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BOARD OF DIRECTORS

Executive Directors

Mr. Sun Haijin (*Chief Executive Officer*)
Mr. Chan Hey Man
Mr. Chen Lin

Non-executive Director

Mr. Chan Fei (*Chairman*)
Mr. Li Qiuyu
Mr. Han Liu
Mr. Geng Yankun (*elected on and effective from
September 20, 2023*)

Independent Non-executive Director

Mr. Chan Kok Chung, Johnny
Mr. Wong Hak Kun
Mr. Zhou Xiang
Ms. Huang Jing

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Chan Hey Man
Ms. Liu Jia

AUTHORISED REPRESENTATIVES

Mr. Chan Hey Man
Ms. Liu Jia

LEGAL ADVISORS TO OUR COMPANY

As to Hong Kong laws

Herbert Smith Freehills

23rd Floor, Gloucester Tower
15 Queen's Road Central
Hong Kong

As to PRC laws

Jia Yuan Law Offices

45F, Media Finance Center
Pengcheng 1st Road
Futian District
Shenzhen
PRC

AUDITOR

PricewaterhouseCoopers

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

REGISTERED OFFICE

Room 1626, 16th Floor
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Zhejiang Province
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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No. 3076 Xinghai Road
Nanshan District
Shenzhen City
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

China Merchant Bank Co., Ltd., Shenzhen Branch
Industrial and Commercial Bank Co., Ltd.,
Shenzhen Branch
Bank of China (Hong Kong) Limited
Industrial Bank Co., Ltd., Shenzhen Branch

COMPANY'S WEBSITE

www.sf-cityrush.com

STOCK CODE

9699

BUSINESS REVIEW

Overview

We are the largest third-party on-demand delivery service provider in China¹. As an independent 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 recovered. Adhering to our goal of 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 achieved not only healthy revenue growth but also 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 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.

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.

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 scenarios 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 “see now-buy now-get now”; (ii) the continuing expansion in high-quality on-demand delivery services and personal errand service to consumers, with a strong growth in annual active consumers 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 counties 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 merchants on the platform reached 380 thousand, representing a year-on-year increase of 27.2%.

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” 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 rate 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 distance 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 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, 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) 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 Customers 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 “see now-buy now-get now”; (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 consumers 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 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” (智慧時效) 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 the 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 riders 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 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 AI decision-making in all business operations. Our 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".

Management Discussion and Analysis

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
		(Restated)
	(Unaudited)	(Unaudited)
Continuing operations		
Revenue	5,749,191	4,463,963
Cost of revenue	(5,365,762)	(4,283,351)
Gross profit	383,429	180,612
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	(4,003)	(1,622)
Operating profit/(loss)	28,558	(135,979)
Finance income	19,375	22,902
Finance costs	(1,741)	(1,156)
Finance income, net	17,634	21,746
Share of loss of joint ventures accounted for using the equity method	(586)	–
Profit/(loss) before income tax	45,606	(114,233)
Income tax expenses	(1,030)	–
Profit/(loss) for the period from continuing operations	44,576	(114,233)
Discontinued operation		
Loss for the period from discontinued operation	(14,262)	(29,707)
Profit/(loss) for the period	30,314	(143,940)
Profit/(loss) for the period attributable to		
– Owners of the Company	30,314	(143,940)

Management Discussion and Analysis

	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)
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)	0.03	(0.15)
Profit/(loss) for the period	30,314	(143,940)
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	8,262	–
Total comprehensive income/(loss) for the period	38,576	(143,940)
Total comprehensive income/(loss) for the period attributable to:		
– Owners of the Company	38,576	(143,940)
Total comprehensive income/(loss) for the period attributable to owners of the Company arises from:		
Continuing operations	52,838	(114,233)
Discontinued operation	(14,262)	(29,707)
	38,576	(143,940)

Management Discussion and Analysis

Key balance Sheet Items

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (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 RMB'000 (Unaudited)	2022 RMB'000 (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
		(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
Total	5,365,762	4,283,351

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 June 30, 2023 was RMB14.3 million, compared to a net loss of RMB29.7 million for the six months ended June 30, 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	1,501,068	1,741,719

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.

Management Discussion and Analysis

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	35,000	35,000

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	2,034	3,117
Total	41,104	56,226

Lease Commitments and Arrangements

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (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 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 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.

The Board is pleased to present this Corporate Governance Report covering the period from January 1, 2023 to June 30, 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Corporate governance is the collective responsibility of the members of the Board, and we are committed to achieving high standards of corporate governance, which are crucial for the Company in achieving its visions and safeguarding the interests of its stakeholders. To accomplish this, the Board has applied the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules as the basis of the Company’s corporate governance practices.

Meanwhile, the Board also actively seeks opportunities to improve its corporate governance methodology, regulate its operations, improves its internal control mechanism, implements sound corporate governance and disclosure measures, and ensures that the Company’s operations are in line with the long-term interests of the Company and its shareholders as a whole.

During the Reporting Period and up to the date of this report, the Company has complied with the CG Code. The Company continues to monitor developments in the area of corporate governance externally to ensure the suitability and robustness of its corporate governance framework in light of the evolving business and regulatory environment and to meet the expectations of stakeholders.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Group has adopted the Model Code as the Group’s code of conduct regarding the Directors’ securities transactions. Having made specific enquiry with all the Directors of the Group, all the Directors confirmed that they have strictly complied with the Model Code during the Reporting Period.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at June 30, 2023, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or underlying Shares of our Company

