2,156,370
(2) To Consumers (<i>i.e. to C</i>)	969,246	772,806
Last-mile delivery service	2,361,199	1,534,787
Total	5,749,191	4,463,963

During the Reporting Period, we continued to witness a remarkable enhancement in our financial performance, achieving a profit turnaround from net loss earlier than expected. This accomplishment was driven by: (i) a strong growth in our revenue, enhanced economies of scale and network effect; (ii) an efficient operational bedrock driven by technologies, with higher efficiency of our delivery networks; and (iii) continuously refined management to improve resource utilization efficiency and productivity, thereby achieving a continuous improvement in gross profit

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.

margin and expense ratio. We achieved a gross profit from continuing operations of RMB383.4 million with a gross profit margin from continuing operations of 6.7% for the six months ended June 30, 2023, reaching a historical high and demonstrating significant improvement compared to a gross profit of RMB180.6 million and a gross profit margin of 4.0% for the same period in last year. Our net profit from continuing operations was RMB44.6 million for the six months ended June 30, 2023, resulting in a turnaround from loss to profit. The net profit margin from continuing operations also substantially improved, reaching 0.8% for the first half of 2023.

Intra-city Delivery

Our intra-city delivery services generated a 15.7% year-on-year increase in revenue to RMB3,388.0 million for the six months ended June 30, 2023. The steady and high-quality growth in revenue was attributable to: (i) the steady growth in non-food delivery scenarios² with revenue increased by 19.7% year-on-year to RMB1,258.0 million in the first half of 2023, due to the increasing number of participants and on-demand delivery scenarios under the trends of the local lifestyles and on-demand retail, as well as the accelerating consumption habits of “what you see is what you get”; (ii) the continuing expansion in high-quality on-demand delivery services and personal errand service to consumers, with a strong growth in annual active consumers³ and achieving a growth in revenue of 25.4% year-on-year to RMB969.2 million in the first half of 2023; (iii) the further extension of our reach to markets of lower-tier cities and counties⁴, and continuous expansion of our reach within these cities and counties to increase service penetration, with a growth in revenue of 20.2% year-on-year to RMB1,244.2 million in such markets in the first half of 2023; (iv) our efforts in building of an hour-level delivery network capabilities in response to the speed-up for intra-city express deliveries; and (v) our comprehensive logistics capabilities enabling us to provide professional and high-quality on-demand delivery services to customers, catering to diverse needs and delivery requirements.

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 the first half of 2023, intra-city delivery to merchants achieved a year-on-year increase of 12.2% in revenue to RMB2,418.7 million.

During the Reporting Period, we continued to increase our efforts to broaden the channels for the attraction of high-quality merchants from high-potential business districts and cities and counties by improving the offline fulfilment experience to provide merchants with better user experience and higher operational efficiency. We focused on understanding merchants’ profiles, dynamically adjusted operational strategies, optimized the merchants structure, and achieved significant and qualitative business growth. For the 12 months ended 30 June 2023, the annual number of active merchants⁵ on the platform reached 380 thousand, representing a year-on-year increase of 27.2%.

2 “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.

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

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 business model and differentiated network capabilities align with the diverse on-demand service demands of both food and non-food businesses. Leveraging the insights from industries and customers, we have formed an industry solution for the on-demand delivery industry with differentiated competitive barriers. For example, we offered reverse logistic services for e-commerce and intra-city on-demand delivery business from warehouses to stores. Merchant customers could improve service experience of their own customers by using our on-demand delivery offerings. In the first half of 2023, delivery revenue from tea and beverages category increased by 80% year-on-year. Retail categories, including pharmaceuticals, cosmetics, maternity and baby products, pets supplies and jewelry, achieved an over 100% year-on-year growth. We continued to deepen our cooperation with brands such as YSB (藥師幫), Chando (自然堂) and Chow Sang Sang (周生生) among others.

