杭州順豐同城實業股份有限公司

HANGZHOU SF INTRA-CITY INDUSTRIAL CO.,LTD.

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

Stock Code : 9699

SF INTRA-CITY

2021

Annual Report

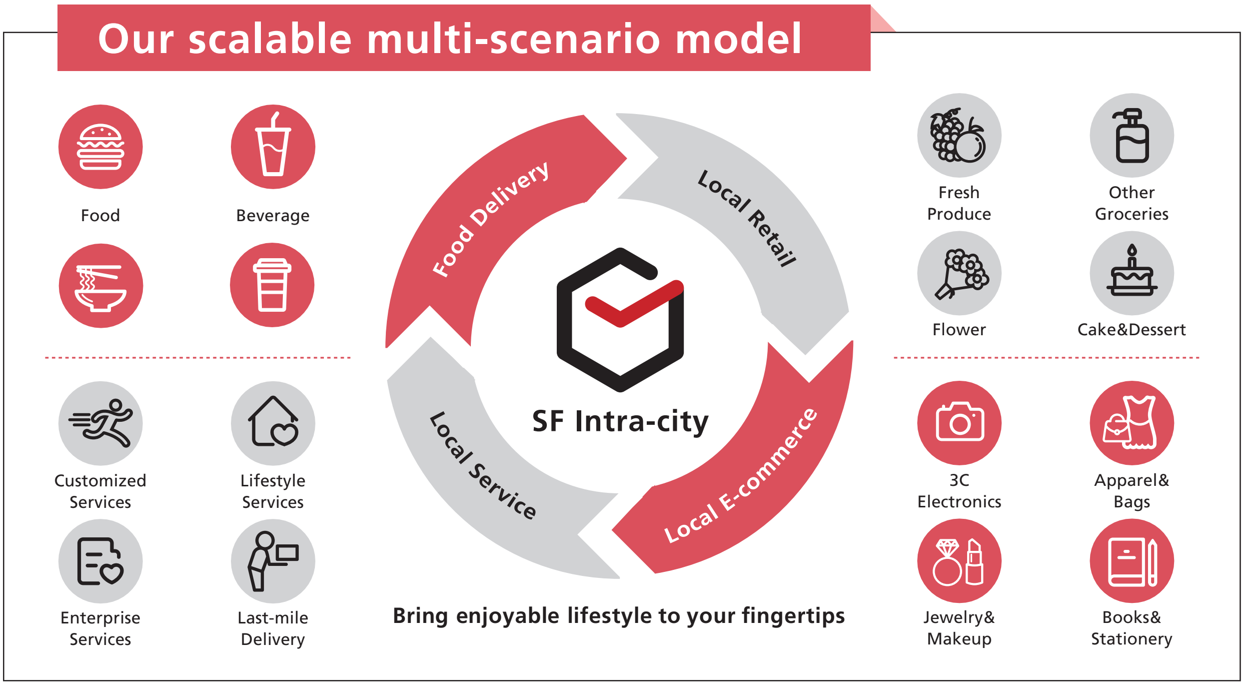
Contents

Company Profile

We started as a business unit of SF Holding Group, focusing on the emerging opportunities of intra-city on-demand delivery services. On June 21, 2019, our Company was incorporated in the PRC as a joint stock company with limited liability, to operate as an independent legal entity to capture the growth opportunities brought about by the new consumption trends. On December 14, 2021, our Company was listed on the Main Board of Hong Kong Stock Exchange. We provide both (i) intra-city delivery for merchants and consumers and (ii) last-mile delivery mainly for logistics companies. We have rapidly grown into the largest third-party on-demand delivery service platform in China.[Note]

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

Note: Such ranking is based on independent third-party order volume in China in 2021, according to iResearch. The calculation of order volume takes into account the number of orders sourced independently by the market players, excluding orders from related parties.



Food delivery

A mature scenario serving as the demand bedrock for on-demand delivery services. It generally covers the delivery of food and beverages. We serve merchants such as Laoniangjiu (老娘舅) and Heytea (喜茶).

Local retail

A growth scenario driven by the trend of online and offline integration in the retail industry. It generally covers delivery of fresh produce, flowers, cakes and desserts and other groceries. We primarily serve merchants in the fast-moving consumer goods industry such as Rainbow (天虹).

Local e-commerce

A growth scenario driven by the needs of e-commerce merchants to improve on-demand supply capabilities to acquire local market traffic. It generally covers delivery of 3C electronics, apparels and bags, jewelry, cosmetics, books and stationery. We primarily serve online channels of retailers such as Bestseller (綾致) and Xiaomi (小米).

Local services

A growth scenario driven mainly by the needs of consumers and businesses for on-demand customized services. We primarily run errands for consumers. For example, we help consumers deliver and fetch laundry, and fetch clothes from local retail stores for consumers' try-on. We also fulfill other business needs such as assisting advertisers in checking whether outdoor advertisements are properly displayed.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sun Haijin (Chief Executive Officer)
Mr. Tsang Hoi Lam
Mr. Chen Lin

Non-executive Directors

Mr. Chan Fei (Chairman)
Mr. Xu Zhijun
Mr. Li Qiuyu

Independent Non-executive Directors

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

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. Tsang Hoi Lam
Ms. Liu Jia

AUTHORISED REPRESENTATIVES

Mr. Tsang Hoi Lam

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

Suite 2511, Landmark
4028 Jintian Road
Futian District
Shenzhen
PRC

AUDITOR

PricewaterhouseCoopers

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

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

28/F., Low Block, Grand Millennium Plaza
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Hong Kong

REGISTERED OFFICE

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Chenchuang Building
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Gongshu District, Hangzhou City
Zhejiang Province
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 1A-21
Software Industry Base
Nanshan District
Shenzhen City
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

H SHARE REGISTRAR

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

PRINCIPAL BANKS

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

COMPANY'S WEBSITE

www.sf-cityrush.com

STOCK CODE

9699

Financial Highlights

	Year ended December 31,		
	2021	**2020**	
	RMB'000	*RMB'000*	*YoY%*
Revenue	8,173,953	4,843,366	68.8%
Cost of revenue	(8,079,144)	(5,031,872)	60.6%
Gross profit/(loss)	94,809	(188,506)	
Gross profit/(loss) margin	1.2%	(3.9)%	
Net loss	(898,851)	(757,677)	18.6%
Net loss margin	(11.0)%	(15.6)%	
Adjusted net loss (non-IFRS measure) (unaudited)[1]	(667,421)	(604,951)	10.3%
Adjusted net loss margin (unaudited)	(8.2)%	(12.5)%	

(1) Adjusted item includes share-based compensation expenses.

	As of December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Cash and cash equivalents	2,538,226	263,468
Total assets	4,208,915	1,413,520
Total liabilities	899,472	1,048,056
Total equity	3,309,443	365,464

Dear Shareholders,

On behalf of the Board of Directors of Hangzhou SF Intra-city Industrial Co., Ltd. and its subsidiaries (collectively the "Group"), we are pleased to present to you the 2021 Annual Report of the Group.

2021 was a significant year for SF Intra-city. Upholding our "high-quality, high-efficiency, and multi-scenario" development concepts, we continue to build an open ecosystem with the mission of "bringing enjoyable lifestyle to your fingertips" and have grown into China's largest third-party on-demand delivery service platform in six years. On December 14, 2021, SF Intra-city was successfully listed on the Main Board of the Hong Kong Stock Exchange, which has unlocked an important milestone in our corporate development, and has better prepared ourselves to greet the opportunities and challenges in China's on-demand delivery service market.

Over the past year, China's on-demand delivery service market maintained rapid growth. In light of an increasing willingness among consumers to pay for convenient and customized service in catering and other diverse scenarios, online ordering and offline fulfillment became the new characteristics of consumption patterns in the post pandemic era, and the extension of on-demand delivery scenarios to local retail, local e-commerce, local service and other non-food scenarios had been constantly promoted. Catalyzed by the increasingly diversified and open industry trend and increasingly multi-polar user traffic, more and more merchants have started to build closed-loop service to retaining and increasing traffic in their proprietary traffic channels, with tailored delivery service offered by neutral and reliable third-party on-demand delivery platform, so that they can deepen connections with users and strengthen brands' core competitiveness. The market potential for third-party on-demand delivery service has been further expanded.

We have maintained strong business growth and continued to occupy the No. 1 position in China's third-party on-demand delivery service market. Our revenue increased by 68.8% to RMB8.17 billion. Capitalizing on the multi-scenario business model, the demand for our non-food scenarios grew rapidly, and our service network had been further expanded. Our intra-city on-demand delivery business and last-mile delivery business, covering over 1,900 cities and counties, showed strong growth in demand in lower-tier cities and counties. Relying on our high-quality service and brand reputation, our revenue from intra-city on-demand delivery business for individual users has sustained a growth rate of above 150% for three consecutive years. At the same time, we integrated a variety of operating models through our technology innovations to fully support the efficient coordination of multiple scenarios and to refine dispatching operations, thereby continuously improving our efficiency. Our profitability continued to improve over the past three years, recording a gross profit of RMB94.8 million in 2021.

Adhering to a customer-oriented approach in achieving customer success through high-quality service

We are a trusted partner for our customers. We have maintained a long-term amicable relationship with many branded customers, and have continued to expand cooperation scenarios, launching highly customized innovative solutions such as multi-point pick-up, reverse logistics, and task-based orders to help branded merchants integrate online and offline business and build a private domain traffic ecosystem. We have further deepened cooperation with local life service providers. First of all, by accessing various open traffic ecosystems, multiple live streaming and e-commerce platforms as well as SaaS service providers, we have created a closed loop of "E-commerce traffic and service flow" for various merchants on the platform. Furthermore, we have also provided flexible capacity services for vertical e-commerce platforms. For individual users, we focus on creating the industry's first-class professional high-end on-demand delivery service, covering the delivery of important items in daily life, business and other scenarios, to ensure that the item is delivered in person to the recipient for the purpose of protecting privacy and safety.

Driving an explosive increase in scale and efficiency on a multi-scenario model

Our service network has an extensive coverage of cities, counties, business districts, time periods, categories and customers of all sizes nationwide. Our rich scenario coverage and diversified order sourcing have brought us higher order volume and order density, allowing our network effects and economies of scale to continuously strengthen. Efficient integration of dispatching based on varying scenarios can effectively smoothen the order and capacity peaks, realizing an improvement in the efficiency of riders throughout the day. While meeting the ever-changing and ever-upgrading customer needs, we have also comprehensively improved our product capabilities, network capabilities and technological capability and infrastructure to effectively promote refined operation management, thus bringing about an improvement in management efficiency and profitability.

Creating a warm rider platform

In addition to corporate development, shouldering on corporate social responsibility is always on our mind. Riders are our closest business partners. We are committed to creating a friendly and sustainable working environment for riders, and treating our riders with care and respect. During the year, we carried out more than 5,000 rider care activities, covering close to 300,000 attendances. We provide riders with job opportunities with income growth potential as well as personal development opportunities, and implement sustainable and flexible working arrangements in diversified delivery scenarios. Adhering to the principle of safety first, we have developed workplace and process safety guidelines. We attach importance to the communication with and feedback from riders and have built a comprehensive and diversified online-offline communication mechanism. During the COVID-19 pandemic, paying attention to the safety and health of riders, we have provided disinfecting and protective equipment, and set up an epidemic rapid response team for management and support in a timely manner. In 2021, the number of our active riders increased by 32% as compared with 2020 to over 600,000, and we continued to experience improvements in our rider retention rate.

Future prospects

Faced with challenges and opportunities arising from the macroeconomic, epidemic and industrial environments, our growth as well as our solid business and financial performance in 2021 have affirmed the differentiated value we provide to merchants, consumers, riders, and the industry, allowing us to be more confident in the Group's development in the new consumption era. In 2022, we will continue to face the impact and challenges imposed by epidemic prevention and control, as well as the macro consumption environment. As China's largest third-party on-demand delivery service provider, we will embrace the challenges and are dedicated to construct a solid on-demand delivery infrastructure for the industry and serve the society by deepening long-term value and social responsibility contributions. In order to do so, we strive to sustain high-quality development and more robust operations. We will continue to focus on:

1) serving as a bridge to bring enjoyable lifestyle to the fingertips of more merchants and consumers of the new consumption era, optimizing business structure and broadening the scope of business scenarios, growing order density and optimizing business structure;

2) continuously improving our profitability, expanding network effects and economies of scale through business traction to reduce the average fulfilment cost per order, and driving efficiency improvements through refined operation and technological innovation;

3) improving the value of service, ensuring high-quality and stable consumer experience and assisting and empowering merchants to increase customer loyalty, also deepening brand awareness and brand promotion to enhance good reputation amongst our customers; and

4) valuing our riders as the most important partners, paying attention to and protecting the rights and interests of our riders, and making the greatest efforts for their job opportunities and long-term development.

Appreciation

On behalf of the Board of Directors and management of the Group, we would like to express our sincere gratitude to our consumers, merchants and business partners for their continuous support, to the riders and all our employees for their dedication and outstanding contributions, and to the Shareholders for their attention and trust.

Looking ahead, we will remain committed to becoming the most trusted partner in the industry, and facilitating the development of the real economy with an open and inclusive delivery network as well as professional and comprehensive solutions, thus creating more value for society.

Chan Fei
Chairman of the Board of Directors

March 30, 2022

Sun Haijin
Executive Director and CEO

March 30, 2022

BUSINESS REVIEW

Overview

We are the largest third-party on-demand delivery service platform in China(Note). 2021 is another remarkable year of our corporate and business development. We have achieved significant growth by further leveraging on our multi-scenario business model and our full coverage of products and services. Our revenue grew by 68.8% from RMB4,843.4 million in the year ended December 31, 2020 to RMB8,174.0 million in the year ended December 31, 2021.

Furthermore, with enhanced economies of scale and network effect and through further optimising our operating leverage and efficiency, we have achieved gross profit/loss margin improvements for three consecutive years, with a gross profit of RMB94.8 million and a gross profit margin of 1.2% in the year ended December 31, 2021, compared with a gross loss of RMB188.5 million and a gross loss margin of 3.9% in the year ended December 31, 2020. In particular, our continuing investment and optimisation in technologies, including the application of big data and AI technologies in our City Logistics System ("**CLS**"), has enabled us to achieve higher operational efficiency and lower delivery costs in 2021. For details, please refer to the paragraph headed "Our Technologies" in this annual report.

We serve customer needs across various industries and product categories. We provide both (i) intra-city delivery for merchants and consumers; and (ii) last-mile delivery mainly for logistics companies. The following table sets forth our revenue breakdown:

	Year ended December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Intra-city on-demand delivery service	8,159,897	4,841,920
Intra-city delivery service	5,089,644	3,220,164
(1) To Merchants *(i.e. to B)*	3,882,508	2,740,666
(2) To Consumers *(i.e. to C)*	1,207,136	479,498
Last-mile delivery service	3,070,253	1,621,756
Others	14,056	1,446
Total	8,173,953	4,843,366

(Note) Such ranking is based on independent third-party order volume in China in 2021, according to iResearch. The calculation of order volume takes into account the number of orders sourced independently by the market players, excluding orders from related parties.

Intra-city Delivery

Revenue from our intra-city delivery service increased by 58.1% from RMB3,220.2 million in the year ended December 31, 2020 to RMB5,089.6 million in the year ended December 31, 2021. Such significant growth in revenue was mainly attributable to: (i) the strong performance of our non-food delivery scenarios[Note 1], which has achieved a year-on-year revenue growth of 105% to RMB1,871.5 million in the year ended December 31, 2021, accounting for 37% of our total revenue from intra-city delivery; (ii) increasing customers' awareness of the value of third-party on-demand delivery platform, driven by its cost effectiveness and its ability to bring private domain traffic to our merchant customers; (iii) further expansion of our active merchant[Note 2] base and active consumer[Note 3] base, which has enabled us to maintain a reliable, comprehensive and high-quality service matrix; and (iv) our efforts in further expanding our service network beyond first- and second-tier cities into lower-tier cities[Note 4] with larger growth potential in both customer demand and rider resources. Revenue from lower-tier cities and counties increased by 89% year-on-year to RMB1,673.6 million in the year ended December 31, 2021. At the same time, for cities and counties with existing operations, we have continued to improve the order density and diversity of service scenarios.

Intra-city Delivery to Merchants

We empower merchants with our open and inclusive on-demand delivery network as well as our professional and comprehensive solutions. The number of our active merchants increased from approximately 167,000 in 2020 to over 258,000 in 2021. We believe we have become the go-to third-party on-demand delivery service provider for our merchant customers.

(Note 1) "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.

(Note 2) "active merchant(s)" refers to the number of unique merchant accounts that purchase a particular service at least once during the prescribed period.

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

(Note 4) "lower-tier cities" refers to cities, counties and towns that are in the third tier or below.

Our comprehensive service matrix endeavours to attend to each merchant's needs to the greatest possible extent. To illustrate, we offer one-on-one tailored solutions for our key accounts customers and standard value-for-money options for our SME customers. By further leveraging our multi-scenario business model, we have achieved remarkable revenue growth as compared to 2020, with over 165% year-on-year growth in revenue attributable to deliveries for merchants in the pharmaceutical industry, the apparel industry, and 3C (Computer, Communication and Consumer) electronics industry and over 95% year-on-year growth in revenue attributable to deliveries for merchants in local e-commerce and retail scenarios covering categories such as fresh produce, flowers, desserts and other groceries. Adopting our customer-centric approach, we have also deepened our cooperation with various leading brands and established amicable business relationships with over 2,300 merchant brands, including (i) retailers such as Carrefour (家樂福) and Rainbow (天虹), (ii) 3C electronic vendors such as Xiaomi (小米) and OPPO, (iii) pharmacies such as Cowell Health (高濟醫療) and Shu Yu Civilian Pharmacy (漱玉平民), and (iv) apparel retailers such as Bestseller (綾致). By maintaining high-quality, stable and customer-centric services, we have achieved a 86% retention rate for our Top 100 key accounts customers in 2021.

We have also sought to continuously explore diverse service scenarios and solutions with our merchant customers. In particular, we have launched new delivery solutions and tailored services to our merchant customers in different industries based on their specific business needs.

Retail industry

We have developed new delivery services and tailored solutions in multi-scenarios, including delivery within an hour (小時達), delivery within half a day (半日達), multi-point pick-up single-point delivery (多點取一點送) and clothing/garment try-on from department stores, to address the integrated needs of our merchant partners.

3C industry

We provide expedited delivery for newly arrived products (新品首發極速達), "Online order, instant delivery to customers" service (線上下單門店到C) and on-demand inter-warehouse allocation of inventory (店間庫存的調撥).

Pharmaceutical industry

We offer temperature-controlled delivery of cold chain medicines with customized packaging (精溫專遞).

In addition, we have leveraged our rich rider pool to serve local services scenarios (近場服務), driven mainly by the needs of consumers and businesses for on-demand customized services. For instance, we run errands for consumers on the spot and help fulfill business needs such as assisting advertisers in checking whether outdoor advertisements are properly displayed.

To embrace the opportunities of multi-channel traffic, one of our significant strategies has been to accommodate various local lifestyle service channels by providing timely on-demand delivery services, enabling merchants to deliver the goods directly pursuant to customers' online purchase, via the "Online order, instant delivery to customers" service. In the meantime, our service scenarios are enriched by gaining online traffic. For example, by tapping into the WeChat ecosystem, we have integrated our delivery services with various WeChat functions including (i) the real-time logistics assistant (即時物流助手), embedded in the WeChat Mini Program and (ii) the accounts ledger services (收款小賬本), which has enabled small- and medium-sized merchants to establish an online retail store, arrange intra-city delivery and receive payment, all with a few clicks. As a result, merchants in the WeChat ecosystem can use our services conveniently, achieving a closed-loop online-to-offline (O2O) customer acquisition process. Meanwhile, we have also served vertical platforms, such as grocery e-commerce platforms and community e-commerce platforms, as a supplementary delivery force during peak hours and seasons, night time and under bad weather conditions.

Facing with the rise of e-commence live streaming, we have developed comprehensive on-demand delivery solutions tailored for e-commerce live streaming platforms, enabling intra-city on-demand delivery whilst the live stream is still ongoing. Our services are embedded in the merchants' live streams, during which our services will be promoted for users to opt for, hence enabling us to concurrently increase order volume and attain higher penetration in both merchants' and consumers' segments.

We also strategically cooperate with SF Holding Group's ecosystem participants to tailor one-stop comprehensive supply chain logistics solutions for customers. Such cooperation has enabled SF Holding Group and us to provide customers with smart and integrated supply chain solutions covering various industries and application scenarios, which has broadened customer reach and increased customer loyalty for both SF Holding Group and us. In 2021, our service to Credit Customers(Note) with SF Holding Group has led to contribution of RMB97.8 million in our revenue, further strengthening our intra-city delivery business.

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

Intra-city Delivery to Consumers

We have achieved over 150% year-on-year growth in terms of revenue for intra-city delivery service to consumers for three consecutive years, primarily attributable to our continuously fast-growing consumer base. Our consumer base has doubled in 2021 as compared to the preceding year. The number of our active consumers increased from approximately 5.1 million in 2020 to approximately 10.6 million in 2021. Such increase in our consumer base is primarily attributable to (i) the increasing penetration of intra-city on-demand delivery service driven by increasing demand for timeliness by consumers; (ii) the stronger recognition of our brand by our consumers; and (iii) the easy access to our services through various channels including SF City Rush App (順豐同城急送APP), Mini Programs, our website, and portals on third-party platforms.

In 2021, we also upgraded our consumers delivery standard with a specialized "pioneer riders" team, which has achieved an order-pick-up rate of no less than 99% and a fulfillment-in-time rate of over 95% at the end of 2021.

Last-mile Delivery

Last-mile delivery services are mainly offered to logistics services providers as a supplement to their delivery capabilities, especially during peak hours, peak seasons, night time, or in areas where such logistics services providers lack local delivery capability.

Revenue from our last-mile delivery services increased by 89.3% from RMB1,621.8 million in the year ended December 31, 2020 to RMB3,070.3 million in the year ended December 31, 2021. Such increases were mainly attributable to (i) increased demand, resulting from the increasing orders from e-commerce platforms and the need for logistics services providers to outsource last-mile delivery in order to address the imbalance between orders and delivery capacities during peak hours or seasons and to enhance cost efficiency; and (ii) increased supply due to the expansion of our rider pool and our delivery service network, with the number of cities and counties covered by our last-mile delivery services being increased to over 1,900. Not only has last-mile delivery enabled us to further expand our network and achieve network effect and economies of scale, it has also improved riders' income, strengthened riders' long-term loyalty, and has reduced our fulfilment cost.

Our Riders

Our riders consist of dedicated riders and crowd-sourced riders. The number of our active riders(Note) increased from approximately 459,400 in 2020 to over 606,000 in 2021. Such increase in our rider base has enabled us to further expand our existing businesses whilst exploring and undertaking new lines of businesses, including developing a night-time (24 hours) delivery service network to ensure reliable performance of our services during special periods and to address our customers' special needs. As of December 31, 2021, the number of cities covered by our night-time (24 hours) delivery service network amounted to 693 cities. We have maintained a 95% fulfilment-in-time rate during 2021. Particularly for food delivery scenarios (which time-efficiency is of the essence), we have achieved an average delivery time of 26 minutes per order in 2021. At the same time, the proportion of medium and long-distance orders over 3 kilometres continues to increase. To better serve evolving customer needs including time-sensitive and on-demand longer distance intra-city delivery or heavier items delivery, we have also launched and developed a four-wheeler network to cater for new on-demand delivery scenarios.

Our riders have formed an integrated dispatch network enabling us to adapt to different businesses and customer requirements. Through the use of CLS, we can conduct real-time analysis on order volume and order density and make precise adjustment so that our riders can deliver orders for different service scenarios throughout the day and cope with real-time order volume volatility. Our CLS can smooth out the load for our riders throughout the day, bringing efficient and balanced work arrangements and an increase in income for our riders. We place equal emphasis on our riders' personal development and ability to earn higher incomes, and provide targeted trainings to ensure that riders attain a high degree of mastery and effective application of the knowledge and skills taught. We improve the closed-loop management of rider training, and require riders who fail the assessment to retrain and re-take the tests. In addition, we incorporate training progress indicators into the rider evaluation system to motivate riders to actively participate in training courses. In 2021, a total of 1,652,736 skill tests of various nature (including safety training) were taken by the riders, with a pass rate of 99%.

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

In 2021, the PRC government has issued various policies with a view to protecting the rights and interest of riders and promoting a sustainable development of platform economies. Such policies include (i) the Guiding Opinions on Safeguarding the Rights and Interests of Workers in New Employment Patterns (關於維護新就業形態勞動者勞動保障權益的指導意見) and (ii) the Guiding Opinions on the Implementation of the Responsibility of Online Catering Platforms to Effectively Safeguard the Rights and Interests of Take-out Food Delivery Workers (關於落實網絡餐飲平台責任切實維護外賣送餐員權益的指導意見). We actively monitor policy changes and have implemented various rider safety and welfare policies to ensure compliance with the recent laws and regulations. For example, we make contribution to the social insurance and housing provident funds for our employee riders, and have required our outsourcing firms to pay social insurance and housing provident funds for riders who have contractual labour relations with them. In addition, we have implemented workplace safety measures such as setting an upper limit of ongoing orders that each rider can take. We are of the view that compliance with such government policies will not have a material adverse effect on our business and operation.

We adhere to the principles of "care and respect" and "safety first" towards our riders. We have hosted over 5,000 rider care activities in 2021 with over 300,000 attendances. Also, we have put in place various workplace safety measures, including the provision of smart helmets, mandatory breaks or break reminders, maximum working hours and comprehensive safety trainings to our riders. This contributes to an approximately 14% year-on-year improvement to the safety accident rate(Note), even under the premise of the rapid expansion of our business scale. At the same time, we have taken the lead in launching an industry-first comprehensive rider rights and incentives system, including "SF Intra-city "coins" (同城幣)", "benefits vouchers (權益兑換券)" and "service points (服務分)" in 2021. This creates a brand-new comprehensive rights experience for our riders. Riders can continuously improve service points through daily check-in, order acceptance, service evaluation, task completion and so on, collect SF Intra-city "coins" and exchange for specific benefits vouchers. The accumulated SF Intra-city "coins" can also be used to offset service points deduction arisen due to certain categories of complaints or minor misconducts (e.g. illegal misconducts cannot benefit from such offset mechanism). We hope that through the establishment of a leading rights and incentives system, the possible psychological pressure and anxiety of riders can be alleviated, so as to ensure reasonable platform rewards to our riders and enhance our social responsibility. We also support our riders via an online automatic quick-response system to provide around-the-clock consultation, and have cooperated with SF Foundation (順豐公益基金會) to launch the "Care for Millions of Riders" (百萬騎手關愛計劃) project, providing education support for riders' children and financial aid to address the medical needs of riders' families.

(Note) "safety accident rate" refers to the number of personal injury accidents that riders have claimed under "rider comprehensive insurance" as a percentage of total number of orders.

In response to the COVID-19 pandemics, we have continued to enforce the necessary self-quarantine and on-site disinfection measures and provide disinfection and protective equipment such as masks and hand sanitizers for our riders.

Our Technologies

To further optimize our efficiency through technology advance, we have continued to invest in and develop our technologies, including the application of big data and AI technologies in our CLS to achieve higher operational efficiency and lower delivery cost. In particular, our CLS has enabled us to achieve (i) effective business forecast and planning, including the effective deployment of riders according to scenario; (ii) integrated order recommendation and dispatching; and (iii) real-time operation monitoring, which has been made possible due to our digitalized processes.

Powered by our integrated rider scheduling and real-time order recommendation and dispatching technology, we are able to fulfill orders in multi-scenarios with our diverse rider pool. Our highly efficient real-time order dispatching system supports complex delivery network, which has different layers of geographical coverage, including store level, business district level and city level. With above mentioned three-fold delivery network, we are able to dynamically and flexibly adjust order dispatching, shorten delivery time and lower delivery costs.

In addition to delivery services, we share our technology capabilities and data insights with our merchants. We help our merchants allocate orders among different stores and provide analytical and monitoring tools for merchants to analyze and monitor their online business, order fulfilment progress and real-time rider performance under multiple scenarios. We also offer our merchants recommendations such as tailored order pick-up processes and order preparation time guidance, together with IT support and store operation solutions to enable digital transformation of our merchants.

We aim to further invest technological resources in growth scenarios such as local e-commerce and local services, to strengthen our platform with technological innovations adapting to new service scenarios, so as to empower merchants and consumers with enhanced technology-driven integrated solution offerings.

Impact of COVID-19

Since December 2019, the COVID-19 pandemic has materially and adversely affected the global economy. Furthermore, the Omicron which is highly contagious has become the dominant strain of COVID-19 in 2021.

We have taken prompt measures to mitigate the effect of the pandemic, including arranging for remote working, enforcing the necessary self-quarantine and disinfection measures on-site, and providing disinfection and protective equipment to our employees and riders. We have also established a pandemic quick response team and a pandemic management system, to coordinate our Group's effort in managing the risks posed by the pandemic and to provide prompt support to our business and our people during the pandemic. Despite the impact of COVID-19, we have not experienced any material disruption or suspension of our businesses, nor have we experienced any material shortage in rider capacity. We also believe that our liquidity is sufficient to successfully navigate an extended period of uncertainties resulting from the COVID-19 pandemic.

We believe that the pandemic has brought about changes in consumption habits such as the increasing trend of local online purchase which may lead to growing demand for our on-demand delivery services. However, such shift in consumption patterns associated with the COVID-19 pandemic may be non-recurring and non-sustainable.

Outlook

In 2021, in terms of revenue, we have achieved a significant revenue growth by further expanding our customer base and geographic coverage, and exploring new scenarios. At the same time, in terms of profitability, we successfully achieved turnaround from gross loss to gross profit and recorded a continuous improvement in net loss margin in 2021.

In view of the uncertainties and challenges of the macro economy, we will continue to focus on improving our gross profit margin and narrowing our net loss margin with a view to achieving net profit by (i) controlling our operating costs; (ii) enhancing operating leverage and (iii) introducing more high-yield customers through promotion and innovation at lower cost base and to reduce the number of low-yield customers. We seek to further improve order density and order dispatching technology in order to achieve the smooth coordination of complex and diverse delivery scenarios, to further refine our management of various delivery scenarios and business cycles, with a view to providing stronger tech-empowered service to our customers.

In addition, in terms of revenue growth, we will strive to maintain a high growth above the industry-average level by continuing to (i) explore our delivery service scenarios and expand our geographical coverage and customer base; (ii) capture the evolving and diverse needs of customers to enhance customer loyalty by providing high quality services and technological support services; and (iii) provide comprehensive employee and rider management and support to retain and attract diverse talents.

Through business optimization, improved efficiency through refined operation and deeper market penetration as illustrated above, we will strive to achieve a greater economic of scales and network effect with a view to achieving profitability as soon as possible.

FINANCIAL REVIEW

The following table sets forth the comparative figures for the years ended December 31, 2020 and 2021.

Consolidated Statement of Comprehensive Income

	Year ended December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Revenue	8,173,953	4,843,366
Cost of revenue	(8,079,144)	(5,031,872)
Gross profit/(loss)	94,809	(188,506)
Selling and marketing expenses	(270,348)	(111,016)
Research and development expenses	(123,441)	(69,374)
Administrative expenses	(655,132)	(418,017)
Other income	44,847	18,081
Other gains, net	731	441
Net impairment losses of financial assets	(4,477)	(850)
Operating loss	(913,011)	(769,241)
Finance income	18,055	2,978
Finance costs	(7,630)	(17,927)
Finance income/(costs), net	10,425	(14,949)
Loss before income tax	(902,586)	(784,190)
Income tax credit	3,735	26,513
Loss and total comprehensive loss for the year	(898,851)	(757,677)
Loss and total comprehensive loss attributable to		
– Owners of the Company	(898,851)	(757,677)
Losses per share (expressed in RMB per share)		
– Basic and diluted losses per share (in RMB)	(1.28)	(1.60)

Key Balance Sheet Items

	As of December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Total non-current assets	375,555	326,489
Total current assets	3,833,360	1,087,031
Total assets	4,208,915	1,413,520
Total non-current liabilities	20,505	25,714
Total current liabilities	878,967	1,022,342
Total liabilities	899,472	1,048,056
Total equity	3,309,443	365,464
Total equity and liabilities	4,208,915	1,413,520
Net current assets	2,954,393	64,689

Revenue

The following table sets forth our revenue by line of business for the years ended December 31, 2020 and 2021 respectively.

	Year ended December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Intra-city on-demand delivery service	8,159,897	4,841,920
Intra-city delivery service	5,089,644	3,220,164
(1) To Merchants *(i.e. to B)*	3,882,508	2,740,666
(2) To Consumers *(i.e. to C)*	1,207,136	479,498
Last-mile delivery service	3,070,253	1,621,756
Others	14,056	1,446
Total	8,173,953	4,843,366

Revenue increased significantly by 68.8% to RMB8,174.0 million for the year ended December 31, 2021, compared to RMB4,843.4 million for the year ended December 31, 2020, mainly due to (i) our expansion into new service scenarios; (ii) the expansion of the geographical coverage of our service network; (iii) the expansion of our customer base; and (iv) the increasing prevalence of e-commerce and online consumption.

Cost of Revenue

The following table sets forth our cost of revenue by category for the years ended December 31, 2020 and 2021 respectively.

	Year ended December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Labour outsourcing costs	7,918,221	4,860,237
Employee benefit expenses	32,550	61,262
Cost of material	48,475	34,661
Amortization of intangible assets	43,022	31,142
Depreciation of property, plant and equipment	1,679	1,071
Depreciation of right-of-use assets	2,657	752
Others	32,540	42,747
Total	8,079,144	5,031,872

Cost of revenue increased by 60.6% to RMB8,079.1 million for the year ended December 31, 2021, compared to RMB5,031.9 million for the year ended December 31, 2020, mainly due to the increased order volume that we are able to satisfy due to our growing pool of riders.

