S.F. HOLDING CO., LTD.

2023 ANNUAL REPORT

Stock Abbr:SF Holding

Stock Code:002352

DEEPEN
NETWORK
INTEGRATION

深化**融通**

AMASS
TRANSFORMATIVE
MOMENTUM

蓄力**变革**

CULTIVATE
ASIAN HOMELAND
WITH FINESSE

精耕**亚洲**

FORGE
GREATNESS AS
THE ONE AND ONLY

铸就**唯一**

The Company's Board of Directors, Supervisory Committee, Directors, Supervisors, and Senior Officers guarantee the authenticity, accuracy, and completeness of the Annual Report, without any false records, misleading statements, or significant missions, and shall bear individual and joint legal responsibilities.

Wang Wei, the Company's legal representative, Ho Chit, Chief Financial Officer (the person in charge of finance), and Hu Xiaofei, the accounting director, hereby declare that they guarantee the authenticity, accuracy, and completeness of the financial report in this Annual Report.

All directors have attended the Board meeting to review this Annual Report.

Forward-looking statements such as future development plans contained herein do not constitute any undertaking made by the Company to investors. Investors are advised to invest rationally and to take into account possible investment risks.

The Company is required to comply with the disclosure requirements about express delivery service industries presented in the Self-Regulatory Guidelines for Companies Listed on the Shenzhen Stock Exchange No. 3 – Industrial Information Disclosure.

In this Annual Report, the Company details the risk factors and countermeasures that may occur in the future. For more information, refer to "Company risks and countermeasures" in "Section XIII. Prospects of the Company" of "Chapter 3. Management Discussion and Analysis". Investors shall refer to this information.

The Company's profit distribution plan reviewed and approved by the Board of Directors is as follows: based on the total share capital at the registration date on which the 2023 annual profit distribution plan is to be implemented, less the shares in special repurchase securities account, a cash dividend of RMB6.0 (including tax) will be distributed for every 10 shares. There will be no bonus shares or conversion of equity reserve into share capital of the Company.

This report is prepared in both Chinese and English versions. If there is any ambiguity in understanding the report, the Chinese version shall prevail.

Table of Contents

List of Documents Available for Inspection

(1) Financial statements signed and sealed by the legal representative, Chief Financial Officer and the accounting director of the Company.

(2) The original copy of audit report containing the seal of the accounting firm and the signature and seal of the certified public accountant.

(3) The original copies of all documents and announcements of the Company which have been publicly disclosed in newspapers designated by the China Securities Regulatory Commission during the Reporting Period.

(4) The original text of the 2023 annual report signed by the chairman of the Board of Directors.

(5) The place where the above documents are maintained: the office of the Company's Board of Directors.

Definitions

Term	Description
Reporting period	January 1, 2023 to December 31, 2023
The same period of previous year	January 1, 2022 to December 31, 2022
The Company, the listed Company, SF Holding, SF	S.F. Holding Co., Ltd.
RMB	Renminbi
Dingtai New Materials	Ma'anshan Dingtai Rare Earth and New Materials Co., Ltd., the predecessor of S.F. Holding Co., Ltd., was renamed to S.F. Holding Co., Ltd. in February 2017.
Taisen Holding	Shenzhen S.F. Taisen Holding (Group) Co., Ltd., a wholly-owned subsidiary of S.F. Holding Co., Ltd..
Major asset restructuring	In December 2016, all assets and liabilities (exchange-out assets) of the Company's predecessor, Dingtai New Materials, were replaced with the equivalent 100% equity (exchange-in assets) of Taisen Holding held by all shareholders of Taisen Holding as of December 31, 2015, the valuation benchmark date. The difference between the exchange-in assets and the exchange-out assets was purchased by Dingtai New Materials, the Company's predecessor, from all shareholders of Taisen Holding, in the form of issuing shares.
Mingde Holding	Shenzhen Mingde Holding Development Co., Ltd., the controlling shareholder of S.F. Holding Co., Ltd.
Kerry Logistics	Kerry Logistics Network Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (00636.HK), is a holding subsidiary of S.F. Holdings Co., Ltd.
SF INTRA-CITY, Intra-city Industrial	Hangzhou SF Intra-city Industrial Co., Ltd., a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (09699.HK) is a holding subsidiary of S.F. Holdings Co., Ltd.
SF REIT	SF Real Estate Investment Trust, listed on the Main Board of the Stock Exchange of Hong Kong Limited (02191.HK), is an associate of S.F. Holding Co., Ltd.
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
HK Stock Exchange	The Stock Exchange of Hong Kong Limited
HK SFC	The Securities and Futures Commission of Hong Kong

I. Company Information

Company Information

Stock Abbreviation	SF Holding	Stock Code	002352
Stock Exchange	Shenzhen Stock Exchange		
Chinese Name of the Company	順豐控股股份有限公司		
Chinese Name Abbreviation of the Company	順豐控股		
English Name of the Company (If Any)	S.F. Holding Co., Ltd.		
English Name Abbreviation of the Company (If Any)	SF Holding		
Legal Representative of the Company	Wang Wei		
Registered address	Room 101, Huaide Road No. 46, Huaide Community, Fuyong Street, Bao'an District, Shenzhen		
Zip Code of Registered Address	518103		
Historical Changes of the Registered Address of the Company	In January 2018, the registered address of the Company was changed from "Dangtu Industrial Park, Ma'anshan City, Anhui Province" to "Room 801, Floor 8, Wanfu Building, No. 303, Fuyong Avenue, Bao'an District, Shenzhen In February 2023, the registered address of the Company was changed from "Room 801, 8/F, Wanfu Building, No. 303 Fuyong Avenue, Baoan District, Shenzhen" to "Room 101, No. 46 Huaide South Road, Huaide Community, Fuyong Street, Baoan District, Shenzhen"		
Office Address	Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen, Guangdong Province, China		
Zip Code of Office Address	518057		
Company Website	www.sf-express.com		
Email	sfir@sf-express.com		

Contacts and Contact Methods

	Board Secretary	Securities Affairs Representative
Name	Ling Gan	Jing Zeng
Address	Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen, Guangdong Province, China	Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen, Guangdong Province, China
Tel No.	0755-36395338	0755-36395338
Fax	0755-36646688	0755-36646688
Email	sfir@sf-express.com	sfir@sf-express.com

Information Disclosure and Location of Annual Report

Stock Exchange Website for the Annual Report Disclosed by the Company	Shenzhen Stock Exchange
Name and Website of Media for the Annual Report Disclosed by the Company	Securities Times, Shanghai Securities News, China Securities Journal, Securities Daily and CNINFO (www.cninfo.com.cn)
Place Where the Annual Report is Available for Inspection	Office of the Board

Registration Changes

Organization Code	91340500150660397M
Changes in Main Business Since Listing of the Company (If any)	There was no change during the Reporting Period.
Historical Changes in Controlling Shareholders (If any)	There was no change during the Reporting Period.

Other Relevant Information

Accounting firm engaged by the Company

Accounting Firm Name	PriceWaterhouseCoopers Zhongtian LLP.
Office Address of the Accounting Firm	Floor 11, PricewaterhouseCoopers Center, Tower 2 of Link Reit Corporate Plaza, No. 202, Hubin Road, Huangpu District, Shanghai, China
Signing Accountants' Names	Lin Chongyun, Liu Yufeng

Sponsor institution engaged by the Company to perform continuous supervision duties during the Reporting Period

☐ Applicable √ Not applicable

Financial adviser engaged by the Company to perform continuous supervision duties during the Reporting Period

☐ Applicable √ Not applicable

"SF Holding is the largest integrated logistics service provider in China and Asia, and the fourth largest in the world.[1]"

With the logistics ecosystem as a focal point, the Company has continually developed its portfolio of product and service capabilities, and has expanded to cover time-definite express, economy express, freight, cold chain and pharmaceuticals logistics, intra-city on-demand delivery, international express, international freight and freight forwarding, and supply chain, to provide customers with domestic and international end-to-end one-stop supply chain services. Meanwhile, through leveraging leading technology and research and development capabilities, the Company strives to create a digital supply chain ecosystem, and become a front runner in global intelligent supply chain.

With the aim of sustainable and healthy development through visionary and forward-looking strategic planning, for the past 31 years, the Company has accurately seized opportunities to expand its scale, maintain industry leadership, and has become the leading logistics company in China and Asia. The Company was ranked 377th on the Fortune Global 500. The Company's flagship product, time-definite express, has dominant market leadership in China, and through leveraging the network resources and capabilities for its time-definite express, the Company has rapidly and efficiently expanded into new logistics service sub-segments, covering from small parcels to bulk and heavy cargoes, from standardized express delivery to customized supply chain services, and from China to Asia and further to the world. The Company is the market leader in China[1] across five logistics sub-segments including express, freight, cold chain, intra-city on-demand delivery[2] and supply chain[3], and the market leader in Asia[1] across four logistics sub-segments including express, freight, intra-city on-demand delivery[2] and international business[4] in Asia.

Looking ahead, the Company is committed to becoming the leading global logistics company connecting Asia and the world. The Company will solidify its market leadership in China and continue to expand its presence in Asia and globally; rapidly replicate its proven domestic know-how to overseas networks, and expand globally by leveraging its well-recognized brand, leading cost advantages and integrated logistics service capabilities to drive the sustainable and healthy growth of the Company, so as to become the go-to logistics partner of global business customers and retail customers to foster shared-growth and co-create enduring value.

Extensive Scale

Largest in Asia

4th Largest Globally
Integrated logistics service provider[1]

Undisputed Leadership[1]

No. 1 in Asia
Express, LTL Freight, Intra-city On-demand[2], International[3]

No. 1 in China
Express, LTL Freight, Cold Chain, Intra-city On-demand[2], Supply Chain[4]

Premium Brand

No. 1
Customer satisfaction for express services in China

14 years in a row

[1] According to Frost & Sullivan Report, in terms of revenue in 2022

[2] Among third-party intra-city on-demand delivery service providers

[3] Among non-state-owned independent third-party supply chain solution providers

[4] Among the integrated logistics service providers in Asia

Business Segments

Express Logistics

Time-definite Express

Provide time-definite and high-quality door-to-door delivery service for consumers, enterprises, and mid- to high-end brand merchants

- Options of half-day delivery, same-day delivery, next morning/next day delivery, taking into account on shipping route and distance;
- addressing time-efficient and door-to-door delivery demands such as personal pieces, industrial and commercial pieces, mid- to high-end brand order fulfillment, parcel return services for e-commerce platforms, immediate response in JIT mode of production and distribution, and other scenarios.

Economy Express

Provide cost-effective and quality-guaranteed delivery services mainly for e-commerce platforms and merchants

- We focus on serving e-commerce platforms and merchants with stringent requirement on user experience by virtue of our high-quality fulfillment capabilities, standing out in the market attributable to timeliness and door-to-door delivery;
- Integrated warehousing and distribution service to serve warehousing needs arising from differentiated service offering and pricing level, with nationwide sub-warehouses, smart cloud-based warehouses and integrated warehousing and distribution service.

Freight

Mainly for customers in manufacturing and commercial distribution sectors with demand for large parcel distribution and bulk transport

- **Large parcel land transport:** Provide large parcels B2C delivery for e-commerce platforms and merchants, B2C store transport and allocation, less-than-truck-load freight transport and full-truck-load transport;
- **Extended services:** large parcel warehousing and distribution, moving, store distribution, delivery and installation integration, and other scenarios;
- SF Freight carried out through directly-operated network to serve mid- to high-end customers while SX Freight carried out through franchising network to serve a broad-based economy market.

Cold Chain and Pharmaceutical Logistics

Mainly for customers from three sectors: seasonal and fresh, frozen food and pharmaceutical

- **Seasonal and fresh food logistics:** deliver seasonal agricultural products across China directly from place of origin to consumers;
- **Cold chain food logistics:** Provide high-standard B2B2C end-to-end temperature-controlled cold chain logistics services;
- **Pharmaceutical logistics:** Serve clients throughout the entire pharmaceutical value chain, capable of conducting multi-temperature zone control and transportation (from -80°C to 25°), and GSP certified pharmaceutical cold storage service.

Intra-City On-demand Delivery

Provide on-demand distribution service mainly for restaurants, retail/e-commerce merchants, individuals and enterprises;

- Provide exclusive, concessionary and value-added To B services, and To C service offering matrix integrating features of "Fetch for Me, Deliver for Me, Purchase for Me, Solve for Me" and city-wide on -demand delivery services within average 1 hour.

Supply Chain and International

International Express

Provide domestic and foreign manufacturers, trading enterprises, cross-border e-commerce merchants and consumers with international express delivery, overseas local express, cross-border e-commerce parcel delivery and overseas warehousing services;

- **Cross-border standard express:** Standard services with high timeliness that meet the needs of cross-border expedite delivery, including high-quality international standard express and cost-effective international special-offer products;
- **Cross-border e-commerce delivery:** Cost-effective and economical services that meet the needs of cross-border e-commerce platforms and merchants, including efficient international e-commerce express and economical international small parcels delivery;
- **Overseas local express:** Offered in Southeast Asian countries such as Thailand, Vietnam, Malaysia, Singapore, Indonesia.

International Freight and Freight Forwarding

Provide customers with air, sea, railway, land and multi-modal freight transport solutions;

- **Air transport:** provide air transport services such as pick-up at departure point, multiple integration, customs clearance, delivery to end customer;
- **Sea freight:** provide sea freight service including all kinds of traditional freight, FCL freight and LCL freight;
- **Land transport:** provide innovative and economical road and railway transport services across Europe and Asia.

Supply Chain

Provide customers in various industries with domestic and international end-to-end supply chain solutions;

- Empowering customers with technology, leveraging SF's big data, IoT technology and software and hardware system integration capabilities to help customers establish the smart supply chain;
- Fenghao Supply Chain and New HAVI mainly provide local supply chain solutions in China; while Kerry Logistics mainly provide global integrated logistics services and supply chain solutions.

II. Key Operating and Financial Data

Results Overview for 2023

Revenue

RMB258.4 billion ↓3.39%

Total assets

RMB221.5 billion ↑2.14%

Gross profit

RMB33.1 billion ↓0.85%

Net assets attributable to the parent company[3]

RMB92.8 billion ↑7.57%

Net profit attributable to the parent company[1]

RMB8.23 billion ↑33.4%

Basic earnings per share

RMB1.70/share ↑33.9%

Net profit attributable to the parent company after deducting non-recurring profit or loss[2]

RMB7.13 billion ↑33.7%

Cash dividend per share[4]

RMB0.6/share ↑140%

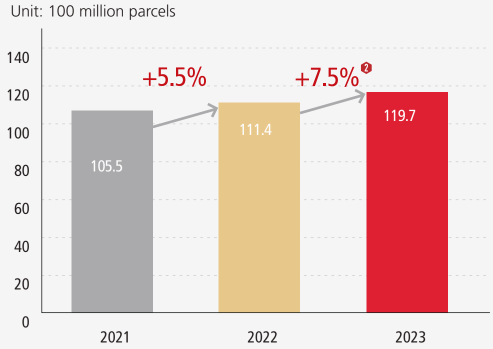
Return on net asset[5]

9.19% +1.85%

Notes:

1. Net profit attributable to the parent company refers to net profit attributable to shareholders of the listed company
2. Net profit attributable to the parent company after deducting non-recurring profit or loss refers to the net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss
3. Net assets attributable to the parent company refers to net assets attributable to shareholders of the listed company
4. The Company's 2023 annual profit distribution plan need to be approved by the general meeting of the shareholders
5. Return on net assets refers to the weighted average return on net assets

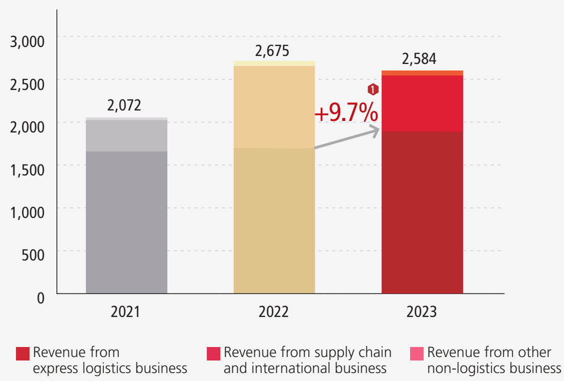
Total Volume[1]



[1] Neither include the express volume of Kerry Logistics, nor include the business volume of international freight forwarding and supply chain

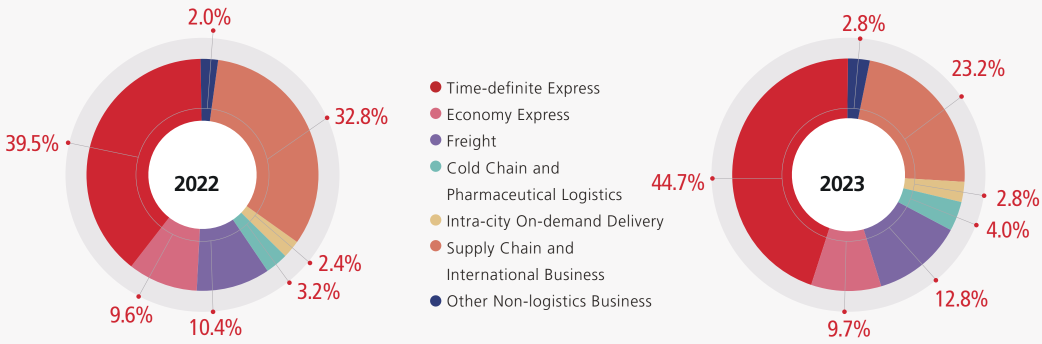
[2] Excluding Fengwang business, the volume of parcels increased by 16.2% year-on-year

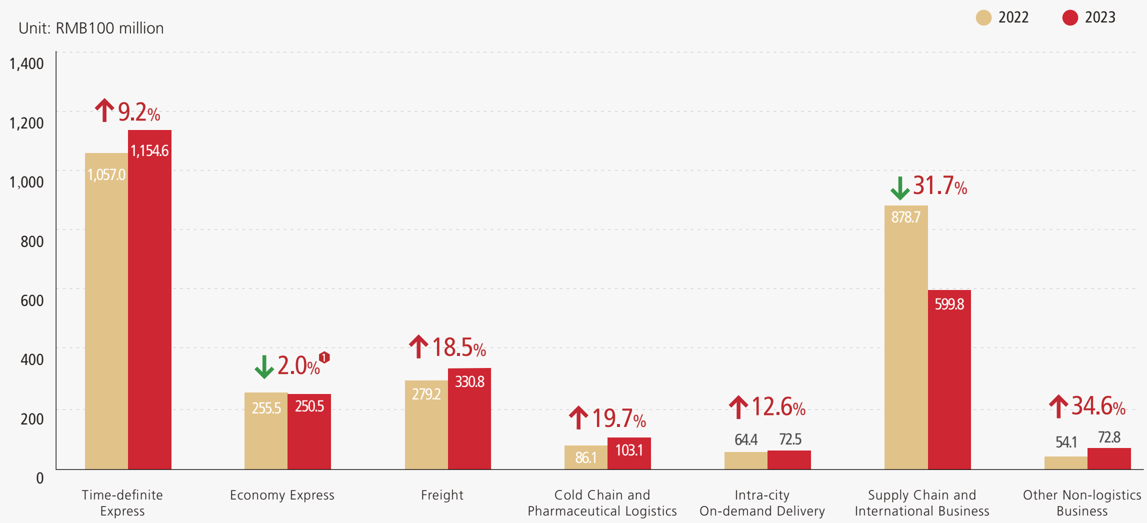
Total Revenue



[1] This is the year-on-year growth rate of revenue from express logistics business. Excluding Fengwang business, the revenue increased by 11.3% year-on-year

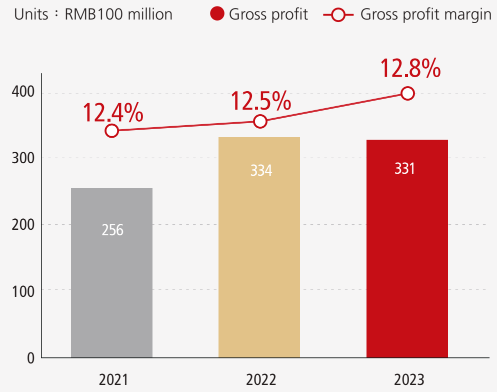
Revenue Breakdown by Segment



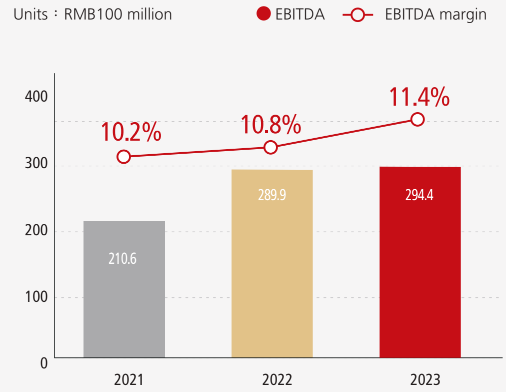


[1] Excluding Fengwang business, the revenue of Economy Express increased by 8.6% year-on-year

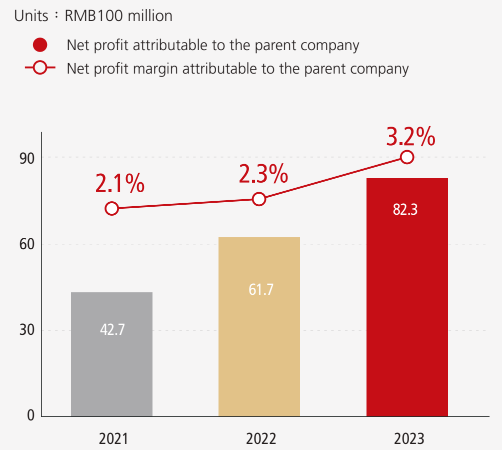
Gross profit



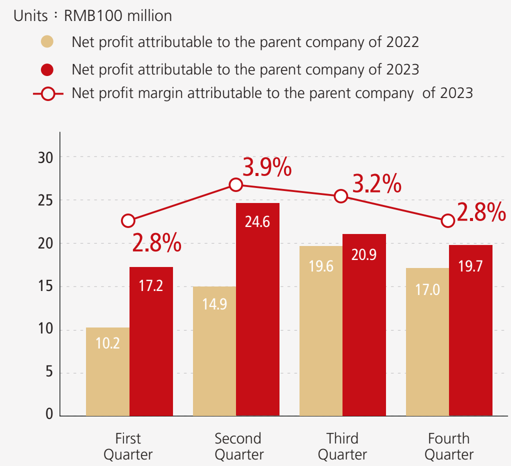
EBITDA



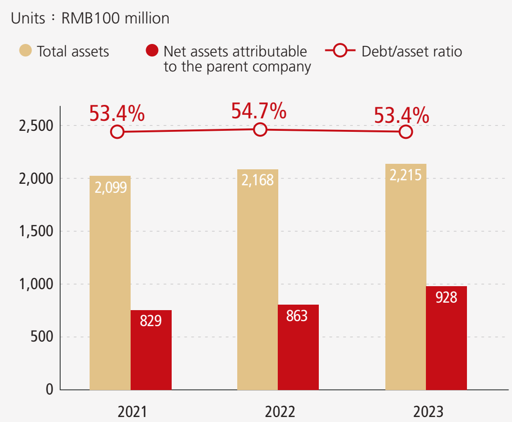
Net profit attributable to the parent company



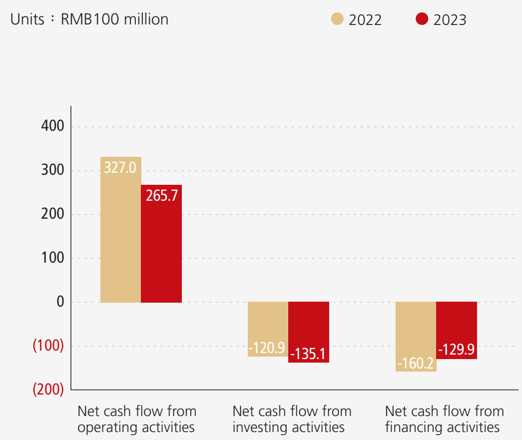
Quarterly net profit attributable to the parent company



Assets



Net cash flow



Financial summary

Major accounting data and financial indicators

(RMB'000)	2023	2022	Changes in this year over the previous year	2021
Revenue	258,409,403	267,490,414	-3.39%	207,186,647
Cost of revenue	225,273,833	234,072,360	-3.76%	181,548,507
Gross profit	33,135,570	33,418,054	-0.85%	25,638,140
Net profit attributable to shareholders of the parent company	8,234,493	6,173,764	33.38%	4,269,098
Net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss	7,133,730	5,336,924	33.67%	1,834,199
Net cash flow generated from operating activities	26,569,819	32,702,947	-18.75%	15,357,605

Note: The Company does not need to retrospectively adjust or restate the accounting data of previous years; the lowest annual net profit before and after the deduction of non-recurring profit or loss in the most recent three fiscal years is positive, and the audit report of the most recent year shows that there is no uncertainty as to the Company's ability to continue as a going concern.

(RMB'000)	End of 2023	End of 2022	Changes at this year-end as compared with the end of the previous year	End of 2021
Total assets	221,490,655	216,842,707	2.14%	209,899,982
Total liabilities	118,206,995	118,556,658	-0.29%	111,984,735
Net assets	103,283,660	98,286,049	5.08%	97,915,247
Net assets attributable to shareholders of the parent company	92,790,344	86,263,741	7.57%	82,943,226
Gearing ratio (%)	53.37%	54.67%	A decrease by 1.30 percentage points	53.35%

(RMB)	2023	2022	Changes in this year over the previous year	2021
Basic earnings per share	1.70	1.27	33.86%	0.93
Diluted earnings per share	1.70	1.27	33.86%	0.93
Weighted average return on net assets (%)	9.19%	7.34%	An increase by 1.85 percentage points	6.81%

Major financial data by quarter

(RMB'000)	First quarter	Second quarter	Third quarter	Fourth quarter
Revenue	61,048,078	63,317,520	64,646,001	69,397,804
Cost of revenue	52,588,410	54,966,870	56,903,738	60,814,815
Gross profit	8,459,668	8,350,650	7,742,263	8,582,989
Net profit attributable to shareholders of the parent company	1,720,058	2,456,224	2,088,176	1,970,035
Net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss	1,517,130	2,188,179	1,840,603	1,587,818
Net cash flow generated from operating activities	4,305,202	9,519,625	7,151,267	5,593,725

There is no difference between the above-mentioned financial indicators or their total amount and the relevant financial indicators in the quarterly and interim reports disclosed by the Company.

Major financial data of operating segments

External income

(RMB'000)	2023	2022	Year-on-year change
Express and freight delivery segment	186,890,137	169,764,860	10.09%
Intra-city on-demand delivery segment	7,371,250	6,567,057	12.25%
Supply chain and international segment	62,859,302	89,916,599	-30.09%
Undistributed units	1,288,714	1,241,898	3.77%
Total	258,409,403	267,490,414	-3.39%

Net profit

(RMB'000)	2023	2022	Year-on-year change
Express and freight delivery segment	8,452,862	5,466,724	54.62%
Intra-city on-demand delivery segment	50,595	-286,903	117.63%
Supply chain and international segment	-534,501	1,945,862	-127.47%
Undistributed units	-86,037	-122,737	29.90%
Inter-segment elimination	28,690	674	4156.68%
Total	7,911,609	7,003,620	12.96%

Note:

(1) As the Company promoted business integration and adjusted its internal organisational structure accordingly, it adjusted the composition of its operating segments based on the changes in its business, and merged the former express segment and the freight segment into the express and freight delivery segment, and restated the figures for the same period of previous year.

(2) The corresponding relationship between the operating segments and the Company's principal business segments was: the express and freight delivery segment mainly includes time-definite express, economic express, freight, cold chain and pharmaceutical logistics, and other non-logistics business running by this segment; the intra-city on-demand delivery segment mainly includes intra-city on-demand delivery and other non-logistics business running by this segment; the supply chain and international segment mainly includes international express, international freight and freight forwarding, supply chain business, and other non-logistics business running by this segment; the undistributed units is mainly the segment that is not primarily engaged in logistics and freight forwarding, such as investment, industrial parks and other functional segments of the headquarters.

Non-recurring profit or loss items and amounts

(RMB'000)	2023	2022	2021	Description
Investment income from disposal of subsidiaries	268,204	32,314	1,808,638	Please refer to Note 5(2) of Chapter 10 Financial Statements for details.
Non-current asset disposal gains and losses (including the write-off part of the provision for impairment of assets)	46,668	374,595	105,502	
Government subsidies included in the current profit and loss (except for government subsidies that are closely related to the Company's normal business operations, in line with national policies and in accordance with defined criteria, and that have a sustained impact on the Company's profit or loss)	1,094,790	826,447	857,458	It mainly represents tax refund, fiscal subsidies for the logistics industry, transport capacity subsidy, etc.
Gain arises when the investment cost of an enterprise to obtain subsidiaries, associates and joint ventures is less than the fair value of the investee's identifiable net assets when it obtains the investment	–	–	2,375	
Except for the effective hedging business related to the Company's normal business operations, the profit or loss arising from changes in the fair value of financial assets and liabilities held by non-financial corporations, as well as profit or loss arising from the disposal of financial assets and financial liabilities	45,515	47,500	151,606	
Reversal of provisions for impairment of receivables that have been separately tested for impairment	61,608	94,297	46,264	
Other non-operating income and expenses other than the above	18,213	-73,330	-136,453	
Less: Income tax impact	276,330	235,481	381,549	
Impact on minority shareholders' equity (after tax)	157,905	229,502	18,942	
Total	1,100,763	836,840	2,434,899	

Note: The Company does not have other profit and loss items that meet the definition of non-recurring profit or loss; the Company does not define the non-recurring profit or loss listed in the Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Securities to the Public Non-Recurring Profit or Loss as recurring profit or loss.