Name of Director, Supervisor and chief executive	Class of Shares	Nature of Interest	Number of Shares interested ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total issued Shares of the Company
Sun Haijin	Domestic Shares	Interest of controlled corporation ⁽²⁾	48,162,096 (L)	9.52%	5.16%
	H Shares	Interest of controlled corporation ⁽²⁾	16,936,304 (L)	5.46%	1.81%
Chen Lin	Domestic Shares	Others ⁽³⁾	5,627,110 (L)	1.11%	0.60%
	H Shares	Others ⁽³⁾	2,188,321 (L)	0.71%	0.23%
Li Qiuyu	Domestic Shares	Others ⁽⁴⁾	279,368 (L)	0.06%	0.03%
	H Shares	Others ⁽⁴⁾	108,643 (L)	0.04%	0.01%
Xu Zhijun	Domestic Shares	Others ⁽⁵⁾	30,319 (L)	0.01%	0.00%
	H Shares	Others ⁽⁵⁾	11,791 (L)	0.00%	0.00%
Su Xiaohui	Domestic Shares	Others ⁽⁶⁾	1,632,599 (L)	0.32%	0.17%
	H Shares	Others ⁽⁶⁾	634,899 (L)	0.20%	0.07%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Shenzhen Tonglu Zhiyuan Investment Co., Ltd ("Tonglu Zhiyuan", 深圳市同路致遠投資有限公司) is the general partner of Ningbo Shunxiang and was owned by Mr. Sun Haijin as to 99%. Ningbo Shunxiang is beneficial owner of the Company. The completion of the conversion of unlisted Domestic Shares held by Ningbo Shunxiang into H Shares on February 7, 2023 resulted in a decrease of the percentage level of the interest held by Mr. Sun.
- (3) Mr. Chen Lin is a limited partner of Ningbo Shunxiang and Yinghe Fengrui. Ningbo Shunxiang and Yinghe Fengrui are beneficial owners of the Company.
- (4) Mr. Li Qiuyu is a limited partner of Yinghe Fengrui and Tianwo Kangzhong. Yinghe Fengrui and Tianwo Kangzhong are beneficial owners of the Company.
- (5) Mr. Xu Zhijun is a limited partner of Yinghe Fengrui. Yinghe Fengrui is a beneficial owner of the Company. According to the announcement of the Company dated August 28, 2023, Mr. Xu Zhijun resigned as a Director with effect from August 28, 2023, and subsequently his shareholding shall not constitute Shares that need to be disclosed.
- (6) Ms. Su Xiaohui is a limited partner of Ningbo Shunxiang. Ningbo Shunxiang is a beneficial owner of the Company.
- (7) According to the disclosure of interest notice of director of the Company in July 2023, Mr. Chan Hey Man was granted trust beneficial right pursuant to the relevant employee incentive scheme, and is a beneficial owner of the Company.

Interest in shares or underlying shares of the associated corporation of the Company

Name of Director, Supervisor and chief executive	Name of Associated Corporation	Nature of Interest	Number of Shares interested ⁽¹⁾	Percentage of the issued share capital of the associated corporation ⁽²⁾
Chan Fei	SF Holding	Beneficial owner ⁽³⁾	488,000 (L)	0.01%
Li Qiuyu	SF Holding	Beneficial owner ⁽³⁾	272,000 (L)	0.01%
Xu Zhijun	SF Holding	Beneficial owner ⁽³⁾	272,000 (L)	0.01%
Chan Hey Man	SF Holding	Beneficial owner ⁽³⁾	76,000 (L)	0.00%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the associated corporation.
- (2) The information is disclosed based on the data available on the website of the Stock Exchange (www.hkexnews.hk).
- (3) Mr. Chan Fei, Mr. Li Qiuyu, Mr. Xu Zhijun and Mr. Chan Hey Man has or is deemed to have interest in 488,000, 272,000, 272,000 and 76,000 underlying shares of equity derivatives of S.F. Holding Co., Ltd. respectively. As of July 2023, due to the lapse of options on the underlying shares held, Mr. Chan Hey Man's shareholding became 0; as of August 2023, due to the partial cancellation of options on the underlying shares held, the number of Shares held by Mr. Chan Fei and Mr. Li Qiuyu changed to 366,000 Shares and 204,000 Shares.

Save as disclosed above and so far as is known to the Directors, Supervisors and chief executives of the Company, as at 30 June 2023, none of the Directors, Supervisors or chief executive of the Company had or was deemed to have any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at June 30, 2023, so far as is known to the Directors, the following persons (not being Directors, Supervisors or chief executives of the Company) had, or were deemed to have, interests or shorts positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Interest in Shares or Underlying Shares of our Company

Name of Substantial Shareholder	Class of Shares	Nature of Interest	Number of Shares interested ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total issued Shares of the Company
Wang Wei	Domestic Shares	Interest of controlled corporation ⁽²⁾	416,929,796 (L)	82.38%	44.67%
	Unlisted Foreign Shares		117,076,764 (L)	100%	12.54%
Shenzhen Mingde Holding Development Co., Ltd.	Domestic Shares	Interest of controlled corporation ⁽²⁾	416,929,796 (L)	82.38%	44.67%
	Unlisted Foreign Shares		117,076,764 (L)	100%	12.54%
S.F. Holding Co., Ltd.	Domestic Shares	Beneficial owner, interest of controlled corporation ⁽²⁾	416,929,796 (L)	82.38%	44.67%
	Unlisted Foreign Shares		117,076,764 (L)	100%	12.54%
Shenzhen S.F. Taisen Holding (Group) Co., Ltd.	Domestic Shares	Beneficial Owner	343,529,796 (L)	67.88%	36.80%
	Domestic Shares	Interest of controlled corporation ⁽³⁾	73,400,000 (L)	14.50%	7.86%
	Unlisted Foreign Shares		117,076,764 (L)	100%	12.54%
SF Technology Co., Ltd.	Domestic Shares	Interest of controlled corporation ⁽³⁾	73,400,000 (L)	14.50%	7.86%
Beijing SF Intra-city Technology Co., Ltd.	Domestic Shares	Beneficial Owner	73,400,000 (L)	14.50%	7.86%