Gross Profit and Margin

As a result of the foregoing, our gross profit and margin for the year ended December 31, 2021 was RMB94.8 million and 1.2% respectively, compared to the gross loss and margin of RMB188.5 million and 3.9% respectively for the year ended December 31, 2020. The change from operating at a gross loss to a gross profit is mainly due to a decrease in average fulfilment cost per order, which is driven by: (i) our improving operational efficiency with strong network effects and economies of scale; (ii) optimization of our order structure and improvement in our order mix, partly due to increased order volume for last-mile delivery services; (iii) enhancement of our technology capabilities; and (iv) optimization of our rider management and structure.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 143.5% to RMB270.3 million for the year ended December 31, 2021, compared to RMB111.0 million for the year ended December 31, 2020, mainly due to (i) our efforts in strengthening brand influence; (ii) our increased online and offline promotion and marketing activities; and (iii) the continuous expansion of our regional marketing teams to enlarge our customer base.

Research and Development Expenses

Our research and development expenses increased by 77.9% to RMB123.4 million for the year ended December 31, 2021, compared to RMB69.4 million for the year ended December 31, 2020, mainly due to (i) our continuous investment in R&D teams and talents; (ii) our in-house research and development of the CLS; and (iii) the development of our Fengshi system. We believe the increase in our research and development expenses reflects our continuous effort to address and meet the evolving business scenarios and customer needs.

Administrative Expenses

Our administrative expenses increased by 56.7% to RMB655.1 million for the year ended December 31, 2021, compared to RMB418.0 million for the year ended December 31, 2020, mainly due to (i) the expansion of our management team to suit our business growth, which resulted in increased salaries, wages and bonuses; (ii) the share-based payments to our management team increased to RMB231.4 million in 2021 from RMB152.7 million in 2020; and (iii) increased listing expenses.

Other Income

Our other income increased by 148.0% to RMB44.8 million for the year ended December 31, 2021, compared to RMB18.1 million for the year ended December 31, 2020, mainly due to increased value-added tax deductions and also grants from the local government to reward the contribution of the Group to local economies.

Finance (Costs)/Income, Net

Our finance (costs)/income, net changed from financial costs of RMB14.9 million for the year ended December 31, 2020 to finance income of RMB10.4 million for the year ended December 31, 2021, mainly due to (i) increased finance income attributable to the substantial increase in capital through the Series B financing and our Global Offering in December 2021 and (ii) reduced finance costs as a result of our repayment of borrowings.

Income Tax Credit

Our income tax credit decreased by 85.9% from RMB26.5 million for the year ended December 31, 2020 to RMB3.7 million for the year ended December 31, 2021, mainly due to reduced provision for deferred income tax assets.

Loss for the Year and Net Loss Margin

As a result of the foregoing, we had a loss of RMB898.9 million in the year ended December 31, 2021, compared to a loss of RMB757.7 million in the year ended December 31, 2020, mostly due to increase of share-based compensation expenses and expansion of business scale. Nevertheless, our net loss margin decreased from 15.6% for the year ended December 31, 2020 to 11.0% for the year ended December 31, 2021.

Non-IFRS Measure: Adjusted Net Loss

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

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

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

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

	Year ended December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Reconciliation of net loss to adjusted net loss (non-IFRS measure)		
Net loss for the year	(898,851)	(757,677)
Add:		
Share-based compensation expenses	231,430	152,726
Adjusted net loss (non-IFRS measure) (unaudited)	(667,421)	(604,951)

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 RMB2,538.2 million as of December 31, 2021, compared to the balance of RMB263.5 million as of December 31, 2020. The following table sets forth our cash flows for the years indicated:

	Year ended December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Operating cash flows before changes in working capital	(609,645)	(571,697)
Changes in working capital	59,455	5,949
Interest received	18,055	2,978
Income tax paid	–	(685)
Net cash used in operating activities	(532,135)	(563,455)
Net cash used in investing activities	(415,078)	(28,417)
Net cash generated from financing activities	3,219,632	784,054
Net increase in cash and cash equivalents	2,272,419	192,182
Cash and cash equivalents at the beginning of the year	263,468	71,286
Effects of exchange rate changes on cash and cash equivalents	2,339	–
Cash and cash equivalents at the end of the year	2,538,226	263,468

Net Cash Used in Operating Activities

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

For the year ended December 31, 2021, net cash used in operating activities was RMB532.1 million, which was mainly attributable to our loss before income tax of approximately RMB902.6 million, as adjusted by: (i) non-cash and non-operating items, primarily comprising share-based payments, amortization and depreciation of assets and interest income and expenses of approximately RMB311 million; and (ii) changes in working capital of approximately RMB59.5 million.

Net Cash Used in Investing Activities

For the year ended December 31, 2021, net cash used in investing activities was RMB415.1 million, which was mainly attributable to (i) our purchases of structured deposit products of approximately RMB330.0 million; and (ii) our purchase of intangible assets of approximately RMB73.0 million and fixed assets of approximately RMB17.1 million.

Net Cash Generated from Financing Activities

For the year ended December 31, 2021, net cash generated from financing activities was RMB3,219.6 million, which was mainly attributable to (i) the Series B financing raising approximately RMB1.8 billion; (ii) our Global Offering in December 2021 raising approximately RMB1.7 billion; and (iii) our repayment of borrowings from related party of approximately RMB409 million.

Gearing Ratio

Our gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. As at December 31, 2021, 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 nil as of December 31, 2020 to RMB330.1 million as of December 31, 2021, mainly due to our purchases of structured deposit products.

Borrowings

Save as disclosed in Note 32 to the consolidated financial statements, as of December 31, 2021, we did not have outstanding borrowing.

Capital Commitments

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

	As of December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Intangible assets	1,823	4,818
Property, plant and equipment	–	3,284
Total	1,823	8,102

Capital Expenditure

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

	Year ended December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Payment for intangible assets	86,027	67,324
Payment for property, plant and equipment	13,917	9,876
Total	99,944	77,200

Lease Commitments and Arrangements

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

	As at December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
With 1 year	4,165	648
Between 1 to 2 year	39	–
	4,204	648

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For the financial year ended December 31, 2021, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Financial Risks

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks, which arise from foreign exchange rates and cash flow and fair value interest rate.

Foreign Exchange Risk

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

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. As of December 31, 2021, the Group had HKD2,105 million cash in bank which was generated from the Global Offering. If the RMB strengthened/weakened by 1% against the HKD with all other variables held constant, net loss before tax for the year would have been RMB17.2 million higher/lower.

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

Cash Flow and Fair Value Interest Rate Risk

As of December 31, 2021, we had no significant interest rate risk as we did not hold any long-term interest-bearing debt.

Pledge of Assets

As of December 31, 2021, we did not have any pledge of assets.

Contingent Liabilities

As of December 31, 2021, we did not have any material contingent liabilities.

Future Plans for Material Investments and Capital Assets

As of December 31, 2021, we did not have other plans for material investments and capital assets.

Material Events after the Reporting Period

As at the date of this report, the Group has no disclosable material events after the Reporting Period.

Employees and Remuneration Policy

As of December 31, 2021, we had 2,083 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 the Corporate Governance Report covering the Relevant Period.

CORPORATE GOVERNANCE PRACTICES

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, regulates 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Company has only been listed on the Stock Exchange since December 14, 2021, the CG Code was not applicable to the Company during the period preceding such date. During the Relevant Period and up to the date of this report, the Company has complied with the applicable code provisions of 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.

COMPOSITION OF THE BOARD

The Board's structure is governed by the Company's Articles of Association. The Board has an appropriate mix of skills, experience, and diversity that are relevant to the Company's strategy, governance, and business, and underpin its effectiveness and efficiency.

As of the date of this report, the Board comprises nine Directors, consisting of three executive Directors, three non-executive Directors ("**NEDs**") and three independent non-executive Directors ("**INEDs**") as follows:

Executive Directors

Mr. Sun Haijin *(Chief Executive Officer)*
Mr. Tsang Hoi Lam
Mr. Chen Lin

Non-executive Directors

Mr. Chan Fei *(Chairman)*
Mr. Xu Zhijun
Mr. Li Qiuyu

Independent Non-executive Directors

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

The biographical information of the Directors is set out in the section headed "Directors, Supervisors and Senior Management" on pages 58 to 66 of this annual report.

The number of INEDs consists one-third of the members of the Board. Mr. Wong Hak Kun, Chairman of the Audit Committee, is a renowned financial expert with over 36 years of experience in auditing, assurance, and management. There is no relationship (including financial, business, family or other material or relevant relationship) among the Board members.

ROLES AND RESPONSIBILITIES

The Articles of Association clearly defines the respective duties of the Board and the management.

Board Functions

Good governance emanates from an effective and accountable board. The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation by management. The Board is accountable to the Shareholders' meetings, and its duties mainly include the execution of resolutions, formulation of major operational, material financial and investment decisions, establishment of the Company's basic management system, and examination of the work of the senior management members. In respect of corporate governance, the Board is responsible for:

1. being informed of working reports of the senior management members of the Company and examining the work of the senior management members of the Company;

2. performing other duties and powers as stipulated in the laws and regulations, the Listing Rules, the Articles and as authorized by Shareholders' general meetings; and

3. the following matters:

   - Formulating, reviewing and improving the Company's corporate governance system;

   - Reviewing and supervising the training for and continuous professional development of Directors and senior management members;

   - Making relevant disclosures as per the laws and relevant provisions of the securities regulatory authority; and

   - Working out the Company's code of conduct and relevant compliance manual and supervising the behaviours of its employees.

Management Functions

The management is responsible for leading the operation and management of the Company, implementing Board resolutions and the Company's annual operation plans and investment schemes, formulating the proposal of the Company's internal administrative organisations and suborganisations, and performing other duties as authorised by the Articles of Association and the Board.

Delegation of Powers

In order to maintain highly efficient operations, as well as flexibility and swiftness in operational decision-making, the Board may delegate its management and administrative powers to the management when necessary, and shall provide clear guidance regarding such delegation so as to avoid impeding or undermining the capabilities of the Board when exercising its powers as a whole. The Board will review those arrangements periodically to ensure they remain appropriate to the Company's needs.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer (CEO) are held by Mr. Chan Fei and Mr. Sun Haijin, respectively. The roles of the Chairman and the CEO are complementary, but importantly, they are distinct and separate with a clear and well-established division of responsibilities. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The CEO focuses on the Company's business strategies, management and operations generally.

Functions of the Chairman *(Non-Executive Director)*

- to preside over Shareholders' general meetings and to convene and preside over Board meetings;
- to examine the implementation of the resolutions of the Board;
- to sign (or authorise appropriate management to sign) the shares, corporate bonds and other negotiable securities issued by the Company; and
- to exercise other functions and powers specified in laws, administrative regulations, departmental rules, the Articles or powers granted by the Board resolutions.

Functions of CEO *(Executive Director)*

- to be in charge of the Company's production, operation, and management, to organize and implement the resolutions of the Board;
- to organize and implement the Company's annual plan and investment scheme;
- to prepare a plan for establishing internal governing bodies of the Company;
- to draft the Company's basic management system;
- to formulate fundamental rules and regulations for the Company;
- to propose to the Board to appoint or dismiss the other senior management members of the Company in accordance with the Articles and the relevant internal control system of the Company; and
- to exercise other functions and powers as conferred by the Articles and the Board.

INDUCTION, TRAINING AND DEVELOPMENT

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company. Besides, in preparation for the Global Offering, all Directors have received formal and comprehensive training on Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses. The Board is responsible for reviewing and supervising the training for and continuous professional development of Directors and senior management members.

Prior to the Company's listing on the Stock Exchange, each of the Directors have attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies. During the year ended December 31, 2021, the Company organized training sessions on directors' duties and responsibilities conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

BOARD MEETINGS

As shares were only listed on the Stock Exchange on December 14, 2021, the code provisions relating to convening the Board meetings are not applicable to the Company prior to the Listing date. During the Relevant Period, no meeting of the Board was held.

From January 1, 2022 onwards, the Board will meet regularly and schedule to meet at least four times every year as when appropriate in accordance with the CG Code, either in person or through electronic means of communication. Apart from regular Board meetings, the Chairman will also hold one meeting annually with the INEDs without the presence of other Directors.

BOARD COMMITTEE

The Board has established three Board Committees in accordance with the relevant laws and regulations, the Articles of Association, and the code of corporate governance practices under the Listing Rules, namely the Audit Committee, the Remuneration Committee, and the Nomination Committee. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties.

AUDIT COMMITTEE

The Audit Committee is mainly responsible for the coordination between internal and external auditors, supervision, and inspection of their works as well as the risk management and internal control of the Company.

As at the date of this Report, the Audit Committee consists of three members, namely, Mr. Wong Hak Kun (INED), Mr. Chan Kok Chung, Johnny (INED), and Mr. Li Qiuyu (NED). A majority of the Audit Committee members are INEDs, and none of them are (or were in the past two years) employed by or otherwise affiliated with the company's external auditor, PricewaterhouseCoopers. Mr. Wong Hak Kun is the Chairman of the Audit Committee and he holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference detailing the Audit Committee's role and authority, which include duties pertaining to corporate governance functions and the oversight of risk management, are available on both our website, under "Corporate Governance" subsection of the "Investor Relations" section, and the website of HKEx.

The primary responsibilities of the Audit Committee are to conduct independent assessment and supervision on the compliance, legality, and efficiency of the operation of the Company, including:

- to make recommendations to the Board of Directors regarding appointment, reappointment, and removal of external auditors, approve the remuneration and terms of engagement of the external auditors, and deal with all matters of the resignation or dismissal of external auditors;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;

- to develop and implement policies on engaging an external auditor to provide non-audit services, to discuss with the Board of Directors and the senior management of the Company on such policies, and consider any significant and unusual items;

- to review the financial control, internal control and risk management system of the Company;

- to discuss with the management on risk management and internal control system to ensure that the management has performed its duty to maintain an effective risk management and internal control system;

- to consider major investigation findings on risk management and internal control on its own initiative or as delegated by the Board of Directors and the management's response to these findings;

- to monitor internal audit system of our Company and ensure the implementation of such systems;

- to facilitate communications between the internal audit department and external auditors;

- to review the financial information and relevant disclosures of our Company;

- to review the external auditor's audit letter to the management, major queries raised by the external auditors about accounting records, financial accounts or control systems and the response of the management and ensure that the Board of Directors will provide a timely response to the issues raised in the external auditor's audit letter to the management;

- to monitor our Company in respect of financial reporting system, risk management and internal control system;

- to review the following arrangements of the Company: the employees of the Company can, in confidence, raise concerns about possible irregularities in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for the Company to conduct fair and independent investigations and to take necessary actions accordingly;

- to liaise with the external auditors as the key representative of the Company, and to monitor the relationship between the Company and the external auditors;

- to report to the Board of Directors of matters required by the aforementioned terms;

- to deal with other matters as authorized by the Board of Directors and as required by the relevant laws and regulations; and

- to perform other duties as required by the Listing Rules and the listing rules of the jurisdiction in which the securities of the Company are listed, as revised from time to time.

As shares were only listed on the Stock Exchange on December 14, 2021, no meeting of the Audit Committee was held during the Relevant Period. From January 1, 2022 onwards, the Audit Committee will schedule to meet at least twice per year and will meet with the Company's external auditors regarding the review of the Company's financial report and accounts at least twice a year.

NOMINATION COMMITTEE

The Nomination Committee is mainly responsible for reviewing the Board's composition and diversity, formulating the policy for nominating Board candidates, make recommendations to the Board on the appointment of Directors and Board committee members, and assessing INED's independence and commitment.

As at the date of this Report, the Nomination Committee consists of three members, namely, Mr. Chan Fei (NED), Mr. Chan Kok Chung, Johnny (INED), and Mr. Zhou Xiang (INED), a majority of whom are INEDs. Mr. Chan Fei is the chairman of the Nomination Committee.

The terms of reference detailing the Nomination Committee's role and authority are available on both our website, under "Corporate Governance" subsection of the "Investor Relations" section, and the website of HKEx. The primary responsibilities of the Nomination Committee are to further optimise the composition of the Board and the senior management and improve the corporate governance structure, including:

- to review the structure, size, and composition of our Board (including the skills, knowledge, and experience) and make recommendations on any proposed changes to our Board to complement our Company's corporate strategy;

- to identify individuals suitably qualified to become board members and make recommendations to our Board on the selection of individuals nominated for directorships;

- to assess the independence of our independent non-executive Directors;

- to assess the number of directorship of other listed companies held by candidates to be nominated as the independent non-executive Directors of the Company;

- to develop and maintain a policy for the nomination of the Directors which includes the nomination procedures and the process and criteria adopted by the Nomination Committee to identify, select, and recommend candidates for directorship;
- to develop, maintain, and review the policy concerning the diversity of the Board of Directors;
- to review annually the time required from non-executive Directors and independent non-executive Directors; and
- to make recommendations to our Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman and the chief executive officer).

During the Relevant Period, the Nomination Committee did not hold any meeting. From January 1, 2022 onwards, the Nomination Committee will schedule to meet at least once per year.

REMUNERATION COMMITTEE

The Remuneration Committee is mainly responsible for formulating standards for appraising Directors and senior management of the Company and reviewing the relevant policies and proposals.

As at the date of this Report, the Remuneration Committee consists of three members, namely, Mr. Chan Kok Chung, Johnny (INED), Mr. Wong Hak Kun (INED), and Mr. Chan Fei (NED), a majority of whom are INEDs. Mr. Chan Kok Chung, Johnny is the chairman of the Remuneration Committee.

The terms of reference detailing the Remuneration Committee's role and authority are available on both our website, under "Corporate Governance" subsection of the "Investor Relations" section, and the website of HKEx. The primary responsibilities of the Nomination Committee are to establish a sound system of assessment for Directors and senior management and implement and review the remuneration policies and incentive plans, including:

- to make recommendations to the Board of Directors on the policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- to review and approve the management's remuneration proposals with reference to the Board of Directors' corporate goals and objectives;

- to make recommendations to the Board of Directors or determine on the remuneration packages of executive Directors and senior management (the model under Code Provision E.1.2.(c)(ii));

- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions of the Company and its subsidiaries;

- to review and approve the senior management's remuneration proposals with reference to the Board of Directors' corporate goals and objectives;

- to examine and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- to examine and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

- to ensure that no Director or any of his associates is involved in deciding his own remuneration.

During the Relevant Period, the Remuneration Committee did not hold any meeting. From January 1, 2022 onwards, the Remuneration Committee will schedule to meet at least once per year.

Details of the remuneration of the Directors, Supervisors and key management of the Company by band are set out in Note 35(b) and Note 41 to the consolidated financial statements.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has adopted a formal, considered, and transparent procedure for the appointment of new directors. In accordance with the Company's Articles of Association, Directors shall be elected or replaced at Shareholders' general meetings and serve a term of 3 years. At each annual general meeting of the Company, Directors who were last elected or re-elected at the annual general meeting which was held in the third calendar year prior to the annual general meeting in question will retire by rotation. Directors are eligible for re-election upon the expiration of their terms. However, the successive terms of independent non-executive Directors may not be more than 9 years.

The ordinary resolutions to approve the appointment of Directors shall be passed by votes representing more than one-half of the voting rights represented by the Shareholders (including proxies) present at the meeting.

If the term of office of a Director has expired but re-election is not timely made, or the said Director has resigned within his/her term of office, resulting in the numbers of members of the Board falls short of the quorum, the said Director shall continue to perform his/her duties as Director pursuant to relevant laws, administrative regulations, departmental rules and the Articles until a new Director is elected.

DIRECTORS NOMINATION POLICY

The Company will identify suitable Director candidates through its Nomination Committee, and the criteria includes but not limited to their perspectives, skills, and experiences and how the individuals can contribute to the diversity of the Board. In the case of INED, the candidates should fulfill the independence requirements set out in the Listing Rules from time to time. After the Nomination Committee and the Board have reviewed and resolved to appoint the appropriate candidate, the relevant proposal will be put forward in writing to the Shareholders' meeting for approval.

The Shareholders of the Company may also nominate a candidate for election as a Director of the Company at the Shareholders' general meeting in accordance with the "Procedures for Shareholders to Propose a Person for Election as a Director", which is available on the Company's website, under 'Corporate Governance' subsection of the 'Investor Relations' section, and the HKEx website. The Shareholder who nominates a Director shall provide information about the nominee that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules. The Board shall announce the foregoing in relation to the Director prior to the Shareholders' general meeting at which the Director is to be elected.

Written notice of an intention to nominate a candidate as Director and a written notice by that person of his willingness to be nominated shall be delivered to the Company 7 days prior to the Shareholders' general meeting. Such period will commence no earlier than the day after the dispatch of the notice of the meeting for the purpose of considering such election and shall end no later than 7 days prior to the date of such meeting.

BOARD DIVERSITY POLICY

To enhance the effectiveness of the Board and maintain the high standard of corporate governance, the Company has adopted the board diversity policy, which sets out the objective and approach to achieve and maintain the diversity of our Board. Pursuant to our board diversity policy, we seek to achieve board diversity by taking into consideration of various factors, including professional experience, skills, knowledge, gender, age, cultural and educational background, and working experience. The policy focuses on ensuring a balanced composition of skills and expertise at our Board level in order to provide a range of perspectives, insights, and challenges that enable our Board to execute its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of our Group, and support succession planning and development of our Board. The ultimate decision in selecting the members of the Board will be based on merit and contribution that the selected candidates will bring to our Board.

Background Diversity

Our Directors have a balanced mix of knowledge, skills, and experience, including the areas of accounting, financial management, express and intra-city delivery service, online-to-offline Internet and technology, and new patterns of consumption and economy. They obtained academic diplomas and degrees in various majors, including electronic information engineering, finance, logistics management, business management, and business administration. We have three INEDs with different industry backgrounds, representing one-third of our Board members.

Gender Diversity

While we recognise that the gender diversity at the board level can be improved given its current composition of all-male Directors, we will continue to apply the principle of appointments based on merits with reference to our board diversity policy as a whole and are committed to providing career development opportunities for female staff.

The Nomination Committee is responsible for ensuring the diversity of our Board members and in compliance with relevant codes governing board diversity under the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules. It is delegated by our Board to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for Board appointments to achieve an appropriate balance of gender diversity with reference to Shareholders' expectations and international and local recommended best practices, with the ultimate goal of bringing our Board to mixed gender.

We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including our Board and the senior management teams. In particular, Ms. Liu Jia, our secretary of the Board and one of the joint company secretaries, who is responsible for the Board related matters, corporate governance, and strategic investment of our Group, is female and forms part of our senior management team. Ms. Su Xiaohui, our supervisor and head of human resources department, is female and is responsible for supervising the operation and financial activities and human resources matters of our Group. To enhance our corporate governance by promoting gender diversity at the Board, we have set out the following targets and policies:

(i) The Nomination Committee will recommend at least one female Director candidate to the Board for its consideration at least once per year, and the Company will add one female Director to the Board before the effective date of the relevant applicable Listing Rule changes or within one year after Listing, whichever is earlier, subject to the approval of Shareholders' meeting. The Nomination Committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness.

(ii) The Company is committed to providing career development opportunities for female staff and ensuring that there is gender diversity when recruiting staff at mid to senior levels so that our Company will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. We emphasise on training senior female staff who have long and relevant experience in our business, including on-demand delivery industry and business management. Our Directors believe that this policy will provide the required manpower resources to better achieve gender diversity in our Board.

As regard the gender diversity of all employees in general, the total number of employees of the Company was 2,083, including 889 new employees, in 2021. 576 female employees (of which 339 are newly recruited) accounted for 28% and 38%, respectively, of the total employees and new employees during the year.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Relevant Period and up to the date of this report.

The Company has also established written guidelines including the Code of Conduct and Ethics and the Insider Dealing Policy (collectively, the "Employees Written Guidelines") by employees who are likely to be in possession of unpublished price-sensitive information of the Company. For the purpose of effective execution of the Employees Written Guidelines, the Company also provided internal and external training sessions to senior managers and other employees. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Since the Listing Date, the Board at all times met the requirements of the Listing Rules (3.10 and 3.10A) relating to the appointment of at least three INEDs representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. Among our INEDs, Mr. Wong Hak Kun is a renowned financial expert with over 36 years of experience in auditing, assurance, and management; Mr. Chan Kok Chung, Johnny has over 37 years of experience in investment banking and investment management industry; and Mr. Zhou Xiang has rich experience in logistics and supply chain industry.

INEDs enhance the effectiveness and decision-making of the Board by providing objective judgement and constructive challenge to management. The independence of our INEDs is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration. Each INED is required to inform the Company as soon as practicable if there is any change in his personal particulars that may affect his independence. No such notification was received from the Relevant Period.

The Company has received written annual confirmation from each of the INEDs in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Company is of the view that all INEDs are independent.

TERM OF OFFICE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

An INED shall serve a term of 3 years and is eligible for re-election. However, pursuant to the Articles, the successive terms of INEDs may not be more than 9 years, unless otherwise provided by relevant laws, regulations and the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, the Company ensures that all Shareholders are given sufficient notice of Shareholders' meetings and are familiar with the detailed procedures for conducting a poll. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting.

Procedure for Shareholders to Convene Extraordinary General Meetings

Shareholders may request for the convening of an extraordinary general meeting or a class meeting by the following procedures:

- Where any Shareholder(s) holding individually or collectively 10% (inclusive, excluding voting proxy) or more of the Company's Shares carrying voting rights request(s) in writing for the convening of an extraordinary Shareholders' general meeting, the Board shall convene an extraordinary Shareholders' general meeting within 2 months from such notice.

- 2 or more Shareholders individually or jointly holding 10% or more of the Shares carrying voting rights at the meeting sought to be held may sign one or more written requests of identical form of content requesting the Board to convene an extraordinary Shareholders' general meeting or a class meeting and stating the subject of the meeting. The Board shall convene an extraordinary Shareholders' general meeting or a class meeting as soon as possible after having received the aforesaid written request. The aforesaid shareholding shall be calculated as of the day on which the written request is made.

- If the Board fails to issue a notice of convening such meeting within 30 days upon receipt of the above written request, the Shareholders who made such request may request the Board of Supervisors to convene the extraordinary Shareholders' general meeting or class meeting.

- If the Board of Supervisors fails to issue a notice of convening such meeting within 30 days upon receipt of the above written request, Shareholders, for more than 90 consecutive days, individually or jointly holding 10% or more of the shares carrying voting rights at the meeting sought to be held may convene the meeting of their own accord within 4 months upon the Board having received such request. The convening procedures shall, to the greatest extent possible, be identical to procedures according to which the Shareholders' general meetings are to be convened by the Board.

All reasonable expenses incurred for such meeting convened by the Shareholders as a result of the failure of the Board and the Board of Supervisors to convene a meeting at the above requests shall be borne by the Company and deducted from the amount owed by the Company to the delinquent Directors and Supervisors.

Procedure for Shareholders to Put Forward Proposals in General Meetings

When the Company convenes a Shareholders' general meeting, Shareholders individually or jointly holding 3% or more of the total voting shares of the Company are entitled to propose new resolutions in writing to the Company and submit them to the convener 10 days before the meeting. The convener of the Shareholders' general meeting shall issue a supplementary notice of the Shareholders' general meeting and inform other Shareholders within 2 days upon the receipt of such proposal and incorporate any matters falling within the scope of duties of the Shareholders' general meeting into the agenda of such meeting. The new agenda shall be tabled to the Shareholders' general meeting for consideration.

Putting forward Enquiries to the Board

Shareholders may at any time send their enquiries, requests, proposals, and concerns to the Board in writing through the Company. The contact details of the Company are as follows:

Address: Floor 1A21, Software Industry Base, Nanshan District, Shenzhen City (For the attention of the Board of Directors)

Email: TCIR@sfmail.sf-express.com

Please also refer to the 'Effective Communication with Investors' section below on other means of communication with Shareholders.

EFFECTIVE COMMUNICATIONS WITH INVESTORS

The Board gives high priority to maintaining balanced, clear, and transparent communications with Shareholders and other investors to facilitate their understanding of the Company's performance and prospects, as well as the market environment in which it operates. We have an ongoing dialogue with Shareholders and other investors through various communication channels and takes any areas of concern into consideration when formulating our business strategies.

A dedicated "Investor Relation" section is available on the Company's website. We will promptly respond to both telephone and written enquiries from Shareholders of the Company. Shareholders' enquiries and concerns will be forwarded to the Board and/or the relevant Board Committees of the Company, where appropriate, which will answer the Shareholders' questions. Information on the Company's website is updated regularly.

With respect to dividend policy, the Group currently intends to retain all available funds to fund the development of its business. and it does not anticipate paying any cash dividends in this financial year. Any declaration and payment, as well as the amount of dividends, will be subject to our Articles and the relevant PRC laws. We currently do not have any fixed dividend pay-out ratio. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. According to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the risk management and internal control systems of the Company and reviewing their effectiveness. The Audit Committee is delegated to oversee the effectiveness of our risk management system on an ongoing basis.

Risk Management Process

Risks are inherent in every area of our business. It is important to have a risk-aware culture in the Company, as well as a systematic approach to identify and assess risks such that they can be mitigated, transferred, avoided, or understood. We have devoted ourselves to building and maintaining risk management and internal control systems consisting of policies, procedures, and risk management methods that we consider to be appropriate for our business operations, and are dedicated to continuously improving these systems. We have also adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as delivery safety and rider safety, financial reporting, legal compliance, IT systems and human resources management.

Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Financial Risks

Financial Reporting Risk Management

We have in place a set of accounting policies and procedures in connection with our financial reporting risk management, such as financial and accounting policies, connected transaction management policy, financial instruction on business operation, budget management procedure and financial statement preparation procedure. We have various procedures in place to implement accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Audit Committee and Internal Audit Function

The Audit Committee assists the Board in leading the management to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing, and mitigating risks involved in our business operations.

We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the Audit Committee on any issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues we face and the corresponding measures required to resolve such issues. The internal audit department reports any major issues identified that are channelled to the Audit Committee on a timely basis. The Audit Committee then discusses the issues and reports to the Board of Directors if necessary.

Compliance Risks

Legal Compliance Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our business units to: (i) perform risk assessments and give advice on risk management strategies, (ii) improve business process efficiency and monitor internal control effectiveness, and (iii) promote risk awareness throughout our Company.

In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the forms of contracts we enter into with our customers and suppliers. Our in-house legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations under our business contracts and all the necessary underlying due diligence materials before we enter into any contract or business arrangement.

We continuously review the implementation of our risk management policies and measures to ensure that our policies and implementation are effective and sufficient.

Compliance Advisor

We have appointed Guotai Junan Capital Limited as our Compliance Advisor, and we must consult with and, if necessary, seek advice from our Compliance Advisor on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues or share repurchases;
- where our Company intends to use the proceeds from the Global Offering in a manner different from that detailed in the Prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our H Shares or any other matters under Rule 13.10 of the Listing Rules.

Our Compliance Advisor will, in a timely manner, inform us of any amendments or supplements to the Listing Rules that are announced by the Stock Exchange. Our Compliance Advisor will also inform us of any amendment or supplement to applicable laws and guidelines.

Ongoing Measures to Monitor and Evaluate the Implementation of Risk Management Policies

Our Audit Committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure that our policies and implementation are effective and sufficient. As of the date of this Report, the Audit Committee has reviewed analysis reports on risk management and internal control during the Reporting Period, and put forward relevant opinions and suggestions.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2021, and has conducted in-depth communication with the Board and the Audit Committee on the framework and priorities of the Company's corporate risk management and internal control for 2022.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems once a year, including the financial, operational and compliance controls, for the year ended December 31, 2021, and considered that such systems are effective and adequate. Resolutions relating to the Company's risk management and internal control systems have been proposed and approved at the annual Board meeting. As of the date of this report, there are no material internal control findings.

Inside Information Policy

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules;

- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission; and

- ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

Whistle-blowing Policy

A series of whistle-blowing policies has been put in place to deal with concerns related to fraudulent or unethical acts or non-compliance with laws and the Company's policies that have or could have significant adverse financial, legal or reputational impacts on the Company. The policy applies to all staff, parties who deal with the Company as well as the general public. Every month, a summary of all whistle-blowing cases is handled by the internal audit department.

Policy and system to support anti-corruption laws and regulations

We plan to provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations.

We plan to provide our Directors, senior management and relevant employees with continuing training programs and updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

The remuneration paid or payable to the Company's external auditors, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended December 31, 2021 is set out below:

Service Category	**Fees Paid/Payable** *RMB'000*
Audit services	2,430
Non-audit services	220
Initial Public Offering	2,980
Total	5,630

The Directors of the Company are responsible for the preparation of consolidated financial statements for the year ended December 31, 2021. The Directors were not aware of any material uncertainties relating to any events or conditions which may cast a serious impact upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 155 to 160.

JOINT COMPANY SECRETARIES

The Company has appointed Mr. Tsang Hoi Lam, our executive Director and chief financial officer and Ms. Liu Jia, our secretary of the Board as the joint company secretaries. They are jointly responsible for facilitating the Board's processes and communications among Board members, with Shareholders and with management. For the year ended December 31, 2021, Mr. Tsang Hoi Lam and Ms. Liu Jia have undertaken at least 15 hours of relevant professional training to update their skills and knowledge.

All Directors have access to the advice and services of the joint company secretaries to ensure the board procedures, and all applicable law, rules, and regulations, are followed.

CHANGES IN SHARE CAPITAL

Statement of changes in share capital

There was no change in the shareholding structure of the Company during the Relevant Period.