Differences in accounting data under domestic and foreign accounting standards

1. Difference in the net profit and net assets in the financial reports disclosed in accordance with the International Accounting Standards and the Chinese Accounting Standards.

   ☐ Applicable √ Not applicable

2. Difference in the net profit and net assets in the financial reports disclosed in accordance with overseas accounting standards and the Chinese Accounting Standards.

   ☐ Applicable √ Not applicable

3. Explanation of reasons for differences in accounting data between domestic and foreign accounting standards.

   ☐ Applicable √ Not applicable

I. Industry Review in 2023

I. Macro Environment and Industry Growth

I) China's macro-economy has rebounded, and the revival of production and consumption has driven the express and logistics industry into a favorable growth

In 2023, China's economy has achieved a rebound, with manufacturing and consumption activities posting a recovery trend, supply chain operations returning to normal, and overall macro-economic growth remaining solid throughout the year. According to the data published by National Bureau of Statistics, China's GDP exceeded RMB126 trillion in 2023, representing an increase of 5.2% over the previous year, and China remains important and a stable force to the world economic growth. The total retail sales of consumer goods were RMB47.1 trillion, representing an increase of 7.2% over the previous year. The online retail sales of physical goods were RMB13.0 trillion, representing an increase of 8.4% over the previous year and contributing 31.9% to the total growth of consumer goods retail sales.

The consumption recovery and the steady demand for online shopping have led to continued growth in the domestic logistics and express industry. According to the data published by China Federation of Logistics & Purchasing, the average Logistics Prosperity Index of 2023 was 51.8%, increased by 3.2% over the previous year. The total cost of social logistics in 2023 was RMB18.2 trillion, representing an increase of 2.2% over the previous year and accounting for 14.4 % of the GDP. The market size of logistics continued to expand, showing the unique advantages and resilience of China as a supersize economy, among which the express market maintains the vitality and potential. According to the data published by the State Post Bureau, 132.07 billion deliveries were made in China in 2023, representing an increase of 19.4% over the previous year. In terms of parcel volume, China has ranked first in the world for ten consecutive years. The revenue of China's express delivery business of 2023 was RMB1.2 trillion, representing an increase of 14.3% over the previous year. The Average Selling Price (ASP) slightly decreased over the previous year.

II) International trade albeit sluggish, shows structural highlights, and emerging opportunities exist amidst the ups and downs of the international logistics market

In 2023, the global economy faced continued challenges, persistent inflation in developed countries, and low global trade growth due to the U.S. interest rates hike, yet China's trade import and export remained stable in general. According to the PRC General Administration of Customs, the total value of China's imports and exports in 2023 amounted to RMB41.8 trillion, increased by 0.2% over the previous year. The operation of foreign trade was stable in general and showed a quarterly improvement with structural highlights. The import and export of private enterprises has grown rapidly, with trade expanding with diverse trading partners. China's trade with economies involved in the Belt and Road Initiative experienced better growth than the overall growth. Besides, the export of emerging industries such as new energy and consumer goods including household appliances has expanded, reflecting the step from "Made in China" to "Created in China".

Influenced by the global macro-economy and trade obstacles, the overall demand for international logistics is slowing down to a certain extent. Experiencing a decline from the historical peak in 2022 to 2019 levels, the price for international air and sea freight remained relatively stable during 2023. At the end of fourth quarter of 2023, the impact of unstable international relations on the transportation capacity supply led to routes shrinkage and suspension, and the price for some of the sea freight routes rapidly rebounded. Benefiting from the robust cross-border e-commerce during peak season, China's emerging e-commerce platforms are vigorously exploring overseas markets, with increased demand for cross-border logistics and air transportation, driving the growth of international logistics and express services. Furthermore, along with the in-depth trade cooperation between China and ASEAN, RCEP (Regional Comprehensive Economic Partnership) member countries and countries involved in the Belt and Road Initiative, the industrial and supply chain were deeply interconnected with a smoother customs clearance of goods, spurring the development of international logistics and supply chain in China and across Asia.

II. Industry development and competition landscape

Domestic Market

I) The domestic logistics market is huge yet fragmented, with enormous room for leading companies to integrate and expand

China's logistics industry is highly competitive yet fragmented. Apart from the comparatively concentrated express sector, the industry concentration in other logistics sectors, including the LTL freight, cold chain logistics, integrated logistics and cross-border logistics, was still low. The Matthew effect in the logistics industry remained, with the strong getting stronger. According to the data published by the State Post Bureau, the CR8 of express delivery service brands of 2023 was 84%. China's overall logistics market is still fragmented, but it is also showing a trend of increasing concentration. According to the list of China's Top 50 logistics Enterprises for the Year 2023 (2023年度中国物流企业50强) published by China Federation of Logistics & Purchasing, the total revenue of the top 50 logistics enterprises on the list increased by 3% over the previous year, accounting for approximately 18% of the revenue of the entire logistics market. International logistics giants all expanded their network coverage and business domains through continuous mergers, acquisitions and integration. The size of China's logistics market has the potential to cultivate the world's leading logistics players and render enormous room for their potential future integration and expansion.

II) The rise of new consumption scenarios and business models drives the transformation of "logistics as express" and digital supply chain

The surge of emerging social, live e-commerce and local life services, and the rapid growth of new economy industries and consumption scenarios contributed to the demand for a highly responsive and flexible supply chain, leading a notable trend of "logistics as express". On the consumer end, express delivery services are penetrating into more daily life scenarios, with instant response and efficient delivery service becoming a necessity for e-commerce platforms and merchants to improve consumer satisfaction and adhesiveness. On the production end, the C2M (Customer to Manufacturer) model has been widely practiced in the manufacturing industry, evolving from scale production and distribution to JIT (Just in Time) instant production and channel-flattening. Production and supply have shifted to a small scale with delivery in batches to the terminal, causing more end-to-end time-sensitive service demands for enterprises, such as fast fashion industry customers requiring finished products to be laid out from the factory to the nationwide within 12 hours.

Along with business customers, the Company continuously iterated and innovated the supply chain system design, integrated the whole chain of production, channels, fulfillment and delivery to achieve effective coverage of target users, digital perception of demand, rapid production, and accurate delivery; accordingly, logistics service providers shall proactively build integrated supply chain service capabilities adapting to the Omni-channel digital inventory management. Leading express companies have actively transformed to supply chain service providers, implemented digital transformation in all aspects including internal network operations and external customer services, innovated digital application scenarios, cultivated digital service capabilities, and continuously promoted the application of intelligent, automated and visual technical equipment, improving logistics service efficiency. In the long run, the time-sensitive nature of express delivery enterprises will penetrate into more production and life scenarios, gradually into the entire logistics market, and continuously innovate and iterate the application of logistics technology, promote the transformation and upgrade of the digital supply chain, and realize cost reduction and efficiency.

III) E-commerce experiencing ecological renewal, while independent third-party and integrated logistics become corresponding competitive advantages

The surge of emerging e-commerce platforms and the diversified traffic further derived a huge demand for independent third-party and integrated logistics services. Commercially, emerging e-commerce enterprises would favor cooperation with third-party logistics enterprises without conflict of interest and independent of any e-commerce platform or merchant. Meanwhile, as the logistics demand of merchants and platforms has become increasingly complicated in terms of efficiency, products (e.g., cold chain), flow (e.g., returned parcels) and geography (e.g., cross-border), clients would prefer an integrated logistics service platform capable of in-depth cooperation, multi-channel, one-stop inventory management and delivery for better efficiency and lower management costs. As a result, independent third-party integrated logistics enterprises possess natural competitiveness to better seize the opportunities from the emerging social e-commerce and cross-border e-commerce.

Overseas Market

I) China's cross-border e-commerce and enterprises step into the international market, bringing overseas opportunities for domestic logistics service providers

With the increasingly urgent demand for Made in China going overseas, the global logistics network and operation capability play an important role to the internalization. China's cross-border e-commerce has flourished with potential further unleashed. According to the data published by the National Bureau of Statistics, the import and export values of China's cross-border e-commerce totalled RMB2.4 trillion in 2023, representing an increase of 15.6% over the previous year. The total value of exports was RMB1.8 trillion, increased by 19.6% over the previous year. In the long run, the improvement of the capacity and brand competitiveness of China's industrial chains and the expansion of overseas e-commerce platforms and e-commerce websites in the global consumer market will create a favorable environment and opportunities for China's logistics enterprises to go abroad. In recent years, China's logistics enterprises have been expanding new routes for international freight, integrating sea, land, air, rail, and multimodal transportation resources, expediting overseas access, continuously consummating the layout of overseas hubs, ground networks, and overseas warehouses, and further enhancing end-to-end cross-border services, thereby contributing to the proliferation and expansion of China's international logistics network.

II) Global Supply Chain Renovated, with Vibrant Economic Development in the Asia-Pacific Area and a Huge and Fast-Growing Potential Logistics Market

In the global logistics market of over USD10 trillion, logistics expenditure in Asia accounts for 45.4%. With Asia's strategic position as a global manufacturing center and in the global supply chain further enhanced, the introduction of trade agreements including RCEP to support the rapid penetration of cross-border and local e-commerce, trade within Asia and between Asia and the world has been strengthened, driving the demand for logistics and supply chains to expand and bringing more opportunities for logistics enterprises rooted in Asia. According to Frost & Sullivan, the total intra-Asia logistics expenditure of the major trade lanes is expected to reach USD249.5 billion in 2023 and USD328.4 billion in 2027, respectively. Among other things, China-Southeast Asia is the fastest growing trade lane in Asia, with logistics expenditure expected to grow at a CAGR of 11% from 2023 to 2027. The integrated China-Southeast Asia supply chain will become a key issue in Asia, bringing more international opportunities for China's logistics enterprises. Moreover, the Southeast Asia domestic logistics market hold great potential and represents a major and one of the fastest growing logistics markets outside of China, with e-commerce express being the primary growth driver. According to Frost & Sullivan, Southeast Asia domestic logistics expenditure is expected to reach USD489.0 billion in 2023, and further increase to USD640.3 billion in 2027, representing a CAGR of 7%. E-commerce penetration has increased in Southeast Asia from 3.5% in 2017 to 15.4% in 2022, and is expected to further reach 29.8% in 2027, bringing considerable local logistics demand. Therefore, China's logistics enterprises with an advanced layout of Southeast Asian networks and capable of providing logistics and freight forwarding services from Asia to the world would better manage the in-depth integration of the Asia-Pacific industrial supply chain, the rapid growth of domestic and multinational trade, gradually expand networks, improve end-to-end international supply chain service capabilities, and thereby achieve a global layout.

III. Positioning and Competitive Edge of the Company in the Logistics Industry

The Company's revenue amounted to RMB258.4 billion in 2023, marking the largest integrated logistics service provider in China and Asia, and the fourth largest player globally. The Company adheres to long-term sustainable and healthy development and foresight strategy. Amidst the ever-changing market, the Company is capable of promptly seizing opportunities, pursuing continuous innovation and reform, reinforcing service capabilities, and navigating through business cycles together with its clients.

I) Diversified Logistics Network Connecting Asia and the World

Through organic growth and expansion through mergers and acquisitions, the Company continuously built a one-stop integrated logistics service landscape with a more complete product system, a more comprehensive coverage network, and more diversified services, covering the end-to-end supply chain from production to sales, from home to abroad for clients. The efficient and reliable logistics infrastructure network continuously built the Company's competitive barriers. The company's services covered 100% of China's cities and 202 countries and regions around the world, and it was the largest shipper of air cargo in China with the largest cargo aircraft fleet. As of the end of 2023, the company owned and leased a total of 103 all-cargo aircraft, operating on 152 domestic and international routes, connecting 65 international airports. Additionally, the company has built and put into operation the first dedicated air cargo hub in Asia, the Ezhou cargo hub, which will help extend the Company's network from China to the world and further improve the competitiveness of the company's delivery timeliness. Meanwhile, the Company operates a wealth of land, rail, and sea transportation resources and routes to provide clients with domestic and cross-border LTL and bulk cargo multimodal transport services, and operates over 1,900 warehousing resources, 396 logistics complex, and more than 44,000 self-operated outlets and agency service points around the globe. Especially after the acquisition and integration of Kerry Logistics, the Company has enhanced its coverage in the Southeast Asia domestic market and its international freight forwarding capacity connecting Asia with the world. With a diversified logistics network and high-quality services, SF can work with customers from all walks of life to create an efficient domestic and international supply chain system.

II) Leading Position in Multiple Logistics Sub-Segments in China and Asia

Leveraging the time-definite and high-density network, with the "1-to-n" expansion strategy, the Company has quickly transformed from China's leading time-definite express operator into a leading global integrated logistics service provider. As to the time-definite express services, the Company occupied a clear leading share in the domestic market with its efficient, time-definite and safe door-to-door delivery, and is the market leader in China in terms of most logistics sub-segments including LTL freight, cold chain logistics, third-party intra-city on-demand delivery, and non-state-owned independent third-party supply chain solutions. The Company ranked first in terms of revenue from LTL transportation for four consecutive years (2020 to 2023) in the List of LTL Transport Enterprises in China* (中国零担企业排行榜) issued by Wetuc Think Tank* (运联智库), and ranked first for five consecutive years (2019 to 2023) in the "China Top 100 Cold Chain Logistics List" * (中国冷链物流百强企业榜) issued by the cold chain logistics professional committee of China Federation of Logistics and Purchasing. According to the data published by iResearch* (艾瑞咨询), SF Intra-city was China's largest independent third-party instant delivery service platform. According to Frost & Sullivan, the Company was also Asia's largest provider of overall express delivery, LTL freight delivery, intra-city on-demand and had the largest international operation among Asia-based integrated logistics service.

III) Winning Business Model – Directly Operated, Integrated and Independent

The Company directly operates the entire end-to-end delivery process from first-mile pickup to last-mile delivery, ensuring a highly unified top-down strategy and rapid business execution for a swift adaption to market changes, and successfully incubates more new business formats within a short period of time. In addition, the Company has strong operational control, agile resource allocation and full-cycle standardization capabilities, backing the Company's first ranking of delivery timeliness and overall customer satisfaction over the years.

Second, the Company's integrated capabilities enable it to offer a full-spectrum of services, standardized or customized, to address a full range of customers' logistics demand, capture greater share in the customers' supply chain service, and achieve rapid growth by continually cultivating a deeply collaborative group of key customers. Third, the Company is the only integrated logistics service provider of scale in China that is independent of major e-commerce platforms, allowing for its impartial services to customers, with over 1.95 million customers with active credit accounts and over 663 million retail customers as of the end of 2023, and is capable of grasping emerging opportunities and build long-term sustainable relationships with customers under the evolving market of new retail platforms and businesses.

IV) Advanced Technologies for an Efficient and Intelligent Supply Chain

With logistics appearing as the express and customers' increasingly pursuing the supply chain of swift response, flexibility and elasticity, technology has become an indispensable part of the digitalized, automated and intelligent supply chain. The Company has consistently striven to technology capability advancement, research and development and innovation for more digitalized and intelligent logistics services and a both internal and external digital supply chain transformation. As of the end of 2023, the Company had approximately 4,600 research and development staff and over 4,093 patents and patent applications. Empowered by its proprietary technologies, the Company is able to forecast demand accurately, allocate resources optimally, make decisions intelligently, and continuously drive operational efficiency. Moreover, years of precipitated technological capabilities and digital solutions allow for the Company's in-depth collaboration with customers of varied industries on optimal supply chain strategic decision and operational efficiency. Continuous commitment in technology and innovation grants the Company its technological capabilities, evidenced by international awards such as "World Internet of Things Ranking List"* (世界物联网排行榜) by World Internet of Things Convention in 2022 and 2023, and "Fortune Magazine's Most Influential IoT Innovation List"* (《财富》最具影响力物联创新榜) by Fortune Magazine.

V) Quality Services for Unparalleled Brand Value

"Let me SF this to you" has become synonymous with "Let me express mail this to you." In China, our household brand name has become a commonly used verb for time-definite express. The Company's name has become associated with premium services. Many business customers actively advertise their use of SF delivery for consumers' impression and trust on their service quality. As published by the State Post Bureau, the Company has been ranked first for 14 consecutive years (2009 to 2022) and the first three quarters of 2023 (annual results not yet released) for overall customer satisfaction; Due to the peer-leading track record in providing premium services, the Company has accumulated the most extensive customer base across varied industry sub-segments, with high customer loyalty and stickiness, and served as a reliable logistics partner for customers.

For details of the Company's core competitiveness, please refer to "3. Core competitiveness" in "Chapter 3 Management Discussion and Analysis".

Overall, both China and Asia have an enormous logistics market. Though securing a leading position across industry verticals, the Company still has tremendous promise for future integration and expansion under the huge and fragmented potential logistics market. The strategic vision, prospective business layout, high-quality service, and strong technology capabilities will contribute to the Company's excelling and everlasting success from the competition.

II. Business development of the Company

1. Customer Operation[1]

By adhering to the strategy of "Deepen industry penetration, expand business scenarios and product offerings", the Company continues to improve its customer management system based on customer stratification to enhance its differentiated service competitiveness and operational efficiency.

I) Customers with active credit accounts

As of December, 2023, the number of customers with active credit accounts[2] amounted to 1.95 million, an increase of 7.7% year-on-year over approximately 140,000 as compared with December, 2022.

(1) SKA (strategic key accounts): Integrating the intracompany's advantages in well-established operational coverage across the supply chain solutions, continuously enhancing the Company's ability to provide solutions with competitive edges, in line with the strategy of and business plan to SKA, extending solutions coverage towards core logistics scenarios from the supply chain of top customers in the industry, fostering steady growth of the Company's customer wallet share and supply chain solutions, the revenue from SKA grew significantly faster than that of customers with active credit accounts in general, and the profitability continued to optimize.

(2) KA (key accounts): ① Customer Focus: The Company focused on top customers in industry segments based on layered Customer Relationship Management through continuously improving customer portrait. Meanwhile, the Company subdivided the KAs into core KA, key KA and potential KA, and adopted customized customer management in terms of multi-dimensional customer relationship building, resource support, service team matching, differentiated guarantee solutions to realize the full supply chain coverage with customers at the core. ② Business Expansion: Focusing on nine major industry sub-segments of high growth and potential, the Company integrated all kinds of internal resources according to the supply chain demand and promoted business development capabilities of supply chain solutions to achieve positioning. During the business execution of supply chain solutions, the Company accumulated the logistics scenarios and successful cases from upstream and downstream of the supply chain and applied the same to similar customers in the industry.

(3) SME (small and medium-sized enterprises): The Company put the strategy of **professional solutions for revenue growth and fine services for customer satisfaction** at the core to improve service quality provided to the SME. ① **Existing Customer Management:** Leveraging its market insights, the Company seized the real-time opportunities in heated industries to promote the realization of closed-loop end-to-end customer management. ② **New Business Expansion:** The Company explored growth opportunities by developing new business scenarios while integrating internal and external resources to offer a mixed portfolio of multiple products. ③ Customer Satisfaction Enhancement: With customers at the core, the Company focused on the response within 24 hours and timely resolution to customer opinions from the business end to enhance the overall customer satisfaction.

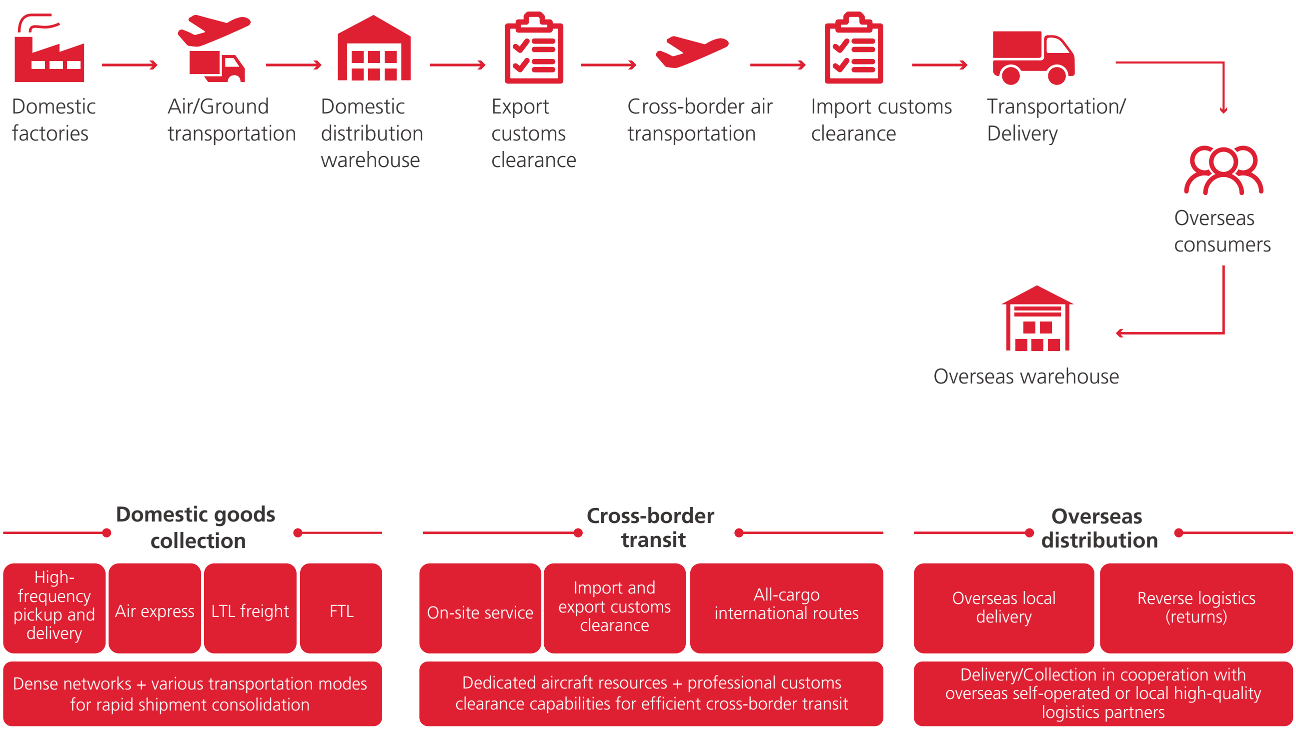
[1] The statistics in this sub-section exclude the customer data of Fenghao Supply Chain, New HAVI and Kerry Logistics

[2] The number of active credit account clients refers to the customers that entered into business agreements with the Company and still transacted with the Company as of December, 2023

(4) Key Industries initiative and achievements:

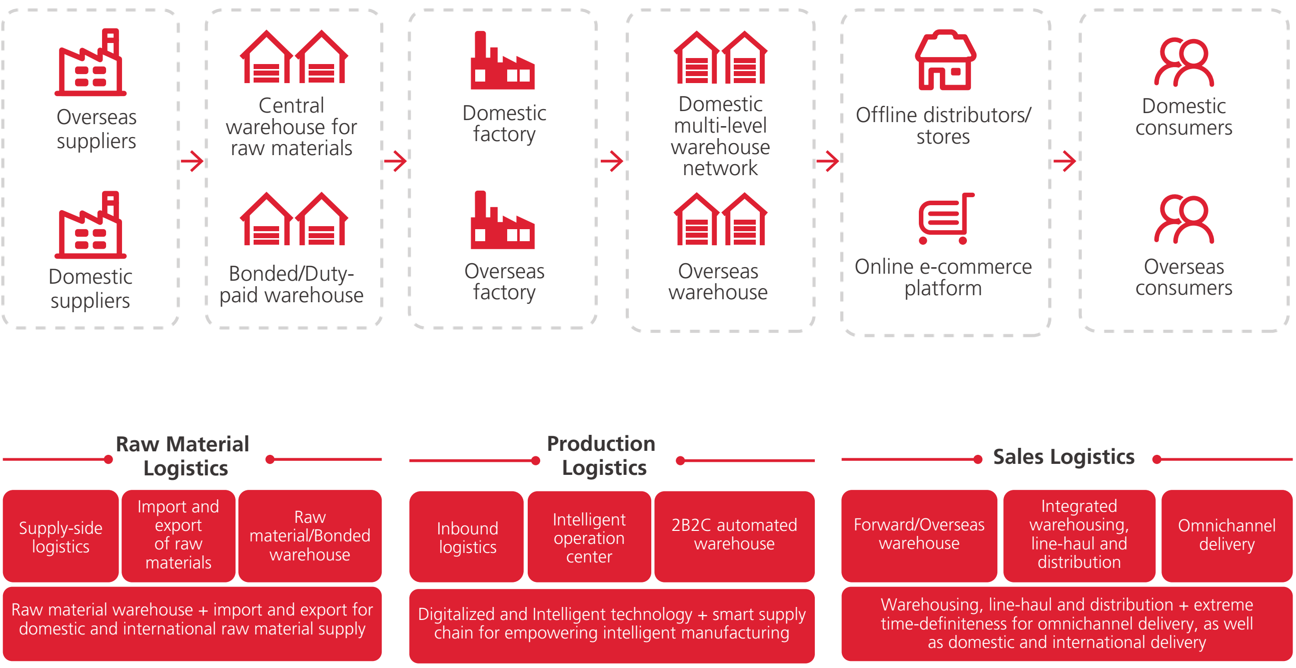
① **E-commerce and distribution: a. Developing e-commerce parcel return services:** The Company continuously expanded cooperation with major e-commerce platforms for parcel return services, ensuring wallet share from the existing platform customers while developing business with emerging platforms, and promoted the rapid growth of e-commerce parcel return orders. In addition, the Company provided differentiated services including door-to-door pickup within 1 hour, night pickup, and value-added services such as goods inspection for more competitive services and larger business scale. **b. Serving new e-commerce industry trends:** Seizing the opportunity of emerging e-commerce platforms, the Company built warehouse networks in varied modes, and provided platforms with integrated warehousing and distribution services including warehouse operations, delivery of orders from online shops, and bonded warehouse distribution based on the Company's high-frequency transit and multi-shift distribution advantages. The Company also provided benefits such as door-to-door services, time-definite delivery, and rapid delivery of forward warehouses. Through exclusive products and service capabilities, the Company improved its wallet share on e-commerce platforms and further reduced the logistics CCR (Consumer Complaint Rate). **c. Facilitating cross-border e-commerce:** The Company speeded up the expansion of cross-border e-commerce services, optimized and replicated the experience of the first-mile pickup to form scale effects, enriched international aviation resources to grasp key advantageous flight schedule, enhancing the end-to-end efficiency and dynamic monitoring capabilities for the direct delivery from home to abroad. The Company contributed to the business development of cross-border services and in turn intensified the Company's international express aviation network and efficiency.

Boost the Efficient Global End-To-End Delivery of Cross-border E-Commerce Platforms



② **Communication and Advanced Technology: a. Building smart warehousing:** Focusing on development of top industry customers, the Company has successfully built intelligent, automated, and visualized warehouses for top customers from site selection, automated three-dimensional warehouse design and construction, customized warehouse management system development, and overall integration of automated equipment and systems. In 2023, several cooperation projects including central warehouses for raw materials/products/imported bonded goods have been implemented both domestically and overseas. **b. Developing the upstream and downstream supply chain**: Focusing on the warehousing of top customers, the Company developed the logistics demand from the supply chain ecosystem of upstream raw material supply, midstream device manufacturing, and downstream finished product distribution, providing integrated services of warehousing, line-haul and distribution. **c. Supporting International Supply Chain Layout:** In collaboration with customers, the Company contributed to overseas supply chain projects in some countries of Southeast Asia, and provided integrated supply chain services of overseas warehouses, as well as local and cross-border distribution, helping with customers' overseas supply chain coverage. By establishing efficient and flexible domestic and international supply chains for customers, the Company further expanded and stabilized its wallet share of global logistics among key accounts in the industry.