We rapidly expanded and strengthened the capacity of our nationwide delivery networks to enhance high-quality fulfilment capabilities. Our flexible network can swiftly accommodate needs of different types of customers, such as expanding the number of stores, enlarging the reach of delivery of stores, and extending operating hours. In the first half of 2023, we helped customers rapidly launch and develop new stores and home delivery businesses in lower-tier markets. We strengthened the operational efficiency of business districts around the stores of our top customers, effectively achieving network integration and comprehensive efficiency improvement, thus ensuring stable delivery fulfilment. Our “delivery within half a day” (半日達), “Two-wheels + Four-wheels”⁶ and other services have experienced rapid development. Additionally, the matched four-wheels delivery capacity has doubled compared to the same period last year, further consolidating our long-distance and heavy-weight delivery network capabilities. Meanwhile, the flexibility of our delivery network continued to be a significant advantage, enabling us to uphold our commitment to service quality and stability during peak periods such as e-commerce festivals promotional campaigns and holidays and under bad weather conditions. The fluctuations in the fulfillment in-time rate⁷ during holidays and bad weather were narrowed to less than 2.5 percentage points and 3.0 percentage points respectively. In the first half of 2023, the overall average delivery distance⁸ continued to grow, the fulfillment in-time rate was approximately 95%. The average delivery time of orders within 3km has improved to 22 minutes.

As one of the third-party on-demand delivery service providers with the broadest and deepest access to the platforms, we continued to proactively embrace the trend of diversified traffic by committing efforts to build an ecosystem with major local lifestyle service platforms: (i) being one of the first major on-demand delivery service providers to integrate with Douyin “group purchase and delivery” (團購配送), we have been continuously deepening and expanding our co-operation scenarios and scale, and comprehensively covering Douyin Supermarket (抖音超市) delivery within an hour, live-streaming e-commerce and other on-demand retail-to-home services. We participated in the formulation of on-demand delivery standards with the platform, bringing a “see-now-buy-now-get-now” consumption experience for users; (ii) we have engaged in multi-scenario cooperation within the Alibaba ecosystem, particularly with Tmall Supermarket (天貓超市). As one of the major service providers, we offered solutions services of “delivery within

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.

8 “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.

an hour” (小時達) and “delivery within half a day” (半日達), doubling the relevant revenue in the first half of 2023 compared to the same period last year. We successfully supported the platform to deliver high-quality and efficient order fulfilment experience to users in the peak period of many e-commerce festivals; (iii) we have also deepened our partnership with WeChat, cooperating with the WeChat takeaways delivery locator (微信門店快送) to continuously expand service coverage to more cities; and (iv) we have integrated with Didi Fast Delivery (滴滴快送), leveraging their strong capabilities to create a high-quality on-demand delivery experience, providing intra-city services covering over 300 cities and further expanding our multi-faceted user service ecosystem. Currently, we continue to explore opportunities and experiment with different new collaborative scenarios alongside multiple strategic partners. By harnessing high-quality and efficient on-demand logistics experiences, we aim to contribute to the thriving new ecosystem of local lifestyle services.

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 the first half of 2023, our service to Credit Customers⁹ with SF Holding Group has led to a contribution of RMB105.7 million in our revenue from external customers, representing a year-on-year growth of 21.9%.

Intra-city Delivery to Consumers

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 cover personal life and work scenarios such as daily errands, medical and healthcare, and business agency services. These services helped to strengthen the consumers’ mindset that “SF Intracity is the best delivery choice for urgent and valuable items”. In the first half of 2023, revenue from our intra-city delivery for consumers reached RMB969.2 million, representing a year-on-year growth of 25.4%. The revenue growth was mainly attributable to (i) the increasingly stronger consumption habits of “what you see is what you get”; (ii) gaining our consumers’ acknowledgement and trust through our quality service; and (iii) on-demand delivery effectively meeting the speed-up demand for intra-city express delivery and accelerating the penetration of intra-city users. The number of annual active consumers⁹ continued to expand, reaching over 18.5 million for the 12 months ended June 30, 2023, representing a year-on-year increase of 50.3%.