	December 14, 2021		Changes during the Relevant Period					December 31, 2021	
Unit: Shares	Number of shares	Percentage (%)	Issues of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Selling-restricted shares	–	–	–	–	–	–	–	–	–
II. Selling-unrestricted circulating shares									
1. Domestic Shares	562,615,431	60.27	–	–	–	–	–	562,615,431	60.27
2. H Shares	231,341,342	24,78	–	–	–	–	–	231,341,342	24,78
3. Unlisted Foreign Shares	139,500,934	14.95	–	–	–	–	–	139,500,934	14.95
Subtotal	933,457,707	100.00	–	–	–	–	–	933,457,707	100.00
III. Total number of shares	933,457,707	100.00	–	–	–	–	–	933,457,707	100.00

Security issuance and listing

Security issuance of the Company

There was no issuance of securities during the Relevant Period.

Employee shares

As at the end of the Relevant Period, 66,891,800 and 20,000,000 Shares are held via Ningbo Shunxiang and Sharp Land, the employee shareholding platform, respectively. Regarding the Pre-IPO Restricted Share Scheme, all the restricted shares have been vested since the date of Listing.

SHAREHOLDERS' INFORMATION

Particulars of Controlling Shareholders and de facto controlling party

There was no change in the Controlling Shareholders during the Relevant Period.

As of the date of this report, SF Holding Limited was wholly owned by SF Taisen, and Intra-city Tech was indirectly majority owned by SF Taisen through SF Technology, a wholly-owned subsidiary of SF Taisen. Ningbo Shunxiang is deemed to be acting in concert with SF Taisen by virtue of the Voting Power Entrustment Agreement. SF Taisen is wholly owned by SF Holding. SF Holding is a joint stock company listed on Shenzhen Stock Exchange (stock code of 002352.SZ), and was held as to approximately 55.07% by Mingde Holding, which in turn was held by Mr. Wang Wei as to approximately 99.90% as of the date of this report.

As such, Mr. Wang Wei and Mingde Holding are deemed to be Controlling Shareholders, and together with SF Holding, SF Taisen, SF Technology, SF Holding Limited, Intra-city Tech and Ningbo Shunxiang, constitute a group of Controlling Shareholders of our Company.

Information on Shareholders holding more than 5% of equity interest of the Company

As of December 31, 2021, apart from the Controlling Shareholders aforementioned in the section headed "Particulars of Controlling Shareholders and de facto controlling party", (i) Mr. Eric Li, an independent third party who indirectly held 52,033,582 H Shares of the Company, representing 5.57% of the total share capital of the Company; (ii) Taobao China Holding Limited, a limited company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Alibaba Group Holding Limited, held 51,844,000 H Shares of the Company in total, representing 22.41% of the total H Share capital of the Company; and (iii) Idea Flow Limited, a limited company incorporated in Hong Kong, which is wholly owned by LC Fund VIII, L.P., holds 11,793,004 H Shares of the Company in total, representing 5.10% of the total H Share capital of the Company. For more details of shareholdings, please refer to the section headed "Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company" in the Report of Directors in this annual report.

EXECUTIVE DIRECTORS

Mr. Sun Haijin, aged 42, is our executive Director and chief executive officer. Mr. Sun joined SF Holding Group in April 2006 consecutively served as multiple significant positions within SF Holding Group including human resources director, regional general manager, head of product management from April 2006 to June 2016. Mr. Sun has abundant management experience in areas including human resources management, business operation and management and project incubation. Prior to the incorporation of the Company, Mr. Sun served as the head of the intra-city on-demand delivery business unit since June 2016, being fully responsible for the operation and management of the intra-city on-demand delivery business. Mr. Sun established the Group in March 2019 and continues to be responsible for formulating business strategy, making major corporate and operation decisions, as well as the overall management of the Group. His work experience in the Group mainly includes: served as the executive director and the general manager of Shenzhen Intra-city since October 2018; served as the executive director of Shanghai Fengpaida from January 2019 to May 2020; and served as the chief executive officer and the executive director of the Group since June 2019 and December 2019, respectively.

Mr. Sun has over 15 years of experience in logistics, delivery, and online-to-offline business management, and has a deep understanding of the combination of traditional logistic industry and new business forms. Mr. Sun was awarded "The 14th China Logistics Industry Golden Pegasus Award – "2020 Outstanding Young Logistics Entrepreneur" (第十四屆中國物流業金飛馬獎 – "2020優秀青年物流企業家") by the Logistics Times Magazine and Committee of China Logistics Industry Pegasus Award in March 2021. Mr. Sun obtained a college degree in administrative management from Nanchang University (南昌大學) in Jiangxi Province, the PRC in June 2005.

Mr. Tsang Hoi Lam, aged 39, is our executive Director, chief financial officer, one of the joint company secretaries and a supervisor of multiple subsidiaries of the Company. Mr. Tsang joined our Group in January 2020 as the chief financial officer and has served as a supervisor of multiple subsidiaries of the Company since September 2020. Mr. Tsang was appointed as an executive Director in June 2021 and one of the joint company secretaries in June 2021 with effect from November 30, 2021. Mr. Tsang has over 16 years of experience in auditing, finance and management. Prior to joining the Group, Mr. Tsang's previous working experience principally includes: serving as an auditor and audit manager of Deloitte Touche Tohmatsu from August 2004 consecutively to September 2013, serving as a deputy financial controller of a subsidiary of Lee & Man Paper Manufacturing Company Limited (a company listed on Hong Kong Stock Exchange, stock code: 2314) from August 2014 to February 2017, and consecutively servicing as the deputy chief financial officer, chief financial officer, company secretary and executive director of Man Wah Holdings Limited (a company listed on Hong Kong Stock Exchange, stock code: 1999) from April 2017 to January 2020.

Mr. Tsang obtained a bachelor's degree of business administration (majoring in accounting and finance) from The University of Hong Kong in Hong Kong in December 2004. Mr. Tsang has been recognised as a certified public accountant by the Hong Kong Institute of Certified Public Accountants since December 2005, and has obtained the Certificate of Board Secretary of Listed Companies issued by the Shenzhen Stock Exchange in November 2020.

Mr. Chen Lin, aged 36, is our executive Director, chief technology officer and deputy general manager. Mr. Chen joined SF Holding Group in September 2017, and consecutively served as the director of infrastructure research and development and head of science and technology of the intra-city on-demand delivery business unit, being responsible for the research and development of the core intra-city delivery business system and intra-city delivery product, prior to the incorporation of the Company. Mr. Chen joined the Group in June 2019 and has since then served as the chief technology officer. He has served as the general manager of Shunda Tongxing since September 2019, and the executive director of Shunda Tongxing from September 2019 to September 2020. Mr. Chen was appointed as our executive Director and deputy general manager of the Company in June 2021 and May 2021, respectively.

Mr. Chen has over 10 years of experience in information technology, system architecture design, especially in the area of the research and development of food delivery and on-demand delivery systems based on AI big data. Prior to joining the Group, Mr. Chen served as a research and development engineer of Baidu, Inc. (a company listed on the NASDAQ and Hong Kong Stock Exchange under the stock code of BIDU and 9888, respectively) from January 2011 to June 2014 and participated in the research and development of products and systems including Baidu Know, Baidu Travel and Baidu Nuomi. Mr. Chen joined Baidu Delivery in November 2015 and consecutively served as architect and senior architect being responsible for the design and research and development of the transaction structure and basic service structure of Baidu Delivery.

Mr. Chen obtained a bachelor's degree in electronic information engineering and a master's degree in electronic science and technology from University of Science and Technology Beijing (北京科技大學) in Beijing, the PRC, in July 2007 and January 2011, respectively.

NON-EXECUTIVE DIRECTORS

Mr. Chan Fei, aged 47, is our non-executive Director and chairman of the Board. Mr. Chan was appointed as our non-executive Director and chairman of the Board in December 2019 and has been appointed as the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company with effect from December 14, 2021. Mr. Chan currently also serves as a director, deputy general manager and assistant chief executive officer of SF Holding and non-executive director of Kerry Logistics Network Limited. Mr. Chan has over 20 years of experience in management. Prior to joining our Group, Mr. Chan's previous working experience principally includes: serving as an executive director of the Investment Banking Division of Goldman Sachs (a company listed on the New York Stock Exchange, stock code: GS) from July 2006 to March 2016, servicing as multiple positions within SF Holding Group including the assistant chief executive officer from March 2016 to January 2018, the chief strategy officer from January 2018 to March 2021, director and deputy general manager since December 2019 and assistant chief executive officer since March 2021. Since October 2021, Mr. Chan has been appointed as a non-executive director of Kerry Logistics Network Limited (a company listed on the Hong Kong Stock Exchange, stock code: 636).

Mr. Chan obtained a bachelor's degree in business administration from The Chinese University of Hong Kong in Hong Kong in December 1999, a bachelor's degree in law from University of London in London, the United Kingdom in August 2003, and a master's degree in business administration from Wharton School of University of Pennsylvania in Philadelphia, the United States of America in May 2006.

Mr. Xu Zhijun, aged 45, is our non-executive Director. Mr. Xu was appointed as a non-executive Director in June 2020. Mr. Xu currently also serves as the deputy general manager and head of Central Western region of SF Holding, chairman of the board of SF Multimodal Transportation Co., Ltd. (順豐多式聯運有限公司), and vice chairman of the board of China Railway SF International Express Co., Ltd. (中鐵順豐國際快運有限公司). Mr. Xu has over 20 years of experience in logistics management. Prior to joining the Group, Mr. Xu's previous working experience principally includes: consecutively serving as planning general manager, strategic planning director, corporate development director, president of the operation department, head of operation department, deputy general manager, assistant chief operation officer and chief operation officer of express delivery business segment of Shenzhen S.F. Taisen Holding (Group) Co., Ltd. from December 2004 to September 2016, serving as the deputy general manager of SF Holding since December 2016, serving as the vice chairman of the board of China Railway SF International Express Co., Ltd. (中鐵順豐國際快運有限公司) since June 2018, serving as the chief operation officer of SF Holding from December 2019 to January 2022 and serving as the head of Central Western region of SF Holding and chairman of the board of SF Multimodal Transportation Co., Ltd. (順豐多式聯運有限公司) since January 2022.

Mr. Xu obtained a master's degree in logistics management from National University of Singapore in Singapore in July 2001.

Mr. Li Qiuyu, aged 33, is our non-executive Director. Mr. Li was appointed as a non-executive Director in June 2019 and has been appointed as a member of the Audit Committee with effect from December 14, 2021. Mr. Li has over 11 years of experience in investment. Prior to joining the Group, he served as multiple positions within Huatai United Securities Co., Ltd (華泰聯合證券有限責任公司) from July 2010 to May 2018 with his last position as a director of investment banking division. Mr. Li has served as the head of investment and M&A department of SF Holding since June 2018.

Mr. Li obtained a bachelor's degree in business administration and a master's degree in finance from Wuhan University in Wuhan, the PRC, in June 2008 and June 2010, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kok Chung, Johnny, aged 62, is an independent non-executive Director. He was appointed as an independent non-executive Director in June 2021 with effect from November 30, 2021 and has been appointed as the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company with effect from December 14, 2021.

He has over 37 years of experience in investment banking and investment management industry. Mr. Chan is the chief investment officer of the Hong Kong Cyberport Management Company since September 2018. He has been also the founder and secretary general of the Asian Venture Capital and Private Equity Council Limited since November 2011. He served as a director of Softech Investment Management Limited from February 2000 to June 2016, and since March 2020. He has been a director of Repton School (Hong Kong) Limited since May 2014 and Repton International (Asia Pacific) Limited since September 2010. He has been a director of Make a Difference Institute Limited since March 2015.

Since January 2021, Mr. Chan has acted as an independent non-executive director of HSBC Provident Fund Trustee (Hong Kong) Limited, a member of HSBC Holdings plc (a company listed on the London Stock Exchange, stock code: HSBA, the Hong Kong Stock Exchange, stock code: 0005, the New York Stock Exchange, stock code: HSBC, and the Bermuda Stock Exchange, stock code: HSBC.BH). He has been an independent non-executive director of CNQC International Holdings (a company listed on the Hong Kong Stock Exchange, stock code: 1240) and a member of its audit, remuneration and strategic investment committees since January 2016. Mr. Chan is a member of the Listing Committee of Hong Kong Stock Exchange since July 2020, a member of the assessment panel, enterprise support scheme of the HKSAR Innovation and Technology Commission. He is currently an advisor of the Our Hong Kong Foundation Limited and a council member of the HK Startup Council of the Federation of HK Industries.

Mr. Chan served as a co-founder and executive director of Techpacific Capital Limited (currently known as 8088 Investment Holdings Limited, a company listed on the Hong Kong Stock Exchange, stock code: 8088) from April 2000 to March 2008 and from October 2010 to March 2013, and non-executive director from April 2008 to October 2010. He was the director of Crosby Asset Management (Hong Kong) Limited from November 2002 to December 2015 and the director of Crosby Wealth Management (Hong Kong) Limited since May 2004.

Mr. Chan holds a bachelor's degree (majoring in economics) from City of London Polytechnic (currently known as London Metropolitan University) in July 1982, a master's degree in business administration from City University London in November 1983 and a postgraduate diploma from the Securities Institute of Australia in April 1989.

Mr. Wong Hak Kun, aged 65, is our independent non-executive Director. Mr. Wong was appointed as an independent non-executive Director in June 2021 with effect from November 30, 2021 and has been appointed as the chairman of the Audit Committee and a member of the Remuneration Committee with effect from December 14, 2021. Mr. Wong has over 36 years of experience in auditing, assurance and management prior to his retirement from Deloitte China in May 2017. Mr. Wong currently holds several directorships in listed companies including serving as an independent non-executive director of Yue Yuen Industrial (Holdings) Limited (裕元工業（集團）有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 551) since June 2018, Lung Kee (Bermuda) Holdings Limited (龍記（百慕達）集團有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 255) since June 2018, an independent non-executive director of Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 2238, the Shanghai Stock Exchange, stock code: 601238) since May 2020, and an independent non-executive Director of Haier Smart Home Co., Ltd. (海爾智家股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 6690, the Shanghai Stock Exchange, stock code: 600690 and the Frankfurt Stock Exchange, stock code: 690D) since June 2020.

Prior to joining the Group, Mr. Wong's previous working experience principally includes: serving in multiple positions within Deloitte China from July 1980 to May 2017, including an auditing partner from June 1992 to October 2013 and the national managing partner of audit and assurance being responsible for the management and development of the audit and assurance business within greater China, from October 2013 to May 2017, and serving as an independent non-executive director of Zhejiang Cangnan Instrument Group Company Limited (浙江蒼南儀錶集團股份有限公司) (a company previously listed on the Hong Kong Stock Exchange and withdrawn listing in July 2021) from December 2018 to July 2021.

Mr. Wong obtained a bachelor's degree in social sciences (majoring in economics and management) from The University of Hong Kong in Hong Kong in November 1980. Mr. Wong has been a recognised member of Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants (previously known as Hong Kong Society of Accountants), Institute of Chartered Secretaries and Administrators as well as Chartered Institute of Management Accountants since September 1983, December 1983, April 1984 and June 1990, respectively.

Mr. Zhou Xiang, aged 43, is our independent non-executive Director. Mr. Zhou was appointed as an independent non-executive Director of the Company in June 2021 with effect from November 30, 2021 and has been appointed as a member of the Nomination Committee of the Company with effect from December 14, 2021. Mr. Zhou has rich experience in logistics and supply chain industry. Mr. Zhou has served multiple positions within The Chinese University of Hong Kong, including serving as an assistant professor of the Systems Engineering and Engineering Management Department from July 2006 to March 2012; an associate professor of the Department of Systems Engineering and Engineering Management and the Department of Decision Sciences and Managerial Economics from March 2012 to September 2013; an associate professor of the Decision Sciences and Managerial Economics Department from October 2013 to August 2016; a professor of the Decision Sciences and Managerial Economics Department since August 2016 and a chairperson of the Decision Sciences and Managerial Economics Department since August 2020.

Mr. Zhou obtained a bachelor's degree in industrial automation from Zhejiang University in Hangzhou, the PRC in June 2001, and both master's and Ph.D. degrees in operations research from North Carolina State University in North Carolina, the U.S., in December 2002 and May 2006, respectively.

SUPERVISORS

Mr. Yang Zunmiao, aged 47, is our chairman of the Supervisory Committee. Mr. Yang is appointed as a Supervisor in June 2019. Mr. Yang currently also serves as the head of shareholding structure group of CFO's office of SF Holding. Mr. Yang has over 20 years of experience in legal, finance and compliance fields. Prior to joining the Group, Mr. Yang's previous working experience principally includes: serving as multiple positions within SF Holding including the legal director, legal specialist, deputy director of strategic investment, financial director (shareholding structure), director of information disclosure, head of equity structure of the finance centre and head of incubation center since September 2009.

Mr. Yang obtained a bachelor's degree in material science and engineering and a master's degree in enterprise management from Tianjin University in Tianjin, the PRC, in June 1997 and September 2001, respectively. Mr. Yang obtained the PRC legal professional qualification certificate in May 2000. Mr. Yang served as a member of the fourth session of the Expert Advisory Committee of the Ministry of Transport (交通運輸部專家諮詢委員會) from June 2014 to June 2017 and has served as a member of the fifth session of Expert Advisory Committee of the Ministry of Transport (交通運輸部專家諮詢委員會) since July 2019.

Mr. Wu Guozhong, aged 46, is our Supervisor. Mr. Wu was appointed as a Supervisor in June 2019. Mr. Wu currently also serves as head of the license group of CEO's office and head of confidentiality group of SF Holding. Mr. Wu joined the Group in October 2018, and his working experience within the Group mainly includes: serving as a supervisor of Shenzhen Intra-city from October 2018 to November 2020, serving as the supervisor of Shenzhen Zhongplus from December 2018 to November 2020, and serving as the supervisor of Shanghai Fengpaida from January 2019 to September 2020. Mr. Wu has over 20 years of experience in legal and compliance. Prior to joining the Group, Mr. Wu's previous working experience mainly includes consecutively serving as head of license group of CEO's office and head of confidentiality group of SF Holding.

Ms. Su Xiaohui, aged 43, is our Supervisor. Ms. Su was appointed as a Supervisor in October 2019. Ms. Su joined SF Holding Group in July 2005 and served as the head of human resources of intra-city on-demand delivery business unit being responsible for our human resources management from September 2017 to June 2019. Ms. Su joined the Group in June 2019 as the head of human resources department of the Company. Ms. Su has nearly 20 years of experience in human resources. Prior to joining the Group, Ms. Su's previous working experience principally includes: serving in multiple positions including an organization development specialist and the deputy director of human resources performance management of SF Holding from July 2005 to September 2017.

Ms. Su obtained a bachelor's degree in international business administration from South China University of Technology (華南理工大學) in Guangzhou, the PRC in June 2000.

SENIOR MANAGEMENT

Mr. Sun Haijin, is our executive Director and chief executive officer. For details of the biography of Mr. Sun, see "Executive Directors".

Mr. Tsang Hoi Lam, is our executive Director, chief financial officer and one of the joint company secretaries. For details of the biography of Mr. Tsang, see "Executive Directors".

Mr. Chen Lin, is our executive Director, deputy general manager and chief technology officer. For details of the biography of Mr. Chen, see "Executive Directors".

Ms. Liu Jia, aged 41, is the secretary of our Board and one of our joint company secretaries. Ms. Liu was appointed as the secretary of the Board in May 2021 and one of the joint company secretaries in June 2021 with effect from November 30, 2021. Ms. Liu currently also serves as the head of corporate strategy & IR department of the Company, the executive director of Shanghai Fengpaida, the executive director of Shunda Tongxing, and the executive director of Shanghai Fengzan. Ms. Liu joined SF Holding Group in January 2015 and has since then consecutively served as its deputy strategy management director and strategy planning director, and has been responsible for the strategy management and project management of intra-city delivery department since August 2017. Ms. Liu has over 20 years of experience in strategy and investment management as well as multinational project management. Ms. Liu joined the Group in June 2019 and had served as the head of CEO's office of the Company from June 2019 to March 2022, and since March 2022, has served as the head of corporate strategy & IR department of the Company. Ms. Liu's previous working experience principally includes working in PricewaterhouseCoopers from August 2002 to December 2005 with the last position as a senior associate of assurance division, and working within Huawei group from December 2005 to July 2012 with the last position as senior investment manager.

Ms. Liu obtained a bachelor's degree in English literature with a minor degree in law from Sun Yat-Sen University (中山大學) in Guangzhou, the PRC in June 2002, and a master's degree of business administration from Rotman School of Management of the University of Toronto in Toronto, Canada in June 2014. Ms. Liu was recognized as fellow member of Association of Chartered Certified Accountants (FCCA) in February 2015.

The Board is pleased to present this report and the audited financial statements of the Group for the year ended December 31, 2021.

GLOBAL OFFERING

The Company was incorporated in the People's Republic of China on June 21, 2019. The H Shares were listed on the Main Board of the Stock Exchange on December 14, 2021 through the Global Offering. For details of the Global Offering, please refer to the Prospectus.

PRINCIPAL BUSINESS

We started as a business unit of SF Holding Group, focusing on the emerging opportunities of intra-city on-demand delivery services. Since 2019, we have operated as an independent legal entity to capture the growth opportunities brought about by the new consumption trends. We provide both (i) intra-city delivery for merchants and consumers and (ii) last-mile delivery mainly for logistics companies. We have adopted a multi-scenario business model featuring full coverage of delivery scenarios for all types of products and services. Our extensive service coverage, ranging from mature scenarios such as food delivery to growth scenarios such as local retail, local e-commerce and local services, has enabled us to respond to the evolving customer needs brought about by the development and upgrade of the local consumer market.

During the year ended December 31, 2021, there was no material change in the nature of the principal activities of the Group.

An analysis of the Group's revenue and operating profit for the year ended December 31, 2021 by principal activities is set out in the section headed "Management Discussion and Analysis" on pages 11 to 31 in this annual report.

RELATIONS WITH EMPLOYEES, RIDERS, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationships with its stakeholders and considers it a key element to its sustainable business growth.

Employees

Inspired by the people-oriented management culture of SF Holding Group, we has attached great importance to its human resources management. We attracts talents through a fair recruitment policy and provides employees with training opportunities, good career development prospects and growth opportunities. We will continue to attract, cultivate and retain highly motivated talents with diversity. By enriching our talent pool, we aim to build an energetic and vibrant platform.

Riders

Our riders consist of dedicated riders and crowd-sourced riders. We adhere to the principles of "care and respect" and "safety first" towards our riders. We actively monitor policy changes and have implemented various rider safety and welfare policies to ensure compliance with the recent laws and regulations.

Customers and Suppliers

The Group strives to build and maintain long term and strong relationships with customers. By providing professional, reliable and around-the-clock on-demand services covering various everyday scenarios, we have acquired substantial consumer mindshare and increased consumer loyalty.

In terms of suppliers, the Group's objective is to keep mutually beneficial and win-win partnerships with all suppliers. At the same time, the Group regularly evaluates the performance of its suppliers.

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

SEGMENT INFORMATION

Details of segmental information of the Group are set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of comprehensive income on page 161.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in Management Discussion and Analysis of this annual report on pages 11 to 31.

ISSUED SHARES

As at December 31, 2021, the Company issued 933,457,707 ordinary Shares in total (including 231,341,342 H Shares and 562,615,431 Domestic Shares and 139,500,934 Unlisted Foreign Shares).

Details of movements in the share capital of the Company during the year ended December 31, 2021 are set out in note 24 to the consolidated financial statements.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2021.

The Company has adopted a dividend policy on payment of dividends. The Company does not have any pre-determined dividend pay-out ratio.

The decision to make distributions will be made at the discretion of the Board and will be based upon the Company's operations and earnings, development pipeline, cash flow, financial conditions, capital and other reserve requirements and surplus, general financial conditions, contractual restrictions and any other conditions or factors which the Board deems relevant, and having regard to the Directors' fiduciary duties. The ability of the Company to make distributions is subject to the laws and regulations of the PRC and the Articles of Association. The payment of distributions may also be subject to the restrictions of the PRC laws and the financing agreements of the Company (including any financing agreements that may be entered into by the Company in the future) and will operate in accordance with the law and the regulations in order to comply with the relevant requirements.

EQUITY FUND RAISING ACTIVITIES

Details of equity fund raising activities of the Group are set out in note 24 to the consolidated financial statements and the paragraph headed "Use of Proceeds from the Listing" below. Save as disclosed therein, there was no other equity fund raising activity of the Company since the Listing Date.

COMPLIANCE WITH LAWS AND REGULATIONS AND LEGAL PROCEEDINGS

The Group recognizes the importance of compliance with regulatory requirements and the risks and consequences of non-compliance with such requirements. The Group has allocated abundant resources to ensure ongoing compliance with laws and regulations and to maintain health relationships with regulators through effective communications. During the year ended December 31, 2021, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Relevant Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

USE OF PROCEEDS FROM THE LISTING

Our H Shares were listed on the Main Board of the Stock Exchange on December 14, 2021. The net proceeds from the Global Offering were approximately HKD2,051.5 million after deducting underwriting commissions and offering expenses paid or payable as of December 31, 2021. We intend to use the proceeds from the Global Offering according to the purposes and proportions disclosed in the Prospectus. See the table below for details:

Purpose	**Net proceeds from the Listing available** *(HK$ million)*	**Expected timeline for fully utilising unutilised net amount**
Research and development and technology infrastructure	718.0	by end of 2023
Expand the Company's service coverage	410.3	by end of 2022
Funding the potential strategic acquisition of and investment in upstream and downstream businesses along the industry value chain	410.3	by end of 2024
Marketing and branding	307.7	by end of 2023
Working capital and general corporate use	205.2	by end of 2022
Total	2,051.5	

Since the Listing Date and as of December 31, 2021, the Group had not utilized any proceeds from the Global Offering. The Group will gradually utilize the the proceeds from the Global Offering in accordance with the intended purposes as mentioned above. As at the date of this report, the Group has used approximately HKD410.3 million for expanding service coverage and HKD7.0 million for marketing and branding.

PRINCIPAL SUBSIDIARIES

Details of the principal activities of the principal subsidiaries of the Company are set out in note 39 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended December 31, 2021 are set out in the note 40(b) and note 25 respectively to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company has no distributable reserves.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in notes 14 to the consolidated financial statements.

BORROWINGS

As of December 31, 2021, we do not have outstanding borrowing. Details of the bank borrowings and other borrowings of the Company and its subsidiaries as at December 31, 2021 are set out in note 32 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest and the five largest customers of the Group accounted for approximately 37.4% and 60.1% of the Group's revenue, respectively. The largest and the five largest suppliers of the Group accounted for approximately 43.5% and 91.3% of the Group's purchases, respectively.

For the year ended December 31, 2021, the Group's revenue derived from 1 major customer (2020: 2), which individually contributed 10% or more of the Group's total revenue, for approximately RMB3,056.0 million (2020: RMB2,141.3 million), accounting for approximately 37.4% (2020: 44.2%) of the Group's total revenue.

At no time during the year did a Director, an associate of a Director or any Shareholders (which to the knowledge of the Directors had more than 5% interests in the Company) had an interest in any of the Group's five largest customers or suppliers.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Memorandum and Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force during the year ended December 31, 2021.

The Company has maintained appropriate liability insurance for its Directors and senior management during the Reporting Period.

CONNECTED TRANSACTIONS

During the year ended December 31, 2021, the Group has conducted the following connected transaction:

Continuing connected transactions	Connected parties	Transaction value for the year ended December 31, 2021 *RMB'000*	Annual cap amount *RMB'000*
1. Intra-city On-demand Delivery Service Cooperation Framework Agreement	S.F. Holding Co., Ltd.		
– Intra-city Delivery Service	S.F. Holding Co., Ltd.	97,825	100,000
– Last-mile Delivery Service	S.F. Holding Co., Ltd.	2,958,222	3,300,000
2. Comprehensive Service Purchasing Framework Agreement	S.F. Holding Co., Ltd.	97,294	120,000
3. Leasing Framework Agreement	S.F. Holding Co., Ltd.	6,444	7,000

1. Intra-City On-demand Delivery Service Cooperation Framework Agreement

On November 19, 2021, the Company entered into an intra-city on-demand delivery service cooperation framework agreement with S.F. Holding Co., Ltd. (順豐控股股份有限公司) ("**SF Holding**") (the "**Intra-City On-demand Delivery Service Cooperation Framework Agreement**"), pursuant to which the Group will provide intra-city on-demand delivery services to SF Holding and/or its associates under the following scenarios:

(i) Intra-City Delivery Service provided via SF Holding Group

For certain existing customers (the "**Credit Customers**") who have entered into master service agreements (the "**Master Service Agreements**") with SF Holding and/or its associates in respect of a variety of delivery and logistics solution service products SF Holding Group and/or its associates offers, SF Holding Group and/or its associates will delegate us as subcontractor to complete and fulfill their intra-city delivery demands independently. On monthly basis, the Credit Customer will directly settle the delivery fee (the "**Customer Delivery Fee**") with SF Holding Group and/or its associates according to the Master Service Agreement, under which, the Customer Delivery Fee is determined by SF Holding and/or its associates and generally with reference to the Intra-city Delivery Service Fee.

The service fees charged by our Group and paid by SF Holding Group and/or its associates (the "**Service Fees**") are on order unit basis and are determined in accordance with following formula: Intra-city Delivery Service Fee x prescribed subcontracting charges rate.

The Intra-city Delivery Service Fee refers to the delivery service fee of our intra-city delivery service products which is calculated using our pricing algorithm taking into account the location, the distance between sender and recipient, peak time and seasons, weather, riders' capacities, weight and delivery requirements specified in the orders placed by the customers, etc. The subcontracting charges rate is determined after arm's length negotiation taking into consideration that it is SF Holding Group and/or its associates instead of us that bears the customer acquisition cost, customer maintenance and services expense, administrative expense in relation to management and collection of Customer Delivery Fee, as well as the credit exposure SF Holding and/or its associate bears. Our Group will, or to the extent needed, may consider engaging an industry consultant to, on an annual basis, conduct researches on comparable companies to evaluate and assess the level of Service Fees charged by our Group for the intra-city delivery services provided under the Intra-City On-demand Delivery Service Cooperation Framework Agreement to ensure that Service Fees charged by our Group are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole.

(ii) Last-mile Delivery Service to SF Holding Group

Acting as a supplement to SF Holding Group's last-mile delivery force, especially during peak seasons such as the online shopping events or festive period, or in areas where SF Holding Group lacks local delivery force or in case that it is more cost-efficient for SF Holding Group to entrust us to conduct the delivery, the Group will collect certain parcels from the local delivery outlets of SF Holding Group or the warehouses of corporate customers of SF Holding Group and deliver the parcels to the designated recipients by the Group's riders or vehicles.

The service fees paid by SF Holding and/or its associates to our Group will be principally determined with reference to a relatively stable mark-up on top of the rider commission fee.

The mark-up will be determined on arm's length basis taking into consideration complexity of the services required, market rates, and industry standards. The Group also provides last-mile delivery services to Independent Third Parties. The pricing methodology for the last-mile delivery services provided to Independent Third Parties is largely consistent with that for the last-mile delivery services provided to SF Holding Group. The Group will cross-check against the last-mile delivery services we provide to Independent Third Parties and ensure that the service fee paid by SF Holding and/or its associates, in particular, the mark-up for the last-mile delivery services SF Holding Group bears, is at least comparable to that of Independent Third Parties. Where the bidding process is necessary under the internal policies of SF Holding and/or its associates, the service fee shall be ultimately determined in accordance with the tender and bidding process. During the bidding process, our bidding quotations will be determined after taking into consideration the factors including market rates, industry standards, the actual cost, tender quantities, potential competition and relevant requirements as per tender documents.

Our Group will, or to the extent needed, may consider engaging an industry consultant to, on an annual basis, conduct researches on comparable companies to evaluate and assess the applicable market rates for the last-mile delivery services provided under the Intra-City On-demand Delivery Service Cooperation Framework Agreement to ensure that service fees paid by SF Holding and/or its associates are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole.

The Intra-City On-demand Delivery Service Cooperation Framework Agreement commenced on the Listing Date and shall end on December 31, 2023.

SF Holding is one of the Company's Controlling Shareholders.

Annual Caps

The aggregate annual transaction amount (representing the fee paid by the SF Holding Group and/or its associate to our Group) for the intra-city delivery service under the Intra-City On-demand Delivery Service Cooperation Framework Agreement for the years ending December 31, 2021, 2022 and 2023 shall not exceed RMB100.0 million, RMB140.0 million and RMB200.0 million, respectively.

The aggregate annual transaction amount (representing the fee paid by the SF Holding Group and/or its associate to our Group) for the last-mile delivery service under the Intra-City On-demand Delivery Service Cooperation Framework Agreement for the years ending December 31, 2021, 2022 and 2023 shall not exceed RMB3,300.0 million, RMB4,000.0 million and RMB4,800.0 million, respectively.

2. Comprehensive Service Purchasing Framework Agreement

On November 19, 2021, the Company entered into the comprehensive service purchasing framework agreement with S.F. Holding Co., Ltd. (順豐控股股份有限公司) ("**SF Holding**") (the "**Comprehensive Service Purchasing Framework Agreement**"), pursuant to which SF Holding and/or its associates will provide services to our Group which includes:

(i) certain supplementary back-office support services including financial and human resources shared service centre such as (a) routine work related to financial affairs including account keeping and reimbursement receipt review in accordance with the instruction and the predetermined rules provided by our Group; and (b) facilitating and administrating the process of the payment and declaration of salary social insurance and housing allowance of the Group's employees in accordance with the instruction from the Group and the maintenance of our administrative IT systems including the email system and other instant messaging applications;

(ii) operation related services, including customer call center service, where a designated customer service team will, under our guidelines and protocols, provide hotline consultation and post-sale service to our customers; and

(iii) customized research and development services to further optimize Fengshi business system, an online group catering service platform offering enterprise customers a wide selection of high-quality staff meals, to cater for our design and operation needs including serving more scenarios and end-users.