Focusing on leading 3C advanced technology customers to cultivate a domestic and international F2B2B2C supply chain

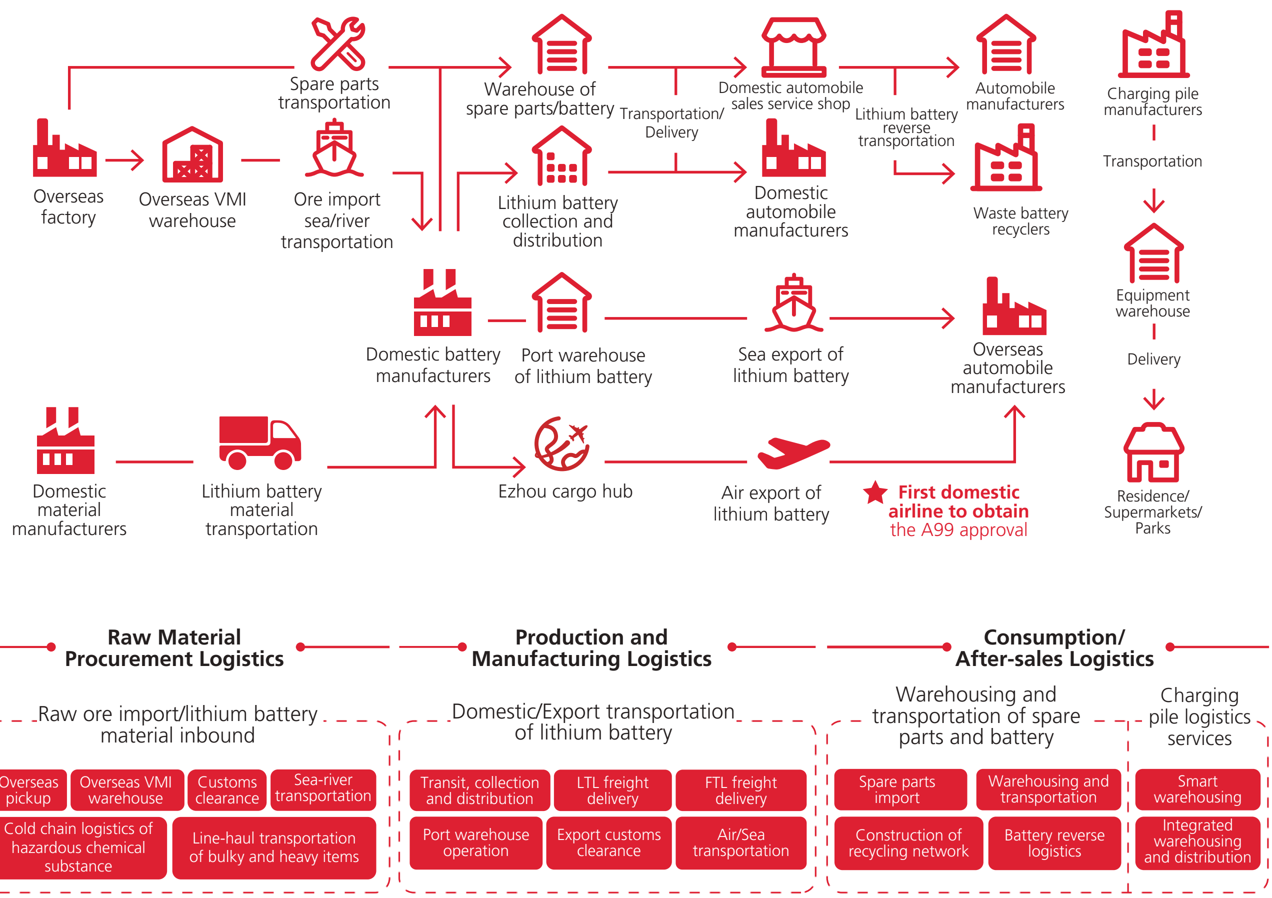


③ **Apparel, Footwear, and Hats:** Following the trend of green and low-carbon environmental protection, the Company actively explored with top luxury brands in the green supply chain, providing new services, products, and models under the green supply chain for transportation, while reaching the green and low-carbon strategic cooperation with customers under technology empowerment on logistics carbon footprint system and management covering the whole chain. The Company officially launched the green and low-carbon supply chain of "Carbon Neutrality Acceleration Project", achieving the first waybill-level carbon calculation, making it a global benchmarking enterprise for carbon peaking and carbon neutrality. Together with its customers, the Company built a green and sustainable supply chain ecosystem, further consolidating the strategic partnership between global top brands and the Company, laying the foundation for more customers to likewise become green benchmarking enterprises in the future.

④ **Consumer Goods:** The Company assisted customers in supply chain transformation based on its smart supply chain capabilities such as warehouse network planning, sales forecasting, and intelligent replenishment. Based on the cooperation with leading fast-moving consumer goods customers' online channels, the Company has achieved breakthroughs on the construction of large-scale offline automated warehouse parks, gradually realizing the transition from online inventory to omnichannel management of online and offline inventory, helping with the integration of customers' supply chains under business to business and business to customers. For new business in the fast-moving consumer goods industry and better customer stickiness, the Company targeted integrated warehousing and distribution, as well as warehouse operation services as the priority, integrated internal and external distribution resources, provided differentiated services to match the varied customer demand on service quality and cost pricing, and continued to penetrate into customer groups from top high-end brands to mid-waist brand.

⑤ **New Energy:** The Company integrated internal supply chain resources and achieved breakthroughs in many new business scenarios of new energy lithium battery industry with advantages on automotive industry supply chain, hazardous chemicals transportation qualifications, aviation, and cross-border capabilities. The Company completed supply chain services including raw ore import, raw material incoming logistics, VMI warehouse and transportation of lithium spare parts, battery transportation and waste battery recycling, transportation and air/sea/land battery export and charging pile warehousing. Particularly, the Company fully integrated resources from SF Airlines and the Ezhou hub, and successfully completed the air export of large-scale power lithium batteries under the collaboration of various organizations and in cooperation with leading new energy vehicle manufacturers. This not only helped with the internalization of China's new energy industry, but also signified the Company's active participation in the construction of China's new energy industry supply chain system, which is expected to bring more business opportunities in the future.

Develop multi-scenario logistics services for the new energy supply chain of lithium battery



II) Retail customer

As of December, 2023, the number of retail customers amounted to 663 million, representing an increase of 13.5% year-on-year approximately 79 million as compared with December, 2022. The Company increased touchpoints with retail customers through multiple channels, online and offline, to ensure the growth of retail business.

(1) Online: ① **Multi Channels:** The new customers of SF APP registered on external platforms including WeChat/Alipay/Baidu was approximately 54 million during 2023. The total number of members of SF APP on private domains exceeded 100 million, with daily active users increased by 20.9% over the same period in 2022. In 2023, the Company innovatively launched the live broadcast function to facilitate the sales of characteristic products of locality and customer product sales, dug into users' personalized delivery demand with more lifestyle scenarios services such as snow gear delivery, luggage storage, laundry and recycling of used items, and released the "SF ID" function, through which users can set up exclusive ID codes for comprehensive privacy protection of personal information such as user addresses and phone numbers. ② **Membership Benefits:** The Company enriched the benefits enjoyed by varied membership levels for better user stickiness. The number of users with prime and above level memberships continued to increase, contributing freight charges of over 70% of the overall revenue for membership business. ③ **Prepaid Cards:** In 2023, the number of prepaid card recharges increased by 45.8% over the same period in 2022, and the amount of freight charges paid with prepaid cards increased by 29.2% over the same period in 2022, representing the rapid growth of prepaid business scale.

(2) Offline: Focusing on the customers' demands, the Company continuously deepened, expanded and increased the density of the offline channels, actively explored and improved the terminal delivery services to enhance its competitiveness in the last 100-meter service. ① **At the urban end,** the Company emphasized differentiated expansion and refined operation of channel management and established a channel operation system of classification, grading and layers through diversified channels of store and cabinet to identify and meet the differentiated delivery demand of customers in residential areas, schools, CBDs, transportation hubs, scenic spots, and other scenarios. ② **At the rural end,** through self-built town-level collection and distribution hubs and rural post stations, the Company established an intensive mode for express parcels to rural areas for better terminal services, and speeded up the construction of rural three-level logistics co-distribution service network to form the service scale and advantage of to-station, to-door and to-rural areas parcel delivery. With high-density and high-permeability stations in villages and towns, the average customer pickup distance decreased by 8.2 km. At the same time, the Company also built regional brands in cooperation with local governments and customers and developed platforms for selling with top internet celebrities and MCN organizations, contributing to the distribution of agriculture products and rural revitalization.

2. Business development

I) Time-definite express

In 2023, the Company's time-definite express business achieved tax-exclusive revenue of RMB115.46 billion, representing a year-on-year increase of 9.2%. With the steady recovery of domestic economy in 2023, the Company provided customers and consumers with stable and efficient delivery by taking advantages of its direct-operated network and dispatching capabilities and promoted the healthy growth of time-definite express business.

The Company continues to expand its top-notch time-definite services, improve service capabilities, and cover more service scenarios:

(1) Continuous improvement of the competitiveness of the SF speedy Express products: With "upgrading time-definite capabilities, enhancing customer experience and improving claims related service" as the three core focuses, the Company continues to enhance the product capabilities and service quality of SF speedy express, refines product timeliness standards, and drives market competitiveness through a combination of various resource modes. The average time of the product has been further reduced in 2023.

(2) Building an Intra-city Express Delivery Service Network for Extreme Fulfilment: Based on scenarios under the trend of life services, leveraging SF's high-frequency transit and multiple delivery capabilities, through the integration of internal high-quality resources, a more competitive intra-city express half-day delivery product is launched, achieving same-day delivery for afternoon shipments. By the end of 2023, the service has covered more than 200 cities; the "upper-layer warehouse, lower-layer transit" front warehouse + distribution series products have been launched, and the service has covered more than 100 cities by the end of 2023. The company has been built an open logistics service network around intra-large-city living circle delivery service and independent third parties, cutting into the intra-large-city delivery business scenarios that require a fulfillment time of 6-12 hours between instant delivery and economic circle cross-city delivery, optimizing the structure of SF's time-sensitive products, and obtaining new market increments.

(3) Optimising Model and Energetically Expanding the Bulk Express Air Transportation: With the principle of "resource integration and independent mode", a direct receiving and bulk dispatching mode between customers and airports is implemented at both collection and delivery ends, creating an independent transit mode with less transit and instant dispatch, and continuously improving the product capabilities and service quality of bulk express air transportation. In 2023, the number of core cities with direct receiving and dispatching services has increased to 73, the next-day timeliness completion rate has increased by 18 percentage points year-on-year, and at the same time, the business end has continuously expanded and broken through business scenarios such as extra-large and heavy items, and seasonal fresh, achieving a rapid growth in cargo volume.

(4) Differentiated Services helps to Expand E-commerce parcel return business: Leveraging the Company's competitive edge of door-to-door collection, by continuously creating differentiated service experiences and continuously expanding cooperation with various emerging e-commerce platforms, the volume of parcel return services for e-commerce platforms in 2023 has increased significantly year-on-year, helping the Company to increase its market share in the consumer online shopping return and exchange scenario.

(5) The commissioning operation of the Ezhou hub boosted time efficiency and business growth: In addition, the Company has initially completed the switch of domestic aviation hub routes to the Ezhou hub in the third quarter of 2023, and by the end of 2023, the Ezhou hub has opened 45 domestic routes and 10 international routes. Leveraging the advantages of professional aviation cargo hub and advanced automated transit center, the on-time rate of flights at the Ezhou hub averages over 92%, and the efficiency of cargo entry and exit, sorting and transit, and international parcel customs clearance has been greatly improved. The timeliness, stability, and service quality of the express delivery flow covered have been significantly improved. At the same time, some leading companies in the fields of 3C high-tech, intelligent manufacturing, and biomedicine have successively settled in SF hub transit center. The Company relies on the hub warehousing + automated sorting + air transport capabilities to provide customers with efficient 2B2C warehousing and distribution integrated services that can reach the whole country. With more industries settling in the vicinity of the hub in the future, it is expected to drive the development of SF domestic and international air cargo business and increase the scale of time-sensitive business.

II) Economy express

In 2023, the Company's economy express achieved tax-exclusive revenue of RMB25.05 billion, representing a year-on-year decrease of 2.0%. Adhering to the healthy operation, the Company completed the sale delivery of the franchise model Fengwang Express in June 2023, and revenue of economy express excluding Fengwang Express increased by 8.6% year-on-year. The Company strategically focuses on the mid-to-high-end e-commerce market, providing differentiated and high-quality fulfilment services to e-commerce platforms and e-commerce merchants.

(1) Improve product efficiency by selectively expanding E-commerce standard express business: In 2023, in relation to the e-commerce express segment, the Company sticked to the strategy of "Focus on core market and scale up" and promoted the e-commerce standard express products to maintain steady growth and achieve proven benefits through selecting preferred business regions, developing customers of good quality, refined management, and cost reduction in all segments. The Company strengthened cooperation with each of e-commerce platforms and actively expanded new business scenarios. In 2023, the Company cooperated with many major influential platforms in new business scenarios with time-definite and stable services, contributing to the development of their e-commerce segment and traffic monetization. In addition, the Company fully leveraged its market positioning as an independent third party, anchored mid-to-high-end e-commerce merchants and private platforms, provided high-quality warehousing and distribution services in all rounds for customers' business development, and expanded the Company's business scale of e-commerce express in a steady approach. In terms of product efficiency, through initiatives including strengthened internal refined management and cost saving throughout the chain to enhance product competitiveness and proven benefits, the e-commerce standard express achieved a decrease in unit operating costs, as well as profitability also improved.

(2) Consolidating warehouse networks, driving expansion of warehousing and distribution integration services: By virtue of the nationwide warehouse network resources, standardized warehousing and distribution products and solutions, professional operational team and end-to-end whole-chain systematic service capabilities, the Company provided customers with cost-effective integrated warehousing and distribution services. In 2023, the Company continued to enhance standardized, streamlined and digitalized management and optimized the foundation capability for better quality, efficiency and business expansion. ①**Service Coverage:** The Company's warehousing and distribution integration services covered all scenarios of the production, consumption, and cross-border supply chain, of which the warehouse network, composed of self-operated, franchised, and managed warehouses and with strategic layout across the country, is of efficiency, flexibility and complementarity. ②**Cost-Efficiency Improvement:** With scenario-based warehouse intelligent equipment and lean operation, the Company improved the efficiency in warehouse pickup by 20%, packaging by 30%, and parcel return by 16%, and strived for further cost efficiency, integration of warehouse network and inventory for better warehouse utilization, reducing the idle warehouse area by 62%. ③**Quality Assurance:** With a focus on better customer services and experience, the Company drove a significant increase in the fulfillment rate of KAs, reduced the complaint rate by 71% over the same period, and steadily improved customer satisfaction for higher customer stickiness.

III) Freight

In 2023, the Company's freight business achieved a tax-exclusive operating income of RMB33.08 billion, representing a year-on-year increase of 18.5%.

In 2023, the domestic economy showed signs of steady recovery. The growth rate of traditional manufacturing industries relatively slowed down, but the growth potential of technology industry, such as smart home appliances, medical equipment, new energy vehicles, and electronic communication equipment, is large, which put forward higher requirements for the timeliness, quality, and cost-effectiveness of freight delivery services, accelerated the transformation and upgrading of the logistics industry and brought new momentum to the industry growth.

The Company's freight delivery services adhere to the customer-centric and market-oriented principle and insists on the pursuit of sustainable development under the keynote of steady development and professional refinement. With the product concepts of leading timeliness, quality assurance, professional service, and cost-effectiveness, the market competitiveness is driven to promote the healthy growth of business scale, benefits, customer reputation, and recommendation rate. The daily less-than-truckload cargo peak volume of the direct-operated network exceeded 59,000 tons, and the daily peak less-than-truckload cargo peak volume of the franchise network exceeded 26,000 tons. The overall scale of freight delivery services remained industry-leading; and the business growth rate was higher than the industry average.

(1) Leading in high-value services. With leading timeliness as a core competitiveness, the Company further improved the timeliness of contract fulfilment and stability of delivery. Through measures such as speeding up short-haul routes within provinces/economic regions, strengthening investment in long-haul routes and optimizing dynamic timeliness commitments, the average service handle time for directly-managed products network was guaranteed to be steadily ahead of the industry. At the same time, the Company fully utilized the empty warehouse resources of the route to introduce cargo volume filling at targeted prices, improved business scale and cost efficiency. In addition, through measures such as operation difficulty stratification and the introduction of auxiliary tools, the collection and delivery efficiency of freight increased by 11%, the transit efficiency increased by 10%, the proportion of automated sites increased to 45%, and the rapid growth of scale and profit has been promoted.

(2) Industry innovation breakthrough. In the furniture industry, the Company used recyclable packaging materials to solve customers' pain of high damage and high cost, and lowered the damage rate by 14%. In the household appliance industry, the Company used the warehouse distribution model to increase efficiency and service quality and lowered the damage rate by 13%, forming a benchmark solution for shipping damages commonly seen in the home appliance industry. In the field of industrial manufacturing in production scenarios, the Company innovated its cost reduction method through adopting flexible operation modes of combining external resources. Under the new mode, the cost was lower, meeting the needs of production-type enterprises who attach great value to cost-effectiveness. The Company accumulated excellent and comprehensive freight delivery solutions in segmented industries.

(3) Strengthen integration and reduce costs. The Company continued to promote the full integration of its logistics networks, direct and franchise networks in various links such as transit, transportation, outlets, personnel, and cargo loading, to achieve unified planning of network layout, line layout, site collaboration, and resource investment, improve the coverage of freight delivery network capabilities and achieve cost reduction and efficiency increase.

SX Freight under the franchise model has continuously improved its chassis capabilities and business scale. In 2023, the number of franchise outlets exceeded 17,000, the cargo volume scale increased by more than 30% year-on-year, and the growth rate ranked first among all freight delivery franchises for six consecutive years. SX Freight adhered to the customer-centric principle, focused on user experience, through investments in service stations, routes, etc. continuously improved product competitiveness. It co-created and co-existed with the franchisees, shared and won with users, and won wide recognition and choice from the franchisees and users.

IV) Cold chain and pharmaceutical logistics

In 2023, the Company's cold chain and pharmaceutical logistics service achieved a tax-exclusive revenue of RMB10.31 billion, representing a year-on-year increase of 19.7%.

According to China Federation of Logistics and Purchasing, the market size of cold chain and pharmaceuticals logistics in China reached RMB517.0 billion in 2023, representing a year-on-year increase of approximately 5.2%. On the supply side, China has strengthened the construction of backbone cold chain logistics infrastructure and promoted the flattening of cold chain logistics channels through resource intensification. On the demand side, the rapid development of live-streaming e-commerce, the accelerated diversification and localization of fresh food consumption, the industrial trend of high-quality supermarkets, restaurant chains, and channels expanding to lower-tier markets all contributed to the highlighted market's demand for integrated cold chain logistics services, promoting the development of the cold chain logistics industry towards networking and standardization.

(1) Fresh and Seasonal Food Logistics Services

The service network for the Company to facilitate production and sales of agricultural products has covered more than 2,700 county-level cities nationwide and 226 categories covering more than 6,000 agricultural products. In 2023, the fresh and seasonal food logistics services expanded mainly in the following aspects: ①**Refined services:** With the integration of self-operated aircraft, cold chain, warehousing and other external cooperative resources, the Company addressed needs for agricultural products with different value hierarchy and time-definite needs, and formulated differentiated operation modes and refined pricing hierarchy, to improve business efficiency and served the lower-tier agricultural product market with a more cost-effective mode; ②**Innovation in business operation model:** The Company overcame regional intervals, built larger-scale cross-regional agricultural product sorting centers around industrial clusters, reduced transit nodes to improve transportation efficiency, and served the lower-tier market of agricultural products with a more optimal cost model; ③**Production and sales promotion:** the Company actively expanded live-streaming marketing and segmented scenarios, promoted production and sales matchmaking through live-streaming at the place of production, used rich agricultural product resources and experience accumulated over many years to select products for live-streaming platforms, in order to drive the e-commerce sales of agricultural products and bolster revenue increase. In the segmented scenarios such as pre-made meals, lychees, cherries and bayberries, the Company closely cooperated with local governments, associations, and leading brands, jointly held industry press conferences, and connected SF Airlines + warehousing + cold chain logistics + technology capabilities to formulate industry supply chain solutions and promote industry development; ④**Brand building:** The Company invested special funds for subsidies to cooperate with the government of the place of origin to jointly build 28 local agricultural product brands to help local brands expand national footprint and coverage; ⑤**Fresh food export:** With the Company's international express network capabilities, combined with professional packaging, cold chain logistics transportation, and full-process visualized monitoring, the Company is able to export products such as flowers and fruits to Southeast Asia and European countries at a faster pace. The Company is the first in China to export fresh fruits by individuals, helping Chinese fresh food brands go overseas and meet the demand of overseas users for Chinese agricultural products.

(2) Food Cold Chain Logistics Services

In 2023, the Company's food cold chain logistics services grew faster than the average industry pace, increased the Company's profitability, and continued to improve customer experience. ①**Improve end-to-end timeliness:** The Company responded to the trend of local e-commerce with intelligent warehousing and multi-warehouse collaborative solution. At the warehousing end, the Company focused on improving operational capabilities by optimizing the duration of in-warehouse production operations. At the transportation end, the Company matched the best shipping shifts with the production shifts, and integrated multiple shifts at the end, to create an efficient cold chain logistics service with capabilities to fulfil orders within hours, half-day, and before next morning. ②**Enhance service and solution capabilities:** In the ice cream field, the Company solidified the ice cream cold chain logistics operation system through measures such as compressing the time of warehousing, strictly controlling storage temperature, customizing personalized packaging materials and delivery requirements, to achieve differentiated service experience; In the field of low-temperature milk, by relying on the national cold storage layout, the Company established the JIT production model, greatly reducing inventory backlog and extending the sales time of customer goods; In the field of supermarkets, adhering to the service requirements of strict temperature control and timed delivery of supermarket stores, the Company formulated personalized SOPs and built a professional supermarket agreement fulfilment team. Currently, the Company's services have covered all core cities in China. ③**Innovate operating models:** For line-haul transportation, the Company researched and put into operation large-scale cold transportation vehicles equipped with "freezing + refrigeration + normal temperature" three-temperature functions, to maximize the use of transportation resource, and rapidly expand the cold chain logistics network. ④**Create high-quality benchmarks:** SF Cold Chain has been ranked first in Top 100 Cold Chain Logistics Enterprises in China*(中国冷链物流百强企业) for five years in a row and has been approved by the ISO22000 food safety management system certification. It has obtained the qualification of the pilot enterprise of the national standard GB/T40956 "Specification for Handover of Food Cold Chain Logistics"* (食品冷链物流交接规范). The Company will continue to improve service standards and establish high-quality cold chain logistics service benchmarks.

(3) Pharmaceutical Logistics Services

In 2023, the Company's pharmaceutical logistics services focused on "product upgrade, network upgrade, ensuring quality compliance", providing multi-scenario services centred on customers. **①Expand multi-scenario business:** In the field of Class II vaccines, the Company expanded its domestic warehousing for HPV vaccine and vaccine reverse recovery scenario services; In the field of IVD reagents, the Company continued to expand the business with the top customers in the industry, which in turn achieved proven Scaling effect through replication. The Company focused on F2B services in the pharmaceutical e-commerce field and temperature-controlled medicine B2C business to improve comprehensive service capabilities and quality through mode adjustment; the Company incubated professional service capabilities for biological samples and expanded the customer base. **②Upgrade products:** Through product refinement, scenario segmentation, and standard solidification, the Company improved the standards of temperature-controlled boxes and less-than-truckload services, gradually solidified operational capabilities and incubated scattered collection and dispatch service capabilities. **③Upgrade networks:** Through improving timeliness, expanding network coverage, increasing flight frequency and improving carrying capacity, the Company strengthened the operational capabilities of the pharmaceuticals cold chain logistics network; the Company increased the frequency of the use of thermal insulation boxes, introduced constant temperature cabins and other temperature-controlled containers, and combined various transportation resources for flexible operation to meet the demand for small batch less-than-truckload transportation with a better optimized operating model. In 2023, the timeliness of pharmaceutical less-than-truckload deliveries shortened by 17 hours, the cost per ton-kilometer decreased, and the network covered more than 300 cities. **④Develop industry standards:** The Company is heavily involved in the development of six industry standards, such as "Network Retail Drug Distribution Service Specification"*(网络零售药品配送服务规范) and "Pharmaceutical Cold Chain Logistics Delivery Service Specification"*(医药冷链寄递服务规范); in order to implement and respond to national standard and industry standard management requirements, the Company arranged employees to study for and obtain qualifications in dangerous goods operation and biosafety, to strengthen our compliance and operation standards; in 2023, we applied to become a pilot unit of the national standard "Medical Test Biological Sample Cold Chain Logistics Operation Specification"*(医学检验生物样本冷链物流运作规范) and "Drug Cold Chain Logistics Operation Specification"*(药品冷链物流运作规范).

V) Intra-city on-demand delivery

In 2023, the Company's intra-city on-demand delivery business achieved operating revenue (excluding taxation) of RMB7.25 billion, with a year-on-year increase of 12.6%.

During the Reporting Period, the Company's revenue achieved healthy growth, and profitability continued to improve significantly, marking the first year of annual profitability. This underscores our strong business quality and operational resilience.

(1) Sustainable optimization of business structure to drive high-quality growth

SF Intra-city empowers merchants with an open and inclusive on-demand delivery network and professional, efficient and comprehensive delivery solutions, and maintains extensive cooperation: ① deepening cooperation with existing KA brands, broadening channels for introducing quality merchants, expanding coverage continuously, and quickly accommodating new stores to meet merchant coverage needs, with the scale of annual active merchants reaching 470,000 during the Reporting Period; ② refining products based on key industries, festivals, holidays, and new scenarios to enhance capabilities to offer differentiated service, with high double-digit year-on-year growth in revenue of retail categories such as pharmaceuticals, beauty, maternity and baby products, pets, and jewellery; ③ strengthening network construction in lower-tier markets to provide more convenient on-demand delivery services for differentiated local lifestyle scenarios in counties, the revenue from such areas in 2023 expanded by 147% from the corresponding period of the previous year; ④ as one of the most widely and deeply connected third-party on-demand delivery service providers on the access platform of collaborating local lifestyle service vendors, the Company actively grasp the trend of diversified traffic sources by promoting the co-construction of ecosystems with various major local lifestyle service platforms; and ⑤ closely cooperating with various business lines of the SF Network to provide customers with integrated logistics solutions, giving full play to the advantages of SF Intra-city's delivery speedy fulfilment and helping the Group to generate revenue and enhance customer viscosity.

For consumers, SF Intra-city is committed to creating an industry-leading and professional on-demand fulfillment service. Our "Deliver for Me, Fetch for Me, Purchase for Me, and Solve for Me" services cover daily life and work scenarios such as errand running, medical healthcare, and business agency. During the year, the Company strengthened its rider management and focused on building up its service capabilities in urban business districts and office areas to create full-chain performance capability for high-value goods; increased touch points with intra-city express delivery users and meet the need for accelerating timeliness through channel partnerships; and improved service quality, optimised the membership system to effectively realize growth both in customer acquisition efficiency and new user conversion rates, improving the retention and repurchase rates of core individual users, and continuously strengthening the consumer mindset that "SF Intra-city, the first choice for urgent delivery of valuable items". The scale of annual active consumers continued to expand, Reaching approximately 20.5 million by the end of 2023.

(2) Leveraging integrated capabilities in logistics infrastructure to provide multi-scenario services

SF Intra-city has formed a flexible nationwide hourly/minutely delivery network, which effectively accommodates the needs of different types of customers, such as expanding the number of stores, enlarging the reach of delivery of stores, and extending operating hours. In 2023, SF Intra-city optimized and innovated its operating model, and strengthened operational efficiency in business districts around the stores of our top customers. SF Intra-city launched the Store Manager Tool that allows merchants to reach the Company swiftly to solve problems in a closed loop. During special circumstances such as e-commerce festivals, peak periods during holidays, and adverse weather conditions, SF Intra-city is able to fulfil its commitment to service quality and stability. Fluctuations in the fulfillment in-time rate during holidays and adverse weather are narrowed to less than two percentage points and three percentage points, respectively.

At the same time, the Company's flexible delivery network can cater to the multi-dimensional needs of customers to bolster their supply chain capabilities, and accelerate intra-city logistics as well as intra-city courier service. The Company can give full play to its unique time and cost advantages in scenarios such as "parcels collection", "delivery within half a day", and "delivery within an hour", thus making it possible to speed up and personalize services in all aspects of logistics.

(3) Intelligent upgrading of technology systems to support lean operations

SF Intra-city's City Logistics System ("CLS") has three core functions, including intelligent business planning and marketing management, integrated rider dispatch and intelligent order distribution, and intelligent operational optimization. Based on data analysis and algorithms, CLS can effectively predict order fluctuations, and comprehensively coordinate factors such as rider distribution and dispatch, route planning and store waiting times, to optimally match orders with riders in different industries, scenarios, and complex delivery networks.

For riders, the System fully considers the availability of riders to take orders, optimizes the rationality of rider dispatch and route planning to help riders effectively increase productivity and personal income. The System also enhances rider experiences in combination with rider incentive systems, considering rider delivery experiences, adverse weather conditions, night shifts and peak times, offering personalized dispatch support to enhance the platform's care with technological backing.

The Company is also actively exploring the application of smart logistics and unmanned delivery technology, hoping to make it an effective supplement to the existing rider network and providing users with a different interactive experience. In 2023, the Company tested and achieved significant progress in the delivery schemes and operational models of unmanned vehicles in urban business districts, campuses, industrial parks, and other areas.

VI) Supply chain and international business

In 2023, the Company registered tax-exclusive revenue of RMB59.98 billion from the supply chain and international business, representing a decrease of 31.7% over the same period, mainly due to sharp fall of the international air and sea freight demand and freight charges from the first half of 2022 to the level under the normalization of the market in 2019 from the historic highs, thus affecting the revenue growth rate of the Company's international freight and freight forwarding business in 2023, but it has progressively stabilized with the quarterly recovery of demand and freight charges.