Name of Substantial Shareholder	Class of Shares	Nature of Interest	Number of Shares interested ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total issued Shares of the Company
Shining Star Fund, L.P.	H Shares	Beneficial Owner ⁽⁴⁾	37,157,800 (L)	11.97%	3.98%
Duckling Fund, L.P.	H Shares	Beneficial Owner ⁽⁴⁾	16,957,753 (L)	5.46%	1.82%
Sharp Land Development Limited	H Shares	Beneficial Owner	20,000,000 (L)	17.08%	2.14%
Alibaba Group Holding Limited	H Shares	Interest of controlled corporation ⁽⁵⁾	51,844,000 (L)	16.71%	5.55%
Taobao Holding Limited	H Shares	Interest of controlled corporation ⁽⁵⁾	51,844,000 (L)	16.71%	5.55%
Taobao China Holding Limited	H Shares	Beneficial Owner ⁽⁵⁾	51,844,000 (L)	16.71%	5.55%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) SF Taisen is wholly owned by SF Holding. SF Holding is a non-wholly owned subsidiary of Mingde Holding, which in turn was held by Mr. Wang Wei as to approximately 99.90%. As such, each of Mr. Wang Wei, Mingde Holding and SF Holding are deemed to be interested in the Shares which SF Taisen is deemed to be interested in.
- (3) SF Holding Limited is the beneficial owner of 117,076,764 Unlisted Foreign Shares of the Company and is a wholly-owned subsidiary of SF Taisen. Intra-city Tech is indirectly majority owned by SF Technology, a wholly-owned subsidiary of SF Taisen. As such, SF Taisen is deemed to be interested in the Shares held by SF Holding Limited and Intra-city Tech; and SF Technology is deemed to be interested in the Shares held by Intra-city Tech.
- (4) Shining Star and Duckling Fund each is indirectly controlled by Mr. Eric Li.
- (5) Taobao China Holding Limited (淘寶中國控股有限公司) is a Cornerstone Investor of our Company. Taobao China Holding Limited is a direct wholly-owned subsidiary of Taobao Holding Limited, which is in turn a direct wholly-owned subsidiary of Alibaba Group Holding Limited. As such, Alibaba Group Holding Limited and Taobao Holding Limited were deemed to be interested in the H Shares held by Taobao China Holding Limited.

Save as disclosed above, as at June 30, 2023, the Directors of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, save as disclosed in note 21 to the Interim Financial Information of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL INFORMATION

The Company has established an 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.

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%.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company are set out below:

1. Since January 2023, Mr. Sun Haijin has been awarded The 5th New Award – “30 New Influencers in 2022” (第五屆新獎- “2022 新影響力30 人”) by Caijing New Media and New Young Entrepreneur in Shenzhen (深圳市新銳青年企業家) by Shenzhen Municipal Committee of the Communist Youth League and Shenzhen Youth Federation in April 2023.
2. Since January 2023, Mr. Chan Kok Chung, Johnny has been appointed as an ordinary member of the Market Misconduct Tribunal by the Financial Secretary of the HKSAR.
3. Since February 2023, Ms. Liu Jia has obtained the qualification certificate for board secretary of listed companies issued by the Shenzhen Stock Exchange.
4. In March 2023, Mr. Tsang Hoi Lam resigned as an executive Director, the chief financial officer, joint company secretary and authorised representative under the Listing Rules and resigned as a supervisor of multiple subsidiaries of the Company in April 2023.
5. In March 2023, Mr. Chan Hey Man was appointed as the chief financial officer and a joint company secretary of the Company. In April 2023, he was appointed as an executive Director, authorised representative of the Company under the Listing Rules and a supervisor of multiple subsidiaries of the Company.
6. In August 2023, Mr. Xu Zhijun resigned as a non-executive Director.
7. In September 2023, Mr. Geng Yankun was appointed as a non-executive Director. For details of his biographic information, please refer to the announcement dated August 28, 2023.

Save as disclosed in this interim report, there were no changes in information of Directors, Supervisors and senior management of the Company that are required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

As at the date of this report, 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 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 report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

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 on 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.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

The material events after the Reporting Period are as follows:

Completion of the H Share Full Circulation

The Company received the filing notice issued by the China Securities Regulatory Commission 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 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.

Report On Review of Interim Financial Information

To the Board of Directors of Hangzhou SF Intra-city Industrial Co., Ltd.

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

Introduction

We have reviewed the interim financial information set out on pages 28 to 68, which comprises the interim condensed consolidated statement of financial position of Hangzhou SF Intra-city Industrial Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2023 and 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 selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 28, 2023

Interim Condensed Consolidated Statement of Comprehensive Income

		Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Restated) (Unaudited)
	Notes		
Continuing operations			
Revenue	5	5,749,191	4,463,963
Cost of revenue	8	(5,365,762)	(4,283,351)
Gross profit		383,429	180,612
Selling and marketing expenses	8	(92,837)	(81,837)
Research and development expenses	8	(41,248)	(34,532)
Administrative expenses	8	(240,180)	(227,027)
Other income	6	16,520	34,690
Other gains/(losses), net	7	6,877	(6,263)
Net impairment losses of financial assets	11	(4,003)	(1,622)
Operating profit/(loss)		28,558	(135,979)
Finance income	10	19,375	22,902
Finance costs	10	(1,741)	(1,156)
Finance income, net	10	17,634	21,746
Share of loss of joint ventures accounted for using the equity method		(586)	–
Profit/(loss) before income tax		45,606	(114,233)
Income tax expenses	12	(1,030)	–
Profit/(loss) for the period from continuing operations		44,576	(114,233)
Discontinued operation			
Loss for the period from discontinued operation	27	(14,262)	(29,707)
Profit/(loss) for the period		30,314	(143,940)
Profit/(loss) for the period attributable to			
– Owners of the Company		30,314	(143,940)

Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (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)	13	0.05	(0.12)
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)	13	0.03	(0.15)
Profit/(loss) for the period		30,314	(143,940)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		8,262	–
Other comprehensive income for the period, net of tax		8,262	–
Total comprehensive income/(loss) for the period		38,576	(143,940)
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		38,576	(143,940)
Total comprehensive income/(loss) for the period attributable to owners of the Company arises from:			
Continuing operations		52,838	(114,233)
Discontinued operation		(14,262)	(29,707)
		38,576	(143,940)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Financial Position

		As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	11,559	14,799
Intangible assets	15	133,041	186,799
Right-of-use assets	16	28,115	40,103
Investments accounted for using the equity method		14,414	15,000
Financial assets at fair value through other comprehensive income	3.2	63,545	63,545
Financial assets at fair value through profit or loss	3.2	–	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	17	1,121,898	1,092,539
Other receivables and prepayments	18	183,491	255,751
Financial assets at fair value through profit or loss	3.2	819,316	601,565
Cash and cash equivalents	19	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	21	(653)	–
Other reserves	20	833,319	825,057
Accumulated losses		(2,873,224)	(2,903,538)
Total equity		3,054,460	3,016,537