During the Reporting Period, we actively seized new opportunities in the on-demand consumer market to drive revenue growth. For example, we strengthened our service capabilities in central business districts (CBDs) and office areas and explored delivery demands of individuals in work and business scenarios. We proactively optimized branding and channel marketing strategies, which led to improved customer acquisition efficiency and higher new user conversion rates, with self-owned channels being the primary contributor. We continuously refined our operation

9 “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.

tactics and improved the membership system, driving retention and repeating orders among core individual consumers. In line with our brand positioning, our “Safe Delivery” (安心送) for delivery of valuable items provides full-process monitoring and speedy insurance claim process services, which are well-received by consumers. We introduced the “Smart Delivery Time Estimation” (智慧时效) feature, offering users more accurate delivery time expectations. Additionally, we refined the delivery process and improved service quality in personal service scenarios, ultimately enhancing consumers’ experience. Based on this, we continued to expand unique personal service scenarios, such as partnering with local governments in elderly care scenarios and providing high-quality community services.

In the first half of 2023, we persisted in optimizing service quality for individual consumers, aiming to provide a superior delivery experience through high-standard delivery processes. 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 further improve service quality.

Last-mile Delivery

Our last-mile delivery service serves as a flexible supplement to all aspects of logistics service providers. In the first half of 2023, our scalable and flexible delivery network has catered to the multi-dimensional needs of customers to bolster their supply chain capabilities and accelerate their intra-city logistics as well as intra-city courier service. In terms of timeliness, our flexible delivery network has been equipped to offer services on an hour-level or minute-level, optimizing the efficiency of traditional courier networks. Additionally, products such as “delivery within half a day” contributed to increased business volume for our customers. In terms of service, our flexible network effectively addressed capacity challenges in-between unbalanced orders and delivery network during peak order periods, ensuring a seamless and steady fulfillment process. This capability has simultaneously expedited various logistics processes and supported personalized services. In terms of efficiency, our enhanced network integration has empowered logistics service providers to improve their delivery efficiency while reducing operational costs.

Revenue from our last-mile delivery service increased by 53.8% year-on-year, reaching RMB2,361.2 million for the six months ended June 30, 2023. The high growth was mainly attributable to: (i) leveraging our hour-level and minute-level flexible delivery network to meet the need of traditional logistics services acceleration and to deepen collaboration in diversified transport and delivery scenarios, including “parcels collection”, “delivery within half a day”, and “delivery within an hour”; (ii) the steady increase in cooperation scale with major customers as we solidify their delivery network capabilities, leading to more efficient business integration; and (iii) a year-on-year increase in delivery volume during peak periods such as the Spring Festival and the 618 Shopping Festival, reaching a new peak.

Our Riders

Riders are our closest business partners. We have a flexible rider pool to service the nationwide coverage of our network. For the 12 months ended June 30, 2023, the number of active riders¹⁰ on our platform further expanded to over 860,000, representing a year-on-year growth of 23.3%. We focused on the quality growth in terms of both existing business as well as exploration of new

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

business lines, thereby strengthening the economies of scale. 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, to achieve personal growth. We have enriched the online learning resources offered by the Rider Academy (騎手學院), designing courses around topics that riders are most concerned about, including income enhancement, emergency handling, and safety. The participation rate of riders in online courses has significantly increased compared to the same period last year. Additionally, we have introduced a series of courses exclusively for female riders, covering topics such as family, women's rights protection, experience sharing, and health.

We attach great importance to our riders' platform experience and the protection of their interest. As the number of riders grows, their demands become more diverse. We conduct regular rider satisfaction surveys and perform targeted optimizations based on issues concerning riders, thereby creating a good community communication and cultural atmosphere. We have upgraded our riders' rights and incentive system to enrich benefits and enhance missions' attractiveness, and further improved the retention rates of the riders. We design corresponding rider equipments based on different categories and update the equipments according to rider feedback and business needs.