With the industrial upgrade and the increasing brand competitiveness of Made in China, the demand of China's manufacturing enterprises for overseas expansion is increasing. As a result, China's emerging e-commerce platforms also expedited their cross-border e-commerce services across overseas markets, driving the rapid growth of China's cross-border e-commerce logistics, international express delivery and supply chain services. Furthermore, along with the remodeling in supply chain of global enterprises, Asia's strategic position as the center of the global supply chain is on the rise, prompting it to become the fastest-growing logistics market in the world. The Company, through continuous expansion in its international network and the integration of Kerry Logistics' international services, particularly Kerry Logistics' competitive strength in Asia, has established a diverse and wide portfolio of services encompassing international express delivery, international supply chain, cross-border e-commerce logistics, international freight forwarding and Southeast Asia domestic logistics, to serve a more globalized customer base, with increased presence in customers from the Asia-Pacific regions other than China. Compared with China's other express logistics service providers, the Company is on the leading edge of the international network with integrated service capabilities throughout the whole chain, covering a wider range of customers worldwide, as well as mastering the core logistics resources in every key aspect. Compared with other international express logistics service providers, the Company provides services at a favorable cost and better cost performance. Leveraging its continuously enhanced end-to-end cross-border service capabilities, the Company will be better equipped and capable of satisfying the growing logistics demands of both China and overseas customers in an all-round manner in the future and seize the opportunities of the burgeoning China's cross-border logistics market and the logistics market in Asia.

(1) International express:

①**Focus on Asia.** The Company actively responded to China's "Belt and Road Initiative" and focused on its Asian network layout. The Company carried out the transformation and upgrade of its express networks in key Asian countries, improved the coverage of overseas self-operated service outlets and cooperative service points, continuously optimized and iterated various information systems from order placement to delivery, added multiple collections and scattered flights, and steadily improved service capabilities and qualities. Meanwhile, the planning of the aviation network and the acquisition of airside sites and customs clearance capabilities in key countries and regions have been strengthened. In many Asian countries such as Singapore, Malaysia, Thailand, and Japan, the Company achieved 6 to 7 round-trip flights per week. The mutual delivery time between China and Southeast Asian countries has been improved within 1 to 3 days. ②**Expand cross-border e-commerce service capabilities.** To serve the rapidly growing business needs of emerging cross-border e-commerce platforms, the Company facilitated the growth of cross-border e-commerce logistics business by continuously consolidating the coverage of express networks in Europe and the Americas, opening new major city ports in Europe, increasing our self-operated all-cargo flights in the Americas to 4 to 5 flights per week and improving the cost of time by 1 to 2 working days. ③**Consolidate network capabilities.** The Company built a domestic and international air-to-air transport network around the Ezhou hub, connecting Europe, South Asia, the United States, the Middle East and other regions to expand product coverage. The Company purchased the high-quality international cargo flight slot resources to achieve multi-port direct flights overseas for China's exports and improve product timeliness. The Company continuously enhanced customs clearance service capabilities. As of the end of the reporting period, there have been about 70 self-operated and agent customs clearance ports worldwide, investing resources to improve key national port sites in Southeast Asia, Europe and America and enhance customs clearance service capabilities. The number of our domestic AEO advanced certification licenses increased to nine and the import and export customs clearance and end-to-end service capabilities were improved. Through in-depth research on the business scenarios of the entire life cycle of international trade, the Company refined its operations, improved the key procedures in cross-border logistics, promoted international express service contract fulfilment capabilities into the first echelon.

(2) International freight forwarding:

The excessive de-inventory and weak demand have led to pressure on international logistics market growth in 2023. Upon the resumption of normal capacity supply, the air and sea freight rates fell significantly from the highs in the first half of 2022, affecting the revenue growth of the Company's international freight forwarding services in 2023. Nevertheless, as the market gradually returned to a normal level, both freight rates and cargo volume slightly rebounded. The Company's overall revenue from the international freight forwarding services steadily recovered quarter by quarter.

In 2023, with continued service integration and by leveraging the advantages of domestic network, the Company tapped into the opportunities of international freight forwarding services for customers in various industries for better sales results. The Company also combined sales of domestic logistics products with the international freight forwarding services to provide customers with cross-border solutions for China's imports and exports. Meanwhile, the commissioning of the Ezhou hub and the encryption of international routes will enhance the Company's international aviation transportation capacity, which will help provide customers with more reliable and efficient international freight forwarding solutions

(3) Supply chain:

Fenghao Supply Chain: Focusing on the three major industries, namely, advanced technology industry, automobile, and fast-moving retail, committed to continuous cost control and improve cost-effectiveness, Fenghao Supply Chain has been dedicated to reinforcing the existing customer relationships while exploring new ones. ①**Business Development:** In terms of the advanced technology industry, Fenghao Supply Chain developed the wallet share of foreign customers and that of domestic customers together with the Group, consolidated the advantages of supply chain services for production and supported for the consumption. In terms of the automobile industry, aside from securing the market share for traditional fuel vehicles, Fenghao Supply Chain has been actively involved in electrification with specification on the EV industry for high growth opportunities, and vigorously developing the customer base of first-tier suppliers and commercial vehicles. In terms of the fast-moving retail industry, through close cooperation with the express network, Fenghao Supply Chain penetrated into the supply chain from production to consumption with new customers in advantageous categories including chocolate, candy, foreign wine and pet food. ② **Technology Empowerment:** Adhering to the technology empowerment on smart supply chains, with a wealth of intelligent hardware and software, Fenghao Supply Chain customized special deployment solutions for industry customers based on their differentiated demand. In 2023, Fenghao Supply Chain successfully customized automatic intelligent flagship warehouses for an industry leading customer, which have been deployed the intelligent warehouse construction to achieve cost efficiency.

New Havi: Adhering to the diversified development strategy, New Havi consistently increased market share with high-quality services and realized cost efficiency with initiatives including technology empowerment and resource integration. In 2023, New Havi achieved healthy growth in both revenue and profitability. ①**Business Development:** New Havi supported customers' business development and transformation with the expansion of operation capabilities in various aspects, including the store expansion in low-tier markets, transformation to franchising model and digitalization to match customers' demand. In terms of business development, New Havi provided diversified services to accurately satisfy customers' demand, such as the enrichment of service categories, support for internalization, and empowerment for prime customers, and rapidly expanded its business scale. ② **Capability Building:** In line with the business development, New Havi further established the logistic network for low-tier markets across the country. As of the end of the reporting period, 62 logistics centers with high turnover frequency have been established in over 30 core cities nationwide, with the transportation network penetrated deeply into low-tier cities. ③**Technology Empowerment:** With continuous iteration and upgrade of core system and integration of software to hardware, New Havi realized systemic management and improved operation efficiency. In addition, New Havi has explored the upstream and downstream capabilities around leading industries to provide top customers with system delivery and value-added services such as supply chain middle office, smart stores, and supply chain information planning. New Havi offers technologies as products to provide special technology solutions for internal and external business including food and beverage, advanced technology and manufacturing.

Kerry Logistics: The integrated logistics business achieved favorable growth in mainland China and other markets in Asia. The Company continuously strengthened the integration of internal supply chain solutions for achieving complementary advantages. Leveraging Kerry Logistics' numerous chemical warehouses in China and extensive transportation capabilities of dangerous goods, the Company established a special team for the new energy segment to jointly develop logistics solutions for lithium battery of the new energy industry, achieving breakthroughs in logistics services of multiple supply chain scenarios, extending service capabilities to the upstream and downstream of the new energy industry, as well as achieving raw material imports and finished product exports. In addition, with the successful execution of a series of cost management measures throughout China for streamlined operations, Kerry Logistics improved the operation efficiency and reduced costs by applying robotics and artificial intelligence.

3. Operation Optimization

In 2023, the Company has continuously adhered to fined management, and further its integration and innovation capability with a focus on the optimization of end-to-end operation process. Through multi-network synergies, the Company has fully improved the resource efficiency to achieve stronger network coverage and service capabilities under a more optimal cost modal. Through the operating mode revolution promotion, the Company has enhanced distribution and parcel sorting capabilities, streamlined terminal operation, reduced labor intensity, and improved the service quality. Through technology empowerment on a more refined and intelligent planning and control in each end-to-end link of the receipt, transit, transportation and delivery process, the Company has replaced manual judgment with systems to realize more precise and efficient resource investment and allocation. With refined management taking a new step forward, the Company's resource efficiency has been improved and cost benefits continue to emerge.

I) Multi-Network Integration

Overall direction: In 2023, the Company has further strengthened and refined its regular network integration initiatives and explored opportunities for new business resource integration, which enhanced resource efficiency, spared additional investment and expanded service coverage. Compared to previous years, the multi-network synergies in 2023 have realized a further increase in cost reduction and revenue generation benefits.

(1) Network Integration Between Small Parcel and Large Parcel: The Company has strengthened the collaborative operation between network resources on weekdays and operational peaks and valleys to optimize resource efficiency while enhancing service capabilities of the large parcel network. ①**Large Parcel Network Capabilities Improvement:** a. As to distribution, the Company deepened the final-leg operation of small and large parcels with around 77% of large parcels handled by the large parcel transshipment network, which fully releasing the production capacity of parcels at small sites and relieving the pressure of small parcels sorting. b. As to transportation, the Company integrated large and small parcel truck line resources for dispatch to increase the transportation frequency of large parcels and to straighten routes for less transits, increasing the large parcel loading rate of truck lines by 6.2ppts from 2022. c. As to the terminal, the company increased the number of integrated outlets capable of collecting and dispatching small and large parcels to 746, realising unified operation management at the terminal. By promoting the mode optimization of sorting at the sorting center + goods directly delivered to customers, we reduced the investment of terminal outlets resources in the coverage area of sorting centers, with the average daily direct dispatch volume reaching more than 8,500 tons. ②**Site Integration on Holidays:** When the business was in the trough on holidays, sites for small parcels were utilized intensively and some directly operated sites for large parcels were shut down temporarily. For example, all the directly operated sites for large parcels were shut down during the Spring Festival, and the proportion of sites for large parcels closed during the May Day and National Day holidays also increased compared to 2022 in facilitating the integration of over 1,000 lines, which effectively reduced the manpower and transportation capacity invested to improve business efficiency during holidays. ③**Terminal Collection and Dispatch Collaboration:** The Company integrated the terminal resources and businesses of small and large parcels, by means of having small-parcel couriers for taking orders and large-parcel couriers for collection and by the implementation of team collaboration models, the Company improved large parcel collection capabilities and reduced small-parcel couriers of labor intensity. With integrated and small parcel outlets to supplement large parcel operation capabilities, the Company increased its coverage of service outlets that can deliver large parcel to 98.4%, and an average of 91.2% of the daily large parcel volume across the entire network were delivered by large-parcel couriers to strengthen the terminal service capabilities for large parcels.

(2) Integration Between Direct Model and Franchise Model Network: The Company's LTL freight brand using the franchise model, "SX Freight", complementarily integrated with direct operations network considering their varied demands for transportation timeliness and cost. ① **Site Integration:** In line with the Group's unified site planning, 46 SX Freight sorting centers and directly operated sites were constructed under "the same site, the same park, the same region" principle in 2023, which was adhered to for saturated site's relocation and expansion, hence paving the way for operation coordination and transportation integration. ② **Ground transport Lines filling:** Taking the SX Freight network into account, cargoes from SX Freight could be properly stocked and matched with the empty space resources of the same ground transport line of directly operated network, thus filling the empty space for, and improving the loading rate of directly operated lines while saving costs of SX Freight. In 2023, the Company realized lines filling of SX Freight cargoes with an average daily volume of over 2,800 tons and the cost reduction benefits continue to expand.

(3) Integration Between Small Parcel and Cold Chain & Pharmaceutical Logistics Networks: In 2023, the Company has explored the network integration opportunities between small parcel express and cold chain and pharmaceutical logistics, to promote the cold chain capabilities and network coverage, and to drive the revenue generation under a more cost-effective model. ①**Transportation:** In terms of vehicles, the Company developed and commissioned 30-ton trucks featuring dual-temperature functions of cold and room temperature storage for pharmaceuticals and triple-temperature functions of frozen, cold and room temperature storage for food, enabling the co-loading of food, pharmaceuticals and express parcels to ensure the loading rate, a higher dispatch frequency of cold chain and pharmaceutical logistics lines, deliver efficiency of LTL services and revenue growth. ② **Container:** For the transportation of small-volume cold chain and pharmaceutical goods, the Company has developed thermostatic containers of various volumes to integrate with the ground network, enhancing the efficiency and network coverage of cold chain logistics services. ③ **End Delivery:** Integrated outlets have been equipped with cold chain operation capabilities, switching the direct dispatch of cold chain and pharmaceutical logistics services in some areas to delivery through integrated outlets with thermostatic containers, thereby saving the terminal resources of cold chain logistics with better delivery efficiency. In a word, the integration of small parcel express and cold chain and pharmaceutical logistics rapidly improved the cold chain and pharmaceutical network capacity at a reduced cost of establishing a separate network.

(4) Warehouse Network: To upgrade the integrated warehousing and distribution capabilities, support the highly time-sensitive scenarios of intra-city delivery services, the Company focused on an integrated construction of sorting centers and warehousing resources to reduce the transit nodes, built the forward warehouse network to extend the cut-off time for in-warehouse operations, and developed a warehouse network that is capable of satisfying future needs of the pre-positioned intra-city delivery services to facilitate the extraordinary experience of integrated warehousing and distribution service for the platform and customers. By the end of 2023, the Company has realized the integration of 130 warehouses and sorting centers, with the warehousing area that integrated construction increased by 26% on a year-on-year basis.

II) Operation Management

(1) Enhance Transit Efficiency: Focusing on strengthening and expanding the functions of sorting centers in 2023, the Company further developed the sorting capabilities and invested in automation equipment to power a model transformation, realizing the efficient operation of express containers within the site. In 2023, with the commission on or upgrade of up to over 630 sets of automation equipment in over 100 sorting centers and distribution hubs, the Company realized the fully or highly automated transit operations to ease labor intensity and personnel input, contributing to an increase in the small-parcel hourly transit capacity by 11.4% and an increase in the large-parcel hourly transit capacity by 15.9%. The Company refined the sorting process to enable a direct sorting by courier collection and delivery areas with independent containers for direct distribution to the terminal delivery, streamlining the operation of traditional outlets for lightweight outlet functions. Meanwhile, through the lean management including site diagnosis, process optimization, resource integration, and other lean management measures, the Company's per capita efficiency of small-parcel transit increased by 8.5% and the per capita efficiency of large-parcel transit increase by 10% on a yearly basis.

(2) Ground Network Management: ① Network Optimization: Through the optimization of ground network and investment in competitive routes, the Company continuously strengthened the competitiveness of ground transportation, and introduced over 1,300 line-haul routes and over 1,800 frequency-increased routes in conjunction with the business structure and scale growth; adopted a fast loading and unloading model for containers and introduced bus routes for the ground network to improve transit efficiency; integrated line-haul and short-haul resources with continuous improvement of time efficiency for better utilization, optimizing over 5,000 routes. ② **Resource Management:** By adjusting the procurement strategy on outsourced transportation capacity and promoting standard pricing, the Company continuously optimized the resource structure of ground transportation and reduce transportation capacity costs. With more accurate parcel volume forecasting and route planning, the Company prioritized using its own vehicle resources and outsourced resources on transportation capacity with fixed annual prices, minimizing the procurement of temporary or short-term outsourced resources, established a price model on routes, promoted the standardized pricing for outsourced resource of short-haul transportation capacity across over 100 cities. For abnormally over-priced routes, the Company applied a circuit breaker mechanism for prompt restrictions on relevant transactions and the switching to better transportation capacity resources. The Company generally contributed to a more systematic, standardized and transparent resource management of ground transportation, improved the carrying ratio of controllable resources for line-haul and short-haul transportation capacity prices to effectively control the costs of transportation capacity, reducing the Company's per kilogram cost of line-haul and short-haul transportation with the average efficiency of drivers increasing by 20% on average.

(3) Outlet Optimization: In conjunction with the operation optimization of direct sorting at sorting centers assembled by containers with direct delivery to the terminal courier collection and delivery areas, the Company simplified traditional outlet procedures, reduced outlet area and functions, and transformed to build more customer-facing terminal stations, shortening the tune for courier's round-trip to outlets with better customer service capabilities. By the end of 2023, the model transformation of over 3,000 outlets have been completed, achieving direct sorting and dispatch of express parcels to over 10,000 terminal stations, helping to improve terminal delivery timeliness, reduce outlet personnel input, packaging material loss and parcel damages, while also improving courier and customer satisfaction and terminal outlets efficiency.

(4) Courier Management: ① **Enhancing Couriers' Benefits:** With the time consumption and pricing model of collection and delivery areas, the Company continuously improved the average income of couriers in areas with small business volumes and high delivery difficulties for courier satisfaction and reduced turnover rates. The Company also established and enriched a diversified courier benefits system. The higher the courier's overall performance and level, the more benefits to enjoy, including exemption, scheduling priority, life welfare and educational advancement. ②**Incentive Mechanisms:** In 2023, the Company introduced the "Fengdou" mechanism for rewarding the couriers' behavior. The Fengdou rewards received for good behavior can be exchanged for benefits such as service scores or welfares, driving couriers' active maintenance of customer information and service standard improvement, as well as the transformation of service quality management from negative assessment to positive incentives. The Company also promoted the linking of service quality scores with personal provision income, compelling couriers' self-management and continuous service quality improvement. ③ **Intelligent Tools:** The Company adopted industry-leading large language models, combined with actual scenarios to create an intelligent service center for couriers, which conducts real-time human-machine dialogues with couriers, responds to their questions, and helps with mastering various delivery knowledge and operation methods, enhancing courier work capabilities. In 2023, such tools have been promoted across the entire network, with over 12,000 questions per day, one-time resolution rate of over 90%, and courier satisfaction rate of over 98%. ④**Courier Experience:** The Company established a full-process management system from the collection to the resolution of courier opinions with clarified standards including classification, time for processing, and close-loop solutions, and built an online dashboard for courier opinion storage. The Company also upgraded the middle platform capabilities to handle hot-spot issues from couriers, optimize couriers' work with continuous solutions, improve the Company's operation management, and enhance frontline employee satisfaction.

III. Core competitiveness

1. The Company has an efficient and reliable global logistics infrastructure network, based in China, radiating to Asia, and connecting the world

Note: The data below are all as of December 31, 2023

Global service network coverage

Domestic

Prefecture-level divisions covered in China

339

County-level divisions covered in China

2,789

Prefecture-level divisions coverage

100%

County-level divisions coverage

98.1%

Overseas

International express delivery , freight forwarding and supply chain business

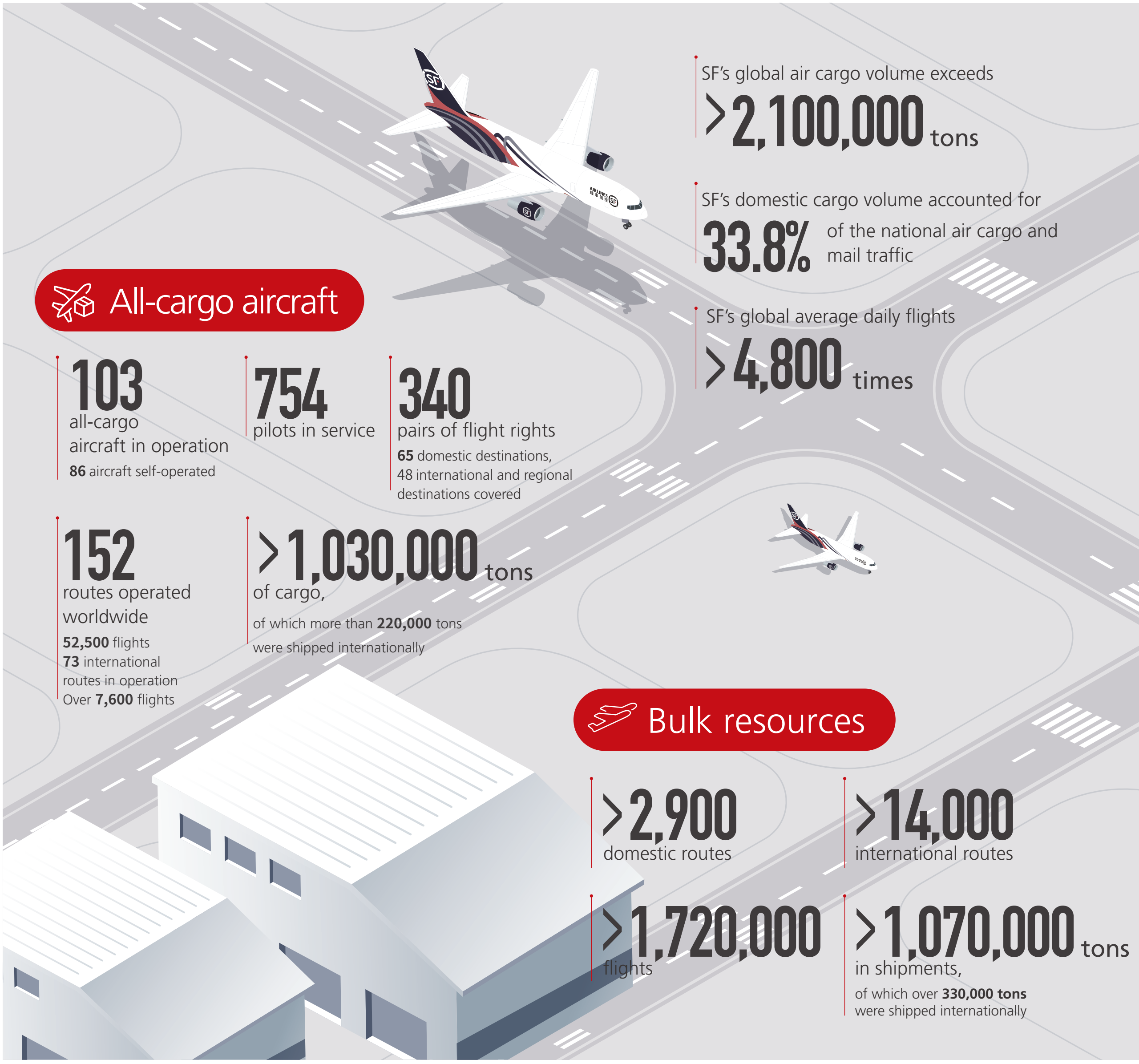
97 countries and regions covered

International small parcels business

202 countries and regions covered

We are operating a cargo airline that is the largest in China and maintains leading position in the world, and we are also the largest shipper of air cargo in China

Note: For the data below, the time points are all as of December 31, 2023, and the periods are all from January 1, 2023 to December 31, 2023.

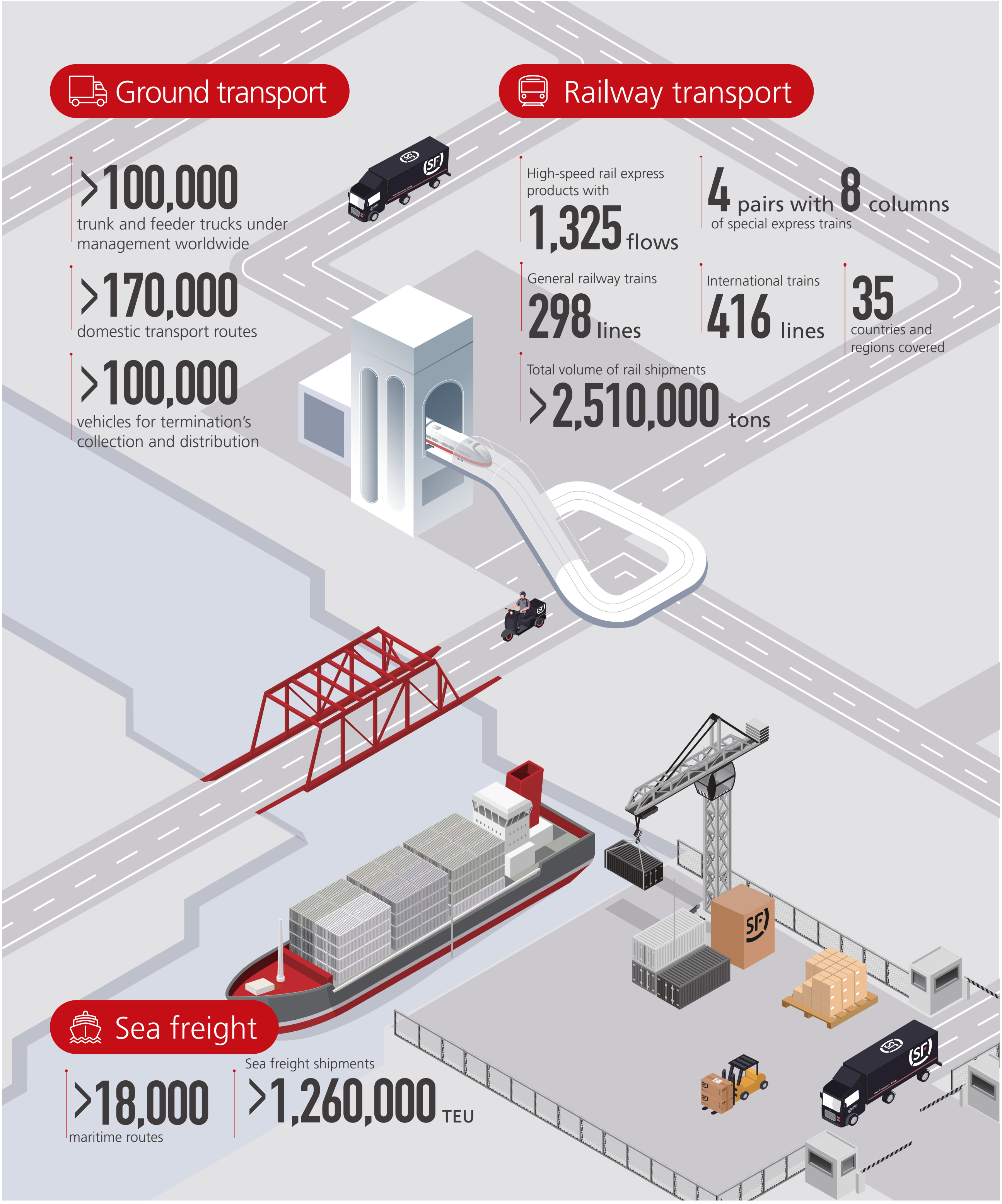


Ezhou cargo hub, which is largest hub transit center in Asia built by the Company, became fully operational in the third quarter of 2023. After months of operation and testing during the business peak periods, the overall operation was stable and the cargo volume steadily increased. By the end of 2023, SF Express had opened 45 domestic cargo routes and 10 international cargo routes at the Ezhou cargo hub, covering 40 city sites nationwide and connecting 13 international flight points. The Ezhou cargo hub has about 90 inbound and outbound cargo flights per day, and the volume of cargo flights ranks among the top three in the country. The logistics complex in the Ezhou cargo hub, covering an area of 750,000 square meters, has an intelligent sorting line with a total length of 52 kilometers, which can handle 280,000 express parcels at peak hours per hour. At the same time, 14 customs intelligent inspection lines cooperate with the fully automatic sorting system, giving international express parcels the same efficiency as ordinary parcels. The international express parcels take only 15-20 minutes from going online, customs clearance, falling into the grid to boarding.

SF Express builds the Ezhou cargo hub not only into a global supply chain center, but also a high-end processing and circulation center. At present, many leading companies in 3C, beauty makeup, and cold chain medicine have settled there. The Company will continue to operate with safety, efficiency, intelligence, and green as its guidelines, optimizing and improving the air network layout, achieving seamless connections in domestic and international air networks, and gradually achieving the goal of "reaching domestic cities overnight and overseas the next day".

Our extensive resources of transportation mode allow us to provide domestic and cross-border multi-modal transportation services for our customers

Note: For the data below, the time points are all as of December 31, 2023, and the periods are all from January 1, 2023 to December 31, 2023.