The Comprehensive Service Purchasing Framework Agreement commenced on the Listing Date and shall end on December 31, 2023. Relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Comprehensive Service Purchasing Framework Agreement.

The service fee to be charged by SF Holding and/or its associates will be determined on arm's length basis, with reference to factors including (i) the service fee rate of SF Holding Group which is principally determined with reference to the relevant costs incurred by SF Holding and/or its associates including labour cost and administrative expense; and (ii) the fee quotes for similar services in the market. To ensure service fee to be charged by SF Holding and/or its associates are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole, for each type of services under the Comprehensive Service Purchasing Framework Agreement, the Group will obtain fee quotes from Independent Third Parties for services of the same or similar type, nature and quality at least on an annual basis and/or before entering into any definitive agreements to ensure the terms offered by SF Holding are similar to or better than the terms offered by Independent Third Parties under the similar circumstances.

SF Holding is one of the Company's Controlling Shareholders.

Annual Caps

The aggregate annual amount for transactions under the Comprehensive Service Purchasing Framework Agreement for the years ending December 31, 2021, 2022 and 2023 shall not exceed RMB120.0 million, RMB139.0 million and RMB161.0 million, respectively.

3. Leasing Framework Agreement

On November 19, 2021, the Company entered into a leasing framework agreement with S.F. Holding Co., Ltd. (順豐控股股份有限公司) ("**SF Holding**"), pursuant to which our Group will rent certain properties from SF Holding and/or its associates for a term of less than 12 months each (the "**Leasing Framework Agreement**").

The Leasing Framework Agreement commenced on the Listing Date and shall end on December 31, 2023. Relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements for a term of less than 12 months which will set out the specific terms and conditions according to the principles provided in the Leasing Framework Agreement.

To ensure that the rent payable by our Group to SF Holding and/or its associates under the Leasing Framework Agreement are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole, the rent will be determined on arm's length basis with reference to the prevailing market rent of similar properties in the vicinity and under the similar conditions.

SF Holding is one of the Company's Controlling Shareholders.

Annual Caps

The aggregate annual amount for the rent under the Leasing Framework Agreement for the years ending December 31, 2021, 2022 and 2023 shall not exceed RMB7.0 million, RMB7.0 million and RMB8.0 million, respectively.

The Independent Non-Executive Directors have reviewed the continuing connected transactions and confirmed that the continuing connected transactions carried out during the Relevant Period have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the agreement governing them, on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions in accordance with the Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Please refer to note 35 "Related Party Transactions" to the consolidated financial statements of this annual report for details of the related party transactions as defined by applicable laws and regulations and accounting standards.

DIRECTORS

The Directors during the year ended December 31, 2021 and up to the date of this report were:

Executive Directors:

Mr. Sun Haijin *(Chief Executive Officer)*
Mr. Tsang Hoi Lam
Mr. Chen Lin

Non-executive Directors:

Mr. Chan Fei *(Chairman)*
Mr. Xu Zhijun
Mr. Li Qiuyu

Independent Non-executive Directors:

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

SUPERVISORS

The Supervisors during the year ended December 31, 2021 and up to the date of this report were:

Mr. Yang Zunmiao *(Chairman)*
Mr. Wu Guozhong
Ms. Su Xiaohui

The Board of Supervisors held two meetings during 2021. Details of the events conducted by the Board of Supervisors during 2021 are set out in the section headed "Report of Supervisors" of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors entered into a contract with our Company on November 18, 2021 in respect of, among other things, (i) the compliance of relevant laws and regulations, (ii) compliance with the Articles of Association, and (iii) the provision on arbitration.

The appointments are subject to the relevant provisions of the Company's Articles of Association with regard to vacation of office of Directors and Supervisors, removal and retirement by rotation of Directors.

Save as disclosed above and the respective contracts entered into by our Directors and Supervisors in respect of other management roles in the Group, none of our Directors or Supervisors has or is proposed to have a service contract with any of our Group (other than contracts expiring or determinable by the relevant employers within one year without the payment of compensation (other than statutory compensation)).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Relevant Period and as at the date of this annual report, the Board comprises nine Directors in total.

Information about the details of the Directors and senior management of the Company is set out in the section headed "Directors, Supervisors and Senior Management".

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 October 2021, Mr. Chan Fei has been appointed as a non-executive director of Kerry Logistics Network Limited (a company listed on the Hong Kong Stock Exchange, stock code: 636).

2. Since January 2022, Mr. Xu Zhijun has been serving as the head of Central Western region of SF Holding and chairman of the board of SF Multimodal Transportation Co., Ltd. (順豐多式聯運有限公司).

3. From June 2019 to March 2022, Ms. Liu Jia had served as the head of CEO's office of the Company, and since March 2022, has served as the head of corporate strategy & IR department of the Company.

Save as disclosed in this annual 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.

REMUNERATIONS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee of the Company to review and consider the remunerations of the directors, supervisors and senior managements. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority.

Details of the remuneration of the Directors and the five highest paid individuals are set out in note 41 and note 9 to the consolidated financial statements.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTION, ARRANGEMENT OR CONTRACT

The Directors and Supervisors have confirmed that other than business of the Group, none of the Directors and Supervisors had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Relevant Period.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the Relevant Period, Directors and Supervisors and their associates did not have any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group.

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 December 31, 2021, 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 Securities and Future Ordinance (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
Tsang Hoi Lam	Unlisted Foreign Shares	Interest of controlled corporation[2]	20,000,000 (L)	14.34%	2.14%
Sun Haijin	Domestic Shares	Interest of controlled corporation[3]	66,891,800 (L)	11.89%	7.17%
Chen Lin	Domestic Shares	Others[4]	7,815,431 (L)	1.39%	0.84%
Li Qiuyu	Domestic Shares	Others[5]	388,010 (L)	0.07%	0.04%
Xu Zhijun	Domestic Shares	Others[6]	42,110 (L)	0.01%	0.00%
Su Xiaohui	Domestic Shares	Others[7]	2,267,498 (L)	0.40%	0.24%

(1) The letter "L" denotes the person's long position in the Shares.

(2) Sharp Land, the beneficial owner of 20,000,000 unlisted foreign Shares of the Company, was wholly owned by Mr. Tsang Hoi Lam. As such, Mr. Tsang Hoi Lam is deemed to be interested in the Shares held by Sharp Land.

(3) 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, which was owned by Mr. Sun Haijin as to 99%.

(4) Mr. Chen Lin is a limited partner of Ningbo Shunxiang and Yinghe Fengrui. Ningbo Shunxiang and Yinghe Fengrui are beneficial owners of the Company, representing 11.89% and 0.34% of domestic shares respectively.

(5) Mr. Li Qiuyu is a limited partner of Yinghe Fengrui and Tianwo Kangzhong. Yinghe Fengrui and Tianwo Kangzhong are beneficial owners of the Company, representing 0.34% and 0.53% of domestic shares respectively.

(6) Mr. Xu Zhijun is a limited partner of Yinghe Fengrui. Yinghe Fengrui is a beneficial owner of the Company, representing 0.34% of domestic shares.

(7) Ms. Su Xiaohui is a limited partner of Ningbo Shunxiang. Ningbo Shunxiang is a beneficial owner of the Company, representing 11.89% of domestic shares.

Save as disclosed above and so far as is known to the Directors, Supervisors and chief executives of the Company, as at December 31, 2021, 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.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year.

RETIREMENT BENEFIT SCHEME

As at December 31, 2021, the Company did not have any retirement benefit scheme (per definition in the Listing Rules). For details regarding remuneration received by the Directors and Supervisors in the form of fees, salaries, share based compensation, pension schemes contribution and other benefits (subject to applicable laws, rules and regulations), please refer to Note 41 to the consolidated financial statements.

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

As at December 31, 2021, 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 and others [(2)]	485,421,596 (L)	86.28%	52.00%
	Unlisted Foreign Shares		117,076,764 (L)	83.93%	12.54%
Shenzhen Mingde Holding Development Co., Ltd.	Domestic Shares	Interest of controlled corporation and others [(2)]	485,421,596 (L)	86.28%	52.00%
	Unlisted Foreign Shares		117,076,764 (L)	83.93%	12.54%
S.F. Holding Co., Ltd.	Domestic Shares	Interest of controlled corporation and others [(2)]	485,421,596 (L)	86.28%	52.00%
	Unlisted Foreign Shares		117,076,764 (L)	83.93%	12.54%
Shenzhen S.F. Taisen Holding (Group) Co., Ltd.	Domestic Shares	Beneficial Owner	343,529,796 (L)	61.06%	36.80%
	Domestic Shares	Interest of controlled corporation [(3)]	75,000,000 (L)	13.33%	8.03%
	Unlisted Foreign Shares		117,076,764 (L)	83.93%	12.54%
	Domestic Shares	Interest through voting rights entrustment Arrangement [(3)]	66,891,800 (L)	11.89%	7.17%
SF Technology Co., Ltd.	Domestic Shares	Interest of controlled corporation [(3)]	75,000,000 (L)	13.33%	8.03%
Beijing SF Intra-city Technology Co., Ltd.	Domestic Shares	Beneficial Owner	75,000,000 (L)	13.33%	8.03%
Ningbo Shunxiang Tongcheng Venture Capital Investment Partnership (Limited Partnership)	Domestic Shares	Beneficial Owner[(4)]	66,891,800 (L)	11.89%	7.17%

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
Eric Li	H Shares	Interest of controlled corporation [5]	52,033,583 (L)	22.49%	5.57%
Shining Star Fund, L.P.	H Shares	Beneficial Owner [5]	37,500,000 (L)	16.21%	4.02%
Duckling Fund, L.P.	H Shares	Beneficial Owner[5]	14,533,583 (L)	6.28%	1.56%
Sharp Land Development Limited	Unlisted Foreign Shares	Beneficial Owner	20,000,000 (L)	14.34%	2.14%
Alibaba Group Holding Limited	H Shares	Interest of controlled corporation [6]	51,844,000 (L)	22.41%	5.55%
Taobao Holding Limited	H Shares	Interest of controlled corporation [6]	51,844,000 (L)	22.41%	5.55%
Taobao China Holding Limited (淘寶中國控股有限公司)	H Shares	Beneficial Owner[6]	51,844,000 (L)	22.41%	5.55%
Legend Capital Co., Ltd. (君聯資本管理股份有限公司)	H Shares	Interest of controlled corporation[7]	11,793,004 (L)	5.10%	1.26%
Idea Flow Limited	H Shares	Interest of controlled corporation[7]	11,793,004 (L)	5.10%	1.26%

(1) The letter "L" denotes the person's long position in the Shares and "S" denotes the person's short position in the Shares.

(2) Ningbo Shunxiang has entrusted its voting rights with respect to its shareholding of 66,891,800 shares in the Company to SF Taisen. SF Taisen is wholly owned by SF Holding. SF Holding was held as to approximately 55.07% by Mingde Holding, which in turn was held by Mr. Wang Wei as to approximately 99.90%. As such, each of Mr. Wang Wei, Mingde Holding and SF Holding 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. Ningbo Shunxiang is deemed to be acting in concert with SF Taisen by virtue of the Voting Power Entrustment Agreement whereby SF Taisen is entrusted by Ningbo Shunxiang to exercise the voting rights attached to the entire 66,891,800 shares held by Ningbo Shunxiang. As such, SF Taisen is deemed to be interested in the Shares held by SF Holding Limited, Intra-city Tech and Ningbo Shunxiang; and SF Technology is deemed to be interested in the Shares held by Intra-city Tech.

(4) The general partner of Ningbo Shunxiang was Shenzhen Tonglu Zhiyuan Investment Co., Ltd. ("**Tonglu Zhiyuan**", 深圳市同路致遠投資有限公司) which was owned by Mr. Sun Haijin, our executive Director and chief executive officer, and Ms. Liu Jia, secretary of our Board and one of our Joint Company Secretaries as to 99% and 1%, respectively.

(5) Shining Star and Duckling Fund each is controlled by Mr. Eric Li. Boundless Plain Holdings Limited is wholly owned by Eric Li. Grandiflora Hook GP Limited and Parallel Universes Asset Management Limited are wholly owned by Boundless Plain Holdings Limited. Grandiflora Hook GP Limited is the general partner of Lionet Fund, L.P. and Duckling Fund, L.P. respectively. Parallel Universes Asset Management Limited is the general partner of Skycus China Fund, L.P. and Shining Star.

(6) 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.

(7) Idea Flow Limited is wholly owned by LC Fund VIII, L.P., which is controlled by its general partner, LC Fund VIII GP Limited. LC Fund VIII GP Limited is wholly owned by LC Fund GP Limited, which is in turn wholly owned by Union Season Holdings Limited. Union Season Holdings Limited is directly wholly owned by Legend Capital Co., Ltd. (君聯資本管理股份有限公司), which is held as to 80% by Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) and 20% by Legend Holdings Corporation (stock code: 3396). The general partner of Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) is Beijing Junqi Jiarui Business Management Limited (北京君祺嘉睿企業管理有限公司). As such, each of LC Fund VIII, L.P., LC Fund VIII GP Limited, LC Fund GP Limited, Union Season Holdings Limited, Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) and Beijing Junqi Jiarui Business Management Limited (北京君祺嘉睿企業管理有限公司) (through its interest in a controlled corporation or controlled corporations, as the case may be) are deemed to be interested in the H Shares held by Idea Flow Limited.

Save as disclosed above, as at December 31, 2021, 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.

EQUITY-LINKED AGREEMENTS

Other than the Pre-IPO Restricted Share Scheme, the Company did not enter into any equity-linked agreement during the year ended December 31, 2021.

LOAN AND GUARANTEE

As of December 31, 2021, we have not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company, the Controlling Shareholders of the Company (if any) or their respective connected persons.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Memorandum and Articles of Association or the laws of the People's Republic of China that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

SUFFICIENT 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 since the Listing Date and as of the date of this annual report.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee has reviewed annual results and the consolidated financial statements of the Group for the year ended December 31, 2021 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and PricewaterhouseCoopers, the auditor of the Company (the "**Auditor**").

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Relevant Period.

PRE-IPO RESTRICTED SHARE SCHEME

For the purpose of incentivizing the Group's core employees, as well as promoting the long-term development of the Group and maintaining the Group's competitive advantages, we adopted the Pre-IPO Restricted Share Scheme on January 22, 2020. Ningbo Shunxiang and Sharp Land were designated as employee share ownership platforms for the Pre-IPO Restricted Share Scheme.

As at December 31, 2021, Ningbo Shunxiang and Sharp Land were the Shareholders of the Company with 66,891,800 shares and 20,000,000 shares, respectively. For the Pre-IPO Restricted Share Scheme granted in September 2019, 20% of the restricted shares was vested in the first year after the grant date, whereas the remaining 80% was vested upon the date of Listing, December 14, 2021. As for the Pre-IPO Restricted Share Scheme granted in January 2020, all the restricted shares have been vested since the date of Listing. All participants have completed the payment of the price of the restricted shares under the scheme and have been registered as the limited partners of Ningbo Shunxiang or the shareholder of Sharp Land.

Information about the details of the Pre-IPO Restricted Share Scheme of the Company is set out in the section headed "Pre-IPO Restricted Share Scheme" as disclosed in the Prospectus and Note 27 to the consolidated financial statements of this report.

ENVIRONMENTAL POLICY AND PERFORMANCE

Our operations were in compliance with the relevant PRC environmental protection and occupational health and safety laws and regulations in all material aspects and we had not been subject to any fines or other penalties due to non-compliance with environmental protection and occupational health and safety laws and regulations.

We are committed to operating our business in a manner that protects the environment and improves environmental sustainability. For example, we strive to minimize pollutant emissions generated by our riders in the process of delivery by recommending them to use new energy and electric vehicles. As of December 31, 2021, approximately 96% of our active riders fulfilled orders through new energy and electric vehicles or public transportation. In addition, we provide eco-friendly packaging such as recyclable paper bags, cups and delivery boxes for our Fengshi Platform. We are also actively seeking collaboration with merchant customers to explore systematic plans for eco-friendly and recyclable packaging, aiming to lower the packaging cost, improve the capability of environmental protection and contribute to carbon neutrality. For details of the ESG policies and performance, please refer to the Environmental, Social and Governance Report.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled to be held on Monday, June 6, 2022 at 10:00 a.m. (the "AGM"). A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the Articles of Association of the Company and the Listing Rules in due course.

The register of members of the Company will be closed from Saturday, May 7, 2022 to Monday, June 6, 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents of H shares accompanied by the relevant shares certificates must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Friday, May 6, 2022. Shareholders whose names appear on the register of members of the Company on May 6, 2022 will be entitled to attend and vote at the AGM.

AUDITORS

The consolidated financial statements for the year ended December 31, 2021 have been audited by PricewaterhouseCoopers, who will retire and being eligible, offer themselves for re-appointment. A resolution will be proposed in the forthcoming AGM to re-appoint PricewaterhouseCoopers as auditor of the Company.

OTHER EVENTS AFTER THE REPORTING PERIOD

As at the date of this annual report, the Group has no disclosable material events after the Reporting Period.

On behalf of the Board

Chan Fei
Chairman of the Board

Hong Kong
March 30, 2022

During the Reporting Period, based on the principle of being responsible to the Company and its Shareholders, the Board of Supervisors has conscientiously and comprehensively performed its supervisory duties, including supervising and inspecting the lawful operation and financial situation of the Company, and supervising the members of the Board of Directors and the management of the Company, in strict accordance with the Company Law, the Company's Articles and other relevant laws and regulations.

Methods for the Board of Supervisors to perform its supervisory duties mainly include: convening regular meetings; being present at and attending as non-voting participants the general meetings of Shareholders and relevant meetings of the Board of Directors; through the above work, the Board of Supervisors comprehensively supervises the Company's operations, risk management, internal control, and duty performance of directors and senior management, and puts forward constructive and targeted operation and management suggestions and supervision opinions.

WORKS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the Supervisory Committee of the Company organized and convened two meetings in accordance with relevant rules:

(1) On March 31, 2021, a meeting was convened in the form of on-site meeting, at which the Proposal on Reviewing the Report of the Supervisory Committee in 2020 were reviewed and approved.

(2) On May 29, 2021, a second meeting was convened in the form of on-site meeting, at which the following Proposals were made:

(i) the Company's Initial Public Offering of Overseas Listed Foreign Shares (H Shares) and Listing on the Main Board of The Stock Exchange of Hong Kong Limited Meeting and relevant requirements "《關於公司首次公開發行境外上市外資股(H股)並在香港聯合交易所有限公司主板上市符合相關法定條件的議案》" were approved;

(ii) the Company's Application for the Initial Public Offering of Overseas Listed Foreign Shares (H Shares) and Listing on the Main Board of The Stock Exchange of Hong Kong Limited "《關於公司申請首次公開發行境外上市外資股(H股)並在香港聯合交易所有限公司主板上市方案的議案》" were considered and approved;

(iii) formulating the Terms of Reference of the Supervisory Committee of Hangzhou SF Intra-city Industrial Co., Ltd. "《關於制定<杭州順豐同城實業股份有限公司監事會議事規則>的議案》" were approved;

(iv) the undertaking of the Company's accumulated unrecovered loss before the Issuance and Listing of Shares "《關於公司本次發行上市前累計未彌補虧損承擔方案的議案》" were approved.

During the Reporting Period, members of the Supervisory Committee attended all Board meetings of the Company held prior to Listing and conscientiously supervised the procedures and contents of such meetings. The reasonable suggestions and recommendations proposed by them were all adopted.

The Supervisory Committee continued to strengthen its self-improvement, focused on enhancing communications with the Board and the management, communicated adequately on important supervision matters, proposed reasonable suggestions and recommendations and improved the effectiveness of supervision work to protect the rights and interests of the Shareholders, the Company and the employees effectively

COMMENTS OF THE SUPERVISORY COMMITTEE ON CERTAIN MATTERS OF THE COMPANY IN 2021

Lawful Operation of the Company

During the Reporting Period, the Company operated and managed its businesses in accordance with the laws and regulations, and its operational results were objective and true. There was substantial development and improvement in the depth and breadth of its internal control management, and the Company's operational decision-making processes were legitimate. The Directors and other senior management were honest, diligent and conscientious in the business operations and management processes, and they were not found to have breached any laws, regulations, or the Company's Articles of Association or harmed the interests of the Shareholders.

Financial Position of the Group

The Board of Supervisors has carefully reviewed the audited financial statements of the Company during the Reporting Period, and believes that these financial statements are objective, practical and reasonable, conform to relevant provisions of the laws, regulations and the Company's Articles of Association, and completely and objectively reflect the situation of the Company, without any false records, misleading statements or major omissions. The Board of Supervisors believes that the preparation of the Annual Report complies with relevant provisions of the laws, regulations and the Company's Articles of Association, and the information disclosed therein completely and truly reflects the operation, management and financial status of the Company during the Reporting Period.

USE OF PROCEEDS FROM IPO

During the Reporting Period, the use of the proceeds from IPO strictly observed relevant provisions and the use disclosed, and no illegal use of the proceeds was found.

CONNECTED-PARTY TRANSACTIONS

The connected-party transactions (including continuing connected-party transactions) entered into by the Group during the Reporting Period were found in compliance with relevant laws and regulations, and in conformity to the provisions of relevant agreements on connected-party transactions. They were fair and reasonable to the Group and its shareholders, and did not harm the interests of the Company and its Shareholders.

2022 OUTLOOK

In 2022, the Board of Supervisors will continue to abide by the principle of being responsible to all the Shareholders, and perform its supervisory duties in strict accordance with relevant laws and regulations and the requirements of the Articles, so as to safeguard the legitimate rights and interests of the Group and its shareholders, and play a positive role in achieving the standardized operation and development of the Group.

By order of the Board of Supervisors

Yang Zunmiao
Chairman of the Board of Supervisors

March 30, 2022

ABOUT THIS REPORT

This is the first annual Environmental, Social and Governance (hereinafter referred to as "**ESG**") report (the "ESG Report") published by the Company. Following the principles of balance, comparability, accuracy, timeliness, clearness and reliability, the ESG Report mainly discloses the management measures and results of the Company in respect of environment, society and governance.

Reporting scope

The period of the ESG Report ranges from January 1, 2021 to December 31, 2021. Unless otherwise specified, the scope of the ESG Report is the same as that of the Company's 2021 Annual Report, which includes the Company and its subsidiaries.

Basis of Preparation

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* ("**Reporting Guide**") of Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**"). This report follows the principles of "Materiality", "Quantitative", "Balance" and "Consistency" in the Reporting Guide.

The ESG Report is prepared undergoing a set of systematic procedures, including research and interviews, identifying major stakeholders, confirming ESG related major issues, understanding opinions of stakeholders, determining the materiality of the issues, deciding the disclosure scope of the ESG Report, collecting related materials and data, reviewing the materials and data, preparing the ESG Report based on the related materials and data collected, and reviewing and approving the ESG Report by the Board of Directors. It is recommended to read the part on governance in conjunction with the "Corporate Governance Report" section contained in this Annual Report.

Source of Information

The information and data in this ESG Report are mainly from the Company's database, internal statistical reports, and public information, including prospectuses, annual reports, and media releases. Unless otherwise specified, all the amounts related to currency in the ESG Report are denominated in RMB.

Obtaining the ESG Report

As part of the 2021 Annual Report, this report can be viewed on and downloaded from the website of the Stock Exchange (www.hkexnews.hk) and the official website of the Company (www.sf-cityrush.com). For further inquiry, or if you have any comment or suggestion, please contact us via email at TCIR@sfmail.sf-express.com.

STATEMENT OF THE BOARD

As the largest third-party on-demand delivery service platform in China, the Company responds to the demand of merchants and consumers for on-demand delivery in the new consumption era, adheres to the development concept of "high-quality, efficient and multi-scenario", and takes "Bring enjoyable lifestyle to your fingertips" as its mission, continues to build an open ecological system and provides the ultimate delivery experience for hundreds of millions of merchants and individual users through an efficient and diversified delivery network covering the whole city.

Since its inception, the Company has adhered to sustainability as the foundation of its long-term and steady business growth and attached great importance to the fulfillment of its corporate social responsibility. Upon Listing, the Company's Board of Directors has established an effective mechanism for sustainable development management and built up an ESG governance structure with a clear hierarchical and well-defined division of labor.

The Board oversees material ESG issues relevant to the Company's business, and considers the report of the ESG Leadership Group (defined below) on a regular basis. The Board specially reviews and deliberates the ESG Report of the Company in annual board meeting and examines the progress of the accomplishment of ESG goals.

During the Reporting Period, the Company examined data and set environmental targets in connection with business operation. In the future, the Board will discuss on further targets setting and development.

This report discloses the aforementioned ESG related matters in detail, and was reviewed and approved by the Board on March 30, 2022.

CORPORATE GOVERNANCE

ESG Governance

Based on the brand proposition of "delivery with warmth and professionalism", the Company upholds the sustainability principle and actively assumes its social responsibility. The company establishes a well performing ESG governance structure, identifies key issues, and maintains good communication with stakeholders. Through these, the Company gradually improve ESG management, deliver high-quality, efficient, multi-scenario delivery services to merchants and individual users, and creates positive business and social value to make business more prosperous and people's lives better.

ESG Governance Structure

In accordance with the ESG management guide of the Hong Kong Stock Exchange, the Company has established a three-level ESG governance structure consisting of governance, management and execution, and developed a top-down regulatory mechanism to effectively promote the key work under the environmental, social and governance issues of the Company, realizing the improvement of service level and the steady operation of the Company and contributing to the development of the on-demand delivery industry in a faster and more stable direction.

Governance: the Board of Directors

- To regularly receive reports from ESG Leadership Group on ESG matters
- To review major ESG issues, such as release of ESG reports, setting ESG targets
- To check the progress of the implementation of the ESG related targets that have been set

Management: ESG Leadership Group

The CFO and the Secretary of the Board are in charge, and the members are composed of senior management from various business groups and functional departments related to ESG issues.

- To identify, evaluate and manage ESG issues
- To lead all departments to carry out ESG tasks
- To maintain ESG industry expert resources and understand the latest regulatory requirements
- To monitor ESG work progress
- To regularly summarize ESG work issues and report to the Board of Directors

Implement: ESG Working Group

It is composed of staff from various business groups and functional departments related to ESG issues.

- To implement specific ESG tasks by each department
- To collect ESG related information and data
- To report the work progress to the ESG Leadership Group

Stakeholder Communication

The Company fully considers the impact of its operation and services on stakeholders, attaches importance to the opinions of stakeholders, and has established a regular stakeholder communication mechanism. The Company maintains efficient communication with all our stakeholders through diverse and specific channels, takes the demands of all stakeholders as an important basis for the continuous improvement of the Company's ESG work, and routinely conducts regular and diversified communication with stakeholders by the means as set out in the following table.

Stakeholder	Concern	Means of communication
Governments and regulatory authorities	• Compliance with laws and regulations, delivery safety • Tax compliance, creating jobs	• Forum between government and enterprise • Supervision and inspection • Work and research reports
Investors/ shareholders	• Robust operation, value creation • Compliant disclosure, openness and transparency	• General meeting, results announcement • Company news, announcement and regular report • Investor survey, various conferences and presentations • External roadshow • Official website, email and hotline
Employees	• Protection of rights and interests, employee care • Compensation and benefits, training and development	• Team building activity, employee training • Feedback platform • Employee satisfaction survey
Riders	• Protection of rights and interests, health and safety	• Rider satisfaction survey • Rider care activity • Feedback platform

Stakeholder	Concern	Means of communication
Customers	• Service quality, efficiency and timeliness • Protection of rights and interests, information security	• Service hotline, mailbox for complaints and suggestions • Questionnaire survey, customer interview • Online platforms, social media
Charities	• Public charity, social value contribution	• Rider public welfare plan
Partners/industry associations	• Industrial innovation, win-win cooperation • Privacy protection, business ethics	• Cooperative research • Industry summit and forum
Media/the public	• Good interaction, information publicity • Service quality, protection of rights and interests • Privacy protection, business ethics	• Handling of customer complaints and comments • Press conference, media interview • Official website, social media

Priority of Materiality Issues

To further clarify our ESG management focuses and timely respond to stakeholders' concerns, the Company established an ESG issue library, and collected feedback from various parties in form of online questionnaire as a significant basis for the corporate ESG management and information disclosure.

Issue identification

Based on our business model in combination with national policies and capital market requirements, the Company screened out 22 ESG issues by analyzing the scope of concerns of each stakeholder, and comparing with the measures of our peers.

Stakeholder survey

The Company collected 372 responses to our questionnaire from investors, customers, employees, and other internal and external stakeholders to fully understand the ESG issues of the Company that were focused on by internal and external stakeholders.

Issue assessment

Based on the stakeholder survey results, the Company ranked the ESG issues by their importance to stakeholders, and formed a list of materiality issues.

Review and confirmation

The Company submitted the assessment results of materiality issues to the management and obtained the management's affirmation and approval.

Importance	Issue name
High importance	Guarantee delivery safety Data security and privacy protection Technological innovation Provide diversified and personalized service Talent development and retention Rider care Employee health and safety Employee diversity and human rights protection Corporate governance Business ethics and anti-corruption Risk management
Moderate importance	Improve service efficiency Employee engagement Employee care Protect the interests of partners involved Symbiosis and win-win with partners Charity and volunteering
General importance	Carbon footprint of packaging and delivery Carry out environmental protection activities Help local communities develop Waste management and recycling Climate change response

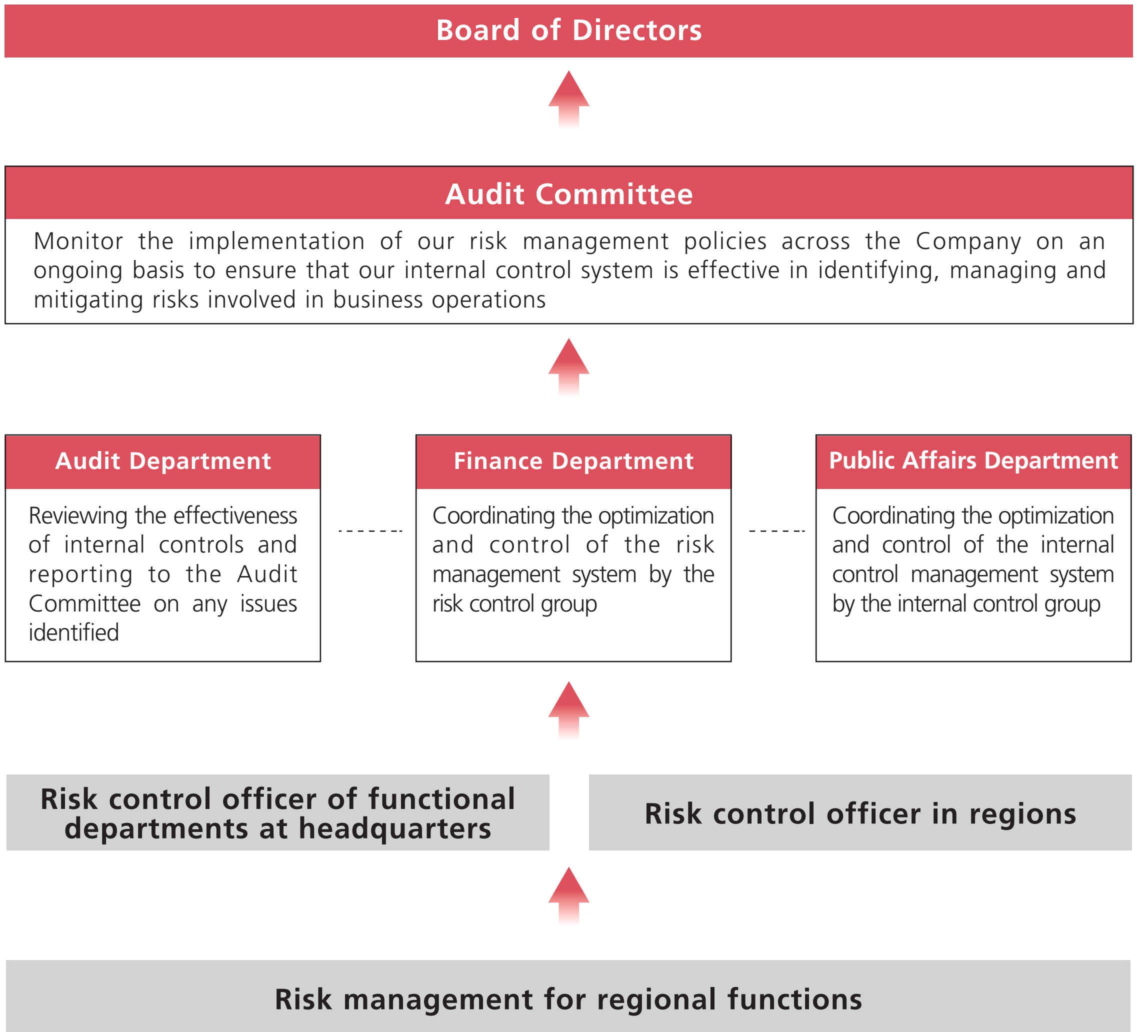
Table List of the Company's Materiality Issues

ESG Risk Management

Effective ESG risk management and internal controls are fundamental to safeguarding the Company's business operations and growth. The Company's ESG risk has been integrated into the enterprise risk management system. At present, the Company has identified potential risk such as intellectual property risk, industry policy risk, production safety risk, employment safety risk and human resource management risk, covering various aspects of ESG, of which climate change risk management is detailed in "Climate change adaption".