Interim Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	25	11,122	17,311
Total non-current liabilities		11,122	17,311
Current liabilities			
Trade payables	22	556,796	616,886
Other payables and accruals	23	345,177	382,057
Contract liabilities	24	55,856	46,658
Lease liabilities	25	17,623	23,224
Total current liabilities		975,452	1,068,825
Total liabilities		986,574	1,086,136
Total equity and liabilities		4,041,034	4,102,673

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited					Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held for employee incentive scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	
Balance at January 1, 2023	933,458	4,161,560	–	825,057	(2,903,538)	3,016,537
Comprehensive income						
Profit for the period	–	–	–	–	30,314	30,314
Other comprehensive income						
– Translation difference	–	–	–	8,262	–	8,262
Total comprehensive income for the period	–	–	–	8,262	30,314	38,576
Transactions with owners in their capacity as owners						
Purchase of shares under employee incentive scheme (note 21)	–	–	(653)	–	–	(653)
Balance at June 30, 2023	933,458	4,161,560	(653)	833,319	(2,873,224)	3,054,460

	Unaudited					Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000		
Balance at January 1, 2022	933,458	4,161,560	831,060	(2,616,635)		3,309,443
Comprehensive loss						
Loss for the period	–	–	–	(143,940)		(143,940)
Total comprehensive loss for the period	–	–	–	(143,940)		(143,940)
Balance at June 30, 2022	933,458	4,161,560	831,060	(2,760,575)		3,165,503

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

		Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
Note		(Unaudited)	(Unaudited)
Cash flows from operating activities			
		21,865	(274,242)
		19,398	22,954
		(6,937)	–
		34,326	(251,288)
Cash flows from investing activities			
		1,409,025	1,034,138
	27(c)	55,671	–
		53	391
		(1,400,000)	(1,451,000)
		(39,070)	(54,305)
		(2,034)	(3,601)
		–	(61,134)
		23,645	(535,511)
Cash flows from financing activities			
		(14,660)	(10,029)
	21	(653)	–
		(15,313)	(10,029)
Net increase/(decrease) in cash and cash equivalents			
		42,658	(796,828)
		386	321
		1,458,024	2,538,226
		1,501,068	1,741,719

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (“SF Taisen”) 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
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

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
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the directors and senior management of the Group.

3.1 Financial risk factors

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2022 Financial Statements.

There have been no changes in the risk management policies during the six months ended June 30, 2023.

3.2 Fair value estimation

The Group made judgements and estimates in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the year.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the year. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended June 30, 2023.

3 Financial risk management (Continued)

3.2 Fair value estimation (Continued)

3.2.1 Fair value of the Group's financial assets that are measured at fair value on a recurring basis

3.2.1.1 Fair value hierarchy

As at June 30, 2023, the Group had no level 1 and level 2 financial instruments. The following table presents the Group's level 3 financial instruments as of June 30, 2023.

	Level 3 RMB'000 (Unaudited)
Financial assets at fair value through profit or loss	
Structured deposit products	601,610
Private fund investment (Note)	217,706
	819,316
Financial assets at fair value through other comprehensive income	
Equity investments in unlisted entities	63,545

As at December 31, 2022, the Group had no level 1 and level 2 financial instruments. The following table presents the Group's level 3 financial instruments as of December 31, 2022.

	Level 3 RMB'000
Financial assets at fair value through profit or loss	
Structured deposit products	601,565
Private fund investment (Note)	209,487
Others	1,035
	812,087
Financial assets at fair value through other comprehensive income	
Equity investments in unlisted entities	63,545

Note: The Group invested in fund, the investment scope of which is fixed income products.

3 Financial risk management (Continued)

3.2 Fair value estimation (Continued)

3.2.1 Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

3.2.1.2 Valuation techniques used to determine fair values

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs		Relationship of unobservable inputs to fair value
	As of June 30, 2023	As of December 31, 2022			As of June 30, 2023	As of December 31, 2022	
	RMB'000 (Unaudited)	RMB'000 (Audited)					
Financial assets at fair value through profit or loss	819,316	812,087	Discounted cash flow	Expected rate of return	0.5%-3.2%	0.5%-3.5%	The higher the expected rate of return, the higher the fair value.
Financial assets at fair value through other comprehensive income	63,545	63,545	Market approach	Discount for lack of marketability; market multiples	20%; 0.6x-5.0x	20%; 0.6x-5.8x	The higher the discount for lack of marketability, the lower the fair value. The higher the market multiples, the higher the fair value.

During the reporting period, fair value changes arose from the financial assets measured at fair value classified within Level 3 as listed in the table above were immaterial. The directors of the Company consider that any reasonable changes in the significant unobservable inputs would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented.

3 Financial risk management (Continued)

3.2 Fair value estimation (Continued)

3.2.1 Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

3.2.1.3 Reconciliation of Level 3 fair value measurements

	Financial assets at fair value through profit or loss RMB'000 (Unaudited)	Financial assets at fair value through other comprehensive income RMB'000 (Unaudited)
As of January 1, 2023	812,087	63,545
Additions	1,400,000	–
Changes in fair value	8,716	–
Disposals	(1,409,025)	–
Disposal of subsidiaries	(697)	–
Exchange difference	8,235	–
As of June 30, 2023	819,316	63,545
As of January 1, 2022	330,084	3,000
Additions	1,452,122	61,134
Changes in fair value	1,575	–
Disposals	(1,030,000)	–
As of June 30, 2022	753,781	64,134

3.2.2 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying amounts of the Group's financial assets and liabilities which are measured at amortised cost, including cash and cash equivalents, trade receivable, other receivables (excluding prepayments), trade payables and other payables (excluding non-financial liabilities) approximated their fair values due to their short maturities.

4 Critical accounting estimates and judgements

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the 2022 Financial Statements.

5 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 27. 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.

5 Segment information and Revenue (Continued)

(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⁾	5,749,191	4,463,963

(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	2,355,281	1,542,768

6 Other income

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Restated) (Unaudited)
Continuing Operations		
Tax preference (i)	15,299	24,342
Government grants (ii)	1,202	5,979
Others	19	4,369
	16,520	34,690

(i) Since April 1, 2019, taxpayers in logistics industry were allowed to enjoy additional 10% of input value-added taxes ("VAT") amount deductible from tax payable. Since January 1, 2023, taxpayers in logistics industry are allowed to enjoy additional 5% of input VAT amount deductible from tax payable. Such additional VAT deduction was recorded as "Other income".