The global presence of our outlets has been a contributor to our international and localized operations

Note: The data below are all as of December 31, 2023

Service outlets

>36,000
domestic service outlets and other service stations

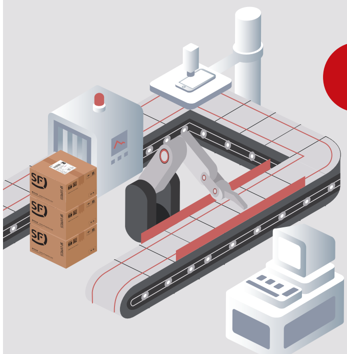
>110,000
cooperative service points
(including city stations and rural distribution shops)

>8,000
overseas self-operated & joint-operated outlets

>40,000
cooperative service points

>430,000
network-wide couriers

Transit depots



Express depots

239
transit depots in operation

Freight depots

157
transit depots in operation

Warehouses

operational warehouses
1,900

covering
>10 million sqm

118
food cold-warehouses covering
>0.76
million sqm

18
pharmaceutical warehouses covering
>0.15
million sqm

1,245
overseas warehouses covering
>2.90
million sqm

franchised warehouses
79

covering
1.22 million sqm

We possess numerous key site resources such as logistics parks and centers in countries including China and Southeast Asian, both through our direct ownership or via REITs

Note: The data below are all as of December 31, 2023

Total land area

16,696 mu

Total building area of

10.91 million sqm

Completed operational projects

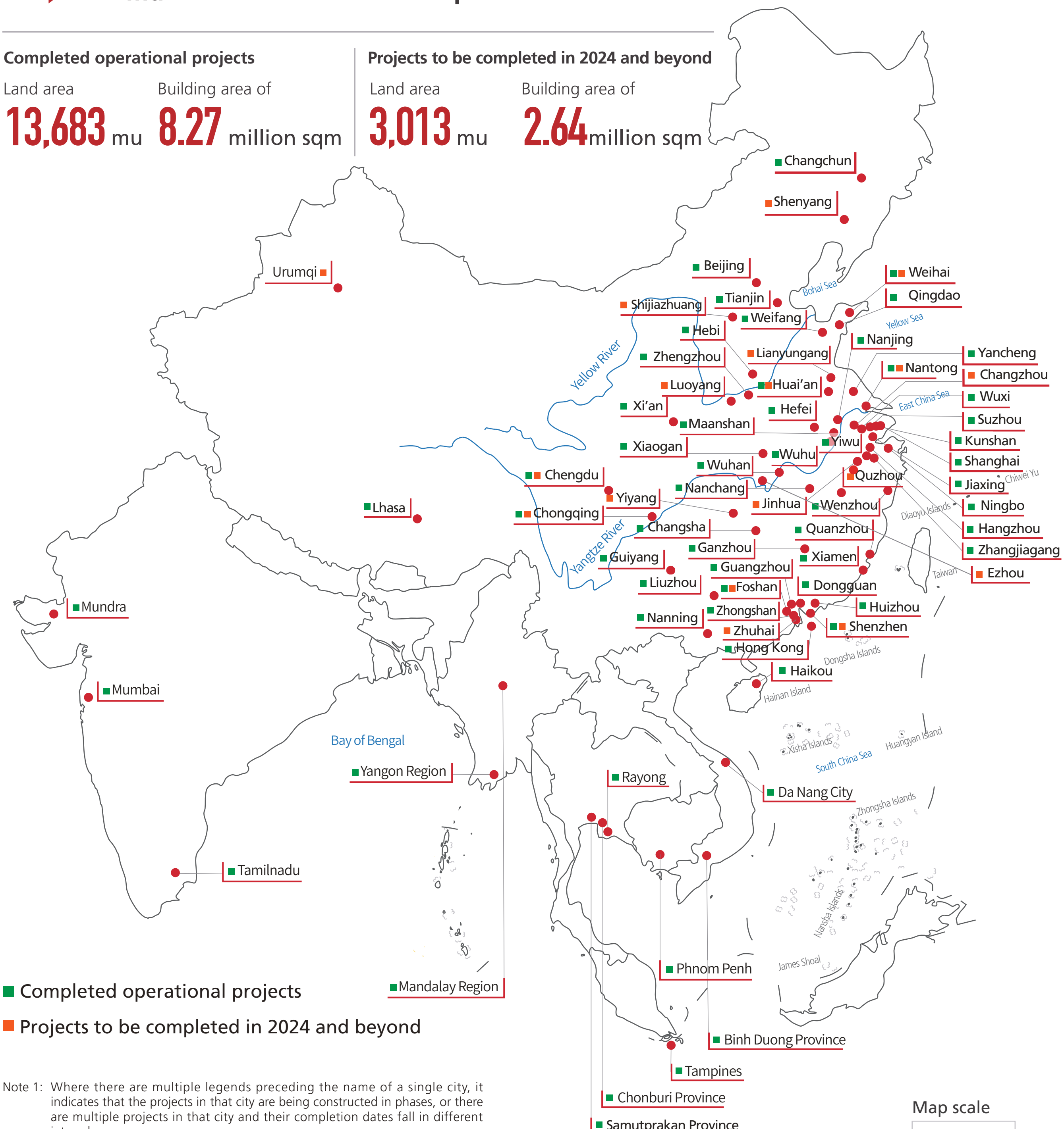
Land area **13,683 mu**

Building area of **8.27 million sqm**

Projects to be completed in 2024 and beyond

Land area **3,013 mu**

Building area of **2.64 million sqm**



■ Completed operational projects

■ Projects to be completed in 2024 and beyond

Note 1: Where there are multiple legends preceding the name of a single city, it indicates that the projects in that city are being constructed in phases, or there are multiple projects in that city and their completion dates fall in different intervals.

Note 2: The above data includes industrial park projects that have been placed into the real estate investment trusts and the logistics real estate development fund, which are operated and managed by the Company.

Map scale

1 : 35 300 000

2. Based on the end-to-end directly operated model with strong control, and third-party independence positioning, we provide customers with more comprehensive end-to-end one-stop integrated logistics service.

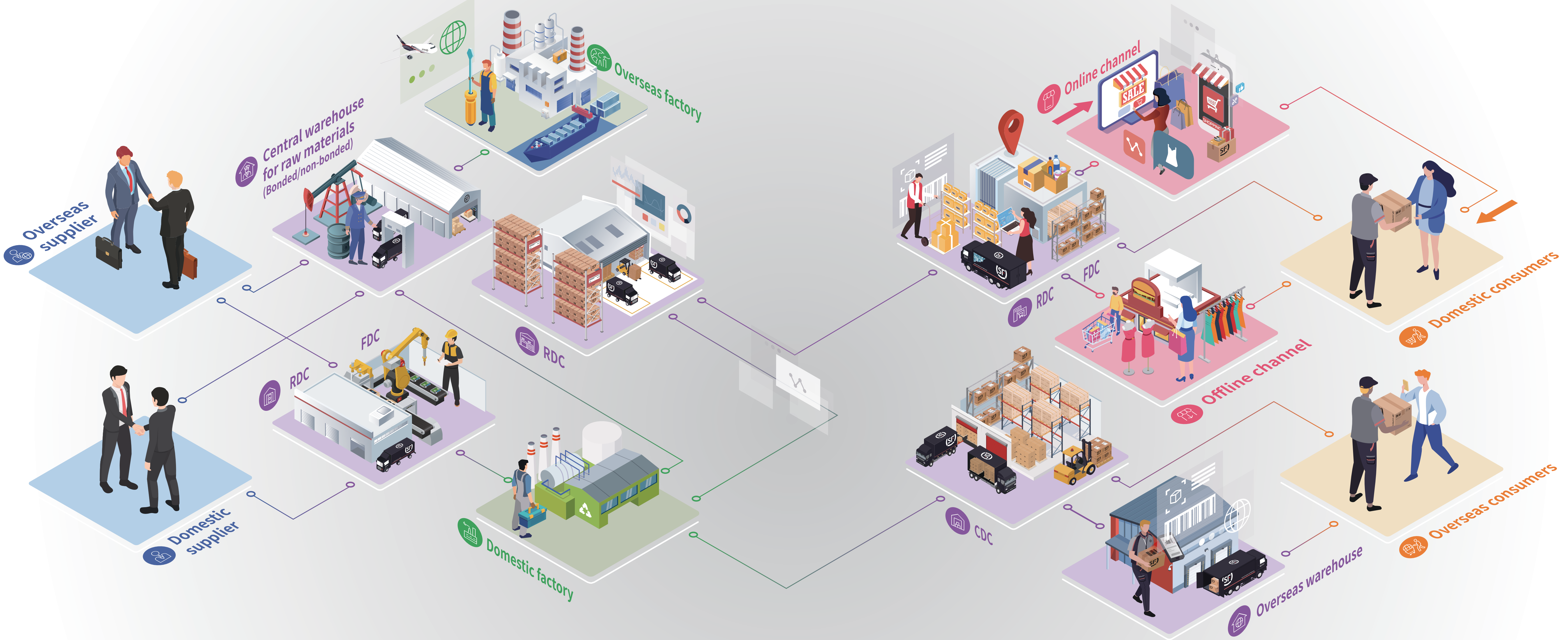
The end-to-end directly operated model has strong control over the logistics network and guarantees premium service. The Company adopts a business model with strong control over the entire network, which contributes to Company-wide top-down highly unified development strategy and facilitates the rapid implementation of business plans, enabling the Company to incubate more new business in the mature network within a short period of time and rapidly become the market leader in respective markets, and adapt to the ever-changing market and meet the diversified needs of customers. At the same time, leveraging our strong control over the entire end-to-end delivery process, from first-mile pickup to last-mile delivery, we enhance the standardization of the Company's overall service chain and operational planning and efficiency, utilizing leading digital and intelligent logistics technologies, so as to ensure that the Company is able to provide customers with consistently premium services.

Positioned as an independent third-party logistics service provider, the Company serves a broader customer base and facilitates customers' omni-channels expansion. Among the leading integrated logistics service providers in China, the Company is the only player that is independent of any of the e-commerce platforms and merchants. The Company's independence ensures that it is able to serve a broader customer base in a fair and impartial manner, while enabling its customers to operate through multiple channels, including online e-commerce platforms, its own private platforms, and offline shops, and providing customers with inventory management and distribution fulfillment. As a result, utilizing its smart supply chain technologies, the Company further helps customers connect omni-channels inventory data and provide one-stop smart supply chain solutions to reduce costs and increase efficiency, thereby enhancing customer stickiness.

We provide end-to-end one-stop integrated logistics services for customers in various industries with our comprehensive service offerings and integrated capabilities. Adhering to the diversification-oriented strategic planning, and leveraging the well-established and efficient logistics network, through "internal incubation + external mergers and acquisitions", the Company horizontally branched out into new businesses and acquired high-quality industry partners to gradually grow into largest integrated logistics service provider in China and Asia, and the fourth largest in the world, with its service offerings covering time-definite express, economy express, freight, cold chain and pharmaceuticals, intra-city on-demand delivery, international express, international freight and freight forwarding, and supply chain, focusing on logistics ecosystem development as the top priority. At the same time, we also vertically improved the product matrix, through direct operation, external cooperation and other models; in each market segment of every business sector, we have launched high-quality services targeting medium to high-end consumers, as well as cost-effective services for markets in lower-tier cities. Through effective product stratification and organic combination among different products, we cater to the diverse needs of clients, and developed comprehensive end-to-end one-stop integrated logistics solutions.

Our services have penetrated into a wide variety of industry verticals, such as industrial manufacturing, commercial circulation, online sales of agricultural products, food and pharmaceutical cold chain, local life, international trade, etc., covering all aspects of social production and people's livelihood. Leveraging efficient express logistics services, lean supply chain management experience, and a powerful logistics network that penetrates into rural counties, towns and villages in China and covers 97 countries and regions overseas, we actively respond to the "go to the countryside, go to factories, and go global" campaign launched by the government for the development of modern service industry and express delivery, support rural economy revitalisation, intelligent manufacturing, and industrial upgrading, and enhance our support capabilities for international supply chain; furthermore, we actively embrace new patterns and trends in the industry to help clients innovate business models, enhance consumer perception experience, and practice the delivery and protection of a better life.

Industries



Supply chain service

Procurement

Production planning management ¦ Supplier management ¦ Global one-stop sourcing ¦ Import and export customs clearance ¦ Bond management ¦ Vehicles for trunks ¦ Less-than-truckload transport ¦ International freight (air-sea-land-rail multi-modal transport)

Production

Central Warehouse for raw materials ¦ Bonded warehouse ¦ FDC warehouse ¦ Warehouse for finished goods ¦ Warehouse for spare parts; Warehouse network planning ¦ Intelligent warehouse construction ¦ VMI inventory management ¦ Warehouse operation ¦ Value-added services (supply chain finance, packaging and processing); Inbound logistics ¦ JIT production logistics ¦ Cycle pickup

Circulation

2B warehouse ¦ 2C warehouse ¦ temperature sensitive cold chain warehouse ¦ GSP pharmaceutical warehouse ¦ Bonded warehouse ¦ Overseas warehouse ¦ FDC
Warehouse network planning ¦ Intelligent warehouse construction ¦ B2B2C+online and offline omni-channel inventory management ¦ Intelligent warehouse allocation ¦ Integrated warehousing and distribution ¦ Value-added services ¦ Import and export customs clearance
Vehicles for trunks ¦ Less-than-truckload transport ¦ International freight (air-sea-land-rail multi-modal transport)

Consumption

Time-definite express services with precise delivery time commitment:
Specified minutes delivery ¦ Specified hours delivery ¦ Half-day delivery ¦ Same-day delivery ¦ Next morning delivery ¦ Next day delivery...
Return and exchange ¦ Delivery to outlets ¦ Delivery and installation ¦ After-sales maintenance
International express ¦ Cross-border e-commerce delivery ¦ Overseas warehousing and distribution

Empowered by digital intelligence

Smart park

Intelligent operation center ¦ Vehicle traffic scheduling ¦ Video surveillance ¦ Real-time data sensing

Supply chain base development

OMS ¦ TMS ¦ WMS ¦ BMS ¦
2B2C shared warehouse operation

Smart transport

Route planning ¦ Vehicle scheduling
Full-cycle visible multi-modal transport

Smart warehousing

Automated warehouse construction ¦ Omni-channel inventory management ¦
Intelligent warehouse allocation ¦ Integrated warehousing and distribution ¦ Recommended packaging

Omni-channel operations

Big data analytics ¦ User profiling ¦ Demand forecast ¦
Online omni-channel store operations ¦ Blockchain traceability

3. Cutting-edge digitalized, visualized and intelligent technologies to promote the development of smart supply chain

The Company is committed to establishing a smart supply chain ecosystem in the digital era and becoming a leader in the smart supply chain market. The Company combines the massive data and industry solution experience gained in its comprehensive service offerings with leading digitalized, visualized, and intelligent logistics technologies to promote full-link supply chain technology innovation and help clients in various industries create a modern supply chain system with efficient and prompt response.

As of the end of the Reporting Period, the Company had 4,093 patents and 2,490 software copyrights in effect and in the process of filing, respectively, with invention patents accounting for 59.3% of all patents obtained. The Company actively cooperates with social organizations such as enterprises in the logistics and supply chain industry and universities, to enhance the social influence of SF Technology. The Company has won numerous awards, such as the "SSCL – Outstanding Supply Chain Innovation Award" *(SSCL金链奖——优秀供应链创新奖) in 2023, the International Organization Award "World Internet of Things Ranking List"*(世界物联网排行榜) and the renowned award "Fortune's Most Influential IoT Innovation List"*(财富最具影响力物联创新榜).

(1) Solid digital and intelligent foundation: the construction of interoperable database

Data middle platform: Guided by its strategy, starting from its business operations, and driven by the operating data, the Company continued to strengthen the shared, trustworthy, timely, integrated and efficient data middle platform system to ensure a sustainable and healthy business operations. The Company reconstructed and optimized data mid-platform's technical, data and application framework, as well as the operation and security system, effectively improving the technology and research and development resource efficiency, reducing redundant construction, and ensuring data security. Meanwhile, the Company continuously align with the business to broaden the depth and scope of data support, facilitating the operational improvements with speedy and precise data-based decision-making.

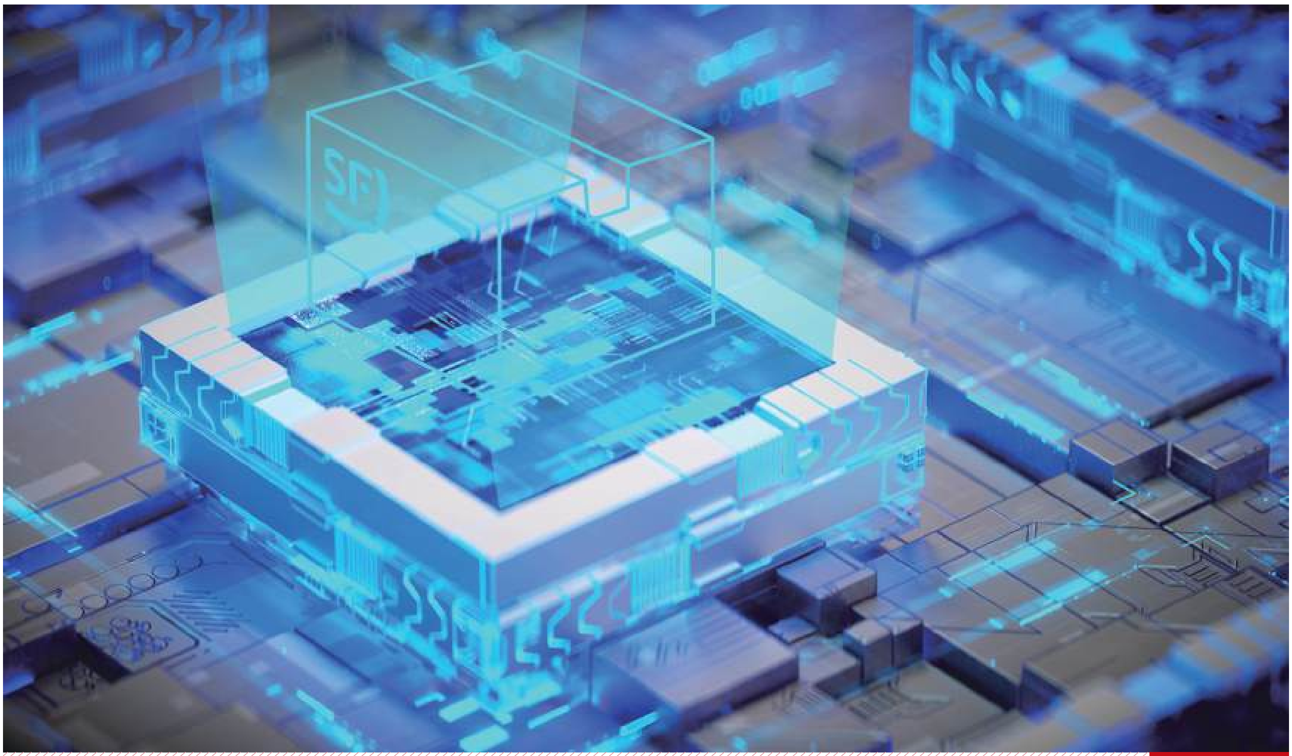
(2) Upgrading the digital intelligence of the logistics network to create a SF smart Brain

The Company is committed to improving its overall digitalization and intelligent level of the logistics network. Through the whole-chain digitalization throughout its end-to-end operations from first-mile pickup to last-mile delivery, together with data forecast, visualized monitoring and early warning, the Company has achieved the universal intelligent planning and dispatching, dynamic resources matching and mapping, and flat and efficient management. Leveraging the IoT technologies, automation and investments in unmanned technologies, the Company has improved network operation efficiency, with secure delivery guaranteed at the same time, thus enabling the Company to reduce costs with increased efficiency.

Replace Experience with Data and Let Algorithms Verify the Future – Logistics Digital Twin Technology

Digital twin technology refers to building a twin body in the virtual digital world that is highly similar to the real world from appearance, internal mechanism, and behavior. Through this simulation technology, it is possible to verify and optimize various strategies in the real world in the virtual world at a very low cost and trial and error cost.

The Company deeply integrates digital intelligence with its business to create a logistics digital twin system with high realism and fast algorithm verification efficiency. In the sorting scenario, for the situation where the sorting plan needs to be adjusted at a high frequency, parameter adjustment in the virtual world can quickly verify feasibility and effectiveness, and can verify thousands of times a day, achieving almost zero cost and high-quality sorting plan switching. It has been deployed and applied in more than 60 transit centers across the country, with the highest realism of the twin body reaching 99%, and the highest capacity of the site can be increased by 20% in practice; in the network planning scenario, through integration with the business system, it can fully simulate outlets, stations, transit centers, vehicles and other real physical entities, restore key information of parcels and operating results at various logistics nodes and routes, adjust line opening standards, network planning design and other parameters on the digital twin body, and can evaluate the impact of the overall strategy, output the best decision-making plan, improve resource utilization and operational efficiency, and reduce transportation cost input. In the Ezhou cargo hub, the Company’s self-developed cargo hub digital twin platform can simulate the apron operation, transit center operation, and land transport operation. From the design plan evaluation of the hub construction to the data prediction of the hub operation, route pre-arrangement and other key links, it provides efficient, comprehensive, and all-round digital quantitative evaluation support for the business.



Digital intelligence of forecast & scheduling

Utilizing data operational research and intelligence, the Company created a universal intelligent decision-making system covering “forecast → early warning → scheduling → feedback”.

Forecast in advance

In order to ensure optimal and accurate resource scheduling and dispatching, the Company’s cargo volume flow forecast has achieved multi-dimensional extension, from the overall cargo volume to province-to-province, city-to-city and other flow dimensions, enabling various forecasts, regardless of long-term, short-term, or dynamic as the case may be. Synchronized with these forecast results, the Company’s system can then adjust the pre-planning and on-going planning of various resources, thus ensure service quality and enhance resource utilization and allocation efficiency.

Network planning

The Company has been continuously improving the aviation and ground transportation network planning capabilities by establishing and consolidating its intelligent network planning system tools. By utilizing the digitalization capabilities, the Company has visualized the data of customer demand and market dynamics to guide the utilization and adjustment of various types of sites under multi-network integration. With various product standards bearing in mind, the Company also accurately match aviation transportation resources according to the dynamic changes in volume demand of seasonal fresh food and other types of goods. Leveraging algorithm-backed dynamically adjusted strategies and programs, the Company built an integrated multi-network ground transportation system to support various service scenarios, such as new modes of ground transportation, ground-air resource coordination, and flexible routing and loading of oversized goods for air transportation, to maximize the efficiency of resources allocation and enhance the timeliness and competitiveness of the air and ground transportation products.

Real-time scheduling

Utilizing the universal operation monitoring system, the Company has achieved real-time monitoring, automated data capture and intelligence warnings of abnormal scenarios, such as weather anomalies, flight delays and traffic control, as well as the monitoring of our real-time operation status. Therefore, the Company would further recommend optimal adjustment plans intelligently and notify the frontier staff to intervene for safeguarding the service performance in a timely manner, ensuring consistent delivery of product and proactive customer services.

Digitalized and intelligent sorting

The Company is committed to establishing automated, visualized and intelligent sorting centers, creating an efficient and intelligent.

Automation

In 2023, automation construction or upgrade projects in over 100 sites have been completed, thus further improved the transit and sorting capacity and efficiency of the whole network.

Intelligence

Build up digitalized production management capability for major processes on-site. The system can provide cargo forecast information and site capacity estimation about every 10-minute, and provide early warning of overcapacity on-site. Site managers can use the system to capture the potential risks of each process in advance and take measures to avoid them, make more refined deployment of equipment, personnel, vehicles and other resources, improve the timeliness of express delivery, and ensure the smooth and orderly operation of the site during peak hours.

Visualization

Leveraging image recognition and video recognition technology, the combination of technical defense and human defense guarantees the transportation safety of express in the production process as well as the personal safety of personnel in the business process, provides a safe production and working environment for parcels and personnel, thus solving problems of quality management and safety risk control in sorting centers.

Building a Digital International Air Cargo Hub – The Ezhou Cargo Hub

The Ezhou cargo hub comprehensively uses technologies such as building information modeling to consolidate the hub database, and adopts operations optimization, computer vision, and other algorithms to refine hub operation management and effectively ensure the time-definite parcels.

Dispatch collaboration

To ensure the time-definite transit of parcels at the hub, from takeoff to landing, the full-link has been perceived and deducted and the operation process and resource efficiency will be collaborative optimized. The self-developed parking position allocation algorithm takes timeliness, transit efficiency, aircraft taxiing efficiency, and dozens of business operations into consideration to automatically form a pre-allocation plan, and adjusts in real-time according to flight dynamics, effectively reducing the complexity of the work of air traffic control personnel and improving operational efficiency. Automatically collect aircraft stand guarantee nodes, monitor in real-time through cameras, efficiently identify with intelligent algorithms, and accurately collect real-time node data information such as aircraft positioning and aircraft push-out.

Sorting management

Automated equipment and intelligent algorithms help the transit center increase capacity. The Ezhou cargo hub has an automated sorting equipment line with a total length of 52 kilometers, with a peak sorting volume of 280,000 pieces per hour. The parcel follows the optimal parcel walking path obtained by the algorithm, and smoothly and accurately falls into the boarding or loading mouth. Monitor the status of all automated equipment in the field, warn of sub-health equipment, maintain during idle time, effectively reduce equipment failure rate and failure recovery time.

Computer room network

Multiple computer rooms back up each other, 5G WIFI signal covers the whole area, and the signal is strengthened in key operation areas such as loading and unloading vehicle areas, and dismantling and boarding areas, improving the reliability of the transit center, and ensuring the stable operation of basic IT infrastructure and intelligent mobile terminals.

Digitalized and intelligent transportation

The Company continuously improved the full-stack end-to-end digitalized and intelligent management across various transportation modes such as air, ground and rail transportation.

Air transportation

In terms of all-cargo aircraft, based on the Ezhou cargo hub, the Company built up the capability related to abnormal scheduling and timeliness guarantee in hub scenarios; in terms of bulk flights, the Company improved the efficiency of procurement and the matching of resources and demand through the refinement of numerical and intellectual management tools to segregate procurement of demand and use, so as to guarantee the consistent availability of resources and meet the demand for timeliness.

Ground transportation

Through intelligent route combination and resource structure design, the Company schedules resource reserves for a more optimal cost structure. **In terms of transportation resource matching,** based on machine learning and other technologies, the Company predicts data in terms of dimension including cost, task, and volume of each route flow, and outputs the expected structure of different transport resources (controllability and elasticity); at the same time, through intelligent algorithms, routes are packaged in combination according to various strategies and matched with the most suitable transport resources to effectively control costs. **During transportation,** through the digital system, the Company swifts from manual dispatch to automatic dispatch. If there is a temporary increase in transportation demand, the system will prioritize the assignment of idle controllable transport resources to undertake, maximizing the reduction of temporary resource dependence. **In terms of transport resource outsourcing and pricing,** the Company has built basic price for routes to calculate the corresponding route's price according to the market average price, mileage, and other factors in the industry through intelligent algorithms; on this basis, it further builds a digital transportation resource outsourcing system, and a series of processes such as bidding, contract signing, and settlement are completed in one-stop through the online platform. At the same time, this system can output procurement strategies based on the intelligent route price base and pre-planning data of transport resources, and intelligently judge the rationality of contracts or transactions, ensuring the rationality, transparency, and health of transportation resource outsourcing.

Rail transportation

Through digital upgrading, the standardization of end-to-end railway operations has been improved, supporting the application of diversified resources based on high-speed rail freight, high-speed rail scheduled trains, express trains, and ordinary trains, providing customers with differentiated transportation services, improving transportation performance timeliness and customer satisfaction.

Digitalized and intelligent service outlet management

The Company further refined comprehensive digital operation and online management of collection and delivery at service outlets.

Collection and dispatching service capacity

provide intelligent resource planning and dynamic scheduling suggestions at service outlets by combining factors such as forecasted parcel volume, operational difficulty, courier professional ability, and couriers' willingness to rest, so as to reasonably allocate collection and dispatch tasks and improve courier service ability, thus guaranteeing customer experience. The Company provided differentiated subsidies based on the difficulty of collection and delivery tasks, mode of operation, and scenario specificity, so that the couriers can get more reasonable compensation. The Company optimized the online delivery SOP, so that the system will quickly formulate personalized operational requirements and operational guidelines based on customer preferences, consignment characteristics, etc., and dynamically push them to the cell phones or handheld terminal devices of the couriers to enhance their operational standardization. Meanwhile, the AI "Courier Service Center" has been launched to support couriers' questions at any time, providing couriers with intelligent, accurate, and easy-to-understand comprehensive information Q&A services quickly, with the accuracy rate reaching 90%. The Company has built packaging recommendation tools to accurately recommend corresponding eco-friendly packaging solutions and materials according to different consignments, to improve packaging quality, to protect the safety of customers' shipments, and to avoid over-packaging and waste.

Last-mile network construction

The Company integrated and upgraded the last-mile capacity scheduling system and operational tools to achieve the integration of large and small parcel collectors and dispatchers, effectively strengthening the flexibility of the last-mile collection and delivery capacity. At the same time, The Company upgraded its system capacity to further enhance the synergistic capability of various end channels, such as service outlets, HIVE Boxes and post stations, to meet the differentiated needs of customers for receiving and delivering parcels and to improve the customer experience while optimizing the resource utilization of the entire last-mile network.

End transportation applications

The end collection and delivery operation has been combined with automated transportation and AI to enhance delivery efficiency. In office scenarios such as industrial parks, transportation through automated collection and delivery vehicle and door-to-door transportation and delivery through robots improved transportation efficiency and reduced the pressure for couriers. Terminal transportation applications have been promoted in various places including Beijing, Shanghai, Shenzhen, Suzhou, Wuxi, and Hefei, etc.

Digitalized and intelligent delivery safety

Technologies such algorithm was applied to intelligently capture security risks and improve delivery safety.

The Company used IoT, algorithms, and abnormal parcel data performance to identify abnormal nodes such as illegal throwing, abnormal falling, and illegal unpacking, and established a database taking scenarios, positions, personnel risk levels into consideration. The Company constructed an early warning dashboard, site SOP control, and differentiated security control for high-risk parcels, as well as a "3-layer firewall" security control system to reduce the risk of express shipments.