We also care for the safety and health of our riders. In addition to providing daily safety training, working hours reminders, safety information notifications, and safety riding activities, we have introduced the Guideline on Rider Safety and Accident Control guiding regional teams to better implement rider safety management in daily operations. During the Reporting Period, our accident rate has continually improved compared to the same period last year.

Our Technologies

Technology is the core of our business and is the key to efficiency enhancement and cost improvement. We are committed to advancing digitalization and intelligent decision-making in all business operations. Our City Logistics System (CLS) comprises three core functions: intelligent business planning and marketing management, integrated rider dispatch and intelligent order distribution, and smart operational optimization. Based on big data analysis and AI algorithms, the system can effectively predict order demand fluctuations and comprehensively coordinate factors such as rider distribution and dispatch, route planning, acceptance willingness and subsidies, store waiting time, and delivery time. This enables optimal matching between orders and riders in different industries, scenarios, and complex delivery networks, improving delivery efficiency and reducing delivery costs.

For merchants, as a neutral and open third-party platform, we continue to strengthen our ability to connect merchants with different channels, platforms, and private traffic, providing intelligent distribution and planning to help merchants enhance digital operations efficiency and generate revenue amidst the trend of decentralized traffic.

For riders, we continuously optimize our dispatch and route planning capabilities to improve the efficiency of rider-to-order matching and reduce delivery difficulty, helping riders increase personal productivity and income. The system also enhances rider experience in combination with our riders' rights system, providing personalized dispatch support, and leveraging technology to complement company care, considering the needs of new riders, female riders, and other groups.

Leveraging our accumulated technological capabilities, we have further promoted the “SF Intra-city Delivery Cloud” (豐配雲) SaaS real-time logistics system, providing one-stop intra-city logistics solutions for delivery service providers and brands with their own delivery teams. The core functions of the “SF Intra-city Delivery Cloud” system cover all aspects of intra-city delivery, effectively adapting to the delivery needs of different types of merchants, empowering delivery service providers and businesses to achieve omnichannel order and end-to-end efficient management, thereby improving their efficiency and achieving cost-saving.

Outlook

Looking back at the first half of 2023, the demand for local lifestyle services remained robust, which in turn brought vitality to our business. We successfully maintained healthy and sustainable growth in our core business and achieved a milestone of recording an early turnaround to net profit. Overall, our operating results continued to improve.

Looking ahead, as part of the intra-city delivery infrastructure, we will actively seize the market opportunities arising from diversified traffic, local retail development, and the continuous penetration of third-party on-demand delivery services. Going beyond delivery, we will leverage our capabilities and advantages in local lifestyle and on-demand delivery services, focusing on serving customers, industries, and society, and bringing about broader value creation. Simultaneously, we will achieve high-quality business growth and sustainable profit improvement, thereby better fulfilling our mission of “bring enjoyable lifestyle to your fingertips”.

FINANCIAL REVIEW

The following table sets forth the comparative figures for the six months ended June 30, 2022 and 2023.

