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Hangzhou SF Intra-city Industrial Co., Ltd.

杭州順豐同城實業股份有限公司

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

(Stock code: 9699)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board of directors (the “**Board**”) of Hangzhou SF Intra-City Industrial Co., Ltd. (the “**Company**”) hereby announces the results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”), together with the comparative figures for the six months ended June 30, 2023. Unless otherwise defined, capitalised terms used herein shall have the same meanings as given to them in the prospectus dated November 30, 2021 issued by the Company (the “**Prospectus**”).

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

FINANCIAL HIGHLIGHTS

- Our revenue from continuing operations increased from RMB5,749.2 million for the six months ended June 30, 2023, to RMB6,878.5 million for the six months ended June 30, 2024, representing an increase of 19.6%.
- We have achieved a gross profit and a gross profit margin from continuing operations of RMB473.3 million and 6.9%, respectively, for the six months ended June 30, 2024, compared with a gross profit of RMB383.4 million and a gross profit margin of 6.7% in the six months ended June 30, 2023.
- Our net profit and net profit margin attributable to owners of the Company for the six months ended June 30, 2024 was RMB62.2 million and 0.9%, respectively, compared with a net profit of RMB30.3 million and a net profit margin of 0.5% for the six months ended June 30, 2023. The net profit doubled year-on-year with a growth rate of 105.1%.
- Our net cash generated from operating activities was RMB99.2 million for the six months ended June 30, 2024, compared to a net cash generated from operating activities of RMB34.3 million for the six months ended June 30, 2023. The net cash generated from operating activities increased with a growth rate of 189.0%.
- The Board has resolved to propose not to distribute an interim dividend for the six months ended June 30, 2024 (the six months ended June 30, 2023: nil).

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended June 30,	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	3	6,878,470	5,749,191
Cost of revenue	4	<u>(6,405,187)</u>	<u>(5,365,762)</u>
Gross profit		<u>473,283</u>	<u>383,429</u>
Selling and marketing expenses	4	(101,610)	(92,837)
Research and development expenses	4	(51,240)	(41,248)
Administrative expenses	4	(277,630)	(240,180)
Other income		13,794	16,520
Other gains, net		9,870	6,877
Net impairment losses of financial assets		<u>(3,835)</u>	<u>(4,003)</u>
Operating profit		<u>62,632</u>	<u>28,558</u>
Finance income		18,737	19,375
Finance costs		<u>(394)</u>	<u>(1,741)</u>
Finance income, net		<u>18,343</u>	<u>17,634</u>
Share of loss of a joint venture accounted for using the equity method		<u>(403)</u>	<u>(586)</u>
Profit before income tax		<u>80,572</u>	<u>45,606</u>
Income tax expenses	5	<u>(18,398)</u>	<u>(1,030)</u>
Profit for the period from continuing operations		<u>62,174</u>	<u>44,576</u>
Discontinued operation			
Loss for the period from discontinued operation		<u>–</u>	<u>(14,262)</u>
Profit for the period		<u>62,174</u>	<u>30,314</u>
Profit for the period attributable to			
– Owners of the Company		<u>62,174</u>	<u>30,314</u>

	<i>Notes</i>	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings per share for profit from continuing operations attributable to owners of the Company (expressed in RMB per share)			
– Basis earnings and diluted earnings per share (in RMB)	6	<u><u>0.07</u></u>	<u><u>0.05</u></u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basis earnings and diluted earnings per share (in RMB)	6	<u><u>0.07</u></u>	<u><u>0.03</u></u>
Profit for the period		<u>62,174</u>	<u>30,314</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		4,899	8,262
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income		<u>(16,581)</u>	<u>–</u>
Other comprehensive income for the period, net of tax		<u>(11,682)</u>	<u>8,262</u>
Total comprehensive income for the period		<u><u>50,492</u></u>	<u><u>38,576</u></u>
Total comprehensive income for the period attributable to:			
– Owners of the Company		<u><u>50,492</u></u>	<u><u>38,576</u></u>
Total comprehensive income for the period attributable to owners of the Company arises from:			
Continuing operations		50,492	52,838
Discontinued operation		<u>–</u>	<u>(14,262)</u>
		<u><u>50,492</u></u>	<u><u>38,576</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		10,241	12,193
Intangible assets		137,364	138,226
Right-of-use assets		20,653	23,208
Investments accounted for using the equity method		27,972	28,375
Financial assets at fair value through other comprehensive income		39,419	56,000
Deferred income tax assets		143,862	160,847
Other non-current assets		197	193
Total non-current assets		379,708	419,042
Current assets			
Inventories		6,504	6,854
Trade receivables	7	1,376,859	1,195,199
Other receivables and prepayments		132,318	160,192
Financial assets at fair value through profit or loss		912,475	516,753
Cash and cash equivalents		1,453,313	1,901,651
Total current assets		3,881,469	3,780,649
Total assets		4,261,177	4,199,691
EQUITY			
Equity attributable to owners of the Company			
Share capital		933,458	933,458
Share premium		4,161,560	4,161,560
Treasury shares		(169,644)	(39,279)
Shares held for employee incentive scheme		(52,370)	(52,370)
Other reserves		824,435	831,257
Accumulated losses		(2,791,358)	(2,853,532)
Total equity		2,906,081	2,981,094

	<i>Notes</i>	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>7,387</u>	<u>11,483</u>
Total non-current liabilities		<u>7,387</u>	<u>11,483</u>
Current liabilities			
Trade payables	8	831,619	703,044
Other payables and accruals		423,374	417,645
Contract liabilities		76,536	70,351
Income tax payables		376	3,667
Lease liabilities		<u>15,804</u>	<u>12,407</u>
Total current liabilities		<u>1,347,709</u>	<u>1,207,114</u>
Total liabilities		<u>1,355,096</u>	<u>1,218,597</u>
Total equity and liabilities		<u><u>4,261,177</u></u>	<u><u>4,199,691</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

Hangzhou SF Intra-city Industrial Co., Ltd. (the “**Company**”) was a joint stock company incorporated in the People’s Republic of China (the “**PRC**”) on June 21, 2019 with limited liability. The address of the Company’s registered office and the principal place of business are respectively located at Room 1626, 16/F, Chenchuang Building, 198 Zhoushan East Road, Gongshu District, Hangzhou City, Zhejiang Province, PRC and Floor 21-22, Shunfeng Headquarters Building, No. 3076 Xinghai Road, Nanshan District, Shenzhen City, Guangdong Province, PRC.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the intra-city on-demand delivery services in the PRC.