(ii) The government grants mainly included those grants from the local government in recognition of the contribution of the Group to local economy's development.

7 Other gains/(losses), net

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Restated) (Unaudited)
Continuing Operations		
Fair value changes on financial assets at fair value through profit or loss (Note 3.2)	8,716	1,575
Net gains on disposal of property, plant and equipment	95	194
Exchange gains/(losses)	94	(7,782)
Penalty and compensation	(2,203)	(208)
Others	175	(42)
	6,877	(6,263)

Notes to the Interim Financial Information

8 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 (Note 9)	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 (Note 15)	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 (Note 16)	12,751	8,959
Professional service expenses	5,900	7,804
Travelling expenses	5,643	3,561
Depreciation of property, plant and equipment (Note 14)	3,454	4,197
Other taxes and surcharges	1,109	1,275
Insurance expenses	398	387
Others	27,328	14,283
	5,740,027	4,626,747

9 Employee benefit expenses

Employee benefit expenses are analysed as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Restated) (Unaudited)
Continuing Operations		
Wages, salaries and bonuses	244,901	222,088
Pension costs – defined contribution plans	17,727	16,665
Other employee benefits	13,682	17,415
	276,310	256,168
Less: capitalised in intangible assets	(28,417)	(22,246)
	247,893	233,922

10 Finance income, net

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Restated) (Unaudited)
Continuing Operations		
Finance income:		
Interest income on deposits in financial institutions	19,375	22,902
Finance costs:		
Interest expenses on leasing liabilities	(1,741)	(1,156)
Finance income, net:	17,634	21,746

11 Net impairment losses of financial assets

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Restated) (Unaudited)
Continuing Operations		
Provision of impairment allowance for:		
Trade receivables	3,992	1,701
Other receivables	11	(79)
	4,003	1,622

12 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 27 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.

13 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 (Unaudited)	2022 (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)	0.03	(0.15)

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

	Six months ended June 30,	
	2023 (Unaudited)	2022 (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)	0.05	(0.12)

(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).

Notes to the Interim Financial Information

14 Property, plant and equipment

	Motor vehicles	Computers and electronic equipment	Machinery and equipment	Office equipment and other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Audited)					
At December 31, 2022					
Cost	700	21,802	921	14,372	37,795
Accumulated depreciation	(543)	(14,163)	(260)	(8,030)	(22,996)
Net book amount	157	7,639	661	6,342	14,799
(Unaudited)					
Six months ended June 30, 2023					
Opening net book amount	157	7,639	661	6,342	14,799
Additions	318	680	178	1,098	2,274
Disposals	–	(41)	–	–	(41)
Disposal of subsidiaries	–	(561)	–	(1,183)	(1,744)
Depreciation					
– Continuing Operations	(55)	(2,016)	(46)	(1,337)	(3,454)
– Discontinued operation	–	(169)	–	(106)	(275)
Closing net book amount	420	5,532	793	4,814	11,559
(Unaudited)					
At June 30, 2023					
Cost	1,018	21,880	1,099	14,287	38,284
Accumulated depreciation	(598)	(16,348)	(306)	(9,473)	(26,725)
Net book amount	420	5,532	793	4,814	11,559

14 Property, plant and equipment (Continued)

	Motor vehicles	Computers and electronic equipment	Machinery and equipment	Office equipment and other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
(Audited)					
At December 31, 2021					
Cost	548	18,883	767	11,461	31,659
Accumulated depreciation	(449)	(9,523)	(177)	(4,795)	(14,944)
Net book amount	99	9,360	590	6,666	16,715
(Unaudited)					
Six months ended June 30, 2022					
Opening net book amount	99	9,360	590	6,666	16,715
Additions	148	1,864	99	1,006	3,117
Disposals	–	(184)	(2)	(1,059)	(1,245)
Depreciation					
– Continuing Operations	(58)	(1,950)	(39)	(2,150)	(4,197)
– Discontinued operation	–	(321)	–	(90)	(411)
Closing net book amount	189	8,769	648	4,373	13,979
(Unaudited)					
At June 30, 2022					
Cost	696	20,563	864	11,408	33,531
Accumulated depreciation	(507)	(11,794)	(216)	(7,035)	(19,552)
Net book amount	189	8,769	648	4,373	13,979

Depreciation of the Group's property, plant and equipment for the continuing operations has been recognised in the condensed consolidated statement of comprehensive income as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Restated) (Unaudited)
Administrative expenses	2,079	2,949
Cost of revenue	786	853
Selling and marketing expenses	262	211
Research and development expenses	327	184
	3,454	4,197

Notes to the Interim Financial Information

15 Intangible assets

	Software			Total RMB'000
	Developed internally RMB'000	Acquired RMB'000	Development costs in progress RMB'000	
	(Audited)			
At December 31, 2022:				
Cost	275,916	49,372	41,556	366,844
Accumulated amortization	(153,052)	(26,993)	–	(180,045)
Net book amount	122,864	22,379	41,556	186,799
(Unaudited)				
Six months ended June 30, 2023:				
Opening net book amount	122,864	22,379	41,556	186,799
Additions	–	495	34,346	34,841
Transfer	47,753	–	(47,753)	–
Amortization				
– Continuing Operations	(13,913)	(6,228)	–	(20,141)
– Discontinued operation	(6,675)	–	–	(6,675)
Disposal of subsidiaries	(61,783)	–	–	(61,783)
Net book amount	88,246	16,646	28,149	133,041
(Unaudited)				
At June 30, 2023:				
Cost	261,886	49,867	28,149	339,902
Accumulated amortization	(173,640)	(33,221)	–	(206,861)
Net book amount	88,246	16,646	28,149	133,041