The Company has adopted and implemented comprehensive risk management policy in all aspects of business operations (such as delivery safety and rider safety, financial report, legal compliance, information systems and human resources management), and formulated the *Intra-city Risk Management System* and *Intra-city Risk Management Policy* that define the risk control management system and work processes. The Company also issued *the Implementation Manual for Internal Control of SF Intra-city Industrial* and *Evaluation Methods for Internal Control of SF Intra-city Industrial*, defining and standardizing the implementation scope, evaluation process and methods of the internal control to ensure the Company's operation compliance and risk control.

Meanwhile, for the purposes of constructing a comprehensive and effective risk control management system into the depths and further enhancing the Company's risk prevention ability, the Company has established a complete organizational structure for risk and internal control management and ensured that risks are effectively controlled through a three-level management system. The Board of Directors is the highest authority for risk management, and it, together with the Audit Committee forms the risk control strategy formulation organization, which is responsible for steering the risk management work and developing the risk management strategy. The audit department and finance department manage, professional functions at the Company's headquarters, supervise the Company's business compliance and the effectiveness of internal controls, and the public affairs department, is responsible for the optimization and management of the risk control system as the risk control coordination and management organization. The risk control implementation organization consists of all functions and regions. Each business department has appointed a risk control liaison in charge of promoting the Company's relevant processes, systems, and compliance risk control ideas to the frontline business personnel, supervising regional implementation, and collaborating with specialized risk control departments for mutual complementation.



The Company's Risk Management Structure

Under the risk management organization system, the Company regularly reviews key ESG-related policies to quickly respond to the policy trends. In 2021, the Company analyzed policies concerning green packaging, food safety, cybersecurity, platform economy antitrust, protection of labor rights and interests of workers and takeaway delivery workers in new employment forms, pandemic prevention and control and other aspects, and formulated internal operation guide, aiming to deal with policy risks in a proactive and effective manner and ensure the continued sound and efficient operation of the Company's business.

The Company has designed the risk management courses and special training required for key positions, and carried out the special training in forms of online learning and examination. In 2021, in order to improve the targeted risk management and control ability of business regions, the Company conducted more than 35 training sessions for the relevant responsible officers, relevant local responsible persons, the risk control liaisons, local delivery outlet managers, and new hires. The Company also conducted training sessions that systematically expound the requirements of *SF Intra-city Risk Control Management* and *Risk Management for Local Delivery Outlet Manager*. Through regular special training, the Company's risk management staff at all levels can fully and efficiently identify various types of risks in the Company's operations and control them in a timely manner through internal control and other measures to reduce or even eliminate the impact caused by the risks.

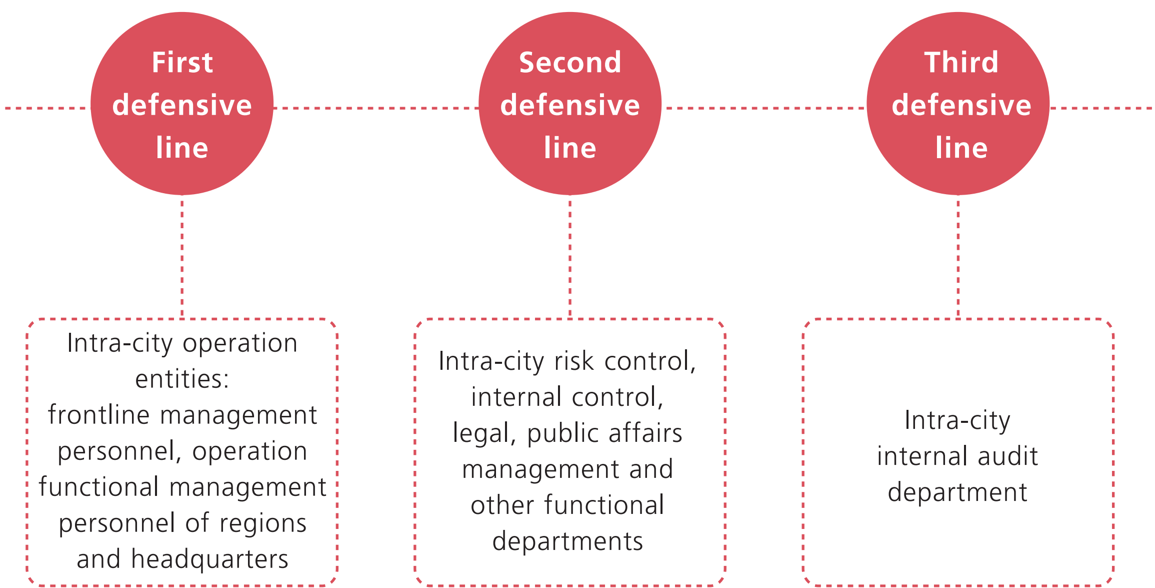
The Company conducts third-party audits twice annually, and requires the responsible departments and responsible persons to make improvement to the risks indicated by external auditors. Meanwhile, the Company's audit department and internal control group carry out special internal inspection covering all product lines, business units and business processes irregularly according to the annual plan, report the problems found in the inspection process according to corresponding systems, and urge responsible departments to rectify these problems. The Company conducts investigations into corrupt practices and issues written reports. For confirmed cases, according to the *Employee Handbook* or related systems, the responsible person will be handled or transferred to judicial organs for handling.

Integrity Management

The Company endeavours to safeguard the boundaries of integrity, sticks to the "transparency" principle, and maintains "zero tolerance" to corrupt behaviors. The Company constantly improves the Company's integrity management system, actively explores technological anti-fraud means, takes the initiative to prevent and fight against commercial bribery and corruption, and regulates the behaviors of our employees and stakeholders, in an effort to guarantee the Company's long-term development.

The Company strictly complies with the *Company Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and other laws and regulations, and has formulated the *SF Intra-city Measures for Anti-Corruption Management*, *SF Intra-city Company Measures for Reporting Management*, *Intra-city Measures for Relative Avoidance Management*, and other policies, making clear the Company's anti-corruption requirements and the anti-corruption handling process and responsibility.

The Company has established a "three defensive lines" management system: the first defensive line is Intra-city operation entities; the second one is risk control, internal control, legal and public affairs management and other professional teams; and the third one is the independent internal audit department, which is empowered to implement an integrity management system across all posts, so as to proactively identify any concern and problem relating to any potential violation.



The Company's "Three Defensive Lines" Management System

Technological Anti-fraud Work

The Company applies big data and cloud computing technology to its anti-fraud work, and actively explores "digital anti-fraud", establishing big data-based audit platforms comprising the audit analysis platform, the audit monitoring platform and the audit working platform. Among them, the audit analysis platform is responsible for identifying the fields of fraud risks at the front end and devising the fraud detection plan; the audit monitoring platform performs periodical, normalized risk monitoring; and the audit working platform ensures the closed-loop tracking of the application of investigation results. Through the application of technology, the Company has achieved good results in internal anti-fraud risk identification and monitoring and anti-fraud event management.

Handling Whistle-blowing events

The Company has developed a series of whistle-blowing related policies, and established a handling system to comprehensively collect fraudulent or unethical conducts or violations of laws and the Company's policies that have or may have material adverse financial, legal or reputational effects on the Company and to ensure closed-loop management of whistle-blowing events. The audit department undertakes overall whistle-blowing events management, grading and classifying the events by importance and degree of influence. The Company contacts the informant within one working day after receiving the tip-off, decide whether to file a case within a week and completes the investigation within a month. After the completion of the investigation, the investigation report together with key evidences will be archived. The head of each organization is the first responsible person for witness protection, who takes proper measures to protect the witnesses (including the informant), ensuring their basic rights and interests are not infringed, and eliminates retaliation.

In 2021, the Company set up a whistle-blowing process to realize the online operation of whistle-blowing process. Meanwhile, the relevant colleague regularly reviews and analyzes the whistle-blowing events and investigation contents through the online platform, not only improving the efficiency of whistle-blowing supervision and event handling, but also providing a basis for business risk assessment and guidance for business departments to take the initiative in prevention and internal control.

Integrity Training

The Company expects every employee to deliver value through honest work ethics, and pursue a better life with integrity and in good faith. The Company delivers anti-corruption trainings focusing on new recruits, grass-roots management personnel and senior executives from time to time, and advocates honest business to create a transparent workplace.

In order to comprehensively promote the integrity and self-discipline awareness of employees, for employees, the Company introduces the integrity culture and requirements in detail at their on-boarding, provides anti-corruption and anti-bribery compliance training, conduct warnings and educations with fraud cases, facilitate the acknowledgment and signing of the *Letter of Anti-Corruption Commitment*. As for senior management, the Company holds lectures and organizes trainings on enterprise credit and integrity culture.

In 2021, a total of 7,529 attendances participated in the anti-corruption training, and 100% employees of the Company signed the *Letter of Anti-Corruption Commitment*.

During the Reporting Period, there were no corruption lawsuits filed against the Company or its employees and concluded.

PRODUCT RESPONSIBILITY

In the context of China's economic transformation towards high quality, the demand for consumption upgrade is increasingly prominent, and it is necessary to match the delivery service with higher timeliness and quality standards. As an emerging industry, on-demand delivery fulfills residents' demand for high-quality consumption services. The Company has industry-leading and mature product design and R&D capabilities, continues to promote technological innovations such as big data analysis and artificial intelligence (AI) to drive services through technology, strives to meet the ever-changing needs of merchants and consumers, and provides them with faster and higher quality services in a wider range of daily life scenarios.

Product Innovation

The Company adheres to the "user-centered, demand-oriented, experience-based" product design thinking, and diligently creates intelligent and efficient products, services and solutions.

Promoting Technological Innovation

The Company continues to invest in and develop smart technology and capitalize on big data and AI technology to create CLS intelligent solutions to on-demand logistics. The CLS system enables effective business forecasting and planning, integrated order recommendation and dispatching, as well as real-time operation monitoring through intelligent distribution of orders in the logistics middle office, real-time intelligent regulation of supply and demand, and AI global operation dispatching. In many service scenarios such as local catering, local retail, local e-commerce and near field services, the CLS system enables efficient real-time order dispatching and accommodates the expectations of merchants and users for fast and reliable intra-city delivery services by supporting complex delivery networks (triple delivery networks covering different geographical levels, including shop level, business district level and city level).

The Company continuously introduces innovative solutions, shares our technological capabilities and data insights with merchants, and creates a more user-friendly and differentiated service matrix to improve operational efficiency. The Company conducts big data analysis on the historical operation data of merchants, gives advice on the delivery scope for their stores, provides information technology support and store operation solutions to help merchants realize digital transformation. In the future, the Company plans to provide more customized services and technical support to merchants, such as providing SaaS cloud solutions to merchant customers, supporting the integrated order management and scheduling with mini-programs and Apps, and strengthening the ability to provide integrated intra-city on-demand delivery supply chain logistics solutions.

In 2021, the Company's R&D investment reached RMB193 million. The Company will continue to increase investment in research and development to further promote technological innovation, optimize the cost and efficiency across the industry, bring customers ultimate service experience and to create more value.

Protection of Intellectual Property Rights

As a technology-driven service enterprise, intellectual property is the cornerstone of our business. The Company attaches great importance to the work related to intellectual property, strictly abides by the *Patent Law of the People's Republic of China* and *Trademark Law of the People's Republic of China*, and has formulated systems such as *SF Intra-city Trademark (Trade Name) Management System* and *SF Intra-city Patent (Software Copyright) Achievement Management System* to standardize patent management and trademark (trade name) use and ensure that there are rules to follow in managing the protection of intellectual property rights.

In order to prevent the leakage of core technologies, the Company protects and safeguards the Company's patents, trademarks, copyrights and domain names by a range of means such as online monitoring and offline actions.

The Company conducts training on intellectual property rights from time to time to enhance employees' awareness of intellectual property rights protection. In 2021, the Company conducted seven intellectual property training sessions in different forms, and invited external law firms to provide face-to-face offline training for employees.

Service Quality

In order to better guarantee service quality and respect consumers' rights and interests, the Company places value on user privacy protection, keeps strengthening network and information security management, and resolutely avoids user information leakage. The Company promises to practice responsible marketing and put an end to false marketing promotion. By adopting a quality and efficient service model, the Company continuously improves service quality and user satisfaction, and creates value for users.

Data Security and Privacy Protection

As a technology-driven company, the Company provides services and data support for users via Internet technology. Information security is the foundation of the robust development of our business, so the Company puts it in a critical position, and strictly complies with *the Data Security Law of the People's Republic of China*, *the Personal Information Protection Law of the People's Republic of China*, *Regulations on Security Protection of Critical Information Infrastructure*, and other relevant laws and regulations, and has established a complete information security management system to carry out comprehensive information security control in five sectors, namely security policy, personnel security management, information asset management, information system development management and event management.

In 2021, the Company has obtained the national information security level protection filing certificate, and initiated the ISO 27001 Information Security System certification. There was no information leakage in the Company during the Reporting Period.

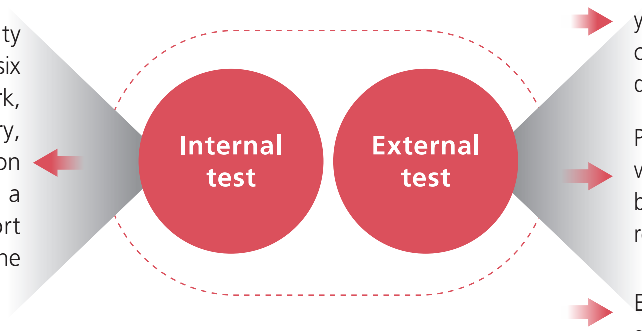
Privacy protection management

In order to provide safe and reliable platform services, the Company has formulated the *Privacy Policy of SF Intra-city*, which is applicable to both users and riders. Through our website, APP, official account and mini-programs, users and riders are clearly informed of the principles of personal information protection, the collection and processing methods and the protection measures and mechanisms of personal information, as well as the basic standards of personal information protection, enabling users and riders to feel at ease to use all services.

In order to reduce security risks in the entire life cycle of private data and further improve the data protection capability of our system, the Company has formulated the *Information Security and Privacy Management Strategy Manual* and *System Privacy Data Security Management Specification*, which clarify the data security protection requirements in eight aspects including collection, transmission, storage, use, sharing and transfer, processing, system authority and security audit of privacy data. In addition, the Company has carried out strict classification and division management of all data assets, and issued systems such as *Management System of Data Classification, Identification and Disposal* and *Guidelines for Information Security Rules of Big Data Services* to strictly control the risk of privacy leakage and minimize data risks.

Network security test

The Company regularly conducts internal and external tests on data privacy and network security to check our network risk prevention level. By analyzing and reflecting on the problems exposed in the process of test, the Company updates and strengthens risk prevention measures in time, and enhances the protection capability of IT assets.



Conduct an internal security baseline inspection covering six dimensions of server, network, terminal, terminal boundary, data security and application every year, and issue a problem rectification report after the test, and rectify the problems by stages

Engage a third-party audit institution in the middle of the year and at the end of the year to conduct network security audit and data security audit on our IT assets

Participate in the annual red team vs. blue team exercises organized by SF Group and the national-level red team vs. blue team exercise

Engage independent third-party security agencies to conduct network attack and defense exercises from time to time

Information security incident management

In order to standardize the Company's emergency response to information security incidents, the Company has developed the *Manual on Information Security Incident Management* and established an emergency response mechanism to ensure the safe and stable operation of the information system and business continuity. The Company clearly classifies information security incidents into cyber attack incidents, harmful program incidents, information leakage incidents and information content security incidents, and sets up special plans for various types of information security incidents. The Company categorizes the information security incidents as: Level 1 events (major), Level 2 events (medium-risk) and Level 3 events (low-risk) through evaluation of the emergency of the incidents. Accordingly, the Company reports the incident rating results to the Emergency Response Leadership Team and establishes the whole process of information security incident response and handling from reporting, processing, investigation, summary and improvement, rewards and punishments to notification.

100% participation in network and information security training

The Company conducts information security awareness presentations for employees at least twice a year, covering information security liaison officers of all departments, and then each liaison officer conducts presentations for department employees to achieve 100% coverage of the employee training on network security and information security.

Responsible Marketing

Brand Upgrading

In order to facilitate sustainable business development, the Company actively takes diverse marketing means and is committed to enhancing the popularity and positive image of the Company among consumers. In 2021, the Company focused on brand strategy upgrading, spokesperson marketing and other brand rejuvenation and upgrading work, and adopted the youthful marketing to shape our brand positioning of "Professional high-end on-demand delivery".

The Company announced the brand upgrading strategy

On September 17, 2021, the Company announced the brand upgrading strategy to launch a new brand logo. The red and black color scheme of the SF brand is maintained in the new logo, and the icon continues to use the combination of black hexagons and red checkmarks. The red check mark in the center is bold and highlighted, giving people an impression of safe and reliable guarantee of delivery service.

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SF Intra-city Launched a New Brand Logo

Marketing Risk Management

Being no stranger to risks in marketing, the Company attaches importance to the value of fairness in marketing ethics and the protection of consumers' rights and interests. The Company avoids any false, misleading, fraudulent, unfair or vague marketing by establishing a comprehensive and strict brand marketing management mechanism, and observes the *Advertising Law of the People's Republic of China* and other relevant laws and regulations, and has formulated the *Social Media Management System of SF Intra-city*, which requires personnel of the marketing department to get familiar with and implement the system skillfully, and adopted a range of internal and external monitoring and management measures to standardize the brand management, operation, content audit and other related work.

Marketing training with about 100 attendances

In 2021, the Company conducted 5 training sessions of responsible marketing, with about 100 attendances, which further enhanced the professional quality of relevant personnel.

Customer Satisfaction Improvement

On-demand delivery is essentially a service, and user satisfaction is the engine to drive the Company's rapid business growth. It is our riders that directly serve merchants and consumers, so their service quality is key to user satisfaction. The Company believes that only when riders' needs are fulfilled can they provide satisfactory service to customers together with the Company and become customer trusted partners. The Company focuses on developing the organization's ability to empathize, agree and resonate with individuals, to inspire riders' confidence in, identification with and devotion to the service industry they are engaged in. Such identification enables riders to provide heartfelt services that exceed user expectations.

In order to effectively improve customer experience, in terms of management mechanism, the Company sets up the customer service experience department which consists of the customer service management group, the online experience group and the research and analysis group to gain insight into customer needs by listening to users' feedbacks, and coordinate closed-loop product optimization, launch and promotion in an attempt to provide premium, intimate customer services. In addition, the Company has put in place the rider service supervision mechanism and the rider appeal review standards to ensure the fairness of customer complaint handling.

With an aim to standardize the processes of customer complaint acceptance and claim settlement, the Company has formulated the *SF Intra-city On-demand Delivery Operational Guidelines for Handling Customer Complaints*, *Individual Customer Claim Settlement Clauses* and other systems. In the process of handling customer complaints, customer service personnel will identify and classify the problems, screen out major exceptional problems with high risks in terms of safety, brand and noncompliance reporting, and adopt corresponding escalation mechanism to rapidly handle and properly solve the problems.

In terms of services for key corporate customers, the Company provides special one-to-one pre-sale, after-sale, claims full-process services from pre-sales, after-sales, to claims and brand customization services, and help solve our customer's problems of business transition. The Company will adhere to the "customer-centric" concept and continuously improve internal capabilities to provide better and more user-friendly services for users.

Supply Chain Management

The Company has established a supply chain management system that matches its business process and development scale to efficiently support the current business and future development and changes. In pursuit of the core values of honesty, understanding and communication, promotion and optimization, the Company is committed to building a responsible supply chain, ensuring high-quality delivery of products and services, and establishing close cooperative relationship together with upstream and downstream partners to jointly build an industry ecosystem of win-win cooperation.

Supplier Management

The Company constantly improves the whole-process supplier management system, and has formulated the *Administrative Measures for Supplier Introduction, Procurement Management System, Administrative Measures for Supplier Certification for Intra-city Centralized Procurement and Operational Guidelines for On-site Audit of Suppliers*, to clarify the requirements for qualified suppliers, standardize the process from supplier registration to management, actively maintain supplier relationship, and drive suppliers to grow together.

Supplier Introduction

The Company regularly reviews and analyzes the business scale, credit, operation, financial condition and other qualifications of suppliers, and introduces qualified suppliers who have passed the review and certification based on the on-site review and investigation. In 2022, the Company uses the supplier relationship management (SRM) system to manage suppliers, including supplier self-service registration, certification management, grading and classification management, contract management, performance management, etc., to effectively improve our communication and collaboration ability with suppliers.

Supplier Evaluation and Assessment

The Company evaluates suppliers from the aspects of initial evaluation, on-site audit, sample evaluation and small batch test, strictly controls the standards and quality of suppliers, and continuously reviews the cooperative suppliers to ensure that they meet the requirements. In addition, the Company has incorporated the environmental protection requirements of ISO 9000 certification and *Restriction of Hazardous Substances* (RoHS) into the on-site review requirements for production suppliers, and implemented the concept of green procurement.

Supplier Elimination

In case of any violation of business ethics, the Company will adopt "zero tolerance" principle, and remove the relevant suppliers from the list of qualified suppliers and blacklist them.

Honest Procurement Management

The Company follows the basic principles of fair, just, honest and transparent procurement, and ensures that the whole procurement process realizes "transparent admission" at the front office, "fair process" at the middle office and "fair supervision" at the back office, thus ensuring an honest and clean procurement environment.

The Company has formulated the *Integrity Terms and Conditions*, prohibiting any form of extorting, offering or accepting bribes in economic relationship between us and suppliers, and promotes suppliers to sign the *Integrity Terms and Conditions* simultaneously. The Company specifies the supplier's reporting channels in the framework master agreement, the sub-agreement and the bidding documents. If the supplier finds any behavior affecting fair trade or other non-compliant acts, it can report and complain. In 2021, the signing rate of the *Integrity Terms and Conditions* by all suppliers managed by the Procurement Management Department reached 100%.

In 2021, the Company formulated the *Transparent Procurement Notice*, and planned to publish this document in 2022 and promote it to suppliers through online systems and other channels. In the future, the Company will conduct integrity training for suppliers based on the requirements of this document to further improve the construction of integrity in the supply chain and create a transparent business environment.

SOCIAL RESPONSIBILITY

Good corporate culture is the fertile ground for nurturing the Company to thrive. The Company treats employees and riders as our precious wealth, and makes many efforts in the rights and interests protection, diversified training and occupational health and safety of employees and riders, so as to build a broader career stage for outstanding talents and ensure decent work and happy life of every employee and rider. Moreover, the Company actively calls on our employees and riders to join public welfare undertakings, so as to convey full positive energy, enhance the sense of social identity and achieve self-value.

Employee Management

The Company comprehensively implements the "people-oriented" concept, fully protects the rights and interests of employees, establishes and improves the recruitment, compensation and benefit system of employees, and uses its utmost efforts to provide employees with a safe and healthy, diverse and inclusive working environment and a broad career development platform, creating a vital and happy work environment.

Employee Rights & Interests

The Company respects and recognizes the value of every employee, protects the rights and interests of employees through a sound human resource management system, and strives to foster a fair and just workplace atmosphere and a diversified and inclusive corporate culture for all employees.

Recruitment and employment

The Company abides by the *Labor Law of the People's Republic of China*, the *Law on the Protection of Minors* and other laws and regulations, establishes and continuously improves internal management systems such as the *SF Intra-city Recruitment Management System* and the *Regulations on SF Intra-city Employee Attendance Management*, to clarify the management responsibilities of organizations of the Company at all levels, and standardize the whole process of talent management.

The Company adheres to the recruitment principles of "fairness, impartiality and openness", treats every employee equally, regardless of their gender, region, nationality, religion and other factors, and fully respects and embraces the diversity of employees. In 2021, the total number of employees of the Company was 2,083, including 889 new employees. The Company had 339 new female employees, accounting for 38% of the total new employees during the year.

The Company forbids child labor and rejects forced labor. When employees join the Group, human resources department connects with the network of the public security department to conduct strict verification of their identity to avoid employing child labor due to concealment. Following the requirements of internal management system, if any child workers are found, the Company will immediately stop their work, send them back to their original place of residence, ask their parents or guardians to sign a confirmation letter, and return the relevant documents to the human resources department for filing after they are sealed and confirmed by government agencies. The Company respects and safeguards the working will of every employee, ensures reasonable working hours and holiday treatment, and forbids forced work in any way. As of the end of the Reporting Period, there have been no incidents of child labor and forced labor in the Company.

The Company keeps focusing on and will further improve the special recruitment targeting veterans, disabled people and other groups, in a bid to attract more people in need of jobs and create more employment opportunities for our society.

Compensation and benefits

The Company respects and returns the value of employees, and provides employee with competitive salary, and attracts talents through flexible salary adjustment mechanism, bonus incentive for value contribution and diversified benefit system, to ensure decent labor remuneration for employees. In order to ensure the efficient operation of the compensation and benefit payment mechanism, the Company has formulated the *Employee Performance Management System of SF Intra-city* and the *Employee Benefit Management System of SF Intra-city*, which clarify the standards for compensation and benefits management to provide effective incentives for employees.

The Company has set up a variety of benefits, including basic benefits (endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund), statutory holidays, transportation allowances, meal allowances, etc. Meanwhile, the Company also provides employees with talent transfer benefits and excellent performance benefits to subsidize employees dispatched to non-local workplaces and reward outstanding employees.

Care for employees

The Company believes that security and happiness are important factors to substantiate employees' work enthusiasm. The Company rigorously follows the *Law of the People's Republic of China on Work Safety* and *Regulations on Work-related Injury Insurance*, attaches great importance to the health and safety of employees, and spares no effort to ensure the occupational health and safety. In addition, the Company pays close attention to the physical and mental health of employees. The Company regularly holds various employee care activities and sets up employee care facilities to provide support to employees' physical and mental health, enhance employees' sense of belonging and strengthen team cohesion.

Employee satisfaction

The Company listens carefully to every employee's voice and cooperates with professional consulting companies to conduct third-party satisfaction survey, so as to understand employees' opinions and suggestions on the Company. The Company conducts surveys in terms of organization, work, development, reporting and atmosphere, identifies the areas to be improved according to the evaluation report issued by the third party, and incorporates the improvement work into the work plan. In 2021, the employee satisfaction of the Company reached 85%.

Training and Development

The Company continues to improve its talent training system and promotes and appoints outstanding talents through diversified channels. In 2021, the Company set specific targets for outstanding talents, improved organizational efficiency, ensured sufficient and high-quality talent reserves through talent system construction, and facilitated the Company's sustainable development and helped employees to achieve their personal career goals.

Employee training

The Company attaches great importance to the improvement of employees' professional ability and provide employees with abundant training resources. The Company establishes training programs with specific directions and clear planning for all types of employees such as new employees, professionals and future leaders, and makes efforts to build a talent reserve pool to enable employees and the Company to grow together.

Categories of participants	Training plan	Training target
Future leaders	• Training for new local leaders • Training for management trainees • Training for district leaders • Training for site leaders • Training for reserve site leaders	• Enrich professional ability • Improve performance and output
Professionals	• Training for module leaders • Training for operation and business professionals	• Improve professional ability • Enrich talent pool
New employees	• Training for new employees from social recruitment • Training for college students	• Accelerate the process of workplace adaptation • Deepen the identification with corporate culture

Key Talent Team Building System of the Company

In order to allow new recruits to quickly integrate into the Company and grow, the Company sets up a training program for college students featuring "inclusion, integration, and innovation", and formulated the *Measures for Intra-city Buddy Management*, in which "Buddies" and tutors who can provide guidance throughout the internship, job rotation and post setting periods are allocated to new employees, which is designed to explore the potential of new people, and help college students to undergo a successful transition from the college environment to the work environment.

The knowledge, skills and excellent experience within the Company are valuable intangible assets. In order to effectively develop, precipitate and disseminate them, the Company has compiled the *Management System of Lecturers and Textbooks of SF Intra-city*, which clarifies the development, management and incentive measures of teaching materials, and standardizes the selection, certification, management and other processes of lecturers, promoting the construction of teaching materials library and the training of lecturers, and laying a foundation for the knowledge management of the enterprise and the establishment of a learning organization. As of the end of the Reporting Period, 106 internal lecturers have been possessed by the Company.

For the convenience of employees participating in the Company's training during the pandemic prevention and control period, during the Reporting Period, the Company mainly carried out online employee training, with total training duration of 26,206 hours.

Employee development

The Company builds diverse promotion channels to provide a solid platform for employees' personal development and provides them with more career development opportunities. The Company adheres to the basic principles of fairness and impartiality, evaluates employees' performance in accordance with the *Employees Performance Management System of SF Intra-city*, and takes the results as an important basis for personnel management decisions such as reserve promotion, post adjustment, training and excellence evaluation. The Company sets up three promotion channels: annual regular promotion, rapid development of outstanding talents and exceptional promotion, and standardizes the promotion assessment requirements and processes. For the channels of rapid development of outstanding talents and exceptional promotion, the Company sets no seniority limit for candidates, and upholds a talent-oriented principle.

The Company also sets up professional training and development programs to provide employees with professional certification, advocate "one specialty and multiple abilities" of all employees, and to strive to obtain opportunities for promotion to talent reserve by upgrading their professional certification level. The Company encourages employees to participate in vocational certification training or obtain higher academic qualifications, sets up relevant reimbursement system to support employees, and gives priority to those with higher qualification and certification in promotion assessment.

Rider Management

Every day, the riders who crisscross the city are the creators and guardians of a high-quality life for the residents. In 2021, the Company had over 606,000 active riders. The Company is committed to building a rider-friendly platform and shaping a fair and impartial culture.

Rider Experience

The Company creates a friendly working environment for riders, treating riders with care and respect. The Company provides training and care for riders, motivates them to grow continuously and comprehensively optimizes rider service.

Rider training

Through systematic rider training and refined operations, the Company helps riders acquire the qualities and skills required for working in the service industry and become professional riders in modern society.

The Company sets up corresponding skill training courses according to different business types and order categories, and combines offline training with online examination to ensure that the trained riders can master and effectively apply the knowledge and skills they have learned. Especially, the Company requires that new riders shall receive pre-task training and pass the qualification test before the first delivery task. The training includes the introduction of the delivery process, demonstration of the use of SF Intra-city Rider APP, communication skills and safety precautions, in order to ensure that they have a good command of service instructions before taking up the post. Meanwhile, training progress indicators are incorporated into the rider evaluation system to motivate riders to actively participate in training courses.

During the Reporting Period, the Company established a team of 879 lecturers for rider training. During the year, about 190,000 different training sessions were conducted, a total of 1,652,736 skill tests of various nature (including safety training) were taken by the riders, with a pass rate of 99%.

Rider incentive

How to effectively protect the work rights of riders and strike the balance between rider service evaluation and income is an issue that is being explored across the on-demand delivery industry.

In order to give more positive incentives to riders, the Company has taken the lead in launching an industry-first comprehensive rider rights and incentives system in 2021, creating a brand-new comprehensive rights experience for our riders. The "multi-dimensional benefits incentive system" consists of "SF Intra-city coins", "benefits vouchers" and "service points".Riders can continuously improve service points through daily check-in, order acceptance, service evaluation, task completion and so on, collect SF Intra-city "coins" and exchange for specific benefits vouchers. The accumulated SF Intra-city "coins" can also be used to offset service points deduction arisen due to certain categories of complaints or minor misconducts. The Company hopes that through the establishment of a leading rights and incentives system, the possible psychological pressure and anxiety of riders can be alleviated, so as to ensure reasonable platform rewards to our riders, and riders have more opportunities to have their voice heard.

In addition, the Company has also set up a clear and multi-dimensional "Road to Glory Promotion Plan" for riders, which includes four development channels, namely the management development channel, professional development channel, self-media development channel and rider lecturer channel, allowing each rider to choose their own growth path according to personal preferences and achieve self-fulfillment in their careers.

Rider services

Riders are the Company's primary partners. The Company believes that, if they develop a sense of value, feel concern and care from our platform, riders will be able to devote themselves to better service and "delivery with warmth" to every user with full enthusiasm.

The Company respects the feedback from front-line riders to continuously optimize rider service practices. The Company conducts a monthly survey of riders' satisfaction, and implements service optimization measures according to the survey results. The Company optimizes the rider delivery process, integrates and classifies the abnormal scenarios of riders in stages from taking orders online, picking up parcels at the door, signing for delivery confirmation, to earnings withdrawal and exit into abnormal reporting items, and opens up various business order channels to improve rider delivery experience and efficiency. Meanwhile, the Company screens high-quality riders, combines the rights and control system of riders, endows high-output and high-quality riders with corresponding scheduling and activity rights, improves the experience of delivering orders for outstanding riders, and gives guidance and support to underperformed riders to improve the quality of their delivery service.

The Company's rider service has always been of the highest standard in the industry and is widely recognized and praised by users. The Company's fulfillment-in-time rate reach to 95%, which can maintain a stable and efficient delivery quality even in abnormal weather and peak hours.

Smart helmets help riders free their hands

In order to enhance the rider's delivery experience and better ensure their safety, the Company cooperated with a technology company to launch a new smart helmet in 2021. The helmet provides the rider with an "on-call" intelligent assistant. The rider only needs to verbally activates the voice assistant to issue execution instructions. It not only saves time, but also effectively avoids potential injuries caused by the use of mobile phones while riding.