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Revenue	5,749,191	4,463,963
Cost of revenue	<u>(5,365,762)</u>	<u>(4,283,351)</u>
Gross profit	<u>383,429</u>	<u>180,612</u>
Selling and marketing expenses	(92,837)	(81,837)
Research and development expenses	(41,248)	(34,532)
Administrative expenses	(240,180)	(227,027)
Other income	16,520	34,690
Other gains/(losses), net	6,877	(6,263)
Net impairment losses of financial assets	<u>(4,003)</u>	<u>(1,622)</u>
Operating profit/(loss)	<u>28,558</u>	<u>(135,979)</u>
Finance income	19,375	22,902
Finance costs	<u>(1,741)</u>	<u>(1,156)</u>
Finance income, net	<u>17,634</u>	<u>21,746</u>
Share of loss of joint ventures accounted for using the equity method	<u>(586)</u>	<u>—</u>
Profit/(loss) before income tax	<u>45,606</u>	<u>(114,233)</u>
Income tax expenses	<u>(1,030)</u>	<u>—</u>
Profit/(loss) for the period from continuing operations	<u>44,576</u>	<u>(114,233)</u>
Discontinued operation		
Loss for the period from discontinued operation	<u>(14,262)</u>	<u>(29,707)</u>
Profit/(loss) for the period	<u>30,314</u>	<u>(143,940)</u>
Profit/(loss) for the period attributable to		
– Owners of the Company	<u>30,314</u>	<u>(143,940)</u>

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Restated)
		(Unaudited)
Earnings/(losses) per share for profit/loss from continuing operations attributable to owners of the Company (expressed in RMB per share)		
– Basis and diluted earnings/(losses) per share (in RMB)	<u>0.05</u>	<u>(0.12)</u>
Earnings/(losses) per share for profit/loss attributable to owners of the Company (expressed in RMB per share)		
– Basis and diluted earnings/(losses) per share (in RMB)	<u>0.03</u>	<u>(0.15)</u>
Profit/(loss) for the period	<u>30,314</u>	<u>(143,940)</u>
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	8,262	–
Other comprehensive income for the period, net of tax	<u>8,262</u>	<u>–</u>
Total comprehensive income/(loss) for the period	<u>38,576</u>	<u>(143,940)</u>
Total comprehensive income/(loss) for the period attributable to:		
– Owners of the Company	<u>38,576</u>	<u>(143,940)</u>
Total comprehensive income/(loss) for the period attributable to owners of the Company arises from:		
Continuing operations	52,838	(114,233)
Discontinued operation	<u>(14,262)</u>	<u>(29,707)</u>
	<u>38,576</u>	<u>(143,940)</u>

Key balance Sheet Items

	As at June 30, 2023 <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Total non-current assets	403,538	677,218
Total current assets	3,637,496	3,425,455
Total assets	4,041,034	4,102,673
Total non-current liabilities	11,122	17,311
Total current liabilities	975,452	1,068,825
Total liabilities	986,574	1,086,136
Total equity	3,054,460	3,016,537
Total equity and liabilities	4,041,034	4,102,673
Net current assets	2,662,044	2,356,630

Continuing Operations

The following discussions and analysis are in relation to our continuing operations unless otherwise indicated.

Revenue

The following table sets forth our revenue by line of business for the six months ended June 30, 2022 and 2023 respectively.

	Six months ended June 30, 2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Restated) (Unaudited)
Intra-city on-demand delivery service	5,749,191	4,463,963
Intra-city delivery service	3,387,992	2,929,176
(1) To Merchants (<i>i.e. to B</i>)	2,418,746	2,156,370
(2) To Consumers (<i>i.e. to C</i>)	969,246	772,806
Last-mile delivery service	2,361,199	1,534,787
Total	5,749,191	4,463,963

Revenue increased by 28.8% to RMB5,749.2 million for the six months ended June 30, 2023, compared to RMB4,464.0 million for the six months ended June 30, 2022, mainly due to (i) increase in order density, improvement in business structure and further enhancement in network economies of scale; and (ii) continuously improvement in order fulfillment capabilities in various market segments and the attraction of more quality customers through specialised and differentiated services.

Cost of Revenue

The following table sets forth our cost of revenue by category for the six months ended June 30, 2022 and 2023 respectively.