The Company utilized IoT intelligent hardware to realize the whole-process of tracking and monitoring of express shipments and guarantee their safe arrival. The Company's self-developed intelligent security inspection platform can be combined with automation equipment to realize the synchronization of security screening and sorting during transition; Intelligent algorithms can identify 99% of parcels. In addition, the Company has introduced the cloud security inspection. Through the Sharp-eyed Cloud System (慧眼神瞳云端系统), security inspectors can remotely and simultaneously identify the suspected contraband X-ray images of multiple sites, ensuring the accuracy of security inspections and improving personnel efficiency. The self-developed integrated high-speed photographic apparatus is equipped with functions such as video tracing of express status at the receiving and dispatching end, which, combined with the tracking data of express in other parts of the process, realizes the whole process of tracking and monitoring of express, and allows us to quickly locate and analyze any blind spot in the process to ensure the safety of delivery.

Digitalized and intelligent cost management and control

Applying the digital solution of "full-stack integration", the Company opened a system base and set up a digital business analytics system covering "pre-testing – monitoring – post-analysis". During pre-testing, intelligent algorithms have been used to create digital tools such as production estimation, providing basis for front-end decision-making; during monitoring, the Company generates multi-dimensional in-depth analysis boards based on multiple perspectives to meet the diversified monitoring and analysis needs of various organizations; during post-analysis, the Company intelligently locates potential cost reduction, profitability, and efficiency scenarios, exploiting multiple efficiency improvement models and potential benefit points to the business, promoting business optimization and operation. Through the large language model, integrating excellent closed-loop measures and employee experience, the system can achieve human-computer dialogue when monitoring similar potential benefit scenarios, and intelligently recommend solutions and efficiency improvement courses for the business. The digital system promotes the improvement of benefit management and control by means of on-line modeling or system linkage, helps the Group to refine cost management and input allocation, visualizes process analysis, achieves close-loop of post – analysis, and escorts the Company's sustainable and healthy operation.

Digitalized international business

Cross-border express network

Focusing on links including express products, customer experience, cross-border transportation, the Company built a digital cross-border express network and provided overseas customers with a more convenient and friendly ordering experience through the establishment of overseas payment capacity and the upgrading of overseas customer service tools. Through the construction of overseas value-added service system, the Company provided customers with more personalized demand scenario services. An overseas review center has been added to support overseas formal customs pre-review and personal parcel sorting, strengthening the timeliness of customs brokerage. Moreover, based on advanced large language models, the Company built an intelligent consulting system for delivery standards and customs clearance to automatically organize, interpret, translate, analyze, and refine the latest customs rules, helping couriers and customs clearance personnel to quickly access the latest and most comprehensive international delivery and customs rules, improving the efficiency and quality of international business. Through digital technology, the Company provided real-time shipment tracking, fast collection and customs clearance services, and realized efficient cross-border transportation based on the "one global network" routing system formed by integrating with the domestic network, guaranteeing timely and smooth information flow and orderly coordination of agency services.

Overseas domestic express network

Using the mature and advanced domestic network system as a template, the Company flexibly adapted to varied domestic scenarios in different regions, provide end-to-end network planning, collection and delivery, air and ground transportation, flexible dispatch and other system support, backing the rapid establishment, expansion, and integration of express networks in overseas countries, and improving the quality of overseas domestic express services.

(3) Application of smart supply chain technologies to boost the transformation and upgrade of clients' supply chain

Through technologies including operations planning, block chain, integrating the leading technology capabilities and industry experience, the Company embedded digital capabilities into the customer value chain, providing customers with production and sales full-scenario, fully visible, one-stop, traceable smart supply chain services. Through the integration of production and logistics, and the integration of marketing and logistics, the Company helps various industries create a responsive, flexible and smart, sustainable supply chain system that responds efficiently to facilitate industrial upgrading, cost reduction and efficiency enhancement.

Smart supply chain integration products

The Company integrates the whole set of technological capabilities to form intelligent supply chain products – Feng Zhi Cloud Chain*(丰智云链), Feng Zhi Cloud Strategy*(丰智云策), Feng Zhi Cloud Tower*(丰智云塔), Feng Zhi Cloud Data*(丰智云数) and Feng Zhi Cloud Marketing*(丰智云商) - for different levels of customer demands.

Feng Zhi Cloud Chain

A supply chain operation execution system. Through modules such as ordering, warehousing, transportation and settlement, it assists enterprises to achieve the interrogation of warehousing and distribution and provide a full-spectrum supply chain solution, including intelligent storage and intelligent transportation.

Feng Zhi Cloud Strategy

An intelligent planning/decision-making system for supply chain. It meets the intelligent decision-making needs of enterprise supply chain in different stages of preparing, planning and execution through the capabilities of warehouse network planning, intelligent site selection, commodity layout, demand forecast, sales planning, plan coordination, inventory strategy optimization/simulation, intelligent replenishment, route optimization, capacity optimization, execution monitoring, indicator system, root cause analysis, etc.

Feng Zhi Cloud Tower

A supply chain intelligent control system. It achieves visualized the entire process from order placement, warehousing, transportation, settlement and other data indicators; it achieves risk early warning, efficiency optimization based on the core node data exploring and analysis; it helps business decision-making, and generates work order tasks, drives business collaboration through the macro perspective insight into the whole business.

Feng Zhi Cloud Data

A cloud native-hybrid data management platform. On cloud-native real-time scenarios, it realizes a centralized storage repository with a single storage of all data. The product is divided into four parts, including the elastic storage layer, the integrated computing layer, the data insight layer, and the data application layer. In addition, it is equipped with member data platforms, member management, and marketing capabilities.

Feng Zhi Cloud Marketing

A commercial supply chain operation system. Through shop management, order center, inventory center, etc., Feng Zhi Cloud Marketing provides enterprises with lightweight multi-mode shop solutions, provides a unified inventory, full-channel middle platform solutions, and smart logistics solutions, realizing full-domain inventory sharing, online and offline integration, and other supply chain model changes.

Smart supply chain case studies

The Company leverages its comprehensive smart supply chain products and customer demand on business sub-segments, deeply reached dozens of industries including cosmetics, 3C and fast-fashion consumer goods with in-depth empowerment on over 4,000 enterprises.

Smart Stores for Chain Food and Beverages

Collaborating with a leading global chain coffee and food and beverage customer, the Company constructed an intelligent IoT-based smart store management system and an intelligent on-demand dynamic forecast replenishment system for **1) automatic inventory:** the introduction of RFID, gravity, visual IoT equipment and platforms realized automatic inventory, reducing store inventory by 30%; **2) intelligent replenishment:** through intelligent demand forecast, the use of operation optimization algorithms and rule engines to achieve automatic order replenishment, and reducing store losses; **3) supply chain control tower:** visualize the entire process of order fulfillment and inventory management, generate automatic reports, support business analysis and decision-making; **4) supply network optimization:** realize the network planning and promotion of forward warehouses, help customers fulfill orders in all channels and multiple scenarios online and offline, and share inventory, prompting customers' warehouse network distribution costs to decrease by 15%. Through technology empowerment, the Company deeply collaborated with customers, becomes the largest integrated service provider for the customer, and maintains a long-term stable cooperative relationship. Also, through the benchmark case experience, the Company has gradually promoted the smart stores to other high-end chain store service cooperations.

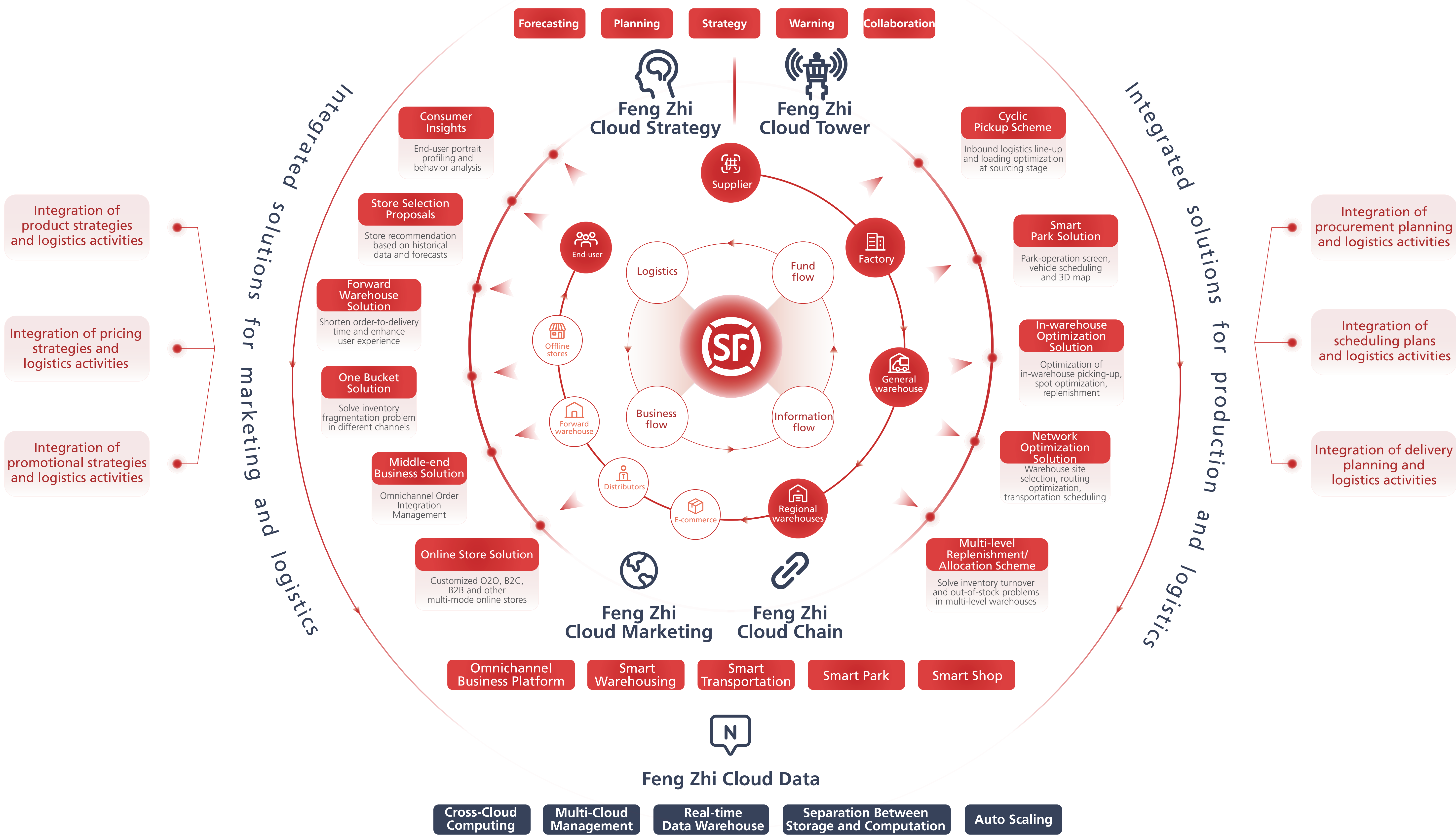
International Cosmetics B2B2C Inventory

Cooperated with an international cosmetics customer to assist in the sharing and unified inventory allocation across all channels for inventory management. Through Feng Zhi Cloud Tower for product fulfillment monitoring, inventory and freight bill management, etc., the Company helped the brand track product inventory and distribution, improved inventory turnover rate by 30% with speeded fulfillment. Meanwhile, through a series of early warning management such as risk monitoring and early warning push, the Company improved service quality and enhanced control efficiency over the entire link.

Full-Link Supply Chain of Lighting Brand

Through continuous optimization of supply chain operations, data analysis, and application of algorithm strategies, the Company provided a lighting brand with warehousing network planning and intelligent replenishment strategy services. Integrating algorithm strategies according to business conditions, the Company output scientific and reasonable daily replenishment and allocation plans, and developed visual and automated replenishment monitoring dashboards to allocate daily output and inspection results, improving the brand's express fulfillment timeliness with reduced warehouse cross rate. On this basis, the Company provided promotion strategies and packaging transportation optimization services, at the same time controlled the allocation execution rate and followed up on abnormal problems, helping the brand reduce unsalable inventory with improved packaging utilization rate.

SF Intelligent Supply Chain Products and Services



4. Build brand value with excellent service experience

SF has become the go-to brand for logistics and established itself as a well-recognised and reputable express delivery service provider through its 31 years of development. It has built a brand image of "fast", "reliable" and "customer-centric", created great brand value through premium service, and is widely recognised by clients, the industry and the community.

On August 2, 2023, according to the 2023 Fortune 500 list released by the Fortune Magazine, the Company ranked 377th, representing a raise of 64 positions from the previous year, on the list for two consecutive years, and is the first and only Chinese private express delivery company that listed in the world's top 500 companies.

State Post Bureau

No. 1

in Overall Customer Satisfaction in three quarters of 2023 (As of the disclosure date of the annual report, the data of express satisfaction survey for 2023 has not been released)

No. 1 for **14** consecutive years

in Overall Customer Satisfaction in 2022

Fortune

377th up **64** places

among "2023 World Top 500 Companies"

2nd selected for **7** consecutive years

among "Most Admired Chinese Companies" in 2023

selected for last **2** years

China ESG Impact List

Brand Finance

263rd selected for **4** consecutive years

among "World's Top 500 Most Valuable Brands" in 2023

6th selected for **5** consecutive years

among "World's Top 25 Most Valuable Logistics Brands" in 2023

IV. Analysis of Principal Business

1. Overview

As the domestic economy in China had wide recovery in 2023 as a result of normalization, gradual improvement in industrial production and social consumption levels, and as a result the express logistics industry exhibited recovery momentum and witnessed steady growth. Nevertheless, due to global macroeconomic uncertainties, the international trade demand and international air and sea freight prices significantly decreased from the second half of 2022 to 2019 levels, leading to a significant decline of international freight market size in 2023 over 2022, but it has progressively stabilized on a year-on-year basis with the recovery of demand and freight charges.

Despite the complicated external circumstances, the Company has always adhered to the operating policy of sustainable and healthy development in pursuit of high-quality growth. In China, the Company effectively secured the delivery demand of enterprises and residents accompanied with the economic recovery, facilitating the steady growth of express logistics services. Globally, with the focus in Asia, the Company strengthened the customs clearance and local network capacity in major Southeast Asian countries and increased aviation routes for cross-border e-commerce to continuously improve the competitiveness of international services. Moreover, the Company deepened the multi-network synergies for operation with promotion of operation mode transformation, and adhered to lean resource investment and cost control while enhancing network service capabilities, facilitating the further improvement of the Company's profitability in 2023.

I) Revenue: In 2023, the Company's total revenue reached RMB258.4 billion, parcel volume[1] reached 11.97 billion, representing an increase of 7.5% over the same period. In particular, the Company has been focused on the mid-to-high-end market for e-commerce express, hence completed the disposal of Fengwang Express* (丰网速运) at the end of June 2023, which utilized a franchising model. Excluding Fengwang Express, the total parcel volume of the Company increased 16.2% in 2023 over the same period. **(1) Express logistics business segment** revenue amounted to RMB191.1 billion, representing an increase of 9.7% over the same period. Excluding Fengwang Express, the revenue of the express logistics segment increased by 11.3% and the parcel volume of the express logistics segment increased by 16.2% over the same period. The Company pursued high-quality business and revenue growth with customer-centric and sustainable improvements in product competitiveness to build deeper relationships with customers and satisfy their diversified demand for a healthy development. **(2) Supply chain and international business segment** revenue amounted to RMB59.98 billion, representing a decrease of 31.7% over the same period, which as mentioned earlier, was due a period-to-period decrease of international air and sea freight demands and charges, and the international freight forwarding business experienced significant decline in both revenue and profitability over the same period in 2022. However, this has progressively stabilized on a year-on-year basis with the recovery of demand and freight charges. Meanwhile, the Company has continued to incubate international express products with competitive timeliness and value and vigorously expand the cross-border e-commerce logistics on emerging platforms, achieving rapid growth in the international express. For details of each business development, please refer to "2. Business Development" in the "II. Business development of the Company" section.

II) Profit: The Company's profit attributable to owners of the Company amounted to RMB8.23 billion in 2023, representing an increase of 33.4% over the same period, and the Company's profit attributable to owners of the Company after deducting non-recurring gains and losses amounted to RMB7.13 billion, representing an increase of 33.7% over the same period.

The Company witnessed a rapid period-to-period growth in business performance in 2023 with high-quality growth on the revenue end, and multi-network integration on the cost end. By expanding the scope and scenarios of business integration with a focus on the cost-efficiency of end-to-end operation and more accurate resource planning and allocation, and further optimizing the cost structure according to business patterns, the operation efficiency has been further improved. Meanwhile, the Company took advantage of technology empowerment to further digitalize operations and management for streamlined operations, achieving systemic intelligent analysis and decision-making in all rounds with resource investment in advance, flexible scheduling during the process and efficiency analysis at the post stage under algorithmic modeling technologies. For details of the specific measures adopted for operation optimization and technology empowerment, please refer to "3. Operation optimization" under the section headed "II. Business development of the Company" and "3. Cutting-edge digitalized, visualized and intelligent technologies to promote the development of smart supply chain" under the section headed "III. Core competitiveness".

III) Capital structure: As of the end of the reporting period, total assets of the Company amounted to RMB221.5 billion; the net assets attributable to owners of the Company amounted to RMB92.8 billion; the gearing ratio was 53.37%, representing a decrease of 1.30 percentage points from 54.67% at the end of previous year. The Company's operating cash flow and capital structure remain solid and stable, and the net cash flow from operating activities amounted to RMB26.6 billion, achieving healthy cash flows.

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1 Neither including Kerry Logistics' parcel volume, nor the volume of the international freight and freight forwarding and supply chain of the Company

The Company insists on streamlining resource planning and strengthening the control of resource effectiveness in management. In 2023, the Company invested RMB13.5 billion in fixed assets and other items (excluding equity investment), representing a decrease of 10.6% compared to 2022, and accounted for 5.2% of total operating income, representing a decrease of 0.4 percentage point compared to 2022. Going forward, the Company will focus on resource contribution for its core competitiveness, and deploy resources appropriately in building the efficient and leading logistics network at home and abroad, as well as in the operation transformation. In the meantime, the Company will continue to promote network integration to achieve better resource utilization and efficiency, and maintaining the Capital expenditure as percentage of revenue continues to remain within a reasonable level.

2. Revenue and cost of revenue

I) Composition of operating revenue

(RMB'000)	2023		2022		Amount change over the previous year
	Amount	Proportion of revenue	Amount	Proportion of revenue	
Total revenue	258,409,403	100.00%	267,490,414	100.00%	-3.39%
Categorized by industry					
Logistics and freight forwarding	251,127,665	97.18%	262,079,740	97.98%	-4.18%
Sales of goods[1]	5,626,072	2.18%	3,899,692	1.46%	44.27%
Others	1,655,666	0.64%	1,510,982	0.56%	9.58%
Categorized by business					
Time-definite express	115,456,067	44.68%	105,696,512	39.51%	9.23%
Economy express	25,051,548	9.69%	25,551,306	9.55%	-1.96%
Freight	33,078,821	12.80%	27,917,012	10.44%	18.49%
Cold chain and pharmaceutical logistics	10,312,988	3.99%	8,612,665	3.22%	19.74%
Intra-city on-demand delivery	7,249,500	2.81%	6,436,102	2.41%	12.64%
Supply chain and international	59,978,741	23.21%	87,866,143	32.85%	-31.74%
Other non-logistics businesses	7,281,738	2.82%	5,410,674	2.02%	34.58%
Categorized by region					
Mainland China	223,510,607	86.49%	208,562,879	77.97%	7.17%
Hong Kong, Macao, and Taiwan, China	9,134,850	3.54%	10,389,782	3.88%	-12.08%
Overseas	25,763,946	9.97%	48,537,753	18.15%	-46.92%

Notes:

(1) Sales of goods mainly comprise the purchase and sale business involved in the process of providing end-to-end supply chain services for customers. The company's revenue from physical sales did not exceed its revenue from labour.

(2) Any discrepancies between totals and sums of the numbers are due to rounding.

Business volume and average revenue per shipment of the express & logistics business

	Current reporting period	The same period of Previous year	Increase/Decrease over the same period of previous year
Parcels (100 million)	119.0	110.7	7.5%
Average revenue per shipment (RMB)	16.06	15.73	2.1%

Explanation:

(1) The express & logistics business mainly included time-definite express, economy express, freight, cold chain and pharmaceutical logistics, and intra-city on-demand delivery business. The statistics of business volume and average revenue per shipment of the express & logistics segment did not include the data of the supply chain and the international business as well as other non-logistics business.

(2) The business volume of the express & logistics segment grew by 7.5% year-on-year and the average revenue per parcel increased by 2.1% year-on-year. This was mainly due to the Company has always adhered to the operating policy of sustainable and healthy development, pursuit of high-quality business growth, and the completion of the sale delivery of the franchise model, Fengwang Express, in June 2023. Excluding Fengwang Express, the growth rate of the business volume of the express & logistics segment was 16.2%. With the steady recovery of domestic industrial production and social consumption, the Company continued to provide customers with timely and high-quality services by virtue of the stable service guarantee capability of its directly-operated network, which contributed to a healthy growth of the business

II) Composition of cost of revenue

(RMB'000)	Cost item	2023		2022		Amount change over the previous year
		Amount	Proportion to cost of revenue	Amount	Proportion to cost of revenue	
Total cost of revenue		225,273,833	100.00%	234,072,360	100.00%	-3.76%
Categorized by industry						
Logistics and freight forwarding	Labor cost(2)	102,785,140	45.63%	91,585,902	39.13%	12.23%
	Transport capacity cost(2)	82,930,208	36.81%	106,844,961	45.65%	-22.38%
	Other operating costs	33,405,256	14.83%	31,078,207	13.28%	7.49%
	Total	219,120,604	97.27%	229,509,070	98.06%	-4.53%
Sales of goods	Cost of goods	5,015,518	2.23%	3,426,513	1.46%	46.37%
Other businesses	Cost of services	1,137,711	0.50%	1,136,777	0.48%	0.08%

Notes:

(1) The logistics and freight forwarding business of the Company demonstrates distinctive feature of network-based businesses – that is high degree of cross-sharing of each item of resources between different business segments within the network and relatively more internal settlements within each business segment and product, so we are unable to further provide the cost classified by product and region in the logistics and freight forwarding business in a fair manner.

(2) The Company calculated the costs and expenses accurately according to the nature of resources in accordance with relevant provisions of the accounting standards. For details, please refer to "(48) Expenses by Nature" in "IV Notes to the Consolidated Financial Statements" in Chapter 10 Financial Statements. As outsourced resources were used in some parts of the logistics network operation of the Company, in order to effectively analyze the composition of the operating costs of the logistics and freight forwarding business, the Company mainly divided its outsourcing costs into labor outsourcing cost and transportation outsourcing cost, and added up them with the employee benefit expenses and transportation expenses, respectively, to show the whole labor cost and transport capacity cost.

III) Details on main industries – Logistics and freight forwarding

The industries accounting for more than 10% of the Company's revenue or operating profit is analysed as follows:

(RMB'000)	Operating revenue		Operating cost		Gross profit margin	
	Amount	Change over the same period of previous year	Amount	Change over the same period of previous year	Percentage	Change over the same period of previous year
Logistics and freight forwarding	251,127,665	-4.18%	219,120,604	-4.53%	12.75%	An increase by 0.32 percentage points

Note: The Company's statistical criteria for core business data was not adjusted during the Reporting Period.

The operating costs breakdown and gross profit of logistics and freight forwarding business are analysed as follows:

	2023	2022	Change over the previous year
Proportion of labour cost to revenue	40.93%	34.95%	An increase by 5.98 percentage points
Proportion of transport capacity cost to revenue	33.02%	40.77%	A decrease by 7.75 percentage points
Proportion of other operating costs to revenue	13.30%	11.85%	An increase by 1.45 percentage points
Gross profit margin	12.75%	12.43%	An increase by 0.32 percentage points

Reason for changes:

(1) Gross profit margin of the Company's logistics and freight forwarding services was 12.75% in 2023, increasing by 0.32 percentage point over the same period of the previous year. The cost structure of Kerry Logistics' international freight and freight forwarding services significantly differs from that of the Company's overall express logistics services, and such significantly dropped revenue compared with the same period of the previous year due to market influence primarily contributed to the large change of the Company's various costs to revenue. If excluding Kerry Logistics, the Company's gross profit margin for main logistics services in 2023 was 13.72%, increasing by 0.20 percentage point over the same period of the previous year, and the change of major costs to revenue is analyzed in (2) to (4) below.

(2) Labor cost as a percentage to revenue increased by 5.98 percentage point over the same period of the previous year, if excluding Kerry Logistics, increasing by 1.56 percentage point over the same period of the previous year, mainly due to: the Company took initiatives to improve the competitiveness of frontline employee salaries, secure employee benefits and encourage service quality promotion with comprehensive incentive mechanism, to drive customer satisfaction through employee satisfaction. In the meanwhile, in 2023, the Company improved its operational efficiency and mitigated the rise in labor costs by continued promotion of multi-network integration, investments in automation and mode optimization.

(3) Transport capacity cost as a percentage to revenue decreased by 7.75 percentage point over the same period of the previous year, if excluding Kerry Logistics, decreasing by 1.84 percentage point over the same period of the previous year. This is mainly attributable to: ① the Company's continued optimization of transportation resource to improve the utilization efficiency of owned vehicles and external transportation resources of controllable price; ② the optimization of the procurement mechanism for outsourced transportation to standardize pricing for short-haul transportation capabilities for effective price control of capacity costs; ③ continual push in multi-network synergies, integrated and centralized route-planning for different business lines and streamlined routing by consolidating shipment deliveries to achieve economies of scale; ④ the period-to-period decrease in fuel price.

(4) Other operating costs as a percentage to revenue increased by 1.45 percentage point over the same period of the previous year, if excluding Kerry Logistics, increasing by 0.08 percentage point over the same period of the previous year. This is primarily achieved by the increase in depreciation and amortization as a result of the operation of the Ezhou hub, and the transfer of transit sites and equipment to fixed assets. In addition, the Company further enhanced the effective resource deployment, maintained a healthy level of capital expenditure to revenue, intensified the site integration and collaboration for better site resource efficiency.

IV) Major customers and major suppliers

Major customers

Total sales revenue from the top five customer (RMB'000)	23,654,369
Total sales revenue from the top five customers in proportion of total annual sales revenue	9.16%
Total sales revenue from affiliated parties in the top five customers in proportion of total annual sales revenue	0.00%

Information about the top five customer

SN	Customer	Revenue (RMB'000)	Proportion of total annual sales revenue
1	Customer 1	7,518,398	2.91%
2	Customer 2	5,602,542	2.17%
3	Customer 3	5,543,871	2.15%
4	Customer 4	2,595,266	1.00%
5	Customer 5	2,394,292	0.93%
Total	–	23,654,369	9.16%

Other information regarding major customers

The top five customers had no associated relationship with the Company, and the Company's directors, supervisors, senior management, core technical personnel, shareholders who held more than 5% of the shares, actual controller and other related parties did not directly or indirectly hold any interest in major customers.

Major suppliers

Total purchase amount from the top five suppliers (RMB'000)	57,401,171
Total purchase amount from the top five suppliers in proportion of total annual purchase amount	22.00%
Total purchase amount from affiliated parties of the top five suppliers in proportion of total annual purchase amount	0.00%

Information about the top five suppliers

SN	Supplier	Purchase amount (RMB'000)	Proportion of total annual purchase amount
1	Supplier 1	38,725,577	14.84%
2	Supplier 2	8,308,070	3.18%
3	Supplier 3	5,388,798	2.07%
4	Supplier 4	2,793,373	1.07%
5	Supplier 5	2,185,353	0.84%
Total	–	57,401,171	22.00%

Other information regarding major suppliers

The top five suppliers had no associated relationship with the Company, and the Company's directors, supervisors, senior management, core technical personnel, shareholders who held more than 5% of the shares, actual controller and other affiliated parties did not directly or indirectly hold any interest in major suppliers.

V) Other information

(1) During the Reporting Period, the Company did not enter into any material sales or purchase contract.

(2) For details of the changes in the scope of consolidation during the Reporting Period, please refer to "V. Changes in the Consolidation Scope" of "Chapter 10 Financial Statements".

(3) During the Reporting Period, there was no major change or adjustment to the businesses, products or services of the Company.

3. Expenses

(RMB'000)	2023		2022		Amount change over the previous year
	Amount	Proportion of revenue	Amount	Proportion of revenue	
Selling and distribution expenses	2,991,589	1.16%	2,784,114	1.04%	7.45%
General and administrative expenses	17,632,556	6.82%	17,574,490	6.57%	0.33%
Research and development expenses	2,285,314	0.88%	2,222,865	0.83%	2.81%
Financial costs	1,866,201	0.72%	1,711,613	0.64%	9.03%

Reason for changes:

(1) The significant decrease in revenue of Kerry Logistics' international freight and freight forwarding services over the same period of the previous year as a result of the market influence contributed to an increase in the Company's various costs to revenue. Excluding Kerry Logistics, the Company's various costs to revenue showed a downward trend, reflecting the Company's improved management efficiency and the effectiveness of lean operation.