The ultimate holding company of the Company is Shenzhen Mingde Holding Development Co., Ltd. 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. 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, 2024, 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, 2023, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board, as set out in the 2023 annual report of the Company dated March 26, 2024 (the “**2023 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 2023 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, 2024:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current liabilities with covenants
Amendments to IFRS 16	Lease liability in sale and leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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, 2024 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 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

3 SEGMENT INFORMATION AND REVENUE

The chief operating decision-maker (“CODM”) identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments. An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group’s management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

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

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Intra-city on-demand delivery service revenue (i)	6,878,470	5,749,191

(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,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Subsidiaries of SF Holding	2,855,518	2,355,281

4 EXPENSES BY NATURE

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing Operations		
Labour outsourcing costs	6,340,090	5,304,861
Employee benefit expenses	288,503	247,893
Information service expenses	36,495	32,325
Marketing and promotion expenses	36,465	20,768
Costs of materials	31,204	26,798
Amortization of intangible assets	21,516	20,141
Office and rental expenses	15,508	14,311
Call center service expenses	14,057	16,347
Depreciation of right-of-use assets	8,252	12,751
Travelling expenses	5,182	5,643
Professional service expenses	5,036	5,270
Depreciation of property, plant and equipment	3,346	3,454
Other taxes and surcharges	2,304	1,109
Auditor's remuneration	630	630
– Audit and audit-related service	630	630
– Non-audit service	–	–
Insurance expenses	395	398
Others	26,684	27,328
	6,835,667	5,740,027

5 INCOME TAX EXPENSES

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Mainland China corporate income tax		
Current income tax	1,413	7,461
Deferred income tax	16,985	(6,431)
	<u>18,398</u>	<u>1,030</u>
Income tax expenses	<u><u>18,398</u></u>	<u><u>1,030</u></u>

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

(a) Mainland China corporate income tax ("CIT")

CIT was made on the taxable profit of the entities within the Group incorporated in the Mainland China and was calculated in accordance with the relevant tax rules and regulations of the Mainland China after considering the available tax refunds and allowances. The general CIT rate is 25% for the six months ended June 30, 2024 and 2023.

The Company's subsidiary, Beijing Shunda Tongxing Technology Co., Ltd is 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, 2024 and 2023.

The Company's subsidiaries, Suzhou Fengpai Technology Co., Ltd and Tianjin Fengpai Technology Co., Ltd are subject to "small and thin profit enterprises" under the CIT Law, whose preferential income tax rate was 20% for the six months ended June 30, 2024 and 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, 2024 and 2023.

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

6 EARNINGS PER SHARE

(a) Basic earnings per share for profit attributable to owners of the Company

Basic earnings per share is calculated by dividing the profit for the periods attributable to ordinary shareholders by the weighted average number of outstanding shares in issue excluding the shares repurchased during the six months ended June 30, 2024 and 2023.

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	62,174	30,314
Weighted average number of shares in issue	914,655,385	933,457,148
Basic earnings per share (in RMB)	<u><u>0.07</u></u>	<u><u>0.03</u></u>

(b) Basic earnings per share from continuing operations

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit from continuing operations attributable to owners of the Company (RMB'000)	62,174	44,576
Weighted average number of shares in issue	914,655,385	933,457,148
Basic earnings per share from continuing operations (in RMB)	<u>0.07</u>	<u>0.05</u>

(c) Diluted earnings per share for profit attributable to owners of the Company

For the six months ended June 30, 2024, the Employee Incentive Scheme have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from Employee Incentive Scheme (collectively forming the denominator for computing the diluted EPS).

	Six months ended June 30,2024 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	<u>62,174</u>
Weighted average number of shares in issue	914,655,385
Adjustments for Employee Incentive Scheme	<u>1,378,692</u>
Weighted average number of ordinary shares for the calculation of diluted EPS	<u>916,034,077</u>
Diluted earnings per share (in RMB)	<u>0.07</u>

For the six month ended June 30, 2023, the Company had no category of dilutive potential ordinary shares, thus, diluted earnings per share for the six month ended June 30, 2023, was the same as the basic earnings per share for the period.

(d) Diluted earnings per share from continuing operations

As there were no discontinued operations for the six month ended June 30, 2024, diluted earnings per share from continuing operations for the six month ended June 30, 2024 was the same as the diluted earnings per share for profit attributable to owners of the Company for the period.

For the six month ended June 30, 2023, the Company had no category of dilutive potential ordinary shares, thus, diluted earnings per share from continuing operations for the six month ended June 30, 2023 was the same as the basic earnings per share from continuing operations for the period.

7 **TRADE RECEIVABLES**

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Trade receivables		
– third parties	706,272	519,702
– related parties	<u>674,440</u>	<u>678,299</u>
	<u>1,380,712</u>	<u>1,198,001</u>
Impairment loss allowance	<u>(3,853)</u>	<u>(2,802)</u>
	<u><u>1,376,859</u></u>	<u><u>1,195,199</u></u>

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

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Within 30 days	1,111,137	993,120
30 to 180 days	<u>269,575</u>	<u>204,881</u>
	<u><u>1,380,712</u></u>	<u><u>1,198,001</u></u>

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

	Six months ended June 30, 2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
At the beginning of the period	(2,802)	(2,847)
Provision of impairment allowance		
– Continuing Operations	(3,783)	(3,992)
– Discontinued Operation	–	(4)
Written off as uncollectible	2,732	2,087
Disposal of subsidiaries	<u>–</u>	<u>4</u>
At the end of the period	<u><u>(3,853)</u></u>	<u><u>(4,752)</u></u>

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

8 TRADE PAYABLES

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Trade payables to third parties	812,452	685,809
Trade payables to related parties	19,167	17,235
	<u>831,619</u>	<u>703,044</u>

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

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Within 3 months	806,322	677,804
3 months to 1 year	14,793	15,628
Over 1 year	10,504	9,612
	<u>831,619</u>	<u>703,044</u>

9 SHARE-BASED PAYMENTS

Employee Incentive Scheme

The Company adopted an employee incentive scheme (the “**Employee Incentive Scheme**”) on April 19, 2023. To implement the Employee Incentive Scheme, the Company has set up an employee incentive scheme trust (the “**Employee Incentive Scheme Trust**”) with an independent trustee appointed by the Company to administer and hold the Company’s shares acquired. The Employee Incentive Scheme Trust purchases the shares of the Company in the market 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 for no cash consideration, 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.

Movement in the number of awarded trust benefit units for the six months ended June 30, 2024 is as follows:

	Number of awarded trust benefit units
At the beginning of the period	26,142,480
Granted during the period	–
Vested during the period	–
Forfeited during the period	(2,334,150)
	<hr/>
At the end of the period	23,808,330
	<hr/> <hr/>

The fair value of the granted trust benefit units was assessed based on the market price of the Company's shares at the grant date and the expected trustee administrative fee during the vesting period.

The vesting period of the Trust Benefit Units granted is as follows: 30% shall be vested on the first anniversary of the date of grant, 30% shall be vested on the second anniversary of the date of grant and 40% shall be vested on the third anniversary of the date of grant upon fulfilment of the assessment conditions including the Company's performance indicators, personal performance target.

The expenses arising from the Employee Incentive Scheme recognised for the six months ended June 30, 2024 are RMB4,860,000.