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Restated)
	(Unaudited)	(Unaudited)
Labour outsourcing costs	5,268,351	4,195,071
Amortization of intangible assets	16,385	21,754
Cost of material	26,667	24,747
Employee benefit expenses	13,983	17,628
Depreciation of right-of-use assets	6,777	2,586
Depreciation of property, plant and equipment	786	853
Others	32,813	20,712
	<u>5,365,762</u>	<u>4,283,351</u>
Total	<u>5,365,762</u>	<u>4,283,351</u>

Cost of revenue increased by 25.3% to RMB5,365.8 million for the six months ended June 30, 2023, compared to RMB4,283.4 million for the six months ended June 30, 2022, mainly due to the expansion of the rider pool as a result of the increase in business scale and order volume.

Gross Profit and Margin

As a result of the foregoing, our gross profit and margin for the six months ended June 30, 2023 was RMB383.4 million and 6.7% respectively, compared to the gross profit and margin of RMB180.6 million and 4.0% respectively for the six months ended June 30, 2022. The change in gross profit is mainly due to (i) technology-driven lean and efficient operational bedrock, (ii) further enhancement of economies of scale as a result of revenue growth; and (iii) continuous refinement of management and control to improve the resource utilization efficiency.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 13.4% to RMB92.8 million for the six months ended June 30, 2023, compared to RMB81.8 million for the six months ended June 30, 2022, mainly due to (i) increase in online and offline advertising; and (ii) increase in investments in customer call center service due to business growth.

Research and Development Expenses

Our research and development expenses increased by 19.4% to RMB41.2 million for the six months ended June 30, 2023, compared to RMB34.5 million for the six months ended June 30, 2022, mainly due to increased investments in research and development to enhance our technological capabilities.

Administrative Expenses

Our administrative expenses increased by 5.8% to RMB240.2 million for the six months ended June 30, 2023, compared to RMB227.0 million for the six months ended June 30, 2022, mainly due to increase in employee benefit expenses.

Other Income

Our other income decreased by 52.4% to RMB16.5 million for the six months ended June 30, 2023, compared to RMB34.7 million for the six months ended June 30, 2022, mainly due to change in the policy on additional deductions for value added tax.

Finance Income, Net

Our finance income, net changed from RMB21.7 million for the six months ended June 30, 2022 to RMB17.6 million for the six months ended June 30, 2023, mainly due to decrease in our cash and cash equivalents and decrease in interest rates, resulting in decrease in interest income.

Income Tax expenses

Our income tax expenses were RMB1.0 million for the six months ended June 30, 2023 mainly due to payment of corporate income tax in Mainland China.

Profit for the Period from Continuing Operations

As a result of the foregoing, we had a net profit from continuing operations of RMB44.6 million in the six months ended June 30, 2023, compared to a net loss of RMB114.2 million in the six months ended June 30, 2022, mainly due to (i) strong revenue growth, increase in order density, optimal business structure, and further improvement in network economies of scale; and (ii) technology-driven lean and efficient operational bedrock, enhancement in resource utilization efficiency, and continued improvement in gross profit margin and expense ratio.

Discontinued operation

Our net loss from discontinued operation for the six months ended 30 June 2023 was RMB14.3 million, compared to a net loss of RMB29.7 million for the six months ended 30 June 2022.

Profit/(loss) for the period and Net Profit/(Loss) Margin

As a result of the foregoing, we achieved a turnaround from loss to profit during the six months ended June 30, 2023, recording a net profit and a net profit margin (after taking in to account loss from discontinued operation) of RMB30.3 million and 0.5%, as compared to a net loss and a net loss margin of RMB143.9 million and 3.2 % for the six months ended June 30, 2022.