Rider's smart helmet

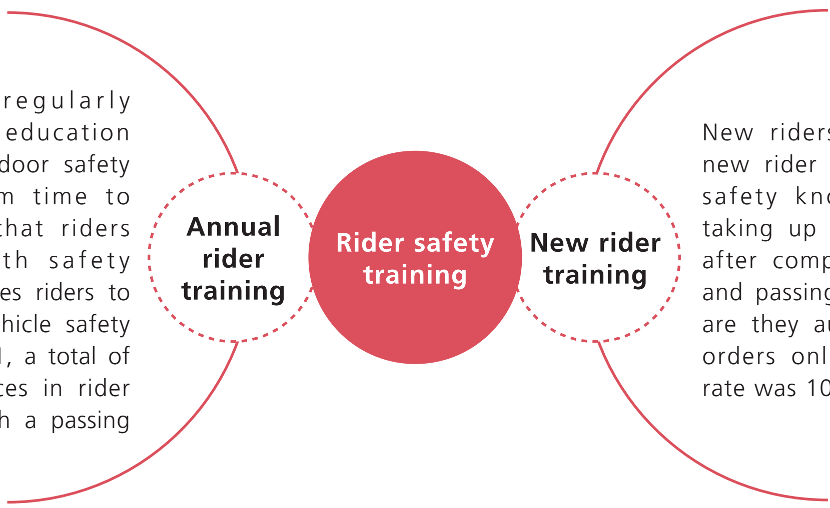
Health and Safety

The Company believes that riders' work safety and health are of paramount importance. Since its inception, the Company has always followed the principle of "safety first", developed safety criteria for the workplace and work process, continuously improved the guarantee system and established the rider safety management framework of the Company, consisting of a rider safety service team at the headquarters and local to take charge of related execution.

CLS system can balance the riders' workload throughout the day, providing efficient and balanced work schedule for riders. The Company sets a daily upper limit on the number of orders to be fulfilled for each rider, and reserves buffer time for riders by evaluating the real-time number of orders on hand, real-time delivery routes, experience and ability in order delivery and their order delivery records. Through the CLS system, riders are restricted from accepting overdose orders, and reminded to rest for 20 minutes for every four hours of delivery, to ensure the health and safety of riders and prevent accidents caused by overwork. Benefited from the overall safety measures, the safety accident rate of the Company's riders improved by approximately 14%.

In order to improve the safety awareness of riders, the Company also provides safety knowledge training courses, and requires riders to fully master what they have learned, with a passing rate of 100%.

The Company regularly conducts safety education activities, and outdoor safety spot checks from time to time to ensure that riders are familiar with safety policies, and requires riders to conduct regular vehicle safety inspections. In 2021, a total of 296,874 attendances in rider safety training, with a passing rate of 100%.



New riders must pass the new rider training covering safety knowledge before taking up their posts. Only after completing the study and passing the examination are they authorized to take orders online. The passing rate was 100%.

At a time when pandemic prevention and control has become normalized, the Company has set up a rapid pandemic response team to provide management and support, offered riders tighter protective equipment, including protective masks and disinfectant, and comprehensively upgraded the pandemic prevention standards for the delivery process to ensure the safety of users and riders.

Serving the Community

The Company has always insisted on using corporate strength to assume more social responsibilities and give back to the community by creating rider public welfare activities and participating in the fight against the pandemic and disaster relief. At the same time, the Company actively participates in the various public welfare activities of the SF Foundation, and under the guidance of the articles of association and management system of the Foundation, it will enhance the influence of public welfare in corporate culture.

Rider Public Welfare

The man of virtue, while establishing himself and pursing success, also works to establish others and enable them to succeed as well. Riders' dedication has boosted the rapid development of the Company, and the Company also give back to riders and their families. In helping riders to solve their problems, the Company adopts three sets of measures, namely local delivery outlet manager relief, spiritual relief and economic relief.

The local delivery outlet manager has the responsibility and obligation to help the riders in his or her management area. For some problems need to be solved by higher level, riders can report them directly to the superiors through the customer service hotline and forum, and if counseling is required for emotional or psychological problems, riders can also call 24-hour free psychological consultation hotline; finally, for riders with financial difficulties, the Company has launched the *SF Intra-city Public Welfare Program* to provide riders with financial assistance and help solve their family difficulties.

Rider care measures

- An online automatic quick response system of the SF Intra-city Rider App and a rider hotline round the clock are set up to help riders solve problems of abnormal order delivery in time.
- The online rider communication group is established and is directly connected with the local delivery outlet manager so that riders' inquiries and complaints are responded to without delay.
- The Company provides professional online psychological counseling service, regularly publishes mental health articles, carries out a psychological assessment, and offers psychological guidance and help to riders according to the hotline and assessment results.
- The Company launches the "Millions Riders Care Initiative" in collaboration with SF Foundation to provide care for the children of riders, including Education Grants, One-on-One Online Counseling, Children's Serious Illness Relief and Family Difficulties Relief.

The Company set September 17th each year as Riders Day. Since 2019, it has successfully held three sessions of Riders' Day, in a bid to practice caring actions, protect the hard-working riders, and express gratitude to riders for their devotion on a regular basis. In 2021, the Company held a total of over 5,000 sessions of care activities, such as "Cool in Summer", "Warm in Winter", "Rider Appreciation Day" and "Annual Riders Day", involving over 300,000 riders.

The 3rd "917 Riders Day"

On September 17, 2021, the Company held the "917 Riders Day" event with the theme of "Good Will Be Rewarded". The event was divided into three chapters: "Good Riders Come from Good People" " Good Platform Will be Rewarded " and "Good Family Will be Rewarded for". Over a hundred riders from across the country were invited to the venue and the event was broadcast live, allowing all riders across the country to witness the annual grand occasion held especially for them. In addition, the Day further deepened the practical meaning of the "Good People Culture"which was highlighted by four events, namely "Rider's Road to Glory Plan", "AI Equipment Upgrade", "My Intracity, my family" and "Emergency Rescue Plan".

Disaster Relief in the Front Line

When disaster strikes, help comes from all sides. The Company actively responds to the call of the state and society, develops an emergency rescue plan, joins the emergency rescue committee of China Volunteers Association, and sets up the service team of the Company to carry out emergency rescue. In case of emergency, users can make a one-click call through SF Intra-city's program or APP platform to get help. Meanwhile, the Company's riders constantly appear in the front line of disaster relief delivery, and countless warm and good deeds incarnate from the Company.

Helping Henan city, riders are acting

In July 2021, Henan Province suffered from extreme heavy rainfall. Zhengzhou city, Xinxiang city, Hebi city and other cities suffered severe disasters. The Company urgently assembled 500 riders, to actively respond to demands for support.

- **Delivering meals to help the rescue**

On July 23, 2021, the Wei River in Hebi burst its banks, the Company rapidly sent riders to participate in the rescue work while ensuring their safety. After knowing the poor conditions and the lack of warm meal in the disaster area, the Company contacted restaurants and resident troops, and delivered 300 meals to the disaster area by 9:00 a.m. on July 24, 2021 and distributed them to the affected residents and soldiers. Our rider said, "Although we could not change the current situation, we really make contributions as much as possible by giving the frontline soldiers from all over the country a hot meal."

- **Delivering emergency medicine speedily**

On July 24, 2021, a batch of medicines donated by pharmaceutical companies was delivered to Zhengzhou City by SF, which helped to solve the skin infection caused by water damage of the victims and frontline flood relief workers. After receiving the materials, the Company immediately provided delivery support, overcame the difficulties of water and power cut, large volume and weight of materials, quickly settled the materials, and delivered the medicines to the needed patients within one hour in the whole city.

- **Supporting the front line in anti-flood rescue**

On July 24, 2021, Xinxiang City, a flood-stricken area, was in urgent need of volunteers to support front-line flood fighting and emergency rescue. After seeing the help information, riders in Puyang rushed to the Yellow River Estuary for support. In the face of the flood, they went upstream, and carried sandbags to intercept the flood; after the situation was eased, they rushed to the next supporting site to help carry relief goods, delivering personal contribution to disaster relief and emergency rescue.

- **Assisting in emergency repairs and power restoration**

The electricity supply system in the affected area was seriously damaged due to the flood. The Company actively responded to the needs of the State Grid, supported the transportation of emergency rescue materials of State Grid Henan Company, and delivered electricity maintenance equipment to each power outage community to assist in emergency repairs and power restoration.

Jointly fighting the COVID-19 Pandemic

In the face of the severe situation of the prevention and control of the COVID-19 pandemic, stabilizing the supply of household goods is a matter of vital interest of the people and the general stability of society, while the smooth flow of on-demand delivery services can enable livelihood supplies to reach residents more quickly. Since the outbreak of the pandemic, as the largest independent third-party on-demand delivery platform in China, the Company has been standing on the front line, fighting the pandemic with the whole society, giving full play to the platform's advantages in terms of delivery capacity protection, material transportation, merchant cooperation with the government and merchants to allocate resources, optimize delivery capacity dispatching and mobilize riders to participate in the fight against the pandemic. The Company has served as an infrastructure to help maintain people's livelihood and contributed to the city's function, demonstrating undertaking of social responsibility.

Supporting local pandemic prevention

- In Shijiazhuang, the pandemic rebounded and clustered infections appeared. Affected by this, when it was inconvenient for citizens to come and go, the Company quickly organized delivery capacity to solve the needs of people's livelihood and escort the people of Shijiazhuang.

- When the Yantai Government issued an order to "complete the first round of nucleic acid test for all people in the urban area within 48 hours", more than 3,000 medical staff rushed to the front line of nucleic acid screening and sampling. The Company fully supported Yantai Federation of Trade Unions to the condolence work of medical staff, emergency dispatch of rider resources in the whole city, and formed a rider team to provide free delivery services for condolences.

- When the pandemic broke out in Xi'an, the Company prepared condolences and sent them to the pandemic prevention personnel of the community and party and government agencies for free. The Company cooperated with McDonald's to distribute 280 meals to Shaanxi Provincial Hospital of Traditional Chinese Medicine, to send more care to those who are struggling in the severe winter, and to dispel the haze caused by the pandemic.

Rider spirit of "Good People Will Be Rewarded"

Cheng Nan (程楠), helped a woman with 37 weeks of pregnancy, who was stranded alone in Wuhan, by delivering baby products and daily necessities for free for many times. He was awarded the title of "Anti-pandemic Pioneer of the Year 2020" at the 2020 China Intra-city On-demand Delivery Industry Summit hosted by China Federation of Logistics and Purchasing. Thanks to his hard work, Cheng Nan has been promoted to assistant local delivery outlet manager through the rider development channel.

Yang Yi (楊溢), a Party member and ex-soldier, volunteered to participate in the whole nucleic acid testing work in Shenyang, and served more than 2,300 people in the severe weather when the temperature plummeted to below -10 degrees and it continued to rain and snow, making contributions during the critical period of the pandemic fight.

Ding Xiaoqiang (丁小強), lives in a community in Shanghai where the pandemic is serious. There are 178 residential buildings with over 3,000 households in the community. He volunteered to join the community volunteer team to help to deliver medicines, vegetables and other supplies to residents, distribute anti-pandemic protective supplies, disinfect the buildings and dispose of household waste until the early hours of the morning every day.

Since the outbreak of the COVID-19 pandemic, the Company's employees and riders from various cities have volunteered to serve on the anti-pandemic frontline, demonstrating the rider spirit of "Good People Will Be Rewarded".

During the COVID-19 pandemic, the Company was brave to shoulder the heavy responsibility. The Company takes advantage of our rapid response and high-quality delivery to actively participate in the fight against the pandemic, takes the prevention and control of the pandemic as an important task and effectively fulfills the Company's social responsibility with practical actions, which has been praised by many parties in many places.

ENVIRONMENTAL RESPONSIBILITY

Under the concept of green development, the Company continues to improve the environmental management system, constantly improves the efficiency of resource utilization, actively controls the impact of the Company's operations on the surrounding ecological environment, and proactively responds to the opportunities and challenges brought by climate change. The Company takes the initiative to build a green and low-carbon business model, and spreads our influence to partners by providing green services, in an effort to achieve the common sustainable development of the business and the environment.

2022 Environmental Targets

Emission goal	Lower GHG emission intensity in 2022 than in 2021
Energy use efficiency	Lower office electricity intensity in 2022 than in 2021
Water use efficiency	Lower office water intensity in 2022 than in 2021
Waste generation	Lower office waste intensity in 2022 than in 2021

Climate Change Adaptation

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board (SFB) in 2015, responsible for preparing uniform guidance for companies to use to assist companies in making voluntary climate-related financial risk disclosures. The Company is highly aware that climate change will bring various risks and opportunities to our business. With reference to the recommendations of TCFD, we voluntarily disclose relevant content through a consistent, comparable, reliable, clear and efficient framework, and will gradually improve the disclosure content in the coming years.

Governance

As other risks, the climate change risks have been included in the risk management system of the Company. As the highest risk management authority, the strategy formulation organization consisting of the Board of Directors and the Audit Committee is responsible for the identification, prevention and control of ESG risks (for more information about the risk management framework and the risk identification and assessment process, please refer to section "ESG Risk Management").

Strategy

From the perspective of our own business type and operations, the Company identifies the physical risks and transformation risks with great impact and possibility and looks for potential opportunities.

Type of risks	Potential impact
Physical risks	**Physical destruction or damage caused by climate changes to assets, supply chains, delivery chains, personnel safety, etc.**
Acute risks	Risks driven by extreme weather events • Severe supply chain disruptions are caused • Transport infrastructure is damaged and delivery are delayed • The power supply of the back-end system is unstable or the network is faulty, which affects services • Safety risks of riders are increased • Delivery is suspended, resulting in compensation for damage to goods • The cost of repairing or replacing damaged or destroyed assets is increased, resulting in serious economic loss
Chronic risks	Environmental changes brought about by the shift of long-term climate pattern • Summer temperatures continue to rise, increasing safety risks for riders • Hardware performance is affected, leading to the early scrapping of the Company's existing assets • Business development in coastal cities is restricted

Table List of climate-related risks of the Company

Type of risks	Potential impact
Transformation risks	**Broad changes in the external environment in terms of policy, law, technology and markets during the transition to a low-carbon economy**
Policy and regulation risks	• Increased costs to meet compliance requirements, such as energy-saving retrofitting of office equipment, and the purchase of carbon quotas • Increased delivery costs due to energy price rise • Increased information disclosure risks
Technical risks	• The transitional cost of equipment replacement due to technology change, such as procurement, testing, training, etc. • The cost of communicating the environmental protection concept of green delivery to consumers
Market Risks	• The public demand for on-demand delivery continues to increase, and they have higher requirements for the quality of delivery service • Customers deepen their understanding of low carbon and prefer green delivery services
Other stakeholder impacts	• During the low-carbon transformation period, the government's attitude towards products or projects affects the financing cost • Concerns about delays in the on-demand delivery sector in extreme weather may affect investment • Enterprises are required to regularly report and communicate on sustainable development and ESG-related issues

Table List of climate-related opportunities of the Company

Type of opportunities	Potential impact
Energy	
Response	• On-demand delivery enterprises develop smart delivery to reduce operating costs • Enterprises save water and electricity resources and operating expenses • Enterprises set and disclose the internal environmental protection targets to shape a more positive corporate image
Rise of new technologies	• Develop smart operations to control delivery, operation, service and management in a more refined and dynamic manner
Participation in green finance	• Financial institutions may link loan rates with green data, and enterprises that adopt sustainable development measures and make progress in achieving their goals may receive more favorable financing rates from banks, reducing financing costs
Products and services	
R&D and Innovation	• The risk of future energy price rise can be reduced and resilience to climate risk can be enhanced • Reputation increases and demand for on-demand delivery services rises
Changes in consumer preferences	• Consumers with green preferences will increase their demand for green services and pay more attention to the sustainable development performance of the on-demand delivery industry • Enterprises can adapt to the changes in consumer preferences and enhance the research, application and publicity of green delivery • Actively respond to incidents such as large-scale delivery delays, delivery errors, and other events caused by extreme weather, and avoid negative impact on corporate reputation

Type of opportunities	Potential impact
Market	
Changes in investor preferences	• Investors will increase their investment in low-carbon green operation enterprises, and the working capital of enterprises will increase, rendering a more stable capital chain

Risk Management

To reduce the impact of climate risk on the Company and seize the opportunities, the Company has continuously promoted the change of delivery capacity and energy structure, and increased the contribution of new energy vehicles to delivery capacity, in order to reduce the impact of transformation risk through proactive measures.

To manage and respond to physical risks, the Company has developed an emergency response mechanism for bad weather and gives early warning of unusual weather via the SF Intra-city Rider App in a timely manner to ensure timely response when disasters occur, ensure the safety of employees and riders, and reduce personnel accidents and asset losses caused by physical risks. Moreover, through effective delivery capacity deployment, we mitigate the impact on the delivery service, and keep the fluctuation in our fulfillment in-time rate under bad weather within a controllable range.

Indicators and Goals

The Company will continuously disclose environmental indicators related to climate change such as energy consumption and density, greenhouse gas emissions and density (please refer to "ESG Key Performance Table" for details) in its annual environmental, social and governance reports, and measure the Company's achievements in addressing climate change through quantitative indicators. In addition, the Company will actively promote the setting of environmental goals and follow up on the accomplishment of the goals year by year.

Energy and Resource Use

The Company strictly complies with the Environmental Protection Law of the People's Republic of China, the *Energy Conservation Law of the People's Republic of China* and other laws and regulations. The Company has formulated internal management systems and taken environmental protection measures including green delivery, green packaging and green office, to reduce the environmental impacts of the Company's business operations and to deliver green, sustainable and on-demand delivery services.

Green Delivery

While providing high-quality, efficient and multi-scenario delivery services for hundreds of millions of merchants and individuals across the country, the Company pays special attention to whether the transportation process is green and low-carbon, and provides more consumers with "green services" and contributes to the national goal of carbon neutrality by building a more environmentally-friendly on-demand delivery system.

The main delivery capacity of the Company's on-demand delivery business consists of two-wheeled vehicles and four-wheeled vehicles. The two-wheeled vehicles are mostly owned by riders and their source of power is electricity; and four-wheeled vehicles include gasoline vehicles, diesel vehicles and new energy vehicles, most of which are outsourced. In 2021, approximately 96% of our active riders fulfilled their orders via electric two-wheeled vehicles or public transportation, with green delivery capacity covering more than 90% of the service scenarios.

The Company established a hierarchical delivery capacity model using big data analysis and algorithm upgrades to achieve precise coupling of capacity in the spatial dimension, and, based on the similarity and timeliness of orders, adopts two methods of grouped and dynamic order combinations to shorten the total delivery distance and improve delivery efficiency, reducing air pollutants and greenhouse gas emissions while saving energy.

Energy type	Unit	2021
Purchased electricity	kWh	452,034.77
Total energy consumption	MWh	452.03
Energy consumption density	MWh/RMB million revenue	0.06

Table Energy consumption of the Company

Emission type[1]	Unit	2021
Direct GHG emissions (Scope 1)[2]	tCO_2e	0
Indirect GHG emissions (Scope 2)	tCO_2e	262.63
Total GHG emissions (Scopes 1+2)	tCO_2e	262.63
GHG emission density	tCO_2e/RMB million revenue	0.03

Table Emissions generated by the Company

1 The Company's own operation does not involve gas fuel consumption and use of motor vehicles, so there is no available emission data on air pollutants SO_2, NO_X, and PM.

2 The Company's own operation does not involve the GHG emissions from direct energy consumption.

Green Office

The Company's operation process does not involve the use of a large amount of water and the discharge of wastewater, nor does it involve products and businesses that are likely to pollute water, and it has no significant impact on the environment and natural resources. In daily operations, the Company actively promotes the concept of green office, and takes a number of measures to improve employees' awareness of saving water and energy and reducing waste of office suppliers to build a green and low-carbon office style, thus reducing environmental impact.

- The Company posts publicity reminders such as water and electricity saving and light and air conditioning switch reminders in public spaces and shared spaces to remind employees to pay attention to saving water and electricity anytime, anywhere;

- The Company manages the air-conditioning temperature and lighting intensity in a unified manner during working hours, and manually controls the operation of air-conditioning and lighting facilities during non-working hours;

- The Company comprehensively promotes paperless office, strictly controls the number of documents to be printed, encourages the modification of documents on electronic devices, and has launched an electronic seal system; if offline printing is necessary, the Company will try to use black and white double-sided settings;

- The Company has established the Office Site Configuration Guide, makes proper arrangements of office suppliers and office consumables, sets self-service stationery collection cabinets and posts saving reminders in shared areas and requires employees to collect them as needed.

Resource type	Unit	2021
Water	m^3	5,762.05
Water consumption density	m^3/RMB million revenue	0.70

Table Water consumption of the Company

Environmental Protection Activities

Committed to taking on more corporate responsibilities, the Company takes the lead to drive partners to accelerate the sustainable development of the on-demand delivery industry together through various activities.

In the 14th Five-Year Plan, China put forward the requirement of building a resource recycling system. As an advocate and practitioner of green environmental protection, the Company actively responds to national policies and starts promoting environmentally friendly service in the beverage takeaway delivery business.

For the thermal insulation bags used for the delivery of multiple cups of beverages, the Company cooperates with merchants to launch a recycling service to encourage merchants to recycle the thermal insulation bags. Moreover, riders thank and encourage users who use environmental protection services. In this way, the Company enables more users to improve their environmental protection awareness while optimizing the overall delivery process, and drives the trend of public green consumption to jointly create a green society.

ESG PERFORMANCE OVERVIEW

KPIs	Unit	2021
A. Environmental[3]		
A1: Emissions		
A1.1[4]		
A1.2		
Direct GHG emissions (Scope 1)[5]	tCO_2e	0
Indirect GHG emissions (Scope 2)[6]	tCO_2e	262.63
Total GHG emissions	tCO_2e	262.63
GHG emissions intensity	tCO_2e/RMB million revenue	0.03
A1.3		
Total hazardous waste produced	t	The Company's own operation does not involve the generation of a large amount of hazardous waste, and the generation of hazardous waste in the office process has not been counted this year.
Total hazardous waste intensity	t/employee	

3 The environmental data covers the offices of SF Intra-city and its subsidiaries.

4 The Company's own operation does not involve gas fuel consumption and use of motor vehicles, so there is no available emission data on air pollutants SO_2, NO_X, and PM.

5 The Company's own operation does not involve the GHG emissions from direct energy consumption.

6 The source of grid electricity GHG emission factor is the *Guidelines for Accounting Methods and Reporting of Corporate Greenhouse Gas Emissions – Power Generation Facilities (2022 Revised Edition)* issued by the Ministry of Ecology and Environment

KPIs	Unit	2021
A1.4		
Total non-hazardous waste produced[7]	t	2.36
Total non-hazardous waste intensity	t/employee	0.001
A2. Use of Resources		
A2.1		
Electricity consumption	kW·h	452,034.77
Comprehensive energy consumption	MW·h	452.03
Comprehensive energy intensity	MW·h/RMB million revenue	0.06
A2.2		
Water consumption	m^3	5,762.05
Water intensity	m^3/RMB million revenue	0.70
A2.5		
Packaging used	t	312.65
Packaging intensity	t/RMB million revenue	0.04

7 The total amount of non-hazardous waste only includes waste paper, the scrap electronic equipment is not counted by weight.

KPIs	Unit	2021
B. Social		
B1. Employment		
B1.1		
Total number of employees[8]	Person	2,083
Total workforce by gender		
Male	Person	1,507
Female	Person	576
Total workforce by employment type		
Management	Person	31
Non-management	Person	2,052
Total workforce by age group		
29 and below	Person	905
30-49	Person	1,166
50 and above	Person	12
Total workforce by geographical regions		
Mainland China	Person	2,080
Hong Kong, Macau, Taiwan and overseas	Person	3

8 Total number of employees includes the number of full-time employees that signed formal labor contracts with SF Intra-city.

KPIs	Unit	2021
B1.2[9]		
Overall employee turnover rate	%	19.73%
Employee turnover rate by gender		
Male	%	20.90%
Female	%	16.67%
Employee turnover rate by age group		
29 and below	%	23.09%
30-49	%	17.32%
50 and above	%	0.00%
Employee turnover rate by geographical regions		
Mainland China	%	19.76%
Hong Kong, Macau, Taiwan and overseas	%	0.00%
B2. Health and safety		
B2.1		
Number of work-related fatalities	Person	0
Rate of work-related fatalities	%	0.00%
B2.2		
Lost days due to work injury	Days	0

9 The formula for calculating the employee turnover ratio is: the number of each category employees left in the current year/the number of each category employees at the end of the current year*100%.

KPIs	Unit	2021
B3. Development and training		
B3.1		
The percentage of employees trained	%	98.70%
The percentage of employees trained by gender		
Male	%	99.20%
Female	%	97.40%
The percentage of employees trained by employee category		
Management	%	100.00%
Non-management	%	98.68%
B3.2		
The average training hours completed per employee	Hours	34.28
The average training hours completed per employee by gender		
Male	Hours	37.25
Female	Hours	26.51
The average training hours completed per employee by employee category.		
Management	Hours	21.19
Non-management	Hours	34.48
B5. Supply chain management		
B5.1		
Number of suppliers by geographical region		
China mainland	Units	611
Hong Kong, Macau, Taiwan and overseas	Units	30

KPIs	Unit	2021
B6. Product responsibility		
B6.1		
Percentage of total products sold or shipped subject to recalls for safety and health reasons.	%	The Company only provides distribution services, and does not assume corresponding responsibility for the goods delivered (except for claims caused by our company's responsibility, such as loss or damage during the delivery process), and does not involve product recalling.
B6.2		
Percentage of products and service related complaints received	Times/million parcel	203
B7. Anti-corruption		
B7.1		
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the year ended December 31, 2021	Units	0
B7.3		
The number of people participating in anti-corruption training	Attendances	7,529

ESG INDEX

Aspects, general disclosures and KPIs		Description	Disclosure paragraph
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Energy and resource use
	KPI A1.1	The types of emissions and respective emissions data.	ESG performance overview
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ESG performance overview
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ESG performance overview
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ESG performance overview
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Green delivery
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Green office

Aspects, general disclosures and KPIs		Description	Disclosure paragraph
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Energy and resource use
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	ESG performance overview
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	ESG performance overview
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green delivery
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Green office
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	ESG performance overview
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Energy and resource use
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green office
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate change adaptation
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate change adaptation

Aspects, general disclosures and KPIs		Description	Disclosure paragraph
B: Social			
Employment and Labour Practices			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employee Rights & Interests
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	ESG performance overview
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	ESG performance overview
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and safety
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	ESG performance overview
	KPI B2.2	Lost days due to work injury.	ESG performance overview
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and safety

Aspects, general disclosures and KPIs		Description	Disclosure paragraph
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and training
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	ESG performance overview
	KPI B3.2	The average training hours completed per employee by gender and employee category.	ESG performance overview
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employee Rights & Interests
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employee Rights & Interests
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employee Rights & Interests
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supplier management
	KPI B5.1	Number of suppliers by geographical region.	ESG performance overview
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supplier management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supplier management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supplier management

Aspects, general disclosures and KPIs		Description	Disclosure paragraph
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product responsibility
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	ESG performance overview
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Customer satisfaction improvement
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protection of intellectual property rights
	KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Data security and privacy protection
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Integrity management
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the year ended December 31, 2021 and the outcomes of the cases.	ESG performance overview
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Integrity management
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	ESG performance overview

Aspects, general disclosures and KPIs		Description	Disclosure paragraph
Community			
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Serving the community
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Serving the community
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Serving the community

羅兵咸永道

To the Shareholders of Hangzhou SF Intra-city Industrial Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Hangzhou SF Intra-city Industrial Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 161 to 257, comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to intra-city on-demand delivery service revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Intra-city on-demand delivery service revenue recognition	We have performed the following procedures to address this key audit matter:
Refer to notes 2.23 and 5 to the consolidated financial statements. The Group provides intra-city on-demand delivery services. Intra-city on-demand delivery service revenue of RMB8.2 billion was recognized for the year ended December 31, 2021.	(i) We understood the business process of intra-city on-demand delivery services, reviewed contract terms of the service agreements with merchants and consumers on a sample basis, and assessed whether the accounting policy for revenue recognition adopted by the Group was in accordance with the applicable accounting standards.

Key Audit Matter	How our audit addressed the Key Audit Matter
We consider this area a key audit matter as significant efforts were spent on auditing the intra-city on-demand delivery service revenue recognition due to the material amount of revenue and the huge volume of revenue transactions recorded in information systems.	(ii) With the involvement of our internal information system audit specialists, we understood, evaluated and validated management's key internal controls relating to the intra-city on-demand delivery service business process, including information technology general controls and application controls. (iii) We performed test of details on revenue amounts, on a sample basis, by examining the supporting documents, including records of delivery and cash receipts. We requested confirmations of revenue amounts during the year and receivable balances at the year end from customers on a sample basis. Based on the procedures performed, we found that the Group's intra-city on-demand delivery service revenue recognition was supported by the evidence obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yeung Yee Mau.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 30, 2022

		Year ended December 31,	
	Notes	**2021 RMB'000**	2020 RMB'000
Revenue	5	**8,173,953**	4,843,366
Cost of revenue	8	**(8,079,144)**	(5,031,872)
Gross profit/(loss)		**94,809**	(188,506)
Selling and marketing expenses	8	**(270,348)**	(111,016)
Research and development expenses	8	**(123,441)**	(69,374)
Administrative expenses	8	**(655,132)**	(418,017)
Other income	6	**44,847**	18,081
Other gains, net	7	**731**	441
Net impairment losses of financial assets	11	**(4,477)**	(850)
Operating loss		**(913,011)**	(769,241)
Finance income	10	**18,055**	2,978
Finance costs	10	**(7,630)**	(17,927)
Finance income/(costs), net	10	**10,425**	(14,949)
Loss before income tax		**(902,586)**	(784,190)
Income tax credit	12	**3,735**	26,513
Loss and total comprehensive loss for the year		**(898,851)**	(757,677)
Loss and total comprehensive loss attributable to			
– Owners of the Company		**(898,851)**	(757,677)
Losses per share (expressed in RMB per share)			
– Basis and diluted losses per share (in RMB)	13	**(1.28)**	(1.60)

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

Consolidated Statement of Financial Position

		As at December 31,	
	Notes	**2021** **RMB'000**	2020 RMB'000
ASSETS			
Non-current assets			
Financial assets at fair value through other comprehensive income		**3,000**	3,000
Property, plant and equipment	14	**16,715**	11,306
Intangible assets	15	**173,939**	135,797
Right-of-use assets	17	**37,811**	36,031
Deferred income tax assets	16	**144,090**	140,355
Total non-current assets		**375,555**	326,489
Current assets			
Inventories	18	**4,202**	6,819
Trade receivables	21	**764,299**	678,363
Other receivables and prepayments	22	**153,588**	71,176
Amounts due from related parties	35(d)	**42,961**	67,205
Financial assets at fair value through profit or loss	19	**330,084**	–
Cash and cash equivalents	23	**2,538,226**	263,468
Total current assets		**3,833,360**	1,087,031
Total assets		**4,208,915**	1,413,520
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**933,458**	586,629
Share premium	24	**4,161,560**	896,989
Shares held for employee share scheme		**–**	(4,426)
Other reserves	25	**831,060**	604,056
Accumulated losses	26	**(2,616,635)**	(1,717,784)
Total equity		**3,309,443**	365,464

	Notes	As at December 31, 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	31	**20,505**	25,714
Total non-current liabilities		**20,505**	25,714
Current liabilities			
Trade payables	28	**488,025**	371,635
Other payables and accruals	29	**319,366**	231,570
Amounts due to related parties	35(d)	**20,429**	19,501
Contract liabilities	30	**34,494**	21,847
Lease liabilities	31	**16,653**	10,709
Borrowings	32	**–**	367,080
Total current liabilities		**878,967**	1,022,342
Total liabilities		**899,472**	1,048,056
Total equity and liabilities		**4,208,915**	1,413,520

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

The consolidated financial statements on pages 161 to 257 were approved by the Board of Directors on March 30, 2022 and were signed on its behalf.