10 DIVIDENDS

No dividend has been paid or declared by the Group during the periods ended June 30, 2024 and 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are the largest third-party on-demand delivery service provider in China¹. As a neutral and open infrastructure platform, we provide customers with high-quality, efficient, and comprehensive third-party on-demand delivery services.

In the first half of 2024, we were committed to the business goal of achieving “high-quality and healthy growth”, seeking progress while maintaining stability. Leveraging our in-depth industry insights of the local lifestyle services, nationwide flexible delivery network and innovative digital intelligence, we delivered high-value products and quality services to our customers and also improved our own operational efficiency and optimized operating costs. This has solidified our competitive advantages, characterized by our positioning as a neutral and open platform, and our core focus on providing high-quality comprehensive on-demand delivery services across scenarios.

During the Reporting Period, the revenue from continuing operations achieved healthy growth, increasing from RMB5,749.2 million in the first half of 2023 to RMB6,878.5 million in the first half of 2024, representing a growth of 19.6%, with the order volume significantly increased by more than 30% compared to the same period last year. The revenue from intra-city delivery service grew by 19.2% from RMB3,388.0 million in the first half of 2023 to RMB4,038.0 million in the first half of 2024. The revenue from last-mile delivery service increased by 20.3% from RMB2,361.2 million in the first half of 2023 to RMB2,840.5 million in the first half of 2024. The table below provides a breakdown of our revenue:

	Six months ended June 30	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Continuing Operations		
Intra-city on-demand delivery service	6,878,470	5,749,191
Intra-city delivery service	4,037,955	3,387,992
(1) To Merchants (<i>i.e. to B</i>)	2,874,085	2,418,746
(2) To Consumers (<i>i.e. to C</i>)	1,163,870	969,246
Last-mile delivery service	2,840,515	2,361,199
Total	6,878,470	5,749,191

¹ Such ranking is based on the order volume of independent third party on-demand delivery service in China in 2023 from Frost & Sullivan. The calculation of order volume takes into account the order volume generated by independent market participants, but excludes the order volume generated by connected parties.

During the Reporting Period, our profit performance reached a historical high attributing to: (i) our strong adherence to the business goal of healthy and high-quality growth, with order volume significantly increased by more than 30% compared to the same period last year, driving the growth of revenue and further unleashing the benefits of economies of scale and network effects; (ii) optimization of business structure, with increased contributions to revenue from premium customers; and (iii) technological advancements and lean management driving operational quality and efficiency, improving operating performance, maintaining gross profit margins and expense ratios at healthy level and boosting profitability. For the six months ended June 30, 2024, our gross profit from continuing operations reached RMB473.3 million with a gross profit margin of 6.9%, marking an increase from the gross profit of RMB383.4 million and a gross profit margin of 6.7% for the same period last year respectively. For the six months ended June 30, 2024, our net profit attributable to owners of the Company and net profit margin were RMB62.2 million and 0.9% respectively, net profit doubled year-on-year with an increase of 105.1%, exceeding the overall net profit level of 2023, setting a new historical record high. In the first half of 2024, we also achieved a cash inflow from operating activities of RMB99.2 million, marking a year-on-year increase of 189.0%. As of June 30, 2024, our cash and cash equivalents and short-term financial investments were RMB1,452.7 million and RMB912.5 million respectively, indicating a healthy cash flow and ample fund reserves.

Intra-city Delivery

Our revenue from intra-city delivery service increased by 19.2% from RMB3,388.0 million in the first half of 2023 to RMB4,038.0 million in the first half of 2024, with such healthy growth attributed to: (i) robust demand for food delivery services, with consumers expanding the habit of on-demand delivery into retail consumption scenarios, resulting in a rapid growth in non-food delivery scenarios², recording a 32.4% year-on-year increase in revenue to RMB1,665.6 million in the first half of 2024; (ii) our comprehensive capabilities in logistics infrastructure which enabled us to provide professional and high-quality on-demand delivery services to diverse customers, deepening our cooperation with key account (“KA”) customers and major traffic platforms, expanding the scale of active merchants and consumers; (iii) dedicated expansion in lower-tier cities and counties³, which has further strengthened market penetration in county areas⁴, whereby county-level revenue which grew by 51% year-on-year in the first half of 2024; (iv) our hour-level delivery network which effectively met the accelerating timeliness of intra-city express delivery; and (v) the adoption of flexible pricing strategies which enhanced our product competitiveness.

Intra-city Delivery for Merchants

We empower merchants with an open and inclusive on-demand delivery network and professional, efficient and comprehensive delivery solutions, in order to maintain extensive cooperation with merchants. After the optimization of the business structure and the expansion of the base of cooperating merchants in the earlier stage, the revenue from intra-city delivery service for merchants has significantly improved and increased. During the Reporting Period, such revenue reached RMB2,874.1 million, representing a year-on-year growth of 18.8%.

² “non-food delivery scenarios” refer to on-demand retail delivery and fulfillment service unrelated to food delivery scenarios.

³ “lower-tier cities and counties” refer to cities, counties and towns in the third tier or below.

⁴ “county areas” refer to areas which are not municipal districts in lower-tier cities and counties, including county cities, counties, banners, autonomous banners, and forest areas.

In terms of merchant cooperation, we have capitalized on market opportunities driven by decentralization of traffic, effectively meeting the needs of various merchants and platforms. We continuously strengthen and consolidate our service advantages for KA customers, helping brand merchants expand their delivery service range in the process of store expansion and online operations, thereby supporting their business growth. Additionally, by optimizing our operational models under the premise of ensuring ultimate fulfillment, we help brand merchants to achieve cost reduction and efficiency improvement in terms of fulfillment. As a result, our market share in cooperation with top-tier customers consistently increased, maintaining our leading market share with an addition of over 6,000 new cooperating stores during the Reporting Period. We also improved our standardized service capability based on the customized demand of KA customers, thereby constantly building good business relations with many emerging chain customers and the number of brands we work with has been growing year by year. For small and medium-sized merchants, we have broadened the access channels, simplified the onboarding process, optimized the merchant-side product experience, and improved the merchant benefits system, which effectively expanded the base of merchants and improved customer acquisition efficiency. We have also maintained close cooperation with various major traffic platforms, actively exploring new business models in local lifestyle services to meet all types of home delivery needs on the platforms. Based on the actual operational needs of various segmented scenarios, we provide in-depth customization in operations and systems to improve order pick-up and fulfillment experiences for platform customers. For platform customers, our network plays an effective supplementary role in certain remote regions with weak delivery capacity, during peak order periods, and for some non-standard fulfillment needs. As of June 30, 2024, the active merchants⁵ in the past 12 months on the platform reached 550,000, with a year-on-year increase of 45%. Among them, KA customers showed robust growth momentum, with revenue from newly contracted customers achieving high double-digit growth and achieving enhanced business stability given the increasing proportion of chain customers.