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 RMB1,501.1 million as of June 30, 2023, compared to the balance of RMB1,741.7 million as of June 30, 2022. The following table sets forth our cash flows for the six months indicated:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating cash flows before changes in working capital	52,714	(121,440)
Changes in working capital	(30,849)	(152,802)
Interest received	19,398	22,954
Income tax paid	(6,937)	—
Net cash generated from/(used in) operating activities	34,326	(251,288)
Net cash generated from/(used in) investing activities	23,645	(535,511)
Net cash used in financing activities	(15,313)	(10,029)
Net increase/(decrease) in cash and cash equivalents	42,658	(796,828)
Cash and cash equivalents at the beginning of the period	1,458,024	2,538,226
Effects of exchange rate changes on cash and cash equivalents	386	321
Cash and cash equivalents at the end of the period	<u>1,501,068</u>	<u>1,741,719</u>

Net Cash Generated from Operating Activities

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

For the six months ended June 30, 2023, net cash generated from operating activities was RMB34.3 million, which was mainly attributable to our profit before income tax of approximately RMB31.3 million, as adjusted by: (i) non-cash and non-operating items, primarily comprising amortization and depreciation of assets and gain from fair value adjustments of financial assets of approximately RMB40.7 million; and (ii) changes in working capital of approximately RMB30.8 million, and (iii) payment of income tax of approximately RMB6.9 million.

Net Cash Generated from Investing Activities

For the six months ended June 30, 2023, net cash generated from investing activities was RMB23.6 million, which was mainly attributable to our (i) disposal of Shanghai Fengzan Technology Co., Ltd. and its subsidiaries; (ii) gains from structured deposit products; and (iii) investments in intangible assets and purchase of fixed assets.

Net Cash Used in Financing Activities

For the six months ended June 30, 2023, net cash used in financing activities was RMB15.3 million, which was mainly attributable to 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 June 30, 2023, 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 RMB812.1 million as of December 31, 2022 to RMB819.3 million as of June 30, 2023, mainly due to fluctuation in the exchange rate of our financial assets.

Borrowings

As of June 30, 2023, we did not have any outstanding borrowing.

Capital Commitments

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Investment accounted for using the equity method	<u>35,000</u>	<u>35,000</u>

Capital Expenditures

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

	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Payment for intangible assets	39,070	53,109
Payment for property, plant and equipment	<u>2,034</u>	<u>3,117</u>
Total	<u>41,104</u>	<u>56,226</u>

Lease Commitments and Arrangements

Leases not yet commenced to which the Group is committed are as follows:

	As at June 30, 2023 <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Within 1 year	4,066	2,765
Between 1 to 2 years	4,194	320
Between 2 to 3 years	2,917	–
	11,177	3,085

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On May 5, 2023, the Company as vendor and Shenzhen Fengxiang Information Technology Co., Ltd. (深圳豐享信息技術有限公司) as purchaser (the “**Purchaser**”, a non-wholly owned subsidiary of one of the Company’s controlling shareholders) entered into the sale and purchase agreement (the “**Sale and Purchase Agreement**”) pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the sale shares (the “**Sale Shares**”) and the sale debts (the “**Sale Debts**”).

Pursuant to the Sale and Purchase Agreement, the Sale Shares represented the entire equity interest in the Shanghai Fengzan Technology Co., Ltd. (上海豐贊科技有限公司) (the “**Target Company**”, which was a wholly owned subsidiary of the Company before completion of this transaction) and were in the amount of RMB92,438,400 (subject to the adjustment on completion and the amount of the Sale Shares after adjustment on completion was RMB85,187,765), and the Sale Debts represented the debts owed by the Target Company and its subsidiaries to the Company and were in the amount of RMB32,000,000. The final aggregate consideration was RMB117,187,765. The conditions precedent pursuant to the Sale and Purchase Agreement had been fulfilled and the completion took place on May 10, 2023 (the “**Completion Date**”).

Within 6 years from the Completion Date, if the Target Company (or its related company, the “**Listing Vehicle**”) initiates the last round of financing (as approved by the Company and the Listing Vehicle) before the application for a qualified listing (the “**Pre-IPO Financing**”), the Company shall have the option (the “**Option**”) to participate in the Pre-IPO Financing on a preferential basis based on 88% of the valuation of the Listing Vehicle prior to the Pre-IPO Financing, so as to acquire up to 20% of the total share capital of the Listing Vehicle on a fully diluted basis after completion of the Pre-IPO Financing. If the Company exercises the Option, the Target Company and the Purchaser shall procure the Listing Vehicle to issue corresponding shares to the Company in accordance with the relevant provision in the Sale and Purchase Agreement. The Company will comply with the applicable Listing Rules when the Option is exercised.