15 Intangible assets (Continued)

	Software			Total RMB'000 (Restated)
	Developed internally	Acquired	Development costs in progress	
	RMB'000	RMB'000	RMB'000	
	(Restated)	(Restated)	(Restated)	
(Audited)				
At December 31, 2021:				
Cost	236,221	44,808	2,345	283,374
Accumulated amortization	(94,526)	(14,909)	–	(109,435)
Net book amount	141,695	29,899	2,345	173,939
(Unaudited)				
Six months ended June 30, 2022:				
Opening net book amount	141,695	29,899	2,345	173,939
Additions	–	3,129	49,980	53,109
Transfer	30,070	–	(30,070)	–
Amortization				
– Continuing Operations	(19,308)	(5,955)	–	(25,263)
– Discontinued operation	(8,953)	–	–	(8,953)
Net book amount	143,504	27,073	22,255	192,832
(Unaudited)				
At June 30, 2022:				
Cost	266,291	47,937	22,255	336,483
Accumulated amortization	(122,787)	(20,864)	–	(143,651)
Net book amount	143,504	27,073	22,255	192,832

Amortization of the Group's intangible assets for the continuing operations has been recognised in the condensed consolidated statement of comprehensive income as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Restated) (Unaudited)
Cost of revenue	16,385	21,754
Administrative expenses	3,756	3,509
	20,141	25,263

16 Right-of-use assets

	Properties
	RMB'000
(Audited)	
At December 31, 2022	
Cost	89,285
Accumulated depreciation	(49,182)
Net book amount	40,103
(Unaudited)	
Six months ended June, 2023	
Opening net book amount	40,103
Additions	3,070
Disposals	(1,148)
Disposal of subsidiaries	(773)
Depreciation	
– Continuing Operations	(12,751)
– Discontinued operation	(386)
Closing net book amount	28,115
(Unaudited)	
At June 30, 2023	
Cost	90,434
Accumulated depreciation	(62,319)
Net book amount	28,115

16 Right-of-use assets (Continued)

Properties
RMB'000
(Restated)

(Audited)	
At December 31, 2021	
Cost	65,194
Accumulated depreciation	(27,383)
Net book amount	37,811
(Unaudited)	
Six months ended June 30, 2022	
Opening net book amount	37,811
Additions	7,385
Disposals	(284)
Depreciation	
– Continuing Operations	(8,959)
– Discontinued operation	(730)
Closing net book amount	35,223
(Unaudited)	
At June 30, 2022	
Cost	72,295
Accumulated depreciation	(37,072)
Net book amount	35,223

Depreciation charge of right-of-use assets for the continuing operations was recognised in the condensed consolidated statement of comprehensive income as follow:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Restated) (Unaudited)
Cost of revenue	6,777	2,586
Administrative expenses	4,746	4,799
Research and development expenses	1,228	1,574
	12,751	8,959

Notes to the Interim Financial Information

17 Trade receivables

	As at June 30, 2023	As at December 31, 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables		
– third parties	560,305	511,534
– related parties (Note 28(d))	566,345	583,852
	1,126,650	1,095,386
Impairment loss allowance	(4,752)	(2,847)
	1,121,898	1,092,539

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

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

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(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	(4,752)	(2,735)

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

18 Other receivables and prepayments

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Other receivables		
– Value-added tax recoverable	113,578	114,464
– Payments on behalf of platform users	–	46,653
– Amounts due from related parties (Note 28(d))	40,168	66,940
– Deposits paid	11,515	10,310
– Prepaid social insurance premium	3,818	4,022
– Advances to employees	483	1,044
– Others	1,653	1,691
	171,215	245,124
Prepayments to suppliers	12,365	11,145
– Less: impairment loss allowance	(89)	(518)
	183,491	255,751

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

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	(518)	(528)
Reversal/(provision) of impairment allowance		
– Continuing Operations	(11)	79
– Discontinued operation	86	(23)
Disposal of subsidiaries	354	–
At the end of the period	(89)	(472)

Notes to the Interim Financial Information

19 Cash and cash equivalents

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Restricted cash(i)	–	2,000
Cash at banks	1,181,773	1,366,205
Cash held in other financial institutions (ii)	319,295	91,819
	1,501,068	1,460,024

- (i) As of December 31, 2022, restricted cash amounting to RMB2 million were pledged to banks to secure fulfillment of contracts with certain customers.
- (ii) As at June 30, 2023 and December 31, 2022, the Group had certain amounts of cash held in accounts managed by third party payment platforms, in the amount of RMB78.9 million and RMB18.7 million, respectively, which have been classified as cash and cash equivalents on the condensed consolidated statement of financial position.

As at June 30, 2023 and December 31, 2022, the Group had RMB240.4 million (December 31, 2022:73.1 million) held in accounts managed by SF Holding Group Finance Co., Ltd, a wholly-owned subsidiary of SF Holding which was incorporated upon approval from China Banking and Insurance Regulatory Commission (“CBIRC”) (Shen Yin Jian Fu [2016] No. 193) in 2016.

Cash and cash equivalents were denominated in the following currencies:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
RMB	1,496,882	1,453,383
HKD	3,118	6,134
USD	1,068	507
	1,501,068	1,460,024

20 Other reserves

	As at June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	825,057	831,060
Currency translation difference	8,262	–
At the end of the period	833,319	831,060

21 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.

Notes to the Interim Financial Information

22 Trade payables

	As at June 30, 2023	As at December 31, 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables to third parties	540,429	598,573
Trade payables to related parties (Note (28d))	16,367	18,313
	556,796	616,886

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

	As at June 30, 2023	As at December 31, 2022
	RMB'000	RMB'000
	(Unaudited)	(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	–
	556,796	616,886

23 Other payables and accruals

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Salaries, wage and accrued bonus	149,250	180,947
Deposits received	163,966	142,830
Amounts due to related parties (Note 28(d))	1,422	4,480
Temporary receipts	–	25,909
Other tax payable	7,937	14,027
Payables for assets purchases	889	1,948
Others	21,713	11,916
	345,177	382,057

24 Contract liabilities

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Contract liabilities – Intra-city on-demand delivery service		
– Third parties	55,590	46,478
– Related parties (Note 28(d))	266	180
Total current contract liabilities	55,856	46,658

Notes to the Interim Financial Information

25 Lease liabilities

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Minimum lease payments due		
– Within 1 year	18,300	24,314
– Between 1 and 2 years	9,261	11,884
– Between 2 and 5 years	1,726	4,794
– Later than 5 years	1,126	1,367
	30,413	42,359
Less: future finance charges	(1,668)	(1,824)
Present value of lease liabilities	28,745	40,535
At the end of the period/year		
– Within 1 year	17,623	23,224
– Between 1 and 2 years	8,521	11,482
– Between 2 and 5 years	1,524	4,534
– Later than 5 years	1,077	1,295
	28,745	40,535

The Group leases various properties to operate its businesses and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. No extension options are included in such property leases across the Group.