In terms of scenario coverage, with the vigorous development of local retail industry, we have leveraged our multi-scenario capabilities to expand service scenarios and optimize product services around key categories. For example, we provided key service guarantees for tea beverage customers during summer and co-branding marketing campaigns. For supermarket delivery solutions, we integrated the capabilities of one-hour-delivery from warehouses or stores to customers and long-distance urban connections across the city, which has led to significant breakthroughs in cooperation with both national leading and regional chain supermarkets. We have also optimized fulfillment experience to cater to customers such as convenience stores and distributed mini warehouses. In the pharmaceutical sector, we focus on two core medical consumption scenarios, new pharmaceutical retail and internet hospitals, to enhance our order handling capacity. For enterprise services, we fully leverage the advantage of our rider resources to serve in flexible scenarios such as goods sorting, unloading and information collection. In the first half of 2024, revenue from tea and beverage delivery increased by 60% year-on-year, and retail categories such as supermarkets and convenience stores, cakes and bakeries, pharmaceuticals, and cosmetics achieved high double-digit year-on-year growth in revenue.

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

In terms of geographical coverage, we further strengthened the construction of our on-demand delivery network and service capabilities in lower-tier markets, providing more convenient on-demand delivery services for differentiated local lifestyle scenarios in counties. Along with the rise in brand chain store penetration and the formation of to-home service consumption habits, we have seen a large demand for on-demand home delivery services in the county-level regions we have already covered, with a continual growth in the scale of the existing user base. Building on this, we have also tried to launch various new scenario-based businesses in lower-tier counties and cities, effectively integrating fragmented local logistics resources. During the Reporting Period, we covered more than 1,200 counties throughout the country, reaching a county coverage rate of 68%, and the revenue from such areas increased by 51% year-on-year.

We have rapidly expanded and densified our nationwide delivery network, leading to an increase in business districts coverage and order density. The flexible network can swiftly accommodate diverse customers' needs, such as expanding the number of stores, enlarging the delivery range of stores and extending operating hours. During the Reporting Period, we strengthened operational efficiency in business districts around our top customers' stores, effectively addressing pain points such as peak order overload, long waiting times for meals, and idle personnel during off-peak hours. Both parties have been able to achieve cost reduction and efficiency improvement. The number of our profitable business districts increased, and we continuously upgraded the Store Manager Tool's functions and experience to ensure merchants can swiftly resolve delivery issues by contacting us instantly to expedite the problem-solving process. The flexibility of our delivery network remains significantly advantageous, maintaining service quality and stability even during special circumstances such as peak holiday periods and adverse weather conditions. Fluctuations in the fulfillment in-time rate during holidays and poor weather conditions were less than one and three percentage points, respectively. During the Reporting Period, the fulfillment in-time rate was approximately 95%, with an average delivery time of 22 minutes for orders within 3 kilometers.

We also strategically partnered with participants in the SF Holding Group's ecosystem to offer an integrated supply chain solution for customers by combining "warehousing + transport + intra-city on-demand delivery". Customers can choose suitable logistics products more conveniently given the integration of our resources and capabilities within the SF Holding Group, helping both us and the SF Holding Group in jointly expanding the customer base and enhancing customer loyalty. In the first half of 2024, the number of Credit Customers⁶ placing orders using the intra-city on-demand delivery service and their order frequency both increased significantly. The external incremental revenue brought by the Credit Customers, who we served together with SF Holding Group, recorded a year-on-year growth of 52% to RMB160.7 million.

⁶ "Credit Customers" refer to certain existing customers who have entered into Master Service Agreements with SF Holding and/or its associates in respect of a variety of delivery and logistics solution service products provided by SF Holdings and/or its associates offers.

Intra-city Delivery for Consumers

For consumers, we are committed to creating an industry-leading and professional on-demand fulfillment service. Our “deliver for me, fetch for me, purchase for me, and solve for me” services cover personal life and work scenarios such as daily errands, medical healthcare, and business agency, reinforcing the brand image of “SF Intra-city, the first choice for urgent delivery of valuable items.” In the first half of 2024, the revenue from intra-city delivery for consumers grew by 20.1% year-on-year to RMB1,163.9 million, which was mainly due to: (i) the expansion of active consumer⁷ base and increase in customer repurchase driven by high-quality service experiences; (ii) diverse channels to access customers and achieving satisfactory growth in our proprietary intra-city business channels; and (iii) on-demand delivery effectively meeting the accelerating timeliness for intra-city express delivery and accelerating the penetration of our intra-city on-demand delivery services in intra-city express delivery users.

During the Reporting Period, we further enhanced our understanding of consumers and proactively captured new market opportunities. The demand for delivery services from individual customers under corporate scenarios has been further released along the formation of consumption habits. We focus on strengthening our service capabilities in central business districts (CBDs) and office areas, ensuring quality pick-up and delivery experiences and delivery safety by standardizing rider image, equipment, language, delivery packaging materials and delivery operations, etc., establishing industry service standards for high-end business customers. Through channel partnerships, we increased the reach to intra-city express delivery users, allowing consumers to choose “delivery within an hour” services on the user interface when placing orders, to meet the need for accelerating timeliness. We have also expanded the coverage distance of our “delivery within an hour” service. The order volume of “delivery within an hour” service quickly doubled during the Reporting Period, driving a strong year-on-year growth in revenue from this service.

We have proactively optimized our brand promotion and channel marketing strategies. As a result of strengthening our brand image and increasing consumer mindshare, we have witnessed robust business growth within our proprietary intra-city business channels. We have also intensified our collaboration with external channels, particularly in terms of new customer acquisition and joint marketing initiatives. Through a variety of ways such as discount promotions, community engagement programs, and platform collaboration campaigns, we have successfully enhanced both our customer acquisition efficiency and new user conversion rates. As the user base expands, we increasingly focus on improving service quality and implementing refined user operations, and optimizing the membership system to boost the retention and repurchasing rates of existing customers. As of June 30, 2024, the scale of active consumers in the past 12 months exceeded 21.9 million.

Last-Mile Delivery

Our last-mile delivery service serves as a flexible supplement to all aspects of courier companies and logistics service providers. We have observed an increasing synergies between intra-city on-demand delivery and intra-city express delivery, and our flexible logistics network is well-positioned to align with the growing demand for enhanced supply chain capabilities, driving the acceleration of intra-city logistics and intra-city express delivery. Regarding timeliness, our flexible and elastic capacity network can provide hour-/minute-level services, helping traditional courier networks improve timeliness. Products with better timeliness also bring additional business opportunities to our customers. In terms of services, our flexible network can help clients address challenges in-between unbalanced orders and delivery network during peak order periods, ensuring smooth operations and stable fulfillment. This capability has simultaneously expedited various logistics processes and supported personalized services. In terms of efficiency, by deepening the integration of our network, we assist logistics service providers to improve their fulfillment efficiency while reducing operational costs.

⁷ “active consumer(s)” refers to the number of unique consumer accounts that purchase a particular service at least once during the prescribed period.