(2) Selling and administrative expenses as a percentage to revenue (excluding Kerry Logistics) decreased by 0.46 percentage point over the same period of the previous year, mainly due to the Company's adherence to lean operation, technology empowerment to digital and intelligent management, streamlined organization and management efficiency.

(3) Research and development expenses as a percentage to revenue (excluding Kerry Logistics) decreased by 0.08 percentage point over the same period of the previous year, mainly due to the Company's increased focus on the technology benefits to investment and production, the digitalization of logistics and the upgrade of smart supply chains. The total amount of research and development expenses slightly decreased compared to that of the previous year. For details, please refer to the explanation in "4. R&D Investment" below.

(4) Financial expenses as a percentage to revenue (excluding Kerry Logistics) decreased by 0.14 percentage point over the same period of the previous year, mainly due to the Company's maintenance of a sound financial structure and reasonable control of liabilities.

4. R&D Investment

The Company's investment in technology research and development is focused on four major objectives: facilitating business development, promoting model change, realizing technology productization and exploring cutting-edge technologies. Internally, digital-intelligent upgrading of logistic networks for the building of the SF Smart Brain, aiming to improve the digitalization and intellectualization of the entire internal end-to-end operational process; and externally, promoting the application of the intelligent supply chain technology, empowering the digital-intelligent changes of customers' supply chains by technology, supporting the transformation and upgrading of customers' supply chains, driving cost reduction and efficiency improvement in the supply chain as a whole, and ultimately helping the Company generate revenue, lower costs, and increase operating benefit. For details, please refer to "3. Cutting-edge technology for a digitalized, visual and intelligent supply chain" of "III. Core Competitiveness" of this section.

Information about R&D staff

	2023	2022	Change over the previous year
Number of R&D staff (person)	4,637	5,652	-17.96%
Proportion of R&D personnel as a percentage of total staff	3.03%	3.47%	-0.44%
Composition of R&D personnel by education level			
Junior college (person)	347	627	-44.66%
Bachelor (person)	3,297	3,982	-17.20%
Master and above (person)	993	1,043	-4.79%
Composition of R&D personnel by age			
Below 30 (person)	1,381	2,115	-34.70%
30 – 40 (person)	2,998	3,349	-10.48%
Above 40 (person)	258	188	37.23%

Investment in R&D

(RMB'000)	2023	2022	Change over the previous year
R&D investment amount	3,363,294	3,528,143	-4.67%
R&D investment as a percentage of revenue	1.30%	1.32%	-0.02%
Amount of capitalized R&D investment	1,077,980	1,266,410	-14.88%
Capitalized R&D investment as a percentage of R&D investment	32.05%	35.89%	-3.84%

Note:

(1) The number of the company's R&D employees declined year-on-year, mainly due to the company's technology chassis capacity consolidation and the expansion of replication in business scenarios to improve the effectiveness of science and technology production.

(2) The proportion of the Company's total R&D investment in operating revenue did not change significantly compared with the previous year; the capitalisation rate of R&D investment did not change significantly.

V. Non-core Business Analysis

(RMB'000)	Amount	Proportion of total profit	Reason
Other income	1,969,535	18.78%	Mainly including government grants related to daily activities.
Investment income	800,668	7.64%	Mainly including income from maturity structured deposits and income from the disposal of subsidiaries
Loss from changes in fair value	46,262	0.44%	
Reverse of credit impairment	33,632	0.32%	
Asset impairment loss	186,449	1.78%	Mainly including the impairment loss of long-term equity investment and intangible assets
Non-operating income	309,229	2.95%	Mainly including compensation income and government grants unrelated to daily activities.
Non-operating expenses	277,000	2.64%	Mainly including losses on scrapping of assets and compensation expenses.

Explanation on sustainability

Except the income from structural deposits in the investment income, all other items mentioned above were not sustainable.

VI. Profit Analysis

(RMB'000)	2023	2022	Change over the previous year
Net profit	7,911,609	7,003,620	12.96%
Net profit margin	3.06%	2.62%	An increase of 0.44 percentage point
Net profit attributable to shareholders of the parent company	8,234,493	6,173,764	33.38%
Net profit margin attributable to shareholders of the parent company	3.19%	2.31%	An increase of 0.88 percentage point
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	7,133,730	5,336,924	33.67%
Net profit margin attributable to shareholders of the parent company after deducting non-recurring profit and loss	2.76%	2.00%	An increase of 0.76 percentage point

Net profit by segment

(RMB'000)	2023		2022		Amount of change over the previous year
	Net profit	Net profit margin	Net profit	Net profit margin	
Express and freight delivery segment	8,452,862	4.25%	5,466,724	3.09%	54.62%
Intra-city on-demand delivery segment	50,595	0.41%	-286,903	-2.79%	117.63%
Supply chain and international segment	-534,501	-0.84%	1,945,862	2.15%	-127.47%
Undistributed units	-86,037	-1.50%	-122,737	-0.92%	29.90%

Reason for changes:

(1) The net profit of the express and freight delivery segment in 2023 was RMB8.453 billion, increasing by 54.62% over the same period of the previous year, mainly due to ① the continued business structure optimization with a focus on high-quality differentiated services, and the disposal of the low-margin Fengwang express in pursuit of high-quality growth; and ② the lean resource planning and cost control, promoting the multi-network synergies, expanding the benefits of resource sharing, focusing on cost efficiency in all aspects of the end-to-end operation, and optimizing the cost structure by business models for further operating efficiency.

(2) The net profit of the intra-city on-demand delivery segment in 2023 was RMB0.051 billion, increasing by 117.63% over the same period of the previous year, turning a loss into profit, mainly due to ① sound and steady revenue growth, increased order density, and further release of the network scale economy; ② the pursuit of healthy and high-quality development, continued optimization of business and customer structure, increased contribution of high-quality customers and profitable business to revenue; ③ the operation quality and efficiency driven by technology and lean management, improved resource efficiency, as well as the improvements of gross profit margins and expense ratios.

(3) The net loss of the supply chain and international segment in 2023 was RMB0.535 billion, mainly due to ① the international air and sea freight demand and rates significantly fell from the second half of 2022 of historical highs to the level of 2019, leading to a substantially narrowed profitability of the international freight forwarding services in 2023; ② the supply chain services, as an essential strategic business of the Company, was undergoing critical market expansion.

VII. Cash Flow

(RMB'000)	2023	2022	Change over the previous year
Sub-total of operating cash inflows	365,144,615	369,188,490	-1.10%
Sub-total of operating cash outflows	338,574,796	336,485,543	0.62%
Net cash flows from operating activities	26,569,819	32,702,947	-18.75%
Sub-total of investing cash inflows	95,597,385	157,801,875	-39.42%
Sub-total of investing cash outflows	109,103,002	169,893,333	-35.78%
Net cash flows from investing activities	-13,505,617	-12,091,458	-11.70%
Sub-total of financing cash inflows	34,606,043	39,735,949	-12.91%
Sub-total of financing cash outflows	47,600,728	55,752,899	-14.62%
Net cash flows from financing activities	-12,994,685	-16,016,950	18.87%
Effect of exchange rate changes on cash and cash equivalents	98,844	871,640	-88.66%
Net increase in cash and cash equivalents	168,361	5,466,179	-96.92%

Note: There was no major difference between the net cash flows from operating activities during the Reporting Period and the net profit of the year.

Explanation:

(1) Net cash flows from operating activities: The year-on-year decrease was mainly attributable to the decrease on the refund of taxes and levies, and the increase on cash paid to and on behalf of employees.

(2) Net cash flows used in investing activities: The year-on-year increase was mainly attributable to the decrease in net inflow on equity investment and structured deposits, and the decrease in net outflow on purchase and construction of long-term assets.

(3) Net cash flows used in financing activities: The year-on-year decrease was mainly attributable to a decrease in the repurchase of the Company's shares and the acquisition of minority interest.

VIII. Analysis of Assets and Liabilities

1. Major Changes in Asset Composition

(RMB'000)	As at the end of 2023		As at the beginning of 2023		Increase /Decrease in Proportion	Major Changes
	Amount	Proportion of Total Assets	Amount	Proportion of Total Assets		
Cash at bank and on hand	41,974,505	18.95%	41,062,750	18.94%	0.01%	For details, please refer to "VII.Cash Flow" in "Chapter 3 Management Discussion and Analysis".
Accounts receivables	25,133,487	11.35%	25,560,433	11.79%	-0.44%	No major changes.
Inventories	2,440,425	1.10%	1,948,354	0.90%	0.20%	No major changes.
Contract assets	1,632,592	0.74%	1,522,996	0.70%	0.04%	No major changes.
Long-term equity investments	7,378,831	3.33%	7,858,000	3.62%	-0.29%	No major changes.
Investments in other equity instruments	9,489,535	4.28%	7,365,684	3.40%	0.88%	Mainly due to the increase in equity investment.
Investment properties	6,418,720	2.90%	4,875,366	2.25%	0.65%	Mainly due to the transfer of industrial parks from "construction in progress", and assets purchase.
Fixed assets	53,929,854	24.35%	43,657,404	20.13%	4.22%	Mainly due to the transfer from "construction in progress", such as industrial parks and transit depots.
Construction in progress	4,032,884	1.82%	11,149,860	5.14%	-3.32%	Mainly due to the transfer to "fixed assets" and "investment properties", such as industrial parks and transit depots.
Right-of-use assets	14,073,571	6.35%	15,429,775	7.12%	-0.77%	Mainly due to amortization.
Short-term borrowings	18,221,977	8.23%	12,837,870	5.92%	2.31%	Mainly due to new borrowings.
Contract liabilities	1,832,018	0.83%	1,244,418	0.57%	0.26%	No major changes.
Other payables	11,494,841	5.19%	13,346,595	6.15%	-0.96%	Mainly due to the decrease in payables for engineering equipment and equity acquisition.
Current portion of non-current liabilities	9,485,948	4.28%	11,173,650	5.15%	-0.87%	Mainly due to the decrease in debentures payable due within one year.
Other current liabilities	167,668	0.08%	5,122,276	2.36%	-2.28%	Mainly due to the repayments of extra-short term commercial notes and short-term corporate debentures.

(RMB'000)	As at the end of 2023		As at the beginning of 2023		Increase /Decrease in Proportion	Major Changes
	Amount	Proportion of Total Assets	Amount	Proportion of Total Assets		
Long-term borrowings	11,355,241	5.13%	7,472,010	3.45%	1.68%	Mainly due to new borrowings.
Lease liabilities	8,038,495	3.63%	8,582,372	3.96%	-0.33%	No major changes.
Capital reserve	43,164,085	19.49%	43,996,237	20.29%	-0.80%	Mainly due to the acquisition of minority interest.
Retained earnings	38,835,999	17.53%	33,371,351	15.39%	2.14%	Mainly due to the good operating performance during the current period.

Key Overseas Assets

Details of the Assets	Formed Reason	Assets Scale (RMB'000)	Location	Operating Model	Control Measures for Ensuring Asset Security	Profiting Status (RMB'000)	Assets Overseas/Net Assets of the Company	Whether there is significant Impairment Risk
51.52% equity of Kerry Logistics	Equity acquisition	21,799,165	Hong Kong (China)	Integrated logistics, international freight forwarding and supply chain solutions	Note 1	227,315	21.11%	No
Other information	1. "Asset scale" refers to net assets of Kerry Logistics; 2. "Profiting status" refers to net profit contributed by Kerry Logistics in 2023, which is the net profit of Kerry Logistics, taking into account the fair value of identifiable assets and liabilities at the time of the acquisition of the equity of Kerry Logistics and the impact of adjustments arising from adopting the same accounting policy. The net profit attributable to shareholders of the parent company was RMB209.849 million; net profit attributable to minority shareholders amounted to RMB17.466 million and net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss as contributed by Kerry Logistics amounted to RMB151.878 million. 3. "Assets overseas/net assets of the Company" refers to net assets of Kerry Logistics/net assets of the Company.							

Notes:

(1) Kerry Logistics, as a company listed on the Hong Kong Stock Exchange, on the basis of compliance with the A-share and H-share listing rules and other relevant regulatory regimes, the Company and Kerry Logistics have carried out integration at the levels of corporate governance, disclosure of information and business co-operation, etc. Mr. Wang Wei, the Chairman of the Company, has been appointed as the Chairman of the Board of Directors and a Non-Executive Director of Kerry Logistics and Mr. Ho Chi, a Director, has been appointed as a Non-Executive Director of Kerry Logistics since October 2021; and in October 2023, Ms. OOI BEE TI, Head of the Company's Capital Centre, was appointed as a non-executive director of Kerry Logistics to participate in Kerry Logistics' corporate governance and major operational decisions. Meanwhile, both parties work closely on corporate governance and information disclosure to ensure that the disclosure of information of both parties complies with the regulatory rules for A-share and H-share listed companies. In addition, both parties will continue to explore the room for collaboration in business to fully complement each other's strengths and to work together in expanding the global logistics market.

2. Assets and liabilities measured at fair value

(RMB'000)	Opening Balance	Changes in Fair Value Gains and Losses in Current Period	Accumulated Fair Value Changes Included In Equity	Provision for Impairment in Current Period	Amount of Purchase in Current Period	Amount of Sales in Current Period	Other Changes	Closing Balance
Financial assets								
1. Financial assets held for trading (excluding derivative financial assets) note 1	8,397,588	-38,264	–	–	1,401,744	1,469,857	-891,473	7,399,738
2. Investments in other equity instruments	7,365,684	–	484,100	–	276,034	165,433	1,529,150	9,489,535
Subtotal financial assets	15,763,272	-38,264	484,100	–	1,677,778	1,635,290	637,677	16,889,273
Others	–	–	–	–	–	–	–	–
Total	15,763,272	-38,264	484,100	–	1,677,778	1,635,290	637,677	16,889,273
Financial liabilities	96,647	6,899	-12,002	–	–	–	576	92,120

Note 1: The item includes structured deposits that do not carry the characteristics of contract cash flow for principal and interest. The structured deposits have short maturities and are highly liquid, and net purchases and sales for the current period are stated in the current period. Financial assets held for trading other than structured deposits are stated separately at the amount purchased and sold during the period.

(1) Other changes:

Other changes include assets reclassification due to changes in the nature of the assets or management method. In addition to this, other changes in financial assets held for trading are mainly investment income realised by matured structured deposits, and other changes in investments in other equity instruments are mainly due to exchange differences on translation of foreign currency financial statements.

(2) None of any significant changes occur for the Company's major asset measurement attributes during the Reporting Period.

3. Limitation of asset rights as of the end of the Reporting Period

At the end of the Reporting Period, the Company's assets subject to limited rights are mainly statutory reserve placed at the Central Bank and the bank borrowing mortgage, details of which are as follows:

(RMB'000)	Book Value at the end of period	Reasons for limitation
Cash at bank and on hand	1,576,496	Mainly statutory reserves in the Central Bank
Fixed assets	536,746	Bank borrowing mortgage
Intangible assets	292,495	Bank borrowing mortgage
Investment properties	111,124	Bank borrowing mortgage
Construction in progress	272,393	Bank borrowing mortgage
Total	2,789,254	

IX. Investments Analysis

1. Overview

Investment amount during the Reporting Period (RMB'000)	Investment amount in the same period of last year (RMB'000)	Percentage change
17,524,710	19,343,536	-9.40%

Breakdown items of capital expenditure during the Reporting Period are indicated in the table below:

Item	Investment Amount During the Reporting Period (RMB'000)
Office and buildings	479,089
Land	236,563
Warehouse	1,342,656
Sorting center	5,790,976
Aircraft	1,788,015
Vehicle	1,429,862
Information technology equipment	509,798
Equity investments	4,060,633
Others	1,887,118
Total	17,524,710

2. Significant Equity Investment Obtained During the Reporting Period

☐ Applicable √ Not applicable

3. Significant Non-Equity Investment Ongoing During the Reporting Period

☐ Applicable √ Not applicable

4. Investments in Financial Assets

(1) Investments in Securities

Unit: RMB'000

Security type	Stock code	Abbreviation of security	Initial investment cost	Accounting measurement model	Book value at the beginning of the reporting period	Gains and losses from changes in fair value during the period	Accumulated fair value changes included in equity	Purchase amount during the Reporting Period	Sales amount during the Reporting Period	Gains and losses of the Reporting Period	Book value at the end of the Reporting Period
Domestic and overseas stocks	01519	J&T Express	1,831,958	Fair value measurement	–	-1,218	569,999	1,606,632	–	-1,218	2,345,581
Domestic and overseas stocks	300771	Zhilai Sci And Tech	21,377	Fair value measurement	88,844	–	-16,450	–	–	1,998	72,394
Domestic and overseas stocks	GB00BLH1QT30	Samarkand	28,490	Fair value measurement	12,170	–	-11,412	–	–	–	867
Other portfolio investments held at the end of the period			–	Fair value measurement	57,920	–	-25,978	–	32,903	–	–
Total			1,881,825	–	158,934	-1,218	516,159	1,606,632	32,903	780	2,418,842
Disclosure Date of Board Announcement in respect of Securities Investment Approval											N/A
Disclosure Date of Shareholders Meeting Announcement in respect of Securities Investment Approval (if any)											N/A

Note: The accounting items of the above domestic and foreign stocks are all "investments in other equity instruments", and the capital source is "self-owned funds"

(2) Investments in Derivatives

1) Derivatives investments for hedging purpose during the Reporting Period

Unit: RMB'000

Investment type of derivatives	Initial derivatives investment amount	Amount at the beginning of the Reporting Period	Changes in fair value gains and losses in current period	Accumulated fair value changes included in equity	Amount of purchase in the Reporting Period	Number of sales in the Reporting Period	Amount at the end of the Reporting Period	Proportion of investment amount at the end of the Reporting Period to net assets of the Company
Forward Exchange	–	3,489,350	-5,163	–	N/A	N/A	–	–
Total	–	3,489,350	-5,163	–	N/A	N/A	–	–
Explanation of whether the accounting policies and accounting principles of hedging during the Reporting Period are significantly changes compared with the previous Reporting Period	No							
Description of actual gains/losses during the Reporting Period	The actual gains/losses during the reporting period refers to the gain or loss arising from the change in fair value of derivative financial instruments for the period, and the actual profit for the period amounted to RMB27.028 million.							

Investment type of derivatives	Initial derivatives investment amount	Amount at the beginning of the Reporting Period	Changes in fair value gains and losses in current period	Accumulated fair value changes included in equity	Amount of purchase in the Reporting Period	Number of sales in the Reporting Period	Amount at the end of the Reporting Period	Proportion of investment amount at the end of the Reporting Period to net assets of the Company
Description of hedging effects	The Company's derivative investment business mainly consists of forward contracts purchased in 2020, with the underlying asset being the exchange rate and the currency involving USD/HKD, which has been expired and settled. The main elements are: operation of forward forex hedging for the Company's US dollar bonds, which generates exchange losses on the US dollar bonds and gains on changes in the fair value of the forward exchange contracts when the USD strengthens against the HKD. By utilising the lock-in function of derivative transactions, the impact of exchange rate fluctuations on the Company's profit was effectively reduced.							
source of fund for derivatives investment	Self-owned funds							
Risk analysis and control measures for derivatives investment during the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	(I) Risk analysis The foreign exchange hedging business is carried out by the Company based on the principles of lawfulness, prudence, safety and effectiveness, and not for speculative purposes. All foreign exchange hedging transactions are derived from normal cross-border business, but certain risks may exist in foreign exchange hedging transactions. 1. Market risk: The foreign exchange hedging business carried out by the Company and its subsidiaries mainly involves daily cross-border intermodal transportation fees and investment and financing activities denominated in foreign currencies related to the main business. The associated market risk refers to losses which may arise from changes in price of foreign exchange hedging products due to fluctuations in market prices of underlying exchange rates and interest rates. 2. Liquidity risk: Since all foreign exchange hedging business is conducted through financial institutions, we are subject to the risk of having to pay fees to banks caused by insufficient liquidity in the market. 3. Non-performance risk: The Company and its subsidiaries conduct foreign exchange hedging business mainly based on cash flow rolling forecasts for risk management. We are subject to the risk that the actual cash flow deviates from forecast, resulting in failure to fulfil obligations under relevant hedging contracts when due. 4. Other risks: In the course of business, if the person concerned fails to report and seek approval in accordance with the prescribed procedures, or fails to make records on foreign exchange hedging business accurately, timely and completely, losses may be incurred or trading opportunities may be lost. At the same time, if the person concerned fails to fully understand the terms of the transaction contract and product information, we are exposed to related legal risks and transaction losses as a result. (II) Risk control measures 1. Clarify the criteria of initiating transaction of foreign exchange hedging product: All foreign exchange hedging businesses are derived from normal cross-border business for the purpose of averting and preventing exchange rate and interest rate risk. No foreign exchange derivatives trading shall be carried out for speculative purposes. 2. Selection of products: Hedging products with simple structure, strong liquidity and controllable risk are selected to carry out foreign exchange hedging business. 3. Counterparty selection: The counterparties of the Company's foreign exchange hedging business are large state-owned commercial banks and international banks with sound operation, good credit, long history of cooperation with the Company and good credit standing. 4. Determination of fair value of foreign exchange hedging products: The foreign exchange hedging products operated by the Company are mainly for the management of foreign exchange transactions in the predictable future period, with high market transparency and active trading; the transaction price and settlement unit price of which can fully reflect their fair value. The Company determines the fair value of the hedging products in accordance with the transaction data provided by or obtained from the public domain including banks and Reuters. 5. Equipped with professional staff: The Company has maintained a team of professionals with expertise in financial derivatives, responsible for the Company's exchange rate risk management, market analysis, product research and the Company's overall management policy recommendations, etc. 6. Establishing a comprehensive risk alarm and reporting mechanism: The Company sets risk limits for foreign exchange hedging business where transactions have been made, timely evaluates changes in risk exposure and derived gains and losses, and provides regular risk analysis report to the management and the Board of Directors. Appropriate risk assessment models or monitoring systems are used to continuously monitor and report various risks. More frequent reports are made when the market fluctuates drastically or when risks are higher. A response plan will be made promptly. 7. Separation of duties and personnel between the front end and back end is strictly implemented. Dealers cannot concurrently hold the position as accounting personnel and vice versa.							

Investment type of derivatives	Initial derivatives investment amount	Amount at the beginning of the Reporting Period	Changes in fair value gains and losses in current period	Accumulated fair value changes included in equity	Amount of purchase in the Reporting Period	Number of sales in the Reporting Period	Amount at the end of the Reporting Period	Proportion of investment amount at the end of the Reporting Period to net assets of the Company
Changes in market price or fair value of invested derivatives during the Reporting Period (the specific methods, relevant assumptions and parameters used in the analysis of the fair value should be disclosed)	The Company's analysis of the fair value of derivatives is based on the financial market fair value valuation report provided by the bank at month end.							
Lawsuit (if applicable)	N/A							
Disclosure date of derivatives investment approval board announcement (if any)	March 31, 2022 and March 29, 2023							
Disclosure date of derivatives investment approval shareholders meeting announcement (if any)	N/A							
Opinions of independent directors on the Company's derivatives investment and risk control	The independent directors believed that the Company had established an internal control system for foreign exchange hedging and effective risk control measures in accordance with the requirements stipulated by relevant laws. Under the premise of complying with national laws and regulations and ensuring that the Company's daily operation were not affected, the Company used its own funds to carry out foreign exchange hedging when appropriate, which was conducive to preventing interest rate and exchange rate risks, reducing the impact of interest rate fluctuations on the Company, in line with the interests of the Company and all shareholders and was no harm to the Company and all shareholders, especially the interests of minority shareholders.							

2) Derivatives investments for speculative purpose during the Reporting Period

☐ Applicable √ Not applicable

There was no derivative investment for speculation during the Reporting Period

5. Use of Proceeds

(1) Description of overall utilization of proceeds

Unit: RMB'000

Year	Method of fundraising	Total of proceeds	Net proceeds	Total proceeds invested in the current year	Accumulative proceeds invested (Note 1)	Total proceeds with usage altered in the Reporting Period	Accumulative proceeds with usage altered	Proportion of accumulative total proceeds with usage altered	Total unused proceeds	Usage and allocation of unused proceeds	Proceeds idle for over two years
2021	Non-public offering of shares	20,000,000	19,907,320	2,965,284	20,072,218	1,400,000	1,400,000	7.03%	–	N/A	–
Total	–	20,000,000	19,907,320	2,965,284	20,072,218	1,400,000	1,400,000	7.03%	–	–	–

Description or of overall utilization of proceeds

As at 31 December 2023, the Company had completed all the investment projects of Raised Funds, the accumulated Funds Raised from Non-public offering of shares that were utilised amounted to RMB20,072.218 million, which applied for the Express Delivery Equipment Automation Upgrade Project, the Construction Project of Hubei Ezhou Civil Airport Transit center, the Construction Project of Digital-intelligent Supply Chain System Solution, the Land Transport Capacity Improvement Project, the Aviation Materials Purchasing and Maintenance Project and used as Replenishment of Liquidity were RMB6,944.343 million, RMB2,608.828 million, RMB3,003.100 million, RMB2,005.233 million, RMB1,910.713 million and RMB3,600.001 million. The total amount of the surplus funds was RMB127.067 million, and the Company has transferred such part of the surplus funds to permanently replenish the working capital.

In order to improve the efficiency of the use of proceeds and increase the return on cash assets, the Company held the Nineteenth Meeting of the 5th Session of the Board of Directors and the Seventeenth Meeting of the 5h Session of the Board of Supervisors on 28 October 2021 and the Second Meeting of the 6h Session of the Board of Directors and the Second Meeting of the 6th Session of the Board of Supervisors on 28 March 2023, respectively, at which it reviewed and approved the ''Proposal on the Use of Part of the Idle Proceeds for Cash Management", and Part of the temporarily unused proceeds were purchased as principal-protected financial products. As end of 31 December 2023, the accumulated bank interest and financial management income of RMB291.964 million was received and used in the corresponding fund-raising investment projects.

(2) Investment commitment in respect of proceeds

Unit: RMB'000

Project investment commitment and allocation of surplus proceeds	Whether project has been (or partially) altered	Total committed investment based on net proceeds	Total investment after alteration (1)	Investment in the current year	Accumulative investment at the end of the period (2)	Investment progress at the end of the period (%) (3) =(2)/(1)	Date of asset ready for intended use	Benefits achieved in the current year	Whether expected benefits have been achieved	Whether feasibility of project has changed significantly
Project investment commitment										
1. Express Delivery Equipment Automation Upgrade Project	No	6,000,000	6,942,579	901,764	6,944,343	100.0%	2023/12/31	Note 2	N/A	No
2. Center Construction Project of Hubei Ezhou Civil Airport Transit center	No	4,000,000	2,600,000	491,352	2,608,828	100.3%	2023/12/31	Note 3	N/A	No
3. Construction Project of Digital-intelligent Supply Chain System Solution	No	3,000,000	3,000,000	259,891	3,003,100	100.1%	2023/12/31	Note 4	N/A	No
4. Land Transport Capacity Improvement Project	No	2,000,000	2,000,000	276,898	2,005,233	100.3%	2023/12/31	Note 5	N/A	No
5. Aviation Materials Purchasing and Maintenance Project	No	1,907,320	1,907,320	435,378	1,910,713	100.2%	2023/12/31	Note 6	N/A	No
6. Replenishment of Liquidity	No	3,000,000	3,600,000	600,001	3,600,001	100.0%	2023/12/31	Note 7	N/A	No
Subtotal of project investment commitments	–	19,907,320	20,049,899	2,965,284	20,072,218	–	–	–	–	–
Investment of surplus proceeds										N/A
Total	–	19,907,320	20,049,899	2,965,284	20,072,218	–	–	–	–	–

Description of the failure to achieve the planned progress, and the expected return and the reasons by project (including the reasons for choosing "N/A" in case of "achieving the expected benefit or not").	The above projects in which the Company promises to invest are aimed at improving the service capacity and operational efficiency of the overall logistics network, therefore it is not possible to directly quantify the benefits achieved by individual projects. See Note 2 to Note 7.
Significant changes in the feasibility of projects	N/A
Amount, usage and use progress of surplus proceeds	N/A
Change in implementation location of investment projects funded by proceeds	N/A
Adjustment to implementation method of investment projects funded by proceeds	N/A
Upfront investment and replacement of investment projects funded by proceeds	After consideration and approval at the 19th meeting of the 5th Board of Directors and the 17th meeting of the 5th Supervisory Committee convened by the Company on October 28, 2021, and with the explicit consent from the sponsors, independent directors and the Supervisory Committee, the Company replaced with the proceeds the self-raised funds of an aggregated amount of RMB6,338.458 million which was invested in advance for the Express Delivery Equipment Automation Upgrade Project, the Construction Project of Hubei Ezhou Civil Airport Transit center, the Construction Project of Digital-intelligent Supply Chain System Solution, the Land Transport Capacity Improvement Project, and the Aviation Materials Purchasing and Maintenance Project. For details, please refer to the announcement dated October 29, 2021 (announcement No.: 2021-118) disclosed by the Company on Cninfo (www.cninfo.com.cn).
Supplementing working capital temporarily with idle proceeds	N/A
Balances of the proceeds during the project implementation and the reasons	As the end of 31 December 2023, the Company had completed all of its fund-raising investment projects, with surplus funds (wealth management gains, interest income, etc.) of RMB127.067 million, which was less than 1% of the net amount of fund-raising. In accordance with the "Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1 – Standardised Operation of Main Board Listed Companies" (Revised in December 2023) and the "Fund Raising Management System of S.F. Holding Co., Ltd.", the Board of Directors and the General Meeting of Shareholders can be exempted from the procedure of deliberation and the above-mentioned saved funds will be used to supplement the liquidity on a permanent basis. As at 31 December 2023, the Company had transferred all the surplus funds of RMB127.067 million in the special account for fund raising to the Company's own fund account.
Usage and allocation of the unused proceeds	N/A
Defects and other problems in utilization and disclosure of the proceeds	N/A

(3) Statement of Changes in Projects Funded by Proceeds

Unit: RMB'000

Project after change	Corresponding original commitment project	Total amount of proceeds to be invested in the project after change (1)	Actual investment during the Reporting Period	Actual cumulative investment as at the end of the period (2)	Investment progress at the end of the period (3)=(2)/(1)	Date of asset ready for intended use	Benefits achieved in the current period	Whether expected benefits have been achieved	Whether feasibility of altered project has changed significantly
Express delivery equipment automation and upgrades	The construction of the Ezhou airport transhipment centre project in Hubei	6,942,579	901,764	6,944,343	100%	31 December 2023	Note 2	N/A	No
Supplement of working capital		3,600,000	600,001	3,600,001	100%	N/A	Note 7	N/A	No
Total	–	10,542,579	1,501,765	10,544,344	–	–	–	–	–
Explanation of reasons for changes, decision-making procedures and disclosure of information (by specific items)	As the end of 31 Dec 2023, the total amount of the usage-changed proceeds of the Company was RMB1,400 million, accounting for 7.03% of the total proceeds. In addition, the Company used RMB100 million of the accumulated wealth management returns and interest income generated through the proceeds to make additional investments in the original investment projects. Details are as follows: The 2nd meeting of the 6th session of the Board of Directors of the Company and the 2022 Annual General Meeting of the Company considered and passed the "Proposal on Changing Part of the Proceeds-financed Projects", and agreed that the Company would reduce the proceeds towards the "construction of the Ezhou civil airport transit centre project in Hubei ", and would use the above-decreased proceeds of RMB1,400 million, together with the wealth management returns and interest income generated through the proceeds of RMB100 million, totally RMB1,500 million, to increase investment in the original proceeds-financed projects, namely the "express delivery equipment automation and upgrades "and "supplement of working capital ". For details, please refer to the announcement of the Company disclosed on cninfo (http://www.cninfo.com.cn) on 29 March 2023 (Announcement No. 2023-018).								
Circumstances and reasons for not meeting planned progress or projected benefits (by specific items)	N/A								
Description of significant changes in the feasibility of the changed project	N/A								

Note 1: "Accumulative proceeds invested" includes accumulative proceeds invested and upfront investment replaced after the reception of proceeds of RMB6,338.458 million.