Sun Haijin
Director

Tsang Hoi Lam
Director

Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000 (Note 24)	Share premium RMB'000 (Note 24)	Shares held for employee share scheme RMB'000 (Note 25)	Other reserves RMB'000 (Note 25)	Accumulated losses RMB'000 (Note 26)	Total equity RMB'000
Balance at January 1, 2021		**586,629**	**896,989**	**(4,426)**	**604,056**	**(1,717,784)**	**365,464**
Comprehensive loss							
Loss for the year	26	–	–	–	–	**(898,851)**	**(898,851)**
Total comprehensive loss for the year		–	–	–	–	**(898,851)**	**(898,851)**
Transactions with owners in their capacity as owners							
Capital injections from shareholders	24, 27	**215,648**	**1,695,723**	**(80,000)**	–	–	**1,831,371**
Shares issued pursuant to the Initial Public Offering ("IPO")	24	**131,181**	**1,626,496**	–	–	–	**1,757,677**
Share issuance cost	24	–	**(57,648)**	–	–	–	**(57,648)**
Prepaid exercise price of restricted share scheme	27	–	–	–	**80,000**	–	**80,000**
Share-based compensation expenses	27	–	–	–	**231,430**	–	**231,430**
Vesting of restricted shares	27	–	–	**84,426**	**(84,426)**	–	–
Total transactions with owners in their capacity as owners		**346,829**	**3,264,571**	**4,426**	**227,004**	–	**3,842,830**
Balance at December 31, 2021		**933,458**	**4,161,560**	–	**831,060**	**(2,616,635)**	**3,309,443**

	Note	Share capital RMB'000 (Note 24)	Share premium RMB'000 (Note 24)	Shares held for employee share scheme RMB'000 (Note 25)	Other reserves RMB'000 (Note 25)	Accumulated losses RMB'000 (Note 26)	Total equity RMB'000
Balance at January 1, 2020		289,894	106,922	–	446,904	(960,107)	(116,387)
Comprehensive loss							
Loss for the year	26	–	–	–	–	(757,677)	(757,677)
Total comprehensive loss for the year		–	–	–	–	(757,677)	(757,677)
Transactions with owners in their capacity as owners							
Capital injections from shareholders	24	296,735	790,067	(10,000)	–	–	1,076,802
Prepaid exercise price of restricted share scheme	27	–	–	–	10,000	–	10,000
Share-based compensation expenses	27	–	–	–	152,726	–	152,726
Vesting of restricted shares	27	–	–	5,574	(5,574)	–	–
Total transactions with owners in their capacity as owners		296,735	790,067	(4,426)	157,152	–	1,239,528
Balance at December 31, 2020		586,629	896,989	(4,426)	604,056	(1,717,784)	365,464

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

Consolidated Statement of Cash Flows

	Notes	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash used in operations	34	**(550,190)**	(565,748)
Interest received		**18,055**	2,978
Income tax paid		**–**	(685)
Net cash used in operating activities		**(532,135)**	(563,455)
Cash flows from investing activities			
Proceeds from settlement of loans advanced to related parties		**400,000**	48,000
Interests received from loans advanced to related parties		**3,684**	2,058
Proceeds from disposals of property, plant and equipment		**1,332**	268
Loans advanced to related parties		**(400,000)**	–
Addition of financial assets at fair value through profit or loss		**(330,000)**	–
Addition of intangible assets		**(72,987)**	(67,324)
Purchases of property, plant and equipment		**(17,107)**	(8,419)
Addition of financial assets at fair value through other comprehensive income		**–**	(3,000)
Net cash used in investing activities		**(415,078)**	(28,417)

	Notes	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows from financing activities			
Capital injections from shareholders		**1,831,371**	1,076,802
Proceeds from issuance of new ordinary shares pursuant to the IPO		**1,757,677**	–
Share issuance cost		**(57,648)**	–
Proceeds of prepaid exercise price of restricted share scheme		**80,000**	10,000
Proceeds of borrowings from financial institution		**41,920**	854,980
Repayments of borrowings from financial institution		**(409,000)**	(1,054,300)
Payments of lease liabilities		**(19,071)**	(11,034)
Interest paid on borrowings		**(5,617)**	(17,394)
Cash payments for city logistics system ("CLS system") acquired in prior year		**–**	(75,000)
Net cash generated from financing activities		**3,219,632**	784,054
Net increase in cash and cash equivalents		**2,272,419**	192,182
Effects of exchange rate changes on cash and cash equivalents		**2,339**	–
Cash and cash equivalents at the beginning of the year		**263,468**	71,286
Cash and cash equivalents at the end of the year		**2,538,226**	263,468

1 General information

The Company was a joint stock company incorporated in the People's Republic of China (the "PRC") on June 21, 2019 with limited liability. The address of the Company's registered office and the principal place of business are respectively located at Room 1626, 16/F, Chengchuang Building, 198 Zhoushan East Road, Gongshu District, Hangzhou City, Zhejiang Province, PRC and Floor 1A-21, Software Industry Base, Nanshan District, Shenzhen City, Guangdong Province, PRC.

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

The ultimate holding company of the Company is Shenzhen Mingde Holding Development Co., Ltd. (the "Mingde Holding"), which is incorporated in the PRC with limited liability. The intermediate holding company of the Company is S.F. Holding Co., Ltd. (the "SF Holding"), which is incorporated in PRC with limited liability, and the shares of SF Holding have been listed on Shenzhen Stock Exchange. The ultimate controlling party of the Group is Mr. Wang Wei.

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

The consolidated financial information is presented in Renminbi ("RMB") and rounded to nearest thousand yuan, unless otherwise stated.

2 Summary of significant accounting policies

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

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation

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

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

2.2 New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing January 1, 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2
Amendments to IFRS 16	Covid-19-Related Rent Concessions

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

2 Summary of significant accounting policies (Continued)

2.3 New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37	Onerous Contract – Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41	Annual Improvements to IFRSs 2018-2020	January 1, 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date yet determined but available for adoption
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023

2 Summary of significant accounting policies (Continued)

2.4 Subsidiaries

2.4.1 Consolidation

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

For business combination under common control, the merger accounting has been applied. The financial information for the reporting period incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. A uniform set of accounting polices is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

2 Summary of significant accounting policies (Continued)

2.4 Subsidiaries (Continued)

2.4.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

2.6 Foreign currency translation

2.6.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the financial statements are presented in RMB, which is also the Company's functional and the Company's presentation currency.

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

2.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income within "other gains, net".

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Motor vehicles	2-4 years
Computers and electronic equipment	3 years
Machinery	10 years
Office equipment and other equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2 Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statements of comprehensive income.

2.8 Intangible assets

2.8.1 Software

(a) Self-developed software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

2 Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

2.8.1 Software (Continued)

(a) Self-developed software (Continued)

- Directly attributable costs that are capitalised as part of the intangible assets include employee costs and an appropriate portion of relevant overheads.

- Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. These costs are amortised using the straight-line method over their estimated useful lives of 5 years.

- Costs associated with maintaining software programmes are recognised as an expense as incurred.

(b) Acquired software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives of 5 years. Costs associated with maintenance of software programmes are recognised as expenses as incurred.

2.8.2 Research and development

Research expenditure and development expenditure that do not meet the criteria in 2.8.1 (a) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 Summary of significant accounting policies (Continued)

2.9 Impairment of non-financial assets

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held.

Details about each type of financial assets are disclosed in Note 20.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group has two categories of debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(ii) Recognition and measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains, net' in profit or loss as applicable.

Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

(iii) Impairment of financial assets

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has the following types of financial assets subject to IFRS 9's new expected credit loss model:

– trade receivables;

– other receivables and amounts due from related parties;

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2 Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(iv) Derecognition of financial instruments

Financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Other financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, canceled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Financial assets and liabilities are presented respectively in the consolidated statement of financial position, without any offset. However, they are offset and the net amount reported in the balance sheet when satisfied the following: (1) There is a legally enforceable right to offset the recognised amounts. (2) There is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies (Continued)

2.12 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.13 Trade receivables and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Majority of other receivables are advances to employees, deposit from suppliers and value-added tax recoverable. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment. See note 21 and note 22 for further information about the Group's accounting for trade receivables and other receivables and note 2.10 for a description of the Group's impairment policies.

2 Summary of significant accounting policies (Continued)

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and in hand, and term deposits with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital and share premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases its equity instruments, for example as the result of an employee share scheme, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.16 Trade payables and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting. They are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2 Summary of significant accounting policies (Continued)

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2.19.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2.19.2 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future (Note 16).

2 Summary of significant accounting policies (Continued)

2.19 Current and deferred income tax (Continued)

2.19.3 Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.20 Employee benefits

2.20.1 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

2.20.2 Employment obligations

Social pension insurances, housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised social pension insurances, housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the social pension insurances, housing funds, medical insurances and other social insurances are expensed as incurred.

2 Summary of significant accounting policies (Continued)

2.20 Employee benefits (Continued)

2.20.2 Employment obligations (Continued)

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.21 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (including share scheme) is recognised as an expense on the consolidated statements of comprehensive income. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

– Including any market performance conditions;

– Including the impact of any non-vesting conditions (for example, the requirement for employees to serve); and

– Excluding the impact of any service and non-market performance vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income with a corresponding adjustment to equity.

2 Summary of significant accounting policies (Continued)

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.23 Revenue recognition

Revenue is recognised when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

2 Summary of significant accounting policies (Continued)

2.23 Revenue recognition (Continued)

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Revenue arrangements with multiple performance obligations are not significant to the Group's total revenue.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

In accordance with the principal versus agent considerations prescribed by IFRS15, the Group determines whether it act as the principal or agent in each of its revenue streams. The principal is the entity that has promised to provide goods or services to its customers. An agent arranges for goods or services to be provided by the principal to its end customer. An agent normally receives a commission or fee for these activities.

The following is a description of the accounting policies for the principal revenue streams of the Group.

2 Summary of significant accounting policies (Continued)

2.23 Revenue recognition (Continued)

(a) Revenue from intra-city on-demand delivery business

The Group provides intra-city on-demand delivery services for merchants and consumer customers who place intra-city on-demand delivery orders to the Group via multiple channel including the Group's websites, mobile apps and various interfaces with customers' system.

The Group has determined that it acts as a principal in the intra-city on-demand delivery services as the Group is primarily responsible for the intra-city on-demand delivery service which meet the quality criteria promised to customers. The Group identifies and directs riders to complete the intra-city on-demand delivery orders. Also, the Group has full discretion in establishing fee rates for intra-city on-demand delivery services to customers. Revenues resulting from these services are recognised on a gross basis at a fixed rate or a pre-determined amount for each completed intra-city on-demand delivery, with the amounts paid to the labor suppliers recorded in cost of revenue.

The Group offers various incentive programs to business and individual customers in the form of coupons or volume-based discounts that are recorded as reduction of revenue as the Group does not receive a distinct good or service in consideration.

(b) Revenue from other business

Online group catering platform and delivery services

The Group offers online group catering service through the Group's platform together with delivery services. Merchants can choose to either provide delivery service on their own or engage the Group to provide delivery service. When the Group is responsible for delivery, merchants pay an aggregated fee both for platform and delivery services. The Group performs two obligations: (a) platform service for handling food supply; and (b) delivery services. As the two performance obligations are satisfied almost at the same time, the Group determined it is not necessary to allocate the transaction price to each performance obligation, and therefore, the Group recognises both aggregated fee as revenues once a transaction is completed.

2 Summary of significant accounting policies (Continued)

2.24 Losses per share

(i) Basic losses per share

Basic losses per share is calculated by dividing:

- the losses attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for employee share scheme.

(ii) Diluted losses per share

Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 Leases

The Group as the lessee:

The Group leases various properties. Rental contracts are typically made for a fixed period of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 Summary of significant accounting policies (Continued)

2.25 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable

– variable lease payment that are based on an index or a rate

– amounts expected to be payable by the lessee under residual value guarantees

– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and

– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Right-of-use assets are measured at cost comprising the following:

– the amount of the initial measurement of lease liability

– any lease payments made at or before the commencement date less any lease incentives received

– any initial direct costs, and

– restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

2 Summary of significant accounting policies (Continued)

2.25 Leases (Continued)

Practical expedients applied

In applying IFRS 16, the Group has used the following practical expedients permitted by the standard:

– applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

– accounting for operating leases with a remaining lease term of less than 12 months as short-term leases.

The Group as the lessor:

Lease classification is made at the inception date and is reassessed only if there is a lease modification. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. If there are variable lease payments and as a result of which the lessor does not transfer substantially all such risks and rewards, it would be an operating lease.

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2.26 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the the financial information in the reporting period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

2 Summary of significant accounting policies (Continued)

2.27 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is recognised in profit or loss as part of in other income.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property and equipment, and other non-current assets are included in the current liabilities and are credited to the consolidated statements of comprehensive income on a straight–line basis over the expected lives of the related assets.

3 Financial risk management

3.1 Financial risk factors

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Market risk

(i) Foreign exchange risk

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

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. As of December 31, 2021, the Group had HKD2,105 million cash in bank which was generated from the IPO. If the RMB strengthened/weakened by 1% against the HKD with all other variables held constant, net loss before tax for the year would have been RMB17.2 million higher/lower.

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

(ii) Cash flow and fair value interest rate risk

As of December 31, 2021, the Group does not hold any long-term interest-bearing assets or borrowings, so there is no significant interest rate risk.

3.1.2 Credit risk

(i) Credit risk management

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade receivables, other receivables and amounts due from related parties. The carrying amounts of cash and cash equivalents, trade receivables, other receivables and amounts due from related parties represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk arising from cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(i) Credit risk management (Continued)

For trade receivables, a significant portion of trade receivables is due from catering industry customers who need delivery service. If the strategic relationship with the customers is terminated or scaled-back; or if the customers alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's receivables might be adversely affected in terms of recoverability. To manage this risk, the Group assesses the credit quality of the customers, taking into account their financial position, past trading and payment experience and forward-looking factors.

For other receivables, management make periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience as well as forward-looking factors.

For amounts due from related parties, the Group considers the expected credit loss is immaterial on the basis that the counterparties are mainly related parties controlled by SF Holding with sound external credit rating and no losses experienced in the past, as well as no adverse change is anticipated in the business environment.

(ii) Expected credit loss ("ECL")

The Group formulates the credit losses of cash and cash equivalents, trade receivables and other receivables using expected credit loss models according to IFRS 9 requirements.

The Group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Expected credit loss ("ECL") (Continued)

For financial assets whose impairment losses are measured using 3-stages general approach ECL assessment except for trade receivables, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognise their ECL, as follows:

– Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

– Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is included in stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in the following section of "judgement of significant increase in credit risk".

– Stage 3: If the financial instruments is credit-impaired, the financial instrument is included in stage 3. The definition of credit-impaired financial assets is disclosed in the following section of "the definition of credit-impaired assets".

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of exposure at default, probabilities of default and loss given default.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Expected credit loss ("ECL") (Continued)

According to whether the credit risk has increased significantly or whether the assets have been impaired, the Group measures the loss allowance with the expected credit losses of 12-month or the lifetime due to the credit risk characteristics of different assets.

Judgement of significant increase in credit risk ("SICR")

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group set quantitative and qualitative criteria to judge whether there has been a SICR after initial recognition. The judgement criteria mainly includes the probabilities of default changes of the debtors, changes of credit risk categories and other indicators of SICR, etc.. In the judgement of whether there has been a SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

The definition of credit-impaired assets

When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- The debtor has overdue more than 90 days after the contract payment date
- The debtor has significant financial difficulties
- The debtor is likely to go bankrupt or other financial restructuring
- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable event.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Expected credit loss ("ECL") (Continued)

Forward-looking information

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. The Group has identified the broad money supply change, which affects the solvency or financial capability of the counterparty since it determines the scales of bank credit funds, to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Credit risk exposure of financial assets

Without considering the impact of collateral and other credit enhancement, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements.

Concentration of credit risk reflects the sensitivity of the Group's operating results to a particular customer, industry or geographic location.

1) Trade receivables

Trade receivables from related parties

Trade receivables from related parties are granted with a credit period of 30 days. In respect of amounts due from related parties with gross carrying value of approximately RMB369,167,000 and RMB320,956,000 respectively as at December 31, 2021 and 2020, management of the Group does not consider there is a risk of default and does not expect any losses from non-performance by these related parties, and accordingly, impairment recognised in respect of the amounts due from related parties would be immaterial.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Expected credit loss ("ECL") (Continued)

1) Trade receivables (Continued)

Trade receivables from third parties

Third party customers are usually granted with a credit period ranging between 15 and 90 days, which depends on amounts of transaction and credit position of specific customers.

As at December 31, 2021, the analysis of loss allowance provision was presented as follows:

	Not overdue	**Past due**	**Total**
Expected loss rate	**0.55%**	**2.65%**	**0.65%**
Trade receivables from third parties (RMB'000)	**378,733**	**18,994**	**397,727**
Loss allowance provision (RMB'000)	**2,091**	**504**	**2,595**

As at December 31, 2020, the analysis of loss allowance provision was presented as follows:

	Not overdue	**Past due**	**Total**
Expected loss rate	0.40%	2.10%	0.56%
Trade receivables from third parties (RMB'000)	325,818	33,586	359,404
Loss allowance provision (RMB'000)	1,290	707	1,997

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Expected credit loss ("ECL") (Continued)

2) Amounts due from related parties

As at December 31, 2021, management considered the credit risk of amounts due from related parties to be low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. Therefore, the impairment loss allowance required for these balances was minimal.

3) Other receivables

In order to minimize the credit risk of other receivables, the management of the Group continuously monitors the settlement status and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Before granting the credit terms, the management of the Group has obtained an understanding to the credit background of the debtors and undertaken an internal credit approval process. The management of the Group has taken into account the economic outlook of the industries in which the debtors operate and reviewed the recoverable amount of each amount at the end of the reporting period to ensure that adequate impairment losses were recognized for irrecoverable debts. After assessment, the directors of the Company have not identified any items experienced a significant increase in credit risk since initial recognition. The impairment loss of other receivables is measured based on the twelve months expected credit loss.

As at December 31, 2021 and 2020, the analysis of loss allowance provision was presented as follows:

	As at December 31,	
	2021	2020
Expected loss rate	**0.97%**	0.93%
Other receivables excluding non-financial assets (RMB'000)	**54,462**	12,037
Loss allowance provision (RMB'000)	**528**	112

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the Listing Business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below set out the Group's financial liabilities grouped into relevant maturity groupings based on their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group	On demand RMB'000	Within 1 Year RMB'000	Over 1 Year RMB'000	Total RMB'000	Carrying amount RMB'000
As at December 31, 2021					
Trade payables	**488,025**	**–**	**–**	**488,025**	**488,025**
Lease liabilities	**4,707**	**13,093**	**21,555**	**39,355**	**37,158**
Other payables and accruals (excluding receipts in advance, accrued payroll and other tax liabilities)	**174,261**	**–**	**–**	**174,261**	**174,261**
Total	**666,993**	**13,093**	**21,555**	**701,641**	**699,444**
As at December 31, 2020					
Trade payables	370,741	894	–	371,635	371,635
Lease liabilities	615	11,593	27,096	39,304	36,423
Other payables and accruals (excluding receipts in advance, accrued payroll and other tax liabilities)	142,328	–	–	142,328	142,328
Borrowings	–	384,330	–	384,330	367,080
Total	513,684	396,817	27,096	937,597	917,466

3 Financial risk management (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statements of financial position plus net debts. As at December 31, 2021, given that the cash and cash equivalents exceed the aggregation of total borrowings and lease liabilities, gearing ratio is no longer calculated.

3.3 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.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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 years ended December 31, 2021 and 2020.

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

3.3.1.1 Fair value hierarchy

As at December 31, 2021 and 2020, 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, 2021.

	Level 3 **RMB'000**
Financial assets at FVPL	
Structured deposit products	330,084
Financial assets at FVOCI	
Equity investments in unlisted entities	3,000

The following table presents the Group's level 3 financial instruments as of December 31, 2020.

	Level 3 **RMB'000**
Financial assets at FVOCI	
Equity investments in unlisted entities	3,000

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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

3.3.1.2 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	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Structured deposit products	Discounted cash flow	Expected rate of return and discounted rate	The higher the expected rate of return, the higher the fair value. The higher the discounted rate, the lower the fair value.
Equity investments in unlisted entities	Market approach	Discount for lack of marketability; market multiples	The higher the discount for lack of marketability, the lower the fair value. The higher the market multiples, the higher the fair value.

Given that the monetary value of the unlisted equity investment is immaterial, management assessed that any possible fair values changes of the investment arising from changes in unobservable inputs will have a minimal financial impact to the Group during the year.

The expected rate of return of the structured deposit products were approximately 2.6% to 3.4% per annum as at December 31, 2021. Due to the short maturities of the structured deposit products which are within three months, 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)

3.3 Fair value estimation (Continued)

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

3.3.1.3 Reconciliation of Level 3 fair value measurements

	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000
As of January 1,2021	**–**	**3,000**
Additions	**330,000**	**–**
Changes in fair value	**84**	**–**
As of December 31, 2021	**330,084**	**3,000**

	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000
As of January 1,2020	–	–
Additions	–	3,000
Changes in fair value	–	–
As of December 31, 2020	–	3,000

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

3.3.2 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), amounts due from related parties, borrowings, trade payables, other payables (excluding non-financial liabilities) and amounts due to related parties approximated their fair values due to their short maturities.

4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Impairment of intangible assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable.

When assessing whether the above assets are impaired, management mainly evaluates and analyses: (1) whether events affecting asset impairment occurred; (2) whether the present value of expected cash flows arising from the continuing use or disposal of the asset is lower than its carrying amount; and (3) whether the significant assumptions used in the calculation of the present value of the estimated cash flows are appropriate.

Relevant assumptions adopted by the Group to determine impairment, e.g. changes in assumptions on discount rate and growth rate used to calculate the present value of future cash flows, may have material impact on the present value used in the impairment test, and cause impairment in the above-mentioned long-term assets of the Group.

4 Critical accounting estimates and judgements (Continued)

(b) Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary difference is related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting judgement include recognition of deferred tax assets in respect of tax losses. Recognition of the deferred tax assets involves estimates regarding the future financial performance of the Group.

Were the actual final outcome (on the judgement areas) different from the management's estimates, such difference would impact the recognition of deferred tax assets and income tax expenses in the period in which such estimate is changed.

(c) Capitalization of development costs as intangible assets

Costs incurred in upgrading existing application and platform (primarily relating to upgrade of the existing features or additions of new features/modules) and developing new application and platform are capitalized as intangible assets when recognition criteria as detailed in Note 2.8 are fulfilled. Management has applied its professional judgement in determining whether these application and platform could generate probable future economic benefits to the Group based on the historical experience of the existing products and the prospects of the markets. Any severe change in market performance or technology advancement will have an impact on the development costs capitalized.

5 Segment information and Revenue

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

As a result of this evaluation, the CODM considers that the Group's operations are operated and managed as two segments, which are intra-city on-demand delivery service business and other business including online group catering platform and delivery services, for the year ended December 31, 2021 and 2020.

The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from customers of each segment. Profit and loss of the Company, share based payment and professional service fee of the Group are not allocated to segments as management considers they are not directly correlate with the underlying performance of the Group's operating segments.

5 Segment information and Revenue (Continued)

(a) Description of segments and principal activities

	Year ended December 31, 2021			
	Intra-city on-demand delivery service business	Other business	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	8,159,897	14,056	–	8,173,953
Cost of revenue	(8,051,377)	(27,767)	–	(8,079,144)
Gross profit/(loss)	108,520	(13,711)	–	94,809
Selling and marketing expenses	(169,445)	(53,925)	(46,978)	(270,348)
Research and development expenses	(95,922)	(27,519)	–	(123,441)
Administrative expenses	(345,249)	(37,887)	(271,996)	(655,132)
Other income	36,003	111	8,733	44,847
Other gains, net	(8,077)	5	8,803	731
Net impairment losses of financial assets	(4,161)	(316)	–	(4,477)
Segment loss	(478,331)	(133,242)	(301,438)	(913,011)
Finance income				18,055
Finance cost				(7,630)
Finance income – net				10,425
Loss before income tax				(902,586)

5 Segment information and Revenue (Continued)

(a) Description of segments and principal activities (Continued)

	Year ended December 31, 2021			
	Intra-city on-demand delivery service business RMB'000	Other business RMB'000	Unallocated RMB'000	Total RMB'000
As at December 31, 2021				
Assets				
Segment assets	1,099,402	121,955	2,843,468	4,064,825
Deferred income tax assets				144,090
Total Assets				4,208,915
Liabilities				
Segment liabilities	777,827	55,529	66,116	899,472
Total Liabilities				899,472
Other segment information				
Amortization of intangible assets	37,959	9,926	–	47,885
Depreciation of property, plant, and equipment	6,875	660	–	7,535
Depreciation of right-of-use assets	14,505	1,508	–	16,013
Additions of non-current assets except for deferred income tax assets	74,323	44,476	–	118,799

5 Segment information and Revenue (Continued)

(a) Description of segments and principal activities (Continued)

	Year ended December 31, 2020			
	Intra-city on-demand delivery service business RMB'000	Other business RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	4,841,920	1,446	–	4,843,366
Cost of revenue	(5,027,499)	(4,373)	–	(5,031,872)
Gross loss	(185,579)	(2,927)	–	(188,506)
Selling and marketing expenses	(107,814)	(3,202)	–	(111,016)
Research and development expenses	(69,374)	–	–	(69,374)
Administrative expenses	(236,144)	(15,523)	(166,350)	(418,017)
Other income	16,125	1	1,955	18,081
Other gains, net	50	(390)	781	441
Net impairment losses of financial assets	(774)	(76)	–	(850)
Segment loss	(583,510)	(22,117)	(163,614)	(769,241)
Finance income				2,978
Finance cost				(17,927)
Finance cost – net				(14,949)
Loss before income tax				(784,190)

5 Segment information and Revenue (Continued)

(a) Description of segments and principal activities (Continued)

	Year ended December 31, 2020			
	Intra-city on-demand delivery service business	Other business	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2020				
Assets				
Segment assets	1,159,859	58,519	54,787	1,273,165
Deferred income tax assets				140,355
Total Assets				1,413,520
Liabilities				
Segment liabilities	972,645	66,685	8,726	1,048,056
Total Liabilities				1,048,056
Other segment information				
Amortization of intangible assets	31,748	2,068	–	33,816
Depreciation of property, plant, and equipment	3,230	61	–	3,291
Depreciation of right-of-use assets	8,919	–	–	8,919
Additions of non-current assets except for deferred income tax assets	69,032	27,965	–	96,997

5 Segment information and Revenue (Continued)

(b) Revenue by business line and nature

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At a point in time		
– Intra-city on-demand delivery service	**8,159,897**	4,841,920
– Others	**14,056**	1,446
Revenue from contracts with customers	**8,173,953**	4,843,366

(c) Unsatisfied performance obligations

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

(d) Geographical information

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

(e) Information about major customers

For the years ended December 31, 2021, the Group's revenue derived from 1 major customer (2020: 2), which individually contributed 10% or more of the Group's total revenue, for approximately RMB3,056.0 million (2020: RMB2,141.3 million), accounting for approximately 37.4% (2020: 44.2%) of the Group's total revenue.

6 Other income

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Government grants (Note)	**40,630**	15,360
Interest income from loans to related parties	**3,684**	2,058
Others	**533**	663
	44,847	18,081

Note: The government grants mainly generate from preferential tax policies which stated that since April 1, 2019, taxpayers in daily-life service industry are allowed to enjoy an additional 10% of input value added tax amount to deduct from tax payable, and also those grants from the local government to reward the contribution of the Group to local economies.

7 Other gains, net

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Net gains/(losses) on disposal of property, plant and equipment	**206**	(14)
Exchange gains	**8,718**	781
Penalty and compensation	**(9,325)**	(1,791)
Fair value changes on financial assets at FVPL (Note 19)	**84**	–
Others	**1,048**	1,465
	731	441

8 Expenses by nature

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Labour outsourcing costs	**8,026,539**	4,914,042
Employee benefit expenses (Note 9)	**670,824**	460,551
Marketing and promotion expenses	**133,978**	31,788
Information service expenses	**49,496**	36,132
Costs of materials	**48,475**	34,661
Amortization of intangible assets (Note 15)	**47,885**	33,816
Office and rental expenses	**25,082**	13,462
Listing expenses	**20,756**	5,934
Call center service expenses	**18,079**	10,394
Professional service expenses	**18,145**	18,253
Depreciation of right-of-use assets (Note 17)	**16,013**	8,919
Travelling expenses	**8,803**	5,736
Depreciation of property, plant and equipment (Note 14)	**7,535**	3,291
Other taxes and surcharges	**5,854**	3,879
Auditor's remuneration		
– Audit service	**2,430**	497
– Non-audit service	**220**	–
Transportation expenses	**2,396**	12,630
Insurance expenses	**399**	2,907
Others	**25,156**	33,387
	9,128,065	5,630,279

9 Employee benefit expenses

(a) Employee benefit expenses are analysed as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses	**421,401**	310,667
Share-based compensation expenses (Note 27)	**231,430**	152,726
Pension costs – defined contribution plans (i)	**27,240**	2,375
Other employee benefits	**31,381**	22,218
	711,452	487,986
Less: capitalised in intangible assets	**(40,628)**	(27,435)
	670,824	460,551

(i) There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2021 and 2020 include 3 and 1 director whose emoluments are reflected in the analysis shown in Note 41(a). The emoluments paid and payable to the remaining individuals during the years ended December 31, 2021 and 2020, respectively are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Share-based compensation expenses	**11,996**	61,373
Wages, salaries and bonuses	**3,650**	8,050
Pension costs – defined contribution plans	**119**	198
Other employee benefits	**172**	300
	15,937	69,921

9 Employee benefit expenses (Continued)

(b) Five highest paid individuals (Continued)

The emoluments of these individuals are within the following bands:

Number of individuals

	Year ended December 31,	
	2021	2020
HKD		
Nil – 1,000,000	**–**	–
7,500,001 – 8,000,000	**–**	1
8,000,001 – 8,500,000	**–**	1
8,500,001 – 9,000,000	**1**	–
10,500,001 – 11,000,000	**1**	–
23,000,001 – 23,500,000	**–**	1
44,000,001 – 44,500,000	**–**	1
	2	4

10 Finance income/(costs), net

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Finance income:		
Interest income on deposits with financial institutions	**18,055**	2,978
Finance costs:		
Interest expenses on borrowings	**(5,617)**	(16,693)
Interest expenses on leasing liabilities	**(2,013)**	(1,234)
	(7,630)	(17,927)
Finance income/(costs) - net:	**10,425**	(14,949)

11 Net impairment losses of financial assets

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Provision of impairment allowance for:		
Trade receivables	**4,061**	375
Other receivables	**416**	475
	4,477	850

12 Income tax credit

(a) Income tax credit

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
PRC corporate income tax		
Current income tax	**–**	(610)
Deferred income tax (Note 16)	**(3,735)**	(25,903)
Income tax credit	**(3,735)**	(26,513)

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

PRC corporate income tax ("CIT")

CIT was made on the taxable income of the entities within the Group incorporated in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC after considering the available tax refunds and allowances. The general CIT rate is 25% for the years ended December 31, 2021 and 2020.

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

12 Income tax credit (Continued)

(b) Reconciliation of income tax credit

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	**(902,586)**	(784,190)
Tax calculated at applicable statutory tax rate of 25%	**(225,647)**	(196,048)
Tax effect of unrecognised tax losses and temporary differences (i)	**186,294**	139,297
Expenses not deductible for tax purposes (ii)	**60,596**	37,885
Over provision in prior year	**–**	(610)
Utilization of previously unrecognized tax temporary differences and tax losses	**(8,947)**	–
Super deduction of research and development expense	**(15,985)**	(7,037)
Others	**(46)**	–
	(3,735)	(26,513)

(i) Unrecognised tax losses and temporary differences

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognised	**1,281,602**	624,031
Unrecognised temporary differences	**54,334**	2,517
Potential tax impact	**333,984**	156,637

These tax losses will be expired from 2024 to 2031.

(ii) It mainly includes share-based compensation expenses during the years ended December 31, 2021 and 2020.

13 Losses per share

(a) Basic losses per share

Basic losses per share is calculated by dividing the loss for the years attributable to ordinary shareholders by the weighted average number of outstanding shares in issue excluding shares held for employee share scheme during the years ended December 31, 2021 and 2020.

	Year ended December 31,	
	2021	2020
Loss attributable to equity holders of the Company (RMB'000)	**(898,851)**	(757,677)
Weighted average number of shares in issue	**701,718,240**	473,887,445
Basic losses per share (in RMB)	**(1.28)**	(1.60)

(b) Diluted losses per share

For the year ended December 31, 2021 and 2020, the Company had one category of dilutive potential ordinary shares: restricted share granted to employees under Pre-IPO Restricted Share Scheme. The Group incurred losses for the year ended December 31, 2021 and 2020. As the potential ordinary shares would be anti-dilutive, they were not included in the calculation of dilutive losses per share. Accordingly, dilutive losses per share for the years ended December 31, 2021 and 2020, were the same as the basic losses per share for the respective years.

14 Property, plant and equipment

	Motor vehicles RMB'000	Computers and electronic equipment RMB'000	Machinery and equipment RMB'000	Office equipment and other equipment RMB'000	Total RMB'000
Year ended December 31, 2021					
Opening net book amount	433	5,956	549	4,368	11,306
Additions	–	8,494	107	5,316	13,917
Disposals	–	(956)	–	(17)	(973)
Depreciation	(334)	(4,134)	(66)	(3,001)	(7,535)
Closing net book amount	99	9,360	590	6,666	16,715
At December 31, 2021					
Cost	548	18,883	767	11,461	31,659
Accumulated depreciation	(449)	(9,523)	(177)	(4,795)	(14,944)
Closing net book amount	99	9,360	590	6,666	16,715

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
Year ended December 31, 2020					
Opening net book amount	37	3,208	516	1,228	4,989
Additions	640	5,113	91	4,032	9,876
Disposals	(158)	(104)	–	(6)	(268)
Depreciation	(86)	(2,261)	(58)	(886)	(3,291)
Closing net book amount	433	5,956	549	4,368	11,306
At December 31, 2020					
Cost	548	11,345	660	6,162	18,715
Accumulated depreciation	(115)	(5,389)	(111)	(1,794)	(7,409)
Net book amount	433	5,956	549	4,368	11,306

Depreciation of the Group's property, plant and equipment has been recognised in the consolidated statements of comprehensive income as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of revenue	**1,679**	1,071
Selling and marketing expenses	**264**	112
Administrative expenses	**5,130**	1,882
Research and development expenses	**462**	226
	7,535	3,291

15 Intangible assets

	Software			
	Developed internally	Acquired	Development costs in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2021:				
Opening net book amount	**74,786**	**23,703**	**37,308**	**135,797**
Additions	**–**	**16,107**	**69,920**	**86,027**
Transfer	**104,883**	**–**	**(104,883)**	**–**
Amortization	**(37,974)**	**(9,911)**	**–**	**(47,885)**
Net book amount	**141,695**	**29,899**	**2,345**	**173,939**
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**
Year ended December 31, 2020				
Opening net book amount	76,036	13,072	13,181	102,289
Additions	–	15,152	52,172	67,324
Transfer	28,045	–	(28,045)	–
Amortization	(29,295)	(4,521)	–	(33,816)
Net book amount	74,786	23,703	37,308	135,797
At December 31, 2020:				
Cost	131,338	28,701	37,308	197,347
Accumulated amortization	(56,552)	(4,998)	–	(61,550)
Net book amount	74,786	23,703	37,308	135,797

15 Intangible assets (Continued)

(a) Amortization

Amortization of the Group's intangible assets has been recognised in the consolidated statements of comprehensive income as follows:

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cost of revenue	**43,022**	31,142
Administrative expenses	**4,863**	2,674
	47,885	33,816

16 Deferred income tax assets

	As at December 31, 2021 RMB'000	2020 RMB'000
Deferred tax assets		
– to be realised after more than 12 months	**144,090**	140,355

(i) Deferred income tax assets

	Employee benefits RMB'000	Accrued expenses RMB'000	Deductible losses RMB'000	Provisions for assets impairment RMB'000	Depreciation and amortization RMB'000	Leases RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2021	**1,241**	**–**	**138,557**	**460**	**–**	**97**	**–**	**140,355**
Credit to profit or loss, net	**1,937**	**–**	**–**	**605**	**1,055**	**88**	**50**	**3,735**
As at December 31, 2021	**3,178**	**–**	**138,557**	**1,065**	**1,055**	**185**	**50**	**144,090**
As at January 1, 2020	794	23	111,617	644	1,056	318	–	114,452
Credit/(charged) to profit or loss, net	447	(23)	26,940	(184)	(1,056)	(221)	–	25,903
As at December 31, 2020	1,241	–	138,557	460	–	97	–	140,355

17 Right-of-use assets

	Properties RMB'000
Year ended December 31, 2021	
Opening net book amount	**36,031**
Additions	**18,855**
Disposals	**(1,062)**
Depreciation	**(16,013)**
Closing net book amount	**37,811**
At December 31, 2021	
Cost	**65,194**
Accumulated depreciation	**(27,383)**
Net book amount	**37,811**
Year ended December 31, 2020	
Opening net book amount	25,153
Additions	19,797
Depreciation	(8,919)
Closing net book amount	36,031
At December 31, 2020	
Cost	47,401
Accumulated depreciation	(11,370)
Net book amount	36,031

17 Right-of-use assets (Continued)

Depreciation charge of right-of-use assets was recognised in the consolidated statements of comprehensive income as follow:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Administrative expenses	**8,291**	8,167
Cost of revenue	**2,657**	752
Research and development expenses	**5,065**	–
	16,013	8,919

18 Inventories

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Rider equipments	**4,202**	6,819

For the years ended December 31, 2021 and 2020, the cost of inventories recognised as expense and included in "cost of revenue" amounted to RMB48,475,000 and RMB34,661,000 respectively.