In the first half of 2024, the revenue of last-mile delivery service recorded a year-on-year growth of 20.3% to RMB2,840.5 million, which mainly attributed to: (i) the steady increase in cooperation scale and delivery volume with major customers by fully leveraging the flexibility and cost advantages of our delivery network and working closely during peak order periods, holidays and e-commerce delivery; and (ii) revenue from intra-city express delivery scenarios such as “parcels collection” and “delivery within half a day” doubled compared to the same period last year, achieving rapid growth. Notably, for the parcels collection service, we have expanded service areas and strengthened synergies with major customers in capacity management, resulting in our daily average order pickup volume exceeding one million orders during the first half of 2024.

Our Riders

Riders are our closest business partners, and we have a flexible rider network to service the nationwide coverage. As our business has expanded, we have provided our riders with flexible income opportunities for a variety of scenarios, and we are committed to improving their income. For the 12 months ended June 30, 2024, our platform’s annual active riders⁸ further expanded to over 970 thousand. With our strong network planning and rider management capabilities, rider productivity saw significant improvements during the Reporting Period, with the number of riders with medium-to-high level income increasing year-on-year by 20%. We also strictly implement our responsibilities as a platform by continuously expanding services to safeguard riders’ rights and interests, and by providing our riders with professional empowerment and comprehensive support.

We attach great importance to our riders’ platform experience, care & welfare, and rights protection. We listen to our riders, conduct regular rider satisfaction surveys, and address issues that concern riders. In the first half of 2024, we remain devoted to riders’ welfare care, and established a dedicated grievance care fund of RMB5 million and organized over 5,000 offline caring events. We provided benefits such as red packets in Lunar New Year, summer cooling gifts, and free haircuts. We launched the “Your Grievances, I Listen” initiative on the rider app to collect opinions from all riders. Additionally, we recruited riders’ care ambassadors and organized heart-to-heart meetings to help riders solve their difficulties. We have upgraded the rider incentive system by enriching benefits, and enhancing missions’ attractiveness, in order to enhance their sense of identity and belonging to the platform. We fostered a positive community communication and cultural atmosphere and improved rider activity and retention rates.

We prioritise the safety and health of our riders. We regularly improve our safety policies by establishing standardized procedures for handling abnormal and risky events. Through providing daily safety training, equipping protective gear and setting up safety reminders, anti-fatigue alerts, special weather warnings, and safety incident reporting services for riders, we strive to enhance the overall safety experience for riders and established a robust rider safety protection system. During the Reporting Period, our safety accident rate decreased by 16% compared to the same period last year.

⁸ “active rider(s)” refers to unique rider(s) who fulfil at least one order during the prescribed period.

Our Technologies

Technology is at the core of our business, crucial in efficiency improvement and cost reduction. We are committed to advancing digital operations and AI decision-making intelligence at various stages of our business. Our City Logistics System (“CLS”) has achieved collaborative response in the three core processes, including intelligent business planning and marketing management, integrated rider dispatch and intelligent order distribution, and intelligent operational optimization. Based on big data analysis and AI algorithms, the system can effectively predict order fluctuations, and comprehensively coordinate factors such as front-end sales and marketing strategy, rider distribution and dispatch, route planning, willingness to pick up and subsidies, waiting times at the store, and delivery times. The system optimally matches orders with riders in different industries, scenarios, and complex delivery networks.

For merchants, as a neutral and open third-party platform, we will continue to strengthen connections with various channels, platforms, and private domains for order sources, providing intelligent distribution and planning system services to help merchants improve digital operational efficiency and generate revenue in the trend of decentralized traffic. During the Reporting Period, we focused on enhancing the capacity matching and delivery capabilities for medium and long-distance orders, improving the fulfillment efficiency of long-distance orders, and reducing delivery costs to better meet the citywide delivery needs of merchants.

For riders, we fully consider the availability and convenience of the delivery time and routes. While striving to ensure rider safety, we optimised the rationality of rider dispatching and route planning to improve the efficiency of matching riders with orders, to reduce delivery complexities and to help our riders effectively enhance productivity and personal income. Our system also enhances rider experiences in combination with rider incentive systems, considering rider delivery experiences, adverse weather conditions, night shifts, and peak times and offering personalized dispatch support to enhance the platform’s care with technological backing.

We also continued to explore the commercial potential of smart logistics and unmanned delivery technology. During the Reporting Period, we launched pilot programs in several cities to explore unmanned vehicles delivery among transit hubs and local delivery outlets under our last mile delivery service. Meanwhile, we developed relevant technological capabilities to realize functions such as vehicle dispatch and operational monitoring. By analyzing actual fulfillment scenarios and leveraging data insights, we constantly refined operational strategies to enhance the efficiency and stability of unmanned vehicle deliveries and reduce operational costs. We aim to further expedite deployment with the long-term goal of making unmanned delivery as a complementary solution to our existing rider network, ultimately enhancing overall efficiency.

Outlook

Looking back at the first half of the year, we have been firmly rooting ourselves in the local lifestyle services industry, proactively identifying and capitalizing on evolving market demands and growth opportunities. As part of the intra-city delivery infrastructure, we have remained steadfast in executing our strategic plans, committed to serving every customer, supporting our riders in delivering every order. These focused efforts have culminated in favorable business results for our company.

From November 30, 2023 to July 26, 2024, based on market conditions, we have made a series of H-share repurchases on the The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”), with a total of 18,904,200 H-shares being repurchased, among which, 16,082,200 H-shares were cancelled on August 6, 2024, and 2,822,000 H-shares were retained as treasury shares by the Company. The repurchases demonstrated the Board’s confidence in the long term development prospects of our business, which ultimately benefit the Company and create value for our shareholders of the Company (the “**Shareholders**”).

We are pleased to announce that, based on the results of the quarterly review of the Hang Seng Family of Indexes announced by Hang Seng Indexes Company Limited on August 16, 2024, we have been included as a constituent stock of the Hang Seng Family of Indexes including the Hang Seng Composite Index, with effect from September 9, 2024. The inclusion reflects the capital market’s recognition of the Group’s business performance and growth outlook.

Looking ahead, we will remain committed to our operational goal of “high-quality and healthy growth.” We will embrace market opportunities in the diversified traffic, local retail development, accelerated intra-city logistics, and the ongoing expansion of third-party on-demand delivery services. We will keep expanding on a large-scale, covering a wide range of scenarios, providing excellent services and establishing a solid network, in order to enhance medium to long-term revenue and profit potential. As local lifestyle consumption scenarios and consumption patterns continue to evolve, we will remain focused on our core value contributions within the industry and urban operations. We will also strive to expand the boundaries of on-demand fulfillment services, enhance our technological capabilities, and collaborate with more business partners. Together, we will safeguard the prosperous development of new consumption trend and better fulfill our mission of “bringing enjoyable lifestyle to your fingertips”.

FINANCIAL REVIEW

The following table sets forth the comparative figures for the six months ended June 30, 2023 and 2024.