26 Dividends

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

27 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.

27 Disposal of subsidiaries classified as discontinued operation (Continued)

(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)

27 Disposal of subsidiaries classified as discontinued operation (Continued)

(c) Details of the sale of the Target Group

	Six months ended June 30, 2023 RMB'000 (Unaudited)
Consideration received:	
Cash	85,188
Carrying amount of net assets sold	(85,188)
Loss on sale before income tax	–
Income tax expense	–
Loss on sale after income tax	–
Net cash inflows arising on disposal:	
Cash consideration received	85,188
Less : total cash and cash equivalents disposed of	(29,517)
Net cash inflows	55,671

28 Related party transactions

(a) Names and relationships with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Members of key management and their close family members of the Group are also considered as related parties.

Save as disclosed in note 27 of this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions with the Group during the six months ended June 30, 2023 and 2022, and/or balances with the Group as of June 30, 2023 and December 31, 2022.

Name of related parties	Relationship with the Group
SF Taisen	Parent company
SF Holding	Intermediate holding company
Mingde Holding	Ultimate holding company
Subsidiaries of SF Holding	Companies controlled by SF Holding
Subsidiaries of Mingde Holding	Companies controlled by Mingde Holding
Tianjin Wulianshuntong Supply Chain Management Co., Ltd.	Joint venture of SF Holding
Shenzhen Shenghai Information Service Co., Ltd.	Joint venture of SF Holding
Beijing Shunhetongxin Technology Co., Ltd.	Joint venture of SF Holding
CR-SF International Express Co.,Ltd	Joint venture of SF Holding
Shenzhen Fengyi Technology Co., Ltd.	Associated company of Mingde Holding
Shenzhen Shun Jie Feng Da Express Co., Ltd.	Associated company of SF Holding

28 Related party transactions (Continued)

(b) Key management compensation

Key management includes directors and supervisors and senior management of the Group.

The compensation paid or payable to key management for employee services is shown below:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Wages, salaries and bonuses	4,521	4,588
Director's fees	555	394
Pension costs – defined contribution plans	107	104
Other employee benefits	165	109
	5,348	5,195

(c) Significant transactions with related parties

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Intra-city on-demand delivery business and other business revenue		
– Subsidiaries of SF Holding	2,355,281	1,542,768
– Others	1,460	1,615
	2,356,741	1,544,383
Comprehensive services and material purchasing fee (i)		
– Subsidiaries of SF Holding	37,267	48,307
– Others	3	–
	37,270	48,307
Rental expense		
– Subsidiaries of SF Holding	3	3,327

28 Related party transactions (Continued)

(c) Significant transactions with related parties (Continued)

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Outsourcing services and labor safety supplies purchasing fee		
– Subsidiaries of SF Holding	20	729
– Others	217	351
	237	1,080
Interest income of deposits (ii)		
– Subsidiaries of SF Holding	527	–

- (i) Comprehensive services and material purchasing fee mainly include the costs and expenses of technical services, call center services and integrated support services.
- (ii) During the year ended December 31, 2022, the Company entered into the Financial Service Agreement with SF Holding Group Finance Co., Ltd. a wholly owned subsidiary of SF Holding, pursuant to which SF Finance provides the Group with deposits and related services and entrusted loan services in the PRC to the members of the Group.
- (iii) Transactions with related companies are determined based on terms mutually agreed between the relevant parties.

28 Related party transactions (Continued)

(d) Balances with related parties

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Cash deposited in related party(Note 19(ii))		
– Subsidiaries of SF Holding	240,429	73,122
Trade receivables from related parties		
– Subsidiaries of SF Holding	564,998	582,401
– Others	1,347	1,451
	566,345	583,852
Prepayments to related parties		
– Subsidiaries of SF Holding	356	446
	356	446
Trade payables to related parties (i)		
– Subsidiaries of SF Holding	16,367	18,241
– Others	–	72
	16,367	18,313
Lease liabilities to related parties		
– Subsidiaries of SF Holding	11,587	14,251
– Subsidiaries of Mingde Holding	2,752	2,898
	14,339	17,149
Contract liabilities from related parties(Note 24)		
– Subsidiaries of SF Holding	266	180

28 Related party transactions (Continued)

(d) Balances with related parties (Continued)

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Amounts due from related parties (ii)		
– Subsidiaries of SF Holding	40,168	66,733
– Others	–	207
	40,168	66,940
Amounts due to related parties (iii)		
– Subsidiaries of SF Holding	1,238	4,480
– Others	184	–
	1,422	4,480

- (i) Trade payables to related parties are granted with a credit period of 30 days.
- (ii) The Company entered into the Fund Collection Service Framework Agreement with SF Holding on November 19, 2021, pursuant to which SF Holding and/or its subsidiaries will provide fund collection service to the Group. According to the agreement, SF Holding and/or its subsidiaries do not charge any commission fee for the transactions. As at June 30, 2023 and December 31, 2022, the balances were unsecured, interest-free, and collectible on demand.
- (iii) As at June 30, 2023 and December 31, 2022, the balances were unsecured, interest-free, and repayable on demand.

29 Commitments

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

	As at June 30, 2023	As at December 31, 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
With 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

Significant capital expenditures contracted for at the end of the period/year but not recognised as liabilities are as follows:

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

30 Contingency

As at June 30, 2023, the Group did not have any material contingent liabilities.

31 Subsequent events

Completion of the H Share Full Circulation

The Company received the filing notice issued by the China Securities Regulatory Commission 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 condensed consolidated financial statements by the Board of Directors on August 28, 2023.