Save as disclosed above, as of June 30, 2023, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Pledge of Assets

As of June 30, 2023, we did not have any pledge of assets.

Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities.

Future Plans for Material Investments and Capital Assets

As of June 30, 2023, 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 the filing notice issued by the China Securities Regulatory Commission (the “CSRC”) in respect of the conversion of 451,403,783 unlisted shares of the Company into H shares and the listing thereof on the Stock Exchange (the “**Conversion and Listing**”) on July 19, 2023, and was granted the listing approval by the Stock Exchange on July 25, 2023.

On July 28, 2023, the conversion of 451,403,783 unlisted shares of the Company into H shares had been completed, and the listing of the converted H Shares on the Stock Exchange commenced on July 31, 2023. Please refer to the Company’s announcements dated July 20, 2023, July 25, 2023 and July 28, 2023 for details of the Conversion and Listing.

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

EMPLOYEES AND REMUNERATION POLICY

As of June 30, 2023, we had 2,143 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.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2023.

USE OF PROCEEDS FROM THE LISTING

Our H Shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on December 14, 2021 (the “**Listing Date**”). The unused net proceeds from the Global Offering were approximately HK\$956.6 million after deducting underwriting commissions and offering expenses paid or payable as of June 30, 2023. See the table below for details regarding the amount of net proceeds that the Company has utilised up until June 30, 2023:

Purpose	Net proceeds from the Listing available (HK\$ million)	Actual net amount utilised up to June 30, 2023 (HK\$ million)	Unused net proceeds up to June 30, 2023 (HK\$ million)	Expected timeline for utilising unutilised net amount
Research and development and technology infrastructure	718.0	367.7	350.3	by the 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 the end of 2024
Marketing and branding	307.7	111.7	196.0	by the end of 2023
Working capital and general corporate use	205.2	205.2	–	N/A
Total	2,051.5	1,094.9	956.6	

As of June 30, 2023, the Group has utilised approximately HK\$1,094.9 million of the proceeds for the intended purposes set out in the Prospectus, accounting for 53.4% of all raised funds, and the remaining unutilised proceeds is approximately HK\$956.6 million. The balance of the proceeds from the Global Offering will continue to be utilised according to the intended purposes as mentioned above.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

As at the date of this announcement, the Group entered into a connected transactions in respect of the sale of the entire equity interest and sale debts of a wholly owned subsidiary of the Company to a connected person (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”)) of the Company. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. For details please refer to the Company’s announcement published on May 5, 2023.

Save as disclosed in this announcement, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining and promoting stringent corporate governance. 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 strengthen 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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Group has complied with the code provisions contained in the CG Code during the Reporting Period.

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 during the Reporting Period.

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

During the Reporting Period, save as disclosed in note 9 to the interim financial information, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the 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 respective completion of the H Share Conversion and Listing on February 7, 2023, and July 31, 2023 and to the best knowledge of the Directors, the H Shares regarded as held by the public as at July 31, 2023 has increased to approximately 35.64%.

Audit Committee and Review of Interim Financial Information

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and the CG 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 chairman of the Audit Committee.

The Audit Committee, together with PricewaterhouseCoopers, the auditor of the Company, has reviewed the Group’s unaudited Interim Financial Information for the Reporting Period. The Audit Committee has also reviewed the accounting policies adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at <https://ir.sf-cityrush.com/>. The interim report of the Group for the six months ended June 30, 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company’s shareholders by September 26, 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, August 28, 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Sun Haijin, Mr. Chan Hey Man and Mr. Chen Lin, as executive Directors; Mr. Chan Fei, 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.