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Revenue	6,878,470	5,749,191
Cost of revenue	<u>(6,405,187)</u>	<u>(5,365,762)</u>
Gross profit	<u>473,283</u>	<u>383,429</u>
Selling and marketing expenses	(101,610)	(92,837)
Research and development expenses	(51,240)	(41,248)
Administrative expenses	(277,630)	(240,180)
Other income	13,794	16,520
Other gains, net	9,870	6,877
Net impairment losses of financial assets	<u>(3,835)</u>	<u>(4,003)</u>
Operating profit	<u>62,632</u>	<u>28,558</u>
Finance income	18,737	19,375
Finance costs	<u>(394)</u>	<u>(1,741)</u>
Finance income, net	<u>18,343</u>	<u>17,634</u>
Share of loss of a joint venture accounted for using the equity method	<u>(403)</u>	<u>(586)</u>
Profit before income tax	<u>80,572</u>	<u>45,606</u>
Income tax expenses	<u>(18,398)</u>	<u>(1,030)</u>
Profit for the period from continuing operations	<u>62,174</u>	<u>44,576</u>
Discontinued operation		
Loss for the period from discontinued operation	<u>–</u>	<u>(14,262)</u>
Profit for the period	<u>62,174</u>	<u>30,314</u>
Profit for the period attributable to		
– Owners of the Company	<u>62,174</u>	<u>30,314</u>

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings per share for profit from continuing operations attributable to owners of the Company (expressed in RMB per share)		
– Basis earnings and diluted earnings per share (in RMB)	<u><u>0.07</u></u>	<u><u>0.05</u></u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)		
– Basis earnings and diluted earnings per share (in RMB)	<u><u>0.07</u></u>	<u><u>0.03</u></u>
Profit for the period	<u>62,174</u>	<u>30,314</u>
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	4,899	8,262
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	<u>(16,581)</u>	<u>–</u>
Other comprehensive income for the period, net of tax	<u>(11,682)</u>	<u>8,262</u>
Total comprehensive income for the period	<u>50,492</u>	<u>38,576</u>
Total comprehensive income for the period attributable to:		
– Owners of the Company	<u>50,492</u>	<u>38,576</u>
Total comprehensive income for the period attributable to owners of the Company arises from:		
Continuing operations	50,492	52,838
Discontinued operation	<u>–</u>	<u>(14,262)</u>
	<u><u>50,492</u></u>	<u><u>38,576</u></u>

Key Balance Sheet Items

	As of June 30, 2024 <i>RMB'000</i> (Unaudited)	As of December 31, 2023 <i>RMB'000</i> (Audited)
Total non-current assets	379,708	419,042
Total current assets	<u>3,881,469</u>	<u>3,780,649</u>
Total assets	<u>4,261,177</u>	<u>4,199,691</u>
Total non-current liabilities	7,387	11,483
Total current liabilities	<u>1,347,709</u>	<u>1,207,114</u>
Total liabilities	<u>1,355,096</u>	<u>1,218,597</u>
Total equity	<u>2,906,081</u>	<u>2,981,094</u>
Total equity and liabilities	<u>4,261,177</u>	<u>4,199,691</u>
Net current assets	<u>2,533,760</u>	<u>2,573,535</u>

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, 2023 and 2024 respectively.

	Six months ended June 30, 2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Intra-city on-demand delivery service	6,878,470	5,749,191
Intra-city delivery service	4,037,955	3,387,992
(1) To Merchants (<i>i.e. to B</i>)	2,874,085	2,418,746
(2) To Consumers (<i>i.e. to C</i>)	1,163,870	969,246
Last-mile delivery service	<u>2,840,515</u>	<u>2,361,199</u>
Total	<u>6,878,470</u>	<u>5,749,191</u>

Revenue increased by 19.6% to RMB6,878.5 million for the six months ended June 30, 2024, compared to RMB5,749.2 million for the six months ended June 30, 2023, mainly due to (i) an increase in order volume and further leveraged economies of scale and network effect; (ii) the continuous pursuit of a healthy and high-quality development strategy, with business and customer structure continuing to improve; and (iii) increased efforts to tap into lower-tier markets and improved performance in niche markets to attract more high-quality customers.

Cost of Revenue

The following table sets forth our cost of revenue by category for the six months ended June 30, 2023 and 2024 respectively.

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Labour outsourcing costs	6,293,403	5,268,351
Amortization of intangible assets	17,593	16,385
Cost of material	30,758	26,667
Employee benefit expenses	17,110	13,983
Depreciation of right-of-use assets	2,848	6,777
Depreciation of property, plant and equipment	1,051	786
Others	42,424	32,813
	<hr/>	<hr/>
Total	<u>6,405,187</u>	<u>5,365,762</u>

Cost of revenue increased by 19.4% to RMB6,405.2 million for the six months ended June 30, 2024, compared to RMB5,365.8 million for the six months ended June 30, 2023, mainly due to an increase in business scale and order volume, which led to an increase in costs for delivery by riders.

Gross Profit and Margin

As a result of the foregoing, our gross profit and gross profit margin for the six months ended June 30, 2024, were RMB473.3 million and 6.9% respectively, compared to the gross profit and the gross profit margin of RMB383.4 million and 6.7% respectively for the six months ended June 30, 2023. The change in gross profit is mainly due to (i) further improved economies of scale driven by revenue growth; and (ii) enhanced operating quality and efficiency driven by technology and lean management.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 9.4% to RMB101.6 million for the six months ended June 30, 2024, compared to RMB92.8 million for the six months ended June 30, 2023, mainly due to an increase in promotion and advertising expenses with a view to raising our profile and brand image.

Research and Development Expenses

Our research and development expenses increased by 24.2% to RMB51.2 million for the six months ended June 30, 2024, compared to RMB41.2 million for the six months ended June 30, 2023, mainly due to an increase in research and development investment. See “Business Review – Our Technologies”.

Administrative Expenses

Our administrative expenses increased by 15.6% to RMB277.6 million for the six months ended June 30, 2024, compared to RMB240.2 million for the six months ended June 30, 2023, mainly due to an increase in employee benefit expenses.

Other Income

Our other income decreased by 16.5% to RMB13.8 million for the six months ended June 30, 2024, compared to RMB16.5 million for the six months ended June 30, 2023, mainly due to a change in the policy on additional deductions for value added tax.

Finance Income, Net

Our finance income, net increased from RMB17.6 million for the six months ended June 30, 2023 to RMB18.3 million for the six months ended June 30, 2024, mainly due to a decrease in lease interest costs.

Income Tax Expenses

Our income tax expenses were RMB18.4 million for the six months ended June 30, 2024, mainly due to an increase of the profit for the period.

Profit for the Period and Net Profit Margin

As a result of the foregoing, we recorded a net profit and a net profit margin of RMB62.2 million and 0.9% respectively for the six months ended June 30, 2024, compared to a net profit and a net profit margin of RMB30.3 million and 0.5% respectively in the six months ended June 30, 2023.