19 Financial assets at fair value through profit or loss

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**–**	–
Additions	**330,000**	–
Changes in fair value (Note 7)	**84**	–
At the end of the year	**330,084**	–

As part of the Group's cash management to maximise return on idle cash, the Group invested in certain structured deposit products issued by several PRC commercial banks.

20 Financial instruments by category

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents (Note 23)	**2,538,226**	263,468
Trade receivables (Note 21)	**764,299**	678,363
Other receivables excluding non-financial assets (Note 22)	**53,934**	11,925
Amounts due from related parties (Note 35 (d))	**42,961**	67,205
	3,399,420	1,020,961
Financial assets at fair value:		
Financial assets at fair value through profit or loss (Note 19)	**330,084**	–
Financial assets at fair value through other comprehensive income	**3,000**	3,000
	3,732,504	1,023,961
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables (Note 28)	**488,025**	371,635
Other payables excluding non-financial liabilities (Note 29)	**153,832**	122,827
Amounts due to related parties (Note 35 (d))	**20,429**	19,501
Lease liabilities (Note 31)	**37,158**	36,423
Borrowings (Note 32)	**–**	367,080
	699,444	917,466

21 Trade receivables

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
– related parties (Note 35 (d))	**369,167**	320,956
– third parties	**397,727**	359,404
	766,894	680,360
Impairment loss allowance	**(2,595)**	(1,997)
	764,299	678,363

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Within 30 days	**588,513**	547,630
30 to 180 days	**178,381**	132,730
	766,894	680,360

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**(1,997)**	(2,549)
Provision of impairment allowance (Note 11)	**(4,061)**	(375)
Written off as uncollectible	**3,463**	927
At the end of the year	**(2,595)**	(1,997)

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

22 Other receivables and prepayments

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Other receivables		
– Value-added tax recoverable	**79,071**	51,460
– Payments on behalf of platform users	**43,448**	3,437
– Deposits paid	**7,391**	4,905
– Advances to employees	**933**	2,615
– Prepaid social insurance premium	**2,103**	583
– Others	**2,690**	1,080
	135,636	64,080
Prepayments to suppliers	**18,480**	7,208
– Less: impairment loss allowance	**(528)**	(112)
	153,588	71,176

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**(112)**	(27)
Provision of impairment allowance (Note 11)	**(416)**	(475)
Written off as uncollectible	**–**	390
At the end of the year	**(528)**	(112)

23 Cash and cash equivalents

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Cash at banks	**2,512,288**	422
Cash held in other financial institutions (Note)	**25,938**	263,046
	2,538,226	263,468

Note: As at December 31, 2021 and 2020, the Group had certain amounts of cash held in accounts managed by other financial institutions, which are third party payment platforms, in the amount of RMB25.9 million and RMB20.5 million, respectively, and which have been classified as cash and cash equivalents on the consolidated statements of financial position. As at December 31, 2020, the Group had certain amounts of cash held in accounts managed by SF Holding Group Finance Co., Ltd, a wholly-owned subsidiary of SF Holding and 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 December 31,	
	2021	2020
	RMB'000	RMB'000
RMB	**818,153**	263,468
HKD	**1,720,073**	–
	2,538,226	263,468

24 Share capital and share premium

	Number of shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued：				
As at January 1, 2020	289,893,913	289,894	106,922	396,816
Capital injections from Beijing SF Intra-city Technology Co., Ltd.	15,000,000	15,000	–	15,000
Capital injections from series A investors	37,500,000	37,500	173,902	211,402
Capital injections from share incentive scheme (i)	10,000,000	10,000	–	10,000
Capital injections from SF Holding Limited	128,000,000	128,000	–	128,000
Capital injections from Taisen Holdings	106,235,295	106,235	616,165	722,400
As at December 31, 2020	586,629,208	586,629	896,989	1,483,618
Capital injections from series B investors (ii)	**103,407,347**	**103,407**	**1,292,675**	**1,396,082**
Capital injections from Taisen Holdings (iii)	**30,294,501**	**30,295**	**378,705**	**409,000**
Capital injections from Jiaxing Fengrong (iii)	**1,945,851**	**1,946**	**24,325**	**26,271**
Capital injections from share incentive scheme (i)	**80,000,000**	**80,000**	**18**	**80,018**
Shares issued pursuant to the IPO (iv)	**131,180,800**	**131,181**	**1,626,496**	**1,757,677**
Share issuance cost (iv)	**–**	**–**	**(57,648)**	**(57,648)**
As at December 31, 2021	**933,457,707**	**933,458**	**4,161,560**	**5,095,018**

24 Share capital and share premium (Continued)

(i) In December 2019, Ningbo Shunxiang Tongcheng Venture capital Investment Partnership (Limited Partnership) (the "Ningbo Shunxiang",寧波順享同成創業投資合夥企業(有限合夥)) subscribed 90,000,000 registered shares of the Company. In April 2020, Ningbo Shunxiang injected RMB10 million as paid-in capital. In June 2021, Ningbo Shunxiang and Sharp Land Development Limited injected RMB60 million and RMB20 million as paid-in capital respectively.

(ii) In December 2020, the Company had entered into a set of arrangements in relation to Series B rounds of Pre-IPO investment (the "Series B"), and issued Series B shares at an issue price of RMB13.50 per share.

(iii) On March 16, 2021 and March 18, 2021, the Company had entered into subscription agreements with Jiaxing Fengrong Equity Investment Partnership (Limited Partnership) (the "Jiaxing Fengrong",嘉興豐榮股權投資合夥企業(有限合夥)) and SF Taisen Holdings Group Co., Ltd ("Taisen Holdings") to issue 1,945,851 shares and 30,294,501 shares respectively, at an issue price of RMB13.50 per share. In March 2021, the Company received capital injection of approximately RMB409 million from Taisen Holdings in cash. In April 2021, the Company received capital injection of approximately RMB26 million from Jiaxing Fengrong in cash.

(iv) On December 14, 2021, 131,180,800 ordinary shares were issued at an offer price of HKD16.42 per share pursuant to the IPO. Gross proceeds from the issuance of these shares amounted to approximately HKD2,154 million (equivalent to approximately RMB1,758 million). After netting of share issuance cost of approximately RMB57.7 million, approximately RMB131.2 million and RMB1,568.8 million are credited to the share capital and share premium account of the Company respectively.

25 Other reserves

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**604,056**	446,904
Prepaid exercise price of restricted share scheme (Note 27)	**80,000**	10,000
Share-based compensation expenses (Note 27)	**231,430**	152,726
Vesting of restricted shares (Note 27)	**(84,426)**	(5,574)
At the end of the year	**831,060**	604,056

26 Accumulated losses

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**(1,717,784)**	(960,107)
Loss for the year	**(898,851)**	(757,677)
At the end of the year	**(2,616,635)**	(1,717,784)

27 Share-based payments

Pre-IPO Restricted Share Scheme

In September 2019 and January 2020, the Board of Directors of the Company approved the establishment of share incentive plans to grant restricted shares to the Group's employees ("Pre-IPO Restricted Share Scheme") for the purpose of attracting and retaining the best available personnel, and to provide additional incentive to employees and directors to promote the success of the Group's business. Accordingly, in December 2019, the relevant grantee became the limited partner of a newly established limited liability partnership, namely Ningbo Shunxiang, which became the shareholder of the Company with registered 90,000,000 shares. Ningbo Shunxiang transferred 20,000,000 shares of the Company to Sharp Land Development Limited in January 2020. As at December 31, 2020, Ningbo Shunxiang and Sharp Land Development Limited were the shareholders of the Company with 70,000,000 registered shares and 20,000,000 registered shares. On April 20, 2020, Ningbo Shunxiang had injected RMB10 million as paid-in capital. In June, 2021, Ningbo Shunxiang and Sharp Land Development Limited had injected RMB60 millions and RMB20 millions respectively as paid-in capital to the Company.

Pursuant to the Pre-IPO Restricted Share Scheme, the Group has discretion to invite any employee of the Group to participate in the above limited liability partnerships by subscribing for their partnership interest. The participating employees are entitled to all the economic benefits generated by the above limited liability partnerships with the requisition service period. As the Pre-IPO Restricted Share Scheme is designed by the Group for its benefit and the Group has discretion in determining the participating employees, the restricted shares of the Company held by Ningbo Shunxiang and Sharp Land Development Limited are controlled by the Group.

Certain employees obtained the partnership units, as limited partners, of aforesaid partnership at a price lower than their fair value. Such transactions were considered as equity-settled share-based payment to employees.

The restricted shares of the Company held by the above limited liability partnerships for the purpose of the Pre-IPO Restricted Share Scheme with the consideration paid but not vested are recorded as "shares held for employee share scheme" under the equity of the Group. Prepaid exercise price of restricted shares, for which the Group has no refund obligation, was recorded as "other reserve" under the equity of the Group.

27 Share-based payments (Continued)

For the Pre-IPO Restricted Share Scheme granted in September 2019, 20% of the restricted shares had been vested in the first year after the grant date. All the remaining restricted shares were vested upon the date of Listing, December 14, 2021. Upon the vesting of restricted shares, the related amount recorded in "shares held for employee share scheme" was offset against the "prepared exercise price of restricted share scheme" recorded in other reserve.

The fair value of the shares granted to employees on the grant date, September 29, 2019 and January 22, 2020, as determined by a professional valuation firm was RMB163,690,800 and RMB333,638,100 respectively. The significant inputs into the income approach using discount cash flow model were listed as below:

	As at January 22, 2020	**As at September 29, 2019**
Weighted average cost of capital	17.6%	17.7%
Discount for lack of marketability ("DLOM")	20%	23%
Discount for lack of control ("DLOC")	20%	18%

The share-based compensation expenses recognised during the years were summarised in the following table:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Share-based compensation expenses for employees	**231,430**	152,726

27 Share-based payments (Continued)

The number of shares granted to the Group's employees were summarised in the following table:

	As at December 31,	
	2021	2020
At the beginning of the year	**84,426,000**	27,870,000
Granted during the year	**–**	62,130,000
Vested during the year	**(84,426,000)**	(5,574,000)
At the end of the year	**–**	84,426,000

28 Trade payables

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade payables to related parties (Note 35 (d))	**18,897**	27,565
Outsourcing cost payable	**469,128**	344,070
	488,025	371,635

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

	As at December 31,	
	2021	**2020**
	RMB'000	**RMB'000**
Within 3 months	**480,707**	370,741
3 months to 1 year	**7,318**	894
	488,025	371,635

29 Other payables and accruals

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Salaries, wage and accrued bonus	**154,817**	99,773
Deposits received	**105,569**	52,152
Refundable advance	**–**	33,624
Temporary receipts	**14,190**	26,607
Other tax payable	**10,717**	8,970
Accrued professional service expenses and listing expenses	**23,977**	8,228
Payables for assets purchases	**2,728**	1,517
Others	**7,368**	699
	319,366	231,570

30 Contract liabilities

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Contract liabilities – Intra-city on-demand delivery service		
– Related parties (Note 35 (d))	**264**	136
– Third parties	**34,230**	21,711
Total current contract liabilities	**34,494**	21,847

(a) Revenue recognised in relation to contract liabilities

For the years ended December 31, 2021 and 2020, revenue recognised that included in the contract liability balance at the beginning of the years were RMB21,847,000 and RMB6,048,000 respectively.

The Group receives payments from customers based on the billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly for providing intra-city on-demand delivery service. The increase in contract liabilities during the years ended December 31, 2021 was mainly attributable to the increase of the business scale.

31 Lease liabilities

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Minimum lease payments due		
– Within 1 year	**17,800**	12,208
– Between 1 and 2 years	**14,220**	12,756
– Between 2 and 5 years	**5,733**	14,340
– Later than 5 years	**1,602**	–
	39,355	39,304
Less: future finance charges	**(2,197)**	(2,881)
Present value of lease liabilities	**37,158**	36,423
At the end of the year		
– Within 1 year	**16,653**	10,709
– Between 1 and 2 years	**13,748**	11,815
– Between 2 and 5 years	**5,288**	13,899
– Later than 5 years	**1,469**	–
	37,158	36,423

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.

32 Borrowings

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Unsecured borrowings from SF Holding Group Finance Co., Ltd.	–	367,080

(a) The weighted average effective interest rates per annum at the years end were set out as follows:

	As at December 31,	
	2021	2020
	%	%
Unsecured borrowings from SF Holding Group Finance Co., Ltd.	–	4.15%

(b) The carrying amounts of the borrowings approximated their fair values as at December 31, 2020, as the borrowings were repayable within 1 year.

33 Dividends

No dividend has been paid or declared by the Group during each of the financial years ended December 31, 2021 and 2020.

34 Notes to consolidated statements of cash flows

Net cash used in operations

Reconciliation from loss before income tax to cash used in operations:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	**(902,586)**	(784,190)
Adjustments for:		
Share-based compensation expense (Note 27)	**231,430**	152,726
Amortization of intangible assets (Note 15)	**47,885**	33,816
Depreciation of right-of-use assets (Note 17)	**16,013**	8,919
Depreciation of property, plant and equipment (Note 14)	**7,535**	3,291
Impairment of financial assets measured at amortised cost (Note 11)	**4,477**	850
Finance (income)/costs (Note 10)	**(10,425)**	14,949
Interest income (Note 6)	**(3,684)**	(2,058)
Gains on disposals of property, plant and equipment (Note 7)	**(206)**	–
Fair value changes on financial assets at FVPL (Note 7)	**(84)**	–
Operating cash flows before changes in working capital	**(609,645)**	(571,697)
Changes in working capital:		
Decrease/(increase) in inventories	**2,617**	(6,819)
Increase in trade receivables, other receivables and prepayments	**(150,920)**	(244,904)
Increase in trade and other payables and contract liabilities	**207,758**	257,672
Cash used in operations	**(550,190)**	(565,748)

34 Notes to consolidated statements of cash flows (Continued)

Analysis of liabilities arising from financing activities

This section sets out an analysis of liabilities arising from financing activities and the movements in the liabilities arising from financing activities for each of the period presented.

	Borrowings RMB'000	Lease liability RMB'000
Balance as at January 1, 2021	**367,080**	**36,423**
Cash flows	**(372,697)**	**(19,071)**
Interest expenses accrued	**5,617**	**–**
Addition	**–**	**19,806**
Balance as at December 31, 2021	**–**	**37,158**
Balance as at January 1, 2020	566,400	26,426
Cash flows	(216,714)	(11,034)
Interest expenses accrued	17,394	1,234
Addition	–	19,797
Balance as at December 31, 2020	367,080	36,423

35 Related party transactions

(a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed in note 1, 24, 27 and 41 of this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended December 31, 2021 and 2020:

Name of related parties	Relationship with the Group
Taisen Holdings	Parent company
SF Holding	Intermediate holding company
Mingde Holding	Ultimate holding company
Subsidiaries of SF Holding	Controlled by SF Holding
Subsidiaries of Mingde Holding	Controlled by Mingde Holding
Subsidiaries of Guangdong Youxuanyipin Commerce Co., Ltd. (Note)	Under the control of the ultimate holding company of the Group before November 2020
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
Shenzhen Shun Jie Feng Da Express Co., Ltd.	Associated company of SF Holding

Note: The companies were controlled by the Mingde Holding and subsequently disposed in November 2020 to a third party. The related party transactions disclosed in the financial statements refer to the transaction volumes for the period from January 2020 to November 2020.

35 Related party transactions (Continued)

(b) Key management compensation

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

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Share-based compensation expenses	**141,040**	113,722
Wages, salaries and bonuses	**9,341**	11,541
Pension costs – defined contribution plans	**203**	274
Other employee benefits	**240**	367
Fees	**61**	–
	150,885	125,904

35 Related party transactions (Continued)

(c) Significant transactions with related parties

During the financial year, save as disclosed in note 1, 24, 27 and 41 of this report, the following is a summary of the significant transactions carried out between the Group and its related parties.

Recurring transactions

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Intra-city on-demand delivery business and other business revenue		
– Subsidiaries of SF Holding	**3,056,047**	1,620,653
– Others	**1,939**	–
	3,057,986	1,620,653
Comprehensive services and material purchasing fee (Note)		
– Subsidiaries of SF Holding	**97,294**	43,724
– Others	**352**	–
	97,646	43,724
Rental expense		
– Subsidiaries of SF Holding	**6,444**	7,894

Note: Comprehensive services and material purchasing fee mainly include the costs and expenses of technical services, call center services and integrated support services.

35 Related party transactions (Continued)

(c) Significant transactions with related parties (Continued)

Non-recurring transactions

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Interest expense		
– Subsidiaries of SF Holding	**5,617**	16,693
Outsourcing services and labor safety supplies purchasing fee		
– Subsidiaries of SF Holding	**19,359**	45,126
– Tianjin Wulianshuntong Supply Chain Management Co., Ltd.	**–**	21,175
– Shenzhen Shun Jie Feng Da Express Co., Ltd.	**19**	1,524
– Subsidiaries of Guangdong Youxuanyipin Commerce Co., Ltd.	**424**	895
– Others	**440**	619
	20,242	69,339
Interest income of deposits		
– Subsidiaries of SF Holding	**7,233**	2,581
Borrowings		
– Subsidiaries of SF Holding	**41,920**	854,980
Repayments of borrowings		
– Subsidiaries of SF Holding	**(409,000)**	(1,054,300)
Loans advanced to related parties		
– Subsidiaries of SF Holding	**400,000**	–
Proceeds from settlement of loans to related parties		
– Subsidiaries of SF Holding	**(400,000)**	(48,000)

Transactions with related companies are determined based on terms mutually agreed between the relevant parties.

35 Related party transactions (Continued)

(d) Balances with related parties

Trade related

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Cash deposited in related party		
– Subsidiaries of SF Holding	**–**	252,719
Trade receivables from related parties		
– Subsidiaries of SF Holding	**367,388**	320,956
– Others	**1,779**	–
	369,167	320,956
Prepayments to related parties		
– Subsidiaries of SF Holding	**261**	15
– Beijing Shunhetongxin Technology Co., Ltd.	**–**	5
	261	20
Trade payables to related parties (i)		
– Subsidiaries of SF Holding	**18,750**	23,166
– Others	**147**	4,399
	18,897	27,565
Lease liabilities to related parties		
– Subsidiaries of SF Holding	**3,743**	1,922
– Subsidiaries of Mingde Holding	**3,439**	404
	7,182	2,326
Contract liabilities from related parties		
– Subsidiaries of SF Holding	**264**	136

(i) Trade payables to related parties are granted with a credit period of 30 days.

35 Related party transactions (Continued)

(d) Balances with related parties (Continued)

Non-trade related

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Amounts due from related parties (ii)		
– Subsidiaries of SF Holding	**42,384**	67,205
– Others	**577**	–
	42,961	67,205
Borrowings from related parties		
– Subsidiaries of SF Holding	**–**	367,080
Amounts due to related parties (ii)		
– Subsidiaries of SF Holding	**20,249**	19,501
– Others	**180**	–
	20,429	19,501

(ii) As at December 31, 2021 and 2020, amounts due from/to related parties were unsecured, interest-free, collectable/repayable on demand and were denominated in RMB.

36 Commitments

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
With 1 year	**4,165**	648
Between 1 to 2 year	**39**	–
	4,204	648

Significant capital expenditure contracted for at the end of the years but not recognised as liabilities are as follows:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Property, plant and equipment	**–**	3,284
Intangible assets	**1,823**	4,818
	1,823	8,102

37 Contingency

As at December 31, 2021 and 2020, the Group did not have any material contingent liabilities.

38 Subsequent events

There were no material subsequent events during the period from December 31, 2021 to the approval date of these consolidated financial statements by the Board on March 30, 2022.

39 Subsidiaries

The Company's major subsidiaries during the year ended December 31, 2021 are set out below. All of these are limited liability companies and the country of incorporation or registration is also their principal place of business. The subsidiaries have share capital consisting solely of ordinary shares that are held directly or indirectly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of subsidiaries	Place and date of incorporation	Registered capital/ paid-in capital	Ownership interest held by the group		Principal activities
			2021	2020	
Directly held:					
Shenzhen SF Intra-city Logistics Co., Ltd (深圳市順豐同城物流有限公司)	PRC, October 26, 2018	RMB2,200,000,000/ RMB2,042,400,000	**100%**	100%	Third party on-demand delivery services
Shenzhen Zhongplus Internet Technology Co., Ltd. (深圳市眾普拉斯網絡科技有限公司)	PRC, December 25, 2018	RMB20,000,000/ RMB2,000,000	**100%**	100%	Information technology services
Shanghai Fengpaida Supply Chain Co., Ltd. (上海豐湃達供應鏈有限責任公司)	PRC, January 16, 2019	RMB50,000,000/ RMB50,000,000	**100%**	100%	Third party on-demand delivery services
Beijing Shunda Tongxing Technology Co., Ltd. (北京順達同行科技有限公司)	PRC, September 20, 2019	RMB200,000,000/ RMB200,000,000	**100%**	100%	Software development and information technology services
Shanghai Fengzan Technology Co., Ltd. (上海豐贊科技有限公司)	PRC, May 26, 2020	RMB410,000,000/ RMB228,000,000	**100%**	100%	Information technology services
Indirectly held:					
Beijing Fengzan Technology Co., Ltd. (北京豐贊科技有限公司)	PRC, January 25, 2021	RMB150,000,000/ RMB30,000,000	**100%**	100%	Software development and information technology services
Shenzhen Fengzan Technology Co., Ltd. (深圳豐贊科技有限公司)	PRC, January 29, 2021	RMB20,000,000/ RMB500,000	**100%**	100%	Information technology services
Shanghai Fengtiao Yushun Catering Management Co., Ltd. (上海豐調裕順餐飲管理有限公司)	PRC, July 26,2021	RMB100,000,000/ RMB1,000,000	**100%**	100%	Catering management services

40 Statement of financial position and reserves movements of the Company

(a) Company statement of financial position

	Notes	As at December 31, 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Financial assets at fair value through other comprehensive income		**3,000**	3,000
Investment in the subsidiaries		**2,816,096**	913,168
Total non-current assets		**2,819,096**	916,168
Current assets			
Other receivables and prepayments		**4,784**	464
Loans and amounts due from subsidiaries		**18**	580,271
Financial assets at fair value through profit or loss		**330,084**	–
Cash and cash equivalents		**2,505,779**	51,321
Total current assets		**2,840,665**	632,056
Total assets		**5,659,761**	1,548,224
EQUITY			
Equity attributable to owners of the Company			
Share capital		**933,458**	586,629
Share premium		**4,161,560**	896,989
Other reserves	40(b)	**395,809**	164,379
Accumulated losses	40(b)	**(149,622)**	(108,498)
Total equity		**5,341,205**	1,539,499

40 Statement of financial position and reserves movements of the Company (Continued)

(a) Company statement of financial position (Continued)

	Notes	As at December 31, 2021 RMB'000	2020 RMB'000
LIABILITIES			
Current liabilities			
Trade payables		**52,556**	494
Other payables and accruals		**23,113**	8,231
Amounts due to subsidiaries		**242,887**	
Total current liabilities		**318,556**	8,725
Total liabilities		**318,556**	8,725
Total equity and liabilities		**5,659,761**	1,548,224

The statement of financial position of the Company was approved by the Board of Directors on March 30, 2022 and was signed on its behalf:

Sun Haijin
Director

Tsang Hoi Lam
Director

40 Statement of financial position and reserves movements of the Company (Continued)

(b) Reserves movements of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
Balance as at January 1, 2021	**164,379**	**(108,498)**
Share-based compensation expenses (Note 27)	**231,430**	**–**
Loss for the year	**–**	**(41,124)**
Balance as at December 31, 2021	**395,809**	**(149,622)**
Balance as at January 1, 2020	11,653	(100,313)
Share-based compensation expenses (Note 27)	152,726	–
Loss for the year	–	(8,185)
Balance as at December 31, 2020	164,379	(108,498)

41 Benefits and interests of directors and supervisors

(a) Directors' and supervisors' emoluments

Remuneration of every directors and supervisors during the years ended December 31, 2021 and 2020 were as follows:

	Fees	Salaries and wages	Share-based compensation expense	Allowances and benefits in kind	Employer's contribution to retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2021						
Executive directors (i)						
Mr. Sun Haijin (chief executive)	–	2,371	58,789	19	38	61,217
Mr. Tsang Hoi Lam	–	1,050	34,960	1	4	36,015
Mr. Chen Lin	–	1,150	12,355	63	41	13,609
Non-executive Directors (ii)						
Mr. Chan Fei (chairman)	–	–	–	–	–	–
Mr. Xu Zhijun	–	–	–	–	–	–
Mr. Li Qiuyu	–	–	–	–	–	–
Independent non-executive Directors (iii)						
Mr. Chan Kok Chung, Johnny	20	–	–	–	–	20
Mr. Wong Hak Kun	20	–	–	–	–	20
Mr. Zhou Xiang	20	–	–	–	–	20
Supervisors (iv)						
Mr. Yang Zunmiao	–	–	–	–	–	–
Mr. Wu Guozhong	–	–	–	–	–	–
Ms. Su Xiaohui	–	1,120	5,785	47	38	6,990
Total	60	5,691	111,889	130	121	117,891

41 Benefits and interests of directors and supervisors (Continued)

(a) Directors' and supervisors' emoluments (Continued)

	Fees	Salaries and wages	Share-based compensation expense	Allowances and benefits in kind	Employer's contribution to retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2020						
Executive directors (i)						
Mr. Sun Haijin (chief executive)	–	2,371	47,627	19	38	50,055
Non-executive Directors (ii)						
Mr. Chan Fei (chairman)	–	–	–	–	–	–
Mr. Xu Zhijun	–	–	–	–	–	–
Mr. Li Qiuyu	–	–	–	–	–	–
Supervisors (iv)						
Mr. Yang Zunmiao	–	–	–	–	–	–
Mr. Wu Guozhong	–	–	–	–	–	–
Ms. Su Xiaohui	–	1,120	4,722	47	38	5,927
Total	–	3,491	52,349	66	76	55,982

(i) Mr. Sun Haijin was appointed as the director of the Company in December 2019, Mr. Tsang Hoi Lam and Mr. Chen Lin were appointed as the directors of the Company in June 2021. The remuneration disclosed above of Mr. Tsang Hoi Lam and Mr. Chen Lin only included amounts related to their period of service after they were appointed as directors.

(ii) Mr. Chan Fei was appointed as the director of the Company in December 2019, Mr. Li Qiuyu was appointed as the director of the Company in June 2019, Mr. Xu Zhijun was appointed as the director of the Company in June 2020.

(iii) Mr. Chan Kok Chung, Mr. Wong Hak Kun and Mr. Zhou Xiang were appointed as the Company's independent non-executive directors in June 2021.

(iv) Mr. Yang Zunmiao and Mr. Wu Guozhong were appointed as the supervisors of the Company in June 2019, Ms. Su Xiaohui was appointed as the supervisor of the Company in October 2019.

(v) No emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office or no director waived or agreed to waive any emoluments during the years ended December 31, 2021 and 2020.

41 Benefits and interests of directors and supervisors (Continued)

(b) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors for the years ended December 31, 2021 and 2020.

(c) Consideration provided to third parties for making available directors' services

No consideration was provided to third parties for making available directors' services during the years ended December 31, 2021 and 2020.

(d) Information about loans, quasi-loans or other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings were entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2021 and 2020.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended December 31, 2021 and 2020.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenues	993,274	2,107,014	4,843,366	8,173,953
Gross (loss)/profit	(231,372)	(336,205)	(188,506)	94,809
Loss before income tax	(361,560)	(582,951)	(784,190)	(902,586)
Loss and total comprehensive loss for the year	(328,397)	(469,795)	(757,677)	(898,851)
Loss and total comprehensive loss attributable to				
– Owners of the Company	(328,397)	(469,795)	(757,677)	(898,851)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets	61,001	246,883	326,489	375,555
Current assets	161,347	691,976	1,087,031	3,833,360
Total assets	222,348	938,859	1,413,520	4,208,915
LIABILITIES				
Non-current liabilities	–	18,467	25,714	20,505
Current liabilities	754,344	1,036,779	1,022,342	878,967
Total liabilities	754,344	1,055,246	1,048,056	899,472
EQUITY				
Equity attributable to owners of the Company	(531,996)	(116,387)	365,464	3,309,443
Total (deficits)/equity	(531,996)	(116,387)	365,464	3,309,443
Total (deficits)/equity and liabilities	222,348	938,859	1,413,520	4,208,915

"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.
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which has become effective on the Listing Date
"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
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Wang Wei, Mingde Holding, SF Holding, SF Taisen, SF Holding Limited, SF Technology, Intra-city Tech and Ningbo Shunxiang, as the case may be
"crowd-sourced riders"	the riders engaged by the outsourcing firms as contractors. As a form of flexible employment, crowd-sourced riders do not have employment relationship with us or the outsourcing firms, can accept orders during random hours a day as a part-time job, and can choose to accept delivery tasks from other platforms
"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
"fulfillment in-time rate"	a ratio calculated by the number of orders that are delivered to the right recipients in time over the total number of orders placed
"fulfillment rate"	a ratio calculated by the number of orders that are delivered to the right recipients over the total number of orders placed
"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
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Stock Exchange
"Idea Flow Limited"	a limited company incorporated in Hong Kong, one of our Shareholders
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"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
"lower-tier cities"	refers to cities, counties and towns 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
"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994

"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
"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" of Report of Directors
"Prospectus"	the prospectus of the Company dated November 30, 2021, being issued in connection with the Hong Kong Public Offering
"Province"	each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC
"Relevant Period"	the period from the Listing Date to December 31, 2021
"Remaining Group"	SF Holding and other members of the SF Holding Group (excluding the Group)
"Remuneration Committee"	the remuneration committee of our Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the period commencing from January 1, 2021 and ending on December 31, 2021
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"SF Finance"	SF Holding Group Finance Co., Ltd. (順豐控股集團財務有限公司), a limited company incorporated in the PRC, a wholly owned subsidiary of SF Taisen
"SF Holding"	S.F. Holding Co., Ltd. (順豐控股股份有限公司), a joint stock company established in the PRC, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ), one of our Controlling Shareholders
"SF Holding Group"	SF Holding and its subsidiaries
"SF Holding Limited"	SF Holding Limited, a limited company incorporated in Hong Kong, one of our Controlling Shareholders
"SF Taisen"	Shenzhen S.F. Taisen Holding (Group) Co., Ltd. (深圳順豐泰森控股(集團)有限公司), a limited company established in the PRC, one of our Controlling Shareholders
"SF Technology"	SF Technology Co., Ltd. (順豐科技有限公司), a limited company established in the PRC, one of our Controlling Shareholders
"Shanghai Fengpaida"	Shanghai Fengpaida Supply Chain Co., Ltd. (上海豐湃達供應鏈有限責任公司), a limited company incorporated in the PRC, one of our subsidiaries
"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)
"Sharp Land"	Sharp Land Development Limited, a limited company established in Hong Kong, one of our Shareholders
"Shenzhen Intra-city"	Shenzhen SF Intra-city Logistics Co., Ltd. (深圳市順豐同城物流有限公司), a limited company incorporated in the PRC, one of our subsidiaries
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Shareholders(s)"	holder(s) of our Share(s)
"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) (寧波梅山保税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
"Unlisted Foreign Share(s)"	unlisted ordinary share(s) of RMB1.00 each in the share capital of our Company held by SF Holding Limited, Sharp Land and Duckling Fund (as to 2,424,170 Shares)
"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.