“AI”	artificial intelligence
“active consumer(s)”	refers to the number of unique consumer accounts that purchase a particular service at least once during the prescribed period
“active merchant(s)”	refers to the number of unique merchant accounts that purchase a particular service at least once during the prescribed period.
“active rider(s)”	refers to the number of unique rider(s) who fulfil at least one order during the prescribed period.
“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
“Audit Committee”	the audit committee of our Company
“Board” or “Board of Directors”	the board of Directors of our Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only, except where the context requires, references in this annual report to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“CLS”	City Logistics System. This system utilizes big data analytics and AI technologies, featuring core functions including business forecast and planning, integrated order recommendation and dispatching and real-time operation monitoring
“Company”, “our Company” or “SF Intra-city”	Hangzhou SF Intra-city Industrial Co., Ltd. (杭州順豐同城實業股份有限公司), a joint stock company with limited liability established under the laws of the PRC on June 21, 2019
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Wang Wei, Mingde Holding, SF Holding, SF Taisen, SF Holding Limited, SF Technology and Intra-city Tech
“Conversion and Listing”	the conversion of 78,947,684 and 451,403,783 Unlisted Shares of the Company into H shares and the listing thereof on the Stock Exchange respectively on February 7, 2023 and July 31, 2023
“Credit Customers”	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
“Directors”	the directors of our Company
“Domestic Shares”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Duckling Fund”	Duckling Fund, L.P., a limited partnership incorporated in Cayman Islands, one of our Shareholders

Definitions

“fulfillment in-time rate”	a ratio calculated by the number of orders that are delivered to the right recipients in time over the total number of orders placed
“Global Offering”	the offer of Shares for subscription as described in the prospectus
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
“HKEx”, “Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Stock Exchange
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“intra-city on-demand delivery”	on-demand delivery within a particular city region
“Intra-city Tech”	Beijing SF Intra-city Technology Co., Ltd. (北京順豐同城科技有限公司), a limited company incorporated in the PRC, one of our Controlling Shareholders
“Listing”	listing of our H Shares on the Main Board of the Stock Exchange
“Listing Date”	December 14, 2021
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“local e-commerce”	generally cover delivery of 3C Electronics, apparel, jewelry and cosmetics etc.
“local retail”	generally cover delivery of fresh produce, flowers, cakes and desserts and other groceries
“local services”	generally cover personal errands service and task-based government and enterprise services etc.
“lower-tier cities and counties”	refers to cities, counties that are in the third tier or below
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from, and operated in parallel with, GEM of the Stock Exchange
“Master Service Agreements”	refers to master service agreements entered into between the Credit Customers and SF Holding and/or its associates in respect of a variety of delivery and logistics solution service products the SF Holding Group and/or its associates offers
“Mingde Holding”	Shenzhen Mingde Holding Development Co., Ltd. (深圳明德控股發展有限公司), a company incorporated in the PRC, one of our Controlling Shareholders

“Model Code”	Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Ningbo Shunxiang”	Ningbo Shunxiang Tongcheng Venture Capital Investment Partnership (Limited Partnership) (寧波順享同成創業投資合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Controlling Shareholders before May 26, 2023. After the voting rights entrustment agreement between Ningbo Shunxiang and SF Taisen was terminated on May 26, 2023, Ningbo Shunxiang is no longer one of Controlling Shareholders of the Company
“Nomination Committee”	the nomination committee of our Company
“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.
“Pre-IPO Restricted Share Scheme”	The share incentive plans established to grant restricted shares to the Group’s employees as detailed in the sub-section headed “Pre-IPO Restricted Share Scheme” in this report
“Prospectus”	the prospectus of the Company being issued in connection with the Hong Kong Public Offering
“Reporting Period”	the period from January 1, 2023 to June 30, 2023
“Remuneration Committee”	the remuneration committee of our Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement dated May 5, 2023 and entered into between the Company and the Purchaser in relation to the Transaction
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SF Finance”	SF Holding Group Finance Co., Ltd. (順豐控股集團財務有限公司), a limited company incorporated in the PRC, a wholly owned subsidiary of SF Taisen
“SF Holding”	S.F. Holding Co., Ltd. (順豐控股股份有限公司), a joint stock company established in the PRC, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ), one of our Controlling Shareholders
“SF Holding Group”	SF Holding and its subsidiaries
“SF Holding Limited”	SF Holding Limited, a limited company incorporated in Hong Kong, one of our Controlling Shareholders
“SF Taisen”	Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司), a limited company established in the PRC, one of our Controlling Shareholders

Definitions

“SF Technology”	SF Technology Co., Ltd. (順豐科技有限公司), a limited company established in the PRC, one of our Controlling Shareholders
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Share(s), Unlisted Foreign Share(s) and H Share(s)
“Shareholders(s)”	holder(s) of our Share(s)
“Sharp Land”	Sharp Land Development Limited, a limited company established in Hong Kong, one of our Shareholders
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Shining Star”	Shining Star Fund, L.P., a partnership incorporated in Cayman Islands, one of our Shareholders
“Shunda Tongxing”	Beijing Shunda Tongxing Technology Co., Ltd. (北京順達同行科技有限公司), a limited company incorporated in the PRC, one of our subsidiaries
“Supervisor(s)”	member(s) of our Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“third-party on-demand delivery service”	an on-demand delivery service that fulfills orders acquired from non-related parties or parties unaffiliated with centralized marketplaces
“Tianwo Kangzhong”	Ningbo Meishan Free Trade Port Zone Tianwo Kangzhong Enterprise Management Partnership (Limited Partnership) (寧波梅山保稅港區天沃康眾企業管理合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders
“Two-wheels + Four-wheels”	intra-city delivery achieved through combined efforts of “four-wheels” vehicles and our riders on their “two-wheels” motorcycles
“Unlisted Foreign Share(s)”	unlisted ordinary share(s) of RMB1.00 each in the share capital of our Company
“Unlisted Share(s)”	unlisted ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Share(s) and Unlisted Foreign Share(s)
“Yinghe Fengrui”	Ningbo Yinghe Fengrui Venture Capital Investment Partnership (Limited Partnership) (寧波盈和豐瑞創業投資合夥企業(有限合夥)), a partnership incorporated in the PRC, one of our Shareholders

杭州順豐同城實業股份有限公司
HANGZHOU SF INTRA-CITY INDUSTRIAL CO.,LTD.