Non-IFRS Accounting Standards Measure: Adjusted Net profit

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

We define adjusted profit for the period adjusted by adding back share-based compensation expenses. Share-based compensation expenses are non-operational expenses arising from granted trust benefit units, which correspond to a certain amount of the shares of the Company, to selected employees, the amount of which may not directly correlate with the underlying performance of our business operations. Thus, these expenses are neither related to our ordinary course of business nor indicative of our ongoing core operating performance. Therefore, we believe that these items should be adjusted for when calculating our adjusted net profit in order to provide investors and management with a complete and fair understanding of our core operating results and financial performance, so that they can assess our underlying core operating results and financial performance undistorted by items unrelated to our ordinary course of business operations, especially in (i) making period-to-period comparisons of and assessing the profile of, our operating and financial performance; and (ii) making comparisons with other comparable companies with similar business operations.

Nonetheless, our presentation of such non-IFRS Accounting Standards measure may not be comparable to similar titled measures presented by other companies. Furthermore, the use of this non-IFRS Accounting Standards measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS Accounting Standards.

The following table sets forth reconciliations of our adjusted net profit (non-IFRS Accounting Standards measure) for periods:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Reconciliation of adjusted net profit (non-IFRS Accounting Standards measure)		
Net profit for the period	62,174	30,314
Add:		
Share-based compensation expenses	4,860	–
Adjusted net profit (non-IFRS Accounting Standards measure) (unaudited)	<u>67,034</u>	<u>30,314</u>

Liquidity and Financial Resources

Other than the funds raised through our Global Offering in December 2021, we have historically funded our cash requirements principally from capital contribution from shareholders/financing through borrowings from related party. We had cash and cash equivalents of RMB1,452.7 million as of June 30, 2024, compared to the balance of RMB1,501.1 million as of June 30, 2023. The following table sets forth our cash flows for the periods indicated:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Operating cash flows before changes in working capital	95,228	52,714
Changes in working capital	(10,069)	(30,849)
Interest received	18,737	19,398
Income tax paid	(4,704)	(6,937)
Net cash generated from operating activities	99,192	34,326
Net cash (used in)/generated from investing activities	(411,040)	23,645
Net cash used in financing activities	(134,907)	(15,313)
Net (decrease)/increase in cash and cash equivalents	(446,755)	42,658
Cash and cash equivalents at the beginning of the period	1,898,743	1,458,024
Effects of exchange rate changes on cash and cash equivalents	725	386
Cash and cash equivalents at the end of the period	<u>1,452,713</u>	<u>1,501,068</u>

Net Cash Generated from Operating Activities

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

For the six months ended June 30, 2024, net cash generated from operating activities was RMB99.2 million, which was mainly attributable to our profit before income tax of approximately RMB80.6 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 RMB33.4 million, (ii) changes in working capital of approximately RMB10.1 million, and (iii) payment of income tax of approximately RMB4.7 million.

Net Cash Used in Investing Activities

For the six months ended June 30, 2024, net cash used in investing activities was RMB411.0 million, which was mainly attributable to our purchase of structured deposit products.

Net Cash Used in Financing Activities

For the six months ended June 30, 2024, net cash used in financing activities was RMB134.9 million, which was mainly attributable to our repurchase of the Company's shares.

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, 2024, given that the cash and cash equivalents exceed the aggregation of total borrowings and lease liabilities, gearing ratio is no longer calculated.

Financial Assets at Fair Value through Profit or Loss

Our financial assets measured at fair value through profit or loss increased from RMB516.8 million as of December 31, 2023 to RMB912.5 million as of June 30, 2024, mainly due to an increase in our purchased structured deposit products.

Borrowings

As of June 30, 2024, we did not have outstanding borrowing.

Capital Commitments

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

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Investments	26,882	25,000

Capital Expenditure

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

	Six months ended June 30, 2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Payment for intangible assets	25,714	39,070
Payment for property, plant and equipment	3,167	2,034
Total	28,881	41,104

Lease Commitments and Arrangements

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
With 1 year	286	739
Between 1 to 2 years	165	–
Between 2 to 3 years	38	–
	<hr/> 489 <hr/>	<hr/> 739 <hr/>

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For the six months ended June 30, 2024, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Pledge of Assets

As of June 30, 2024, we did not have any pledge of assets.

Contingent Liabilities

As of June 30, 2024, we did not have any material contingent liabilities.

Future Plans for Material Investments and Capital Assets

As of June 30, 2024, we did not have other plans for material investments and capital assets.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

From June 30, 2024 to August 28, 2024, the Company had repurchased an aggregate of 1,061,800 H Shares at an aggregate consideration of approximately HK\$11,644,000. As at August 28, 2024, the Company has repurchased an aggregate of 18,904,200 H Shares, among which, 16,082,200 H Shares repurchased by the Company were cancelled on August 6, 2024 and 2,822,000 H Shares repurchased by the Company continue to be held by the Company as treasury shares.

Save as disclosed above, the Group had no other material events during the period from June 30, 2024 to the approval date of the consolidated financial statements by the Board of Directors on August 28, 2024.

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2024, the Group had a total of 2,005 full-time employees.

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

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

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2024.

USE OF PROCEEDS FROM THE LISTING

From the Listing Date to the date of this announcement, the Group has gradually used the proceeds from the initial public offering for the intended purposes set out in the Prospectus. The unused net proceeds from the Global Offering as of June 30, 2024 were approximately HK\$410.3 million after deducting underwriting commissions and offering expenses paid or payable.

As disclosed in (i) the section headed "Future Plans and Use of Proceeds" in the Prospectus and (ii) the annual report of the Company for the year ended December 31, 2023 (the "**Annual Report**"), the net proceeds were intended to be used for the following purposes:

- approximately 35% of the net proceeds is expected to be used for research and development and technology infrastructure;
- approximately 20% of the net proceeds is expected to be used to expand our service coverage, including scenario coverage and geographical coverage, and to expand the rider pool;
- approximately 20% of the net proceeds is expected to be used for funding the potential strategic acquisition of and investment in upstream and downstream businesses along the industry value chain, which we may seek from time to time to supplement and expand our business operations;
- approximately 15% of the net proceeds is expected to be used for marketing and branding; and
- approximately 10% of the net proceeds is expected to be used for working capital and general corporate uses.

The net proceeds received by the Company, after deducting the underwriting commission and other listing expenses in connection to the Listing, were approximately HK\$2,051.5 million.

As disclosed in the section headed "Use of Proceeds from The Listing" in the Annual Report, the Company had utilised approximately HK\$1,425.9 million of the net proceeds up to December 31, 2023 in the manner disclosed in the Annual Report.

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised net proceeds amounted to approximately HK\$410.3 million. On August 28, 2024, the Board resolved to change the use of the unutilised net proceeds partially from funding potential strategic acquisitions and investments in upstream and downstream businesses to expanding the Company's service coverage. An analysis of the utilisation of the net proceeds as at the date of this announcement and the proposed change in the use of the unutilised net proceeds is set out as below:

Purpose	Net proceeds from the Listing available as of this amendment (HK\$ million)	Actual net amount utilised up to June 30, 2024 (HK\$ million)	Unused net proceeds up to June 30, 2024 (HK\$ million)	Revised allocation of the unutilised net proceeds
Research and development and technology infrastructure	718.0	718	–	N/A
Expand the Company's service coverage	793.7	410.3	383.4	383.4
Funding potential strategic acquisitions and investments in upstream and downstream businesses	26.9	–	26.9	26.9
Marketing and branding	307.7	307.7	–	N/A
Working capital and general corporate use	205.2	205.2	–	N/A
Total	2,051.5	1,641.2	410.3	410.3

The unutilised net proceeds are expected to be utilised for expanding the Company's service coverage (including scenario coverage and geographical coverage), and for funding potential acquisitions and investments, and the timing for utilizing such net proceeds is extended to the end of 2026. See "Reasons for and Benefits of the Change in Use of Proceeds" below for further details.

Save for the aforesaid changes, there is no other change in use of the net proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

Over the past three years, the Company has been actively exploring investment targets that align with the Company's vision & development. However, due to the comprehensive impact of the COVID-19 pandemics and other market factors, no suitable investment target has been identified. As a result, no proceed has been used to fund potential acquisitions.

In order to meet the Company's plan to increase market share and explore potential market development, the Board is of the view that strict adherence to the implementation plan set out in the Prospectus will not be in the Group's best interest and therefore it should be appropriate to change the use of the unutilised net proceeds by (i) re-allocating HK\$383.4 million (equivalent to approximately RMB355.8 million) for expanding our service coverage, in particular the growth in non-food delivery scenarios and expansion in lower-tier cities and counties as set out in the management discussion and analysis section; and (ii) reserving HK\$26.9 million (equivalent to approximately RMB25 million) for potential strategic acquisition and investments of targets that have reached an annual revenue of more than RMB50 million, a valuation of more than RMB50 million and operating history of three years or more, and have a China or international geographical business coverage. The revised criteria of acquisition targets have taken into consideration the profiles of potential acquisitions targets that the Group has explored in the last three years and can better suit our business need and the current market dynamics, and the timing for utilizing such net proceeds (including the proceeds for expanding the service coverage and potential strategic acquisitions and investments) is extended to the end of 2026.

The Board is of the view that the re-allocation of the unutilised net proceeds will provide flexibility for the Group to manage its asset and liability and is favourable to the Group's long term business development as well as a better utilisation of the unutilised net proceeds. The Board will continue to assess the operations of the Group and the plan for the use of unutilised net proceeds and make revision when necessary.

The Board confirms that there is no material change in the nature of the business of the Group as set out in the Prospectus. The Board considers the above change in the use of the net proceeds is fair and reasonable as this will allow the Company to deploy its financial resources more effectively to expand its business and to enhance the profitability of the Group and is therefore in the interests of the Group and the Shareholders as a whole.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

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

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining and promoting stringent corporate governance to safeguard the interests of the Shareholders and to enhance our corporate value. The principle of the Group's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operation are conducted in accordance with applicable laws and regulations, to enhance the transparency of the Board, and to strength accountability to all Shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules.

During the Reporting Period and up to the date of this announcement, the Company has complied with all applicable principles of good corporate governance and code provisions of the CG Code, save and except the following in respect of code provision C.2.1 of the CG Code: In the Reporting Period, both the chairman of the Board and the Chief Executive Officer ("CEO") of the Company were held by Mr. Sun Haijin following Mr. Chan Fei's resignation on November 30, 2023. Notwithstanding the deviation from code provision C.2.1, the Board believes that with the support of the management, vesting the roles of both Chairman and CEO by the same person can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which currently consists of three executive Directors, four non-executive Directors and four independent non-executive Directors, the interest of the Shareholders will be adequately and fairly represented.

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

Compliance with the Model Code for Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the Group’s code of conduct regarding the Directors’ securities transactions. Having made specific enquiry of all the Directors of the Group, all the Directors confirmed that they have strictly complied with the Model Code throughout the Reporting Period and up to the date of this announcement.

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

During the Reporting Period and up to the date of this announcement, the Company repurchased certain H Shares on the Hong Kong Stock Exchange. Details of the H Shares repurchased are as follows:

Month of repurchase	No. of shares repurchased	Purchase consideration per share		Aggregate consideration paid (HK\$)
		Highest price paid (HK\$)	Lowest price paid (HK\$)	
2024				
January	6,530,600	11.20	8.92	66,600,984
February	—	—	—	—
March	114,000	9.47	9.27	1,061,986
April	2,879,800	10.56	9.79	29,313,940
May	2,046,000	11.08	9.94	21,221,648
June	1,919,000 ⁽¹⁾	12.68	10.96	22,886,136
July	1,061,800 ⁽²⁾	11.66	10.06	11,644,100
August	—	—	—	—
Total	14,551,200			152,728,794

Notes

(1) Among the shares repurchased in June 2024, 1,760,200 shares were held as treasury shares.

(2) All the 1,061,800 shares repurchased in July 2024 were held as treasury shares.

Up to the date of this announcement, (1) a total of 16,082,200 H Shares repurchased by the Company have been cancelled; (2) a total of 2,822,000 H Shares repurchased by the Company are held as treasury shares; (3) the issued shares of the Company comprised 745,610,609 H Shares (including treasury shares) and 171,764,898 domestic shares; and (4) the Company may consider using treasury shares for future resale or cancellation purposes in compliance with the Listing Rules. Save as disclosed in this announcement, during the Reporting Period and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities (including sale of treasury shares) listed on the Hong Kong Stock Exchange.

Sufficiency of Public Float

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 minimum public float required by the Stock Exchange throughout the Reporting Period.

Audit Committee and Review of Financial Information

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and the CG Code to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee comprises three members, namely Mr. Wong Hak Kun, Mr. Chan Kok Chung, Johnny and Mr. Li Qiuyu, with Mr. Wong Hak Kun (being our independent non-executive Director with the appropriate professional qualifications) as chairman of the Audit Committee.

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

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at <https://www.sf-cityrush.com/>. The interim report of the Group for the six months ended June 30, 2024 will be published on the aforesaid websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

By order of the Board
Hangzhou SF Intra-City Industrial Co., Ltd.
Mr. Sun Haijin
*Chairman of the Board and
Chief Executive Officer*

PRC, August 28, 2024

As at the date of this announcement, the Board comprises Mr. Sun Haijin, Mr. Chan Hey Man and Mr. Chen Lin, as executive directors of the Company; Mr. Geng Yankun, Ms. Li Juhua, Mr. Li Qiuyu and Mr. Han Liu, as non-executive directors of the Company; and Mr. Chan Kok Chung, Johnny, Mr. Wong Hak Kun, Mr. Zhou Xiang and Ms. Huang Jing, as independent non-executive directors of the Company.