Note 2: The project aims to improve the Company's transhipment operation capacity and efficiency, raise the storage service capacity and quality, enhance the stability of the transhipment network and storage service network, and optimise customer experience and satisfaction, so as to further reinforce the Company's core competitiveness. The benefits achieved are not directly quantifiable.

Note 3: The project aims to improve the Company's transhipment capacity and operation efficiency, reduce overall operating costs, and improve the flexibility and stability of the core transhipment network to lay the foundation for the Company's long-term business expansion. The benefits achieved are not directly quantifiable.

Note 4: The project aims to enrich the Company's digital-intelligent supply chain system solutions for different industries, effectively improve the Company's one-stop supply chain service ability, enhance customer engagement, and help the Company become a technology-driven comprehensive supply chain solution provider. The benefits achieved are not directly quantifiable.

Note 5: The project aims to improve the Company's main and branch line transportation capacity and the efficiency of the "last kilometre" network service, enhance the security of the transportation network, and strengthen the Company's core competitiveness in express and logistics services. The benefits achieved are not directly quantifiable.

Note 6: This project aims to guarantee the transport safety and operation efficiency of the Company's fleet and enhance the stability and security of the air transport network, in a bid to reinforce the Company's core competitiveness in comprehensive logistics services. The benefits achieved are not directly quantifiable.

Note 7: This project aims to enhance the Company's financial strength and meet the working capital requirement after gradual expansion of market share and operation scale, which is conducive to improving the anti-risk ability of the listed Company and serving the development of the Company's main business and the realisation of long-term strategy. The benefits achieved are not directly quantifiable.

Note 8: Any discrepancies between totals and sums of the numbers are due to rounding.

X. Sale of Significant Assets and Equity

1. Sale of significant assets

☐ Applicable √ Not applicable

2. Sale of significant equity

√ Applicable ☐ Not applicable

Counterparty	Disposed equity interest	Disposal date	transaction price (RMB000)	Net profit contributed by the equity interest to the listed Company from the beginning of the period to the date of disposal (RMB000)	Impact of the disposal on the Company	Proportion of net profit contributed by equity disposal to total net profit of listed Company	Pricing principles for equity disposal	Whether it is a related party transaction	Related party relationship with the counterparty	Whether the shareholding involved has been fully transferred	Whether it has been implemented as planned and on schedule, and if not, disclose the reasons and the measures taken by the Company	Date of disclosure	Index of disclosure
Shenzhen J&T Express Supply Chain Co., Ltd.	100% equity interest of Shenzhen Fengwang Information Technology Co. Ltd.	27 June 2023	1,183,000	-551,485	Will not have a significant impact on the Company's daily operating activities	1.88%	fair and equitable	No	No	Yes	Yes	13 May 2023	CNINFO (www.cninfo.com.cn)

Note: Pursuant to the transaction agreement, Transitional Gain or Loss, the profit or loss of the disposed equity interest for the period from the base date (31 March 2023) to the date of closing (the" Disposal Date"), shall be enjoyed or borne by the transferor. On 28 August 2023, both parties to the transaction confirmed the Transitional Gains or Losses. Considering the Transitional Gains or Losses, the net amount actually paid by the counterparty was approximately RMB461 million.

XI. Analysis of Major Holding and Participating Companies

Major subsidiaries and equity participation companies that affect the Company's net profit by more than 10%

Unit: RMB'000

Company Name	Company Type	Primary Business	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Profit
Shenzhen S.F. Taisen Holding (Group) Co., Ltd.	Subsidiary	Investments in industrial businesses, investment consulting and other information consulting, supply chain management, asset management, capital management, investment management, etc.	5,000,000	76,426,479	44,043,403	5,744,808	7,338,281	7,438,301
S.F. Express Co., Ltd.	Subsidiary	International freight forwarding, domestic and international express services, etc.	150,000	30,606,979	3,580,183	18,879,260	4,404,043	4,318,377

(1) Description of Major Holding and Participating Companies

The net profit realized by Shenzhen S.F. Taisen Holding (Group) Co., Ltd. and S.F. Express Co., Ltd. for the year were mainly the investment income generated from the dividend distribution of the holding subsidiaries and the profit generated from the Company's primary business.

(2) Acquisition and Disposal of Subsidiaries During the Reporting Period

For details, please refer to Note 5 to the Chapter 10 Financial Statements.

XII. Structured Entities Controlled by the Company

☐ Applicable √ Not applicable

XIII. Prospects of the Company

1. Industry Trend

I) The international environment will continue to confront uncertainties, and China's economy remains resilient.

International relations are becoming increasingly complex, and global economic growth may still be weak in 2024. According to forecasts released by the World Bank, the global economy will grow by 2.4% in 2024, still being the "slowest 5 years in 30 years". The growth of developed economies will be below the global average, while China and some emerging countries in Asia will have relatively good growth rates, and China's GDP expected to increase by 5% in 2024. Under the challenging internal and external environment, China continues to propose a series of strategies for economic stabilization on expanding domestic demand, emphasizing technology innovation, and further opening up, and the policy effects including interest rate and reserve ratio cuts, as well as tax and fee reductions, are expected to further release in the next year. China is still the largest engine of global growth, contributing about one-third to global economic growth, and is the supersize market with most potential in the world.

II) Domestic logistics market is expected to maintain steady growth, and Asia maintains most vitality and potential in the global logistics market.

The domestic express industry achieved rapid growth due to the economic recovery in 2023, with expectation that the industry growth rate will slow down in 2024, but steady growth will still be maintained with certain development resilience. According to the State Post Bureau, the business revenue of express delivery is expected to reach RMB1.3 trillion in 2024, representing an increase of around 8% over the previous year. With the advancement of China's policies for economy stabilization on a virtuous cycle of mutual promotion of consumption and investment, the overall expectation of domestic logistics demand remains stable, and the market growth remains moderate.

Meanwhile, affected by the uncertainty of the international environment and the slowdown in global economic growth, the international logistics and freight market still faces many variables. International air and sea freight prices gradually stabilized and slowly recovered in 2023. Future expectations fluctuate due to market demand and regional relations, challenging the resources and service capabilities of international freight enterprises. Cross-border e-commerce, although slowing down, has structural opportunities. China's leading emerging e-commerce platforms in the globe were under high-speed expansion, and domestic e-commerce market in Southeast Asia is booming, which is driving Southeast Asia's domestic express services and cross-border e-commerce logistics from China to abroad. According to Frost & Sullivan, logistics expenditure in Asia (excluding China) is expected to reach a CAGR of around 7% from 2023 to 2027, exceeding the global growth. Benefiting from the higher economic growth of emerging markets, continued urbanization, growing consumer demand, and the rising position in the global supply chain landscape, the logistics scale of China-Southeast Asia, intra-Asia regions, and other Asia-global markets maintain relatively faster growth.

III) Express delivery further carries forward the "go to the countryside, go to factories, and go global", to improve people's life quality, promote the industrial supply chain upgrade, and pave pathway for the international trade.

(i) "Express entering into the countryside" to meet the delivery demand. In 2023, China accelerated the establishment of the county and rural transportation network with the "one village, one station" project, and built 1,267 county-level public transportation centers, 289,000 village-level integrated logistics transportation stations, and 190,000 countryside postal stations. The express delivery volume to countryside has reached 2.7 billion pieces. In 2024, the Company will further the express delivery into the countryside, give full play to the positive role of express delivery enterprises in promoting rural industrial development and improving the living standards of farmers, and stimulate the vitality of the rural delivery market. **(ii) "Entry into factories" to promote the industrial supply chain efficiency.** The express extended from the consumption to the production, enriching supply for and adhesiveness to the express delivery services while embedding into the industrial supply chain with more efficient operation and more intelligent technology, linking to the whole supply chain and industry, contributing to better resilience and efficiency, and promoting technology innovation and cost reduction of more profound and wider domain. **(iii) "Going global" to expand international transportation paths.** Domestic production and global circulation thrive as China's economy speeds up its integration into the international market, requiring greater resilience and security in the international supply chain; and to facilitate the Belt and Road Initiative, channels for the international logistics shall be further extended. Future industry sustains efforts for better cross-border service capacity, accelerated "going global", strengthened overseas network construction, better serves for cross-border e-commerce and modern trade, to exert the industry's characteristics and strengths for better maintaining a stable and expedite global industrial chain and supply chain.

IV) China implemented the 14th Five-Year Plan on a continuous basis and promoted a high-quality modern logistics.

At the beginning of 2023, The Central Committee of the Communist Party of China and the State Council issued "the Outlines for Building China into a Strong Nation in Quality Construction"*(《质量强国建设纲要》), aiming for high-quality and efficient domestic economy and industry development, which put forward higher requirements on professional production and services. Especially in terms of the logistics, Especially in the field of logistics, new demands have been proposed, such as promoting multimodal transportation, smart logistics, supply chain logistics, better cold chain logistics service quality, channel optimization for international logistics and more convenient port clearance. The 14th Five-Year Plan for the Development of Modern Logistics*(《"十四五"现代物流发展规划》) expects a basically established modern logistics system that matches supply and demand, connects domestic and oversea markets and with safe, efficient, smart and green features by 2025, so as to provide strong support for building a modern industrial system, forming a strong domestic market and promoting a high level of openness to the outside world. Under the policy guidance, the leading logistics enterprises will enter a stage of high-quality development. Logistics enterprises are required to continuously improve their innovation capabilities, network coverage and resource layout, while promoting the deep collaboration of the industry chain and supply chain. Supply chains are undergoing digital transformation and upgrading at an accelerating pace, using data to give feedback to entities, promoting the industrial chain efficiency. In this process, leading logistics enterprises will fully benefit from technological upgrade, resource layout, and product innovation to form a brand new competitive advantage.

V) The common goal for logistics companies and customers: working together for a green and sustainable supply chain ecosystem.

Under the guidance of the national dual carbon target (carbon peak and carbon neutrality), the industry continues to promote green and low-carbon transformation and development. The PRC State Post Bureau issued the "Opinions on Promoting the Green and Low-Carbon Development of the Postal Express Industry"*(《关于推动邮政快递业绿色低碳发展的实施意见》) in April 2023, specifying a number of initiatives including accelerating the construction of a low-carbon and efficient delivery transportation system, promoting green construction and operation of the industry infrastructure, advancing the reduction, standardization, and recycling of mail and express packaging, and perfecting the support and guarantee system for green and low-carbon development of delivery. In 2023, over 95% of the nationwide e-commerce express parcels were not repackaged, over 1 billion parcels used recyclable express packaging, and over 820 million corrugated boxes of good quality were recycled and reused, exceeding the target plan at the year beginning. At the industry regulatory level, all efforts will be made to promote green and low-carbon development, propel express delivery enterprises to implement the requirements for energy saving and emission reduction. Meanwhile, construction of a zero-carbon commercial community is also a consensus from the logistics demand for achieving a global carbon neutrality, with key customers increasingly seeking the green and low-carbon compliance capabilities of logistics service providers. Logistics enterprises capable of providing customers with visualized and quantifiable low-carbon products and services, demonstrating customers' commitment to the environment, and creating green value for customers would further ensure customer adhesion as a competitive soft power.

SF strategic objectives

Our Healthy Operation

Healthy Growth | Healthy Business Portfolio | Healthy Global Layout | Healthy ROI | Healthy Profit and Cash Flows

Our Strategic Objectives for 2025

From the perspective of the society, SF in 2025
will become one of the industry benchmarks that keep creating outstanding social value

will serve the enterprises and build a brand-new global smart supply chain system;
will serve the society, commit itself to environmental protection, become a carbon neutral benchmark, and contribute to sustainable development of the global economy;
will serve the public, expand its network reach to every community, every village, every family and every person, and help achieve common prosperity for all.

From the perspective of customers, SF in 2025
will become a preferred partner of all customers

will provide global consumers with convenient, reliable and caring express delivery services;
will build an open digital supply chain ecosystem, by innovating new business models with customers to achieve win-win results.

From the perspective of companies, SF in 2025
will become a leader of global smart supply chain

will accomplish a comprehensive digital transformation, develop its critical abilities of "data-supported decision-making", "data-driven business" and "data-empowered customers", and establish a flattened and self-driven digital organization system with concentrated front-end and large scale intermediary;
will integrate quality resources, accelerate international business development, form a more balanced combination of international and domestic businesses, and complete the layout of global smart supply chain;
will ensure Asian No. 1 and global leading logistic company in terms of business size and company value, and continue its sustainable and healthy management.

From the perspective of employees, SF in 2025
will become a career platform for global talents to pursue excellence, achieve goals and take pride in

will adhere to the "team" culture of equality and respect, collaboration and cooperation, innovation and inclusion to help employees grow in competition and realize their own value;
will establish a fair and transparent evaluation system to encourage value creation and pursuit of excellence;
will attract global talents with competitive compensation and talent cultivation systems, and provide more opportunities to them to pursue their career prospect.

2. The Company's Strategic Vision

The Company will adhere to long-term sustainable and healthy development, focusing on the three major channels of **"network standard products, digital industry supply chain services and global end-to-end supply chain services"**. Firstly, the "network standard product" focus on cost reduction and operational efficiency, exploring new markets and securing competitive barriers. At the same time, through digital transformation and global resources layout, we will cultivate "digital industry supply chain services" + "global end-to-end supply chain services" to build the Company's second growth curve in the future. Lastly, we will focus on core resources and lay out hub resources such as Ezhou hub to form a resource foundation and moat for the long-term development of the Company.

I) Improving product and services around customer demand to identify potential market opportunities.

Leveraging the global network of Ezhou Air Freight Hub, the Company strengthened the integration and collaboration of the express network and Kerry Logistics, together with other global partners to enhance competitiveness in domestic and international products, build better time-definite and efficient services with lower price, and create a diverse and healthy product system. Focused on customers' abundant scenario demand, the Company continued to create an organic combination of standardized products, provided integrated supply chain solutions for customers with the integrated logistics capabilities, efficiently satisfied customer demand and expanded its market share.

II) Leveraging leading technologies and innovation, the Company strives to create a digital supply chain ecosystem.

The Company strived for further digitalization, reinforce the intelligent management of full-link end-to-end logistics scenarios including collection, transportation, distribution, and delivery, and build the core competencies of "data supporting decision-making", "data driving business", and "data empowering clients", to achieve accurate parcel volume prediction and scientific resource allocation in advance; dynamic monitor and swift adjustments during the process; summary with continuous iterated business strategies, and continuously upgrade the Company's logistics intelligence. The Company is also committed to breaking through traditional supply chain models and providing customers with pioneering digital supply chain solutions through technology innovation. With exploration to technology application such as IoT, cloud computing, automation, blockchain, digital twins, and various intelligent hardware in this field, the Company improved and iterated digital supply chain products, help customers achieve optimal decisions in global supply chain planning and implementation, embrace digitalization to empower the industry supply chain, and improve logistics modernization.

III) Bridging Asia and the world with further internationalization, and offering one-stop solutions.

Leveraging accumulated extensive resources in China and Asia, including extensive local networks, broad connectivity, strong brand recognition, and talented teams, to replicate our success from China across Asia and globally. Through strong air and sea transportation capabilities, as well as China-Southeast Asia's logistics network, the Company provided customers with high-quality cross-border services; as to overseas integrated logistics, the Company integrated SF International and Kerry Logistics' overseas networks, cross-regional connection capabilities, multi-brand advantages, and operational experience to provide global customers with more competitive and cost-effective one-stop solutions, covering international express, freight delivery, freight forwarding, and contract logistics services. In addition, the Company combined diversified approaches including endogenous growth, mergers and acquisitions, and partnerships to continuously strengthen its logistics service capabilities between Asia and the world.

IV) Steadily progress in the construction of Ezhou hub and building a global aviation network.

By the end of 2023, the Ezhou cargo hub has put 45 domestic cargo airlines and 10 international cargo airlines into operation, covering 40 cities nationwide and 13 international points. Currently, there are about 90 inbound and outbound cargo flights per day, and the number of cargo flights ranking among top three in China. The Company will continue to operate with safety, efficiency, intelligence, and green as its guidelines, optimize and improve the air network for seamless connections in domestic and international air networks, and gradually achieve the goal of "One night across China and another to the world". The Company actively responded to national initiatives, connecting cities along the Belt and Road Initiatives through the aviation network and transportation hubs. To serve the Air Silk Road, the Company proactively integrated into the global industry and supply chain, contributing to the interconnected network for Belt and Road Initiatives.

V) Fulfill social responsibilities and persevere with sustainable development.

Continuously advance the development of a green logistics system and help customers a green and low-carbon supply chain. As a pioneer in green and low-carbon transformation in the industry, the Company has built a digital intelligent carbon management platform, namely Fenghe Sustainability Platform. The platform covers packaging, transportation, transit, delivery and other processes, with a total of over 120 indicators in more than 60 typical scenarios, and can calculate end-to-end carbon emissions of enterprises in real time. Leveraging on the platform-based standard carbon management capabilities, the Company helps customers grasp GHG emissions in transportation and logistics-related activities, enhances the transparency of carbon emission data in supply chain logistics, in a bid to achieve effective identification and control in the operation process. The Company has effectively supported many customers to build a green, low-carbon, and sustainable supply chain ecosystem, helping to enhance customers' brand value. In the future, it will continue to replicate and expand the scale, consolidating the Company's brand influence in the field of green logistics system construction.

Continuous improvements in employee care and staff benefits. The Company is committed to providing employees with a complete range of training and development opportunities respecting employees' rights and interests, and safeguarding their personal interests. (i) Adhere to the cultural of employee achievement, innovation and inclusiveness, provide a platform for diversified values, help employees to achieve a win-win situation with the Company, and continuously enhance their sense of achievement, happiness, and pride through a comprehensive and rich welfare system; (ii) Construct a more diversified value evaluation system for measurement from multiple dimensions and guide employees to achieve personal goals; (iii) Establish a market-leading salary strategy to provide employees with competitive salary levels, attract and retain core talents; and (iv) Through more accurate talent training demand identification and excavation, more efficient training resource sharing, and more convenient digital learning platforms, enhance employees' professional skills and capabilities, and help with their career ideals and self-growth.

3. Business Plan in 2024

I) Overall operational priorities: adherence to sustainable and healthy development

(1) Customer Stickiness: The Company continuously enhanced service competitiveness in terms of customer-centric, service speed, depth, and breadth, allowing for customers to experience the value of the Company's services, and drove customer satisfaction with employee satisfaction by reduced couriers' labor intensity and improved customer meeting time, guiding the courier transition to business development with multiple incentive mechanisms. Advancing the network transformation, improving network efficiency and service quality, while ensuring dedicated professional support, the Company stuck to customers' business development and meet their diverse and ever-changing demand to enhance its differentiated service competitiveness.

(2) Healthy and Sustainable Growth: Sorting out a product system tailored more closely to customers' demand, digging deeper into the industries and business scenarios, the Company further developed its business with a more flexible service mode and finer pricing strategy, and formed a replicable portfolio that is industry and scenario specific to provide standardized services through the combination of high-quality solutions including products, technical systems, equipment and tools, model optimization and value-added services. Adhering to the internalization strategy and to expand the international business scale, the Company fully leveraged its advantages on China's cross-border business, Southeast Asia flow and domestic market to seize the opportunities from emerging regions and realize the strategic goal of "the Only One in Asia".

(3) Stable Profitability: To adhere to refined cost control and improve the resource efficiency, the Company continued to optimize the structure of revenue, customers, products, and costs, implement lean operations and management, and promote the full integration of resources. To fully integrate business with finance and play the role of budget guidance, the Company relied on the digital business analytics system covering "pre-testing – monitoring – post-analysis" for the high-frequency monitoring of operation to ensure the Company's stable and healthy profit.

II) Product Planning:

In 2024, further to the product planning with "one network, two categories of major product lines, and three service with different time frames" at the core, the Company will continue to enrich/optimize the product portfolio of segmented scenarios on market variation and customer demand, build the service capability of warehouse and distribution, expand air transport scenarios for higher cargo volume, and improve the business scale with flexible ground transport modes and pricing to provide customers with more diverse delivery services. In the meanwhile, the Company will strengthen end-to-end product management, and perfect the operation support by industry and product category through the optimization of the SSC system of standards on "SLA (Service Level Agreement) + SOP (Standard Operation Procedure) + Cost". Delving into the scenarios and services of customers and products, the Company will strengthen product support including resources/modes, technology systems, pricing and settlement and intelligent monitoring for more stable products, refined management, and better delivery to customers.

III) Client Operation:

(1) SKA clients: Always focusing on SKAs and their partners, the Company will focus on core business scenarios and heated industries, bid in coordination with internal resources and apply the core competence accumulated to other customer types during business development. ① Ecosystem Expansion: Leveraging SKAs' capabilities and business opportunity to develop business in the upstream and downstream of the supply chain. ② New Scenarios: Sorting out the core business scenarios among industries, focusing on industry segments with low market share, strengthening business integration and incentive mechanisms, and promoting business breakthroughs; ③ Smart and Green Supply Chain: Promoting the best practice of smart supply chain for SKAs, empowering delivery with technologies, seizing the new track of green supply chain, and creating a benchmark for green supply chain business.

(2) KA clients: ① Headquarters-to-headquarters Strategic Cooperation: With a focus on the KA clients, the Company will thoroughly review the cooperation extent and effect of the whole chain, integrate the Company's resources and solutions to provide customers with end-to-end digital supply chain solutions, and provide tailored supply chain services that fit customers' business development for a comprehensive strategic cooperation. ② Standardized Product Portfolio: The Company will offer an industry and scenario based standardized product portfolio with the integration of diversified products, technologies and solutions, as well as a clear target responsibility mechanism for better market access and business scale to drive the growth of the Group.

(3) SME clients: With end-to-end management and the focus on low-tier markets, the Company will provide standardized product portfolio based on the industry and scenario to enlarge business scale and enhance customer stickiness.

(4) Retail clients: Centered on seizing customers' mind share, the Company will adhere to the business development direction of "resource consolidation, intensive cultivation, technology empowerment", realizing the online traffic from digital operation, and enlarging the effect of accumulation; providing guarantee to offline integration, conducting refined management on areas, acquiring customers with professional services, so as to achieve revenue growth under coordinated operations.

IV) Business Operation:

(1) Time-Definite Express Business Strategy:

① The Company will fully leverage the function of the Ezhou air cargo hub to consolidate the absolute leading advantage in timeliness; it will refine operations by optimizing the network and mode, improving the utilization rate of air and land resources, further enhancing the competitiveness of time-sensitive products, and making customers feel "more worth the cost".

② The Company will focus on the industrial cluster effect of Intra-large-cities, build a one-stop city service platform for business office + multi-temperature zone warehousing + transit distribution around city production and life scenarios, continuously deepen the multi-level fast timeliness fulfillment service capabilities of hours, half-day, same-day, and next-day, improve the service network and product system from near-field to far-field, and expand more business scenarios of City-to-City production and life with multiple product combination modes.

③ In terms of aviation business, the Company will continue to expand the coverage of next-morning arrival service around the Ezhou hub, strengthen direct collection and distribution capabilities, accelerate the transit speed of key cities, and develop upstream and downstream businesses of hub warehousing; strengthen the aviation transportation guarantee capabilities of extra-large and heavy items, and seasonal fresh, build a professional team to provide customized solution support, broaden the service coverage scenarios; integrate supply chain, formulate integrated package solutions, give full play to the timeliness advantages of aviation large items, and help provide efficient supply chain services.

(2) Economy Express Business Strategy:

In relation to the e-commerce standard express, the Company continued with the strategy of "core market of a large scale", optimized the cost structure with comparative competitiveness through refined management, iteration of product design, and cost saving throughout the chain. With refined pricing management, the Company adopted diversified pricing strategies in consideration of factors such as seasonality and flow distance, to maximize marginal cost benefits through making full use of idle time resources to match targeted marketing strategies.

In terms of warehousing and distribution integration: ① Fulfillment Capabilities: The Company will fully integrate core transit hubs, air hubs, and intra-city on-demand delivery resources and capabilities of the warehousing and express network to provide multi-level fulfillment services of integrated warehousing and distribution, contributing to the development of B2C business of major e-commerce platforms and high-quality customers. ② Foundation Establishment: With further resource consolidation and internal idle resource integration, the Company will liaise with various supply chain solutions for business expansion, promote resource planning and lean management with scenario-based intelligent equipment and lean operation for better effectiveness and efficiency. ③ Service Quality: Focusing on customer services and service delivery, the quality and security management system will be iterated with refined foundation mechanisms to promote customer experience and stickiness.

(3) Freight Business Strategy:

①Through steady development and professional refinement, the Company will enhance the competitiveness of high-value products. In terms of timeliness, the Company continues to create a "fast and accurate" experience, refine the promised cut-off time and administrative district outlet dimension timeliness, and strengthen the special express transportation service in cities and economic circles to maintain the advantage of leading timeliness. In terms of quality, the Company will expand the application scenarios of industry-specific packaging solutions, optimize operating models, broaden the types of value-added services at the end, and promote the solution of various difficulties and pain points in the industry. In terms of cost, through the economies of scale, optimization of procurement and joint allocation models, the Company will continue to reduce costs in each process and further improve product cost performance.

② Customer-centric, the Company continuously deepens the development of everyday life and production industry scenarios. In terms of the consumer supply chain, represented by the furniture and home appliance industry, SF Freight will strengthen the competitive barriers from packaging, mode, service, operation and other aspects end-to-end, including increasing the use of recyclable packaging materials, optimizing the operating model and process of warehouse distribution integration, improving the professional service capabilities of delivery and installation, and continuing to strengthen the advantages of SF Express in the consumer supply chain. The production supply chain is represented by industrial manufacturing and high-tech industries. Through innovative, flexible operating models, meticulous product combination solutions, efficient and differentiated operation guarantee mechanisms, the Company improved the overall cost performance of SF Freight, helping enterprise customers to reduce production costs and promote continuous business growth.

(4) Cold Chain and Pharmaceutical Logistics Business Strategy:

In terms of fresh and seasonal food logistics services, ①the Company will strive to secure its share of the market where the Company has been historically dominating, explore opportunities in the central and western areas of China, and innovate fresh food transit through industrial clusters to provide more cost-effective service and penetrate more lower-tier markets; ②the Company will continuously upgrade green packaging solutions, research and develop automated packaging equipment, reduce packaging cost while meeting fresh-keeping needs, advocate environmental protection, integrate technology systems and traceability technology, and create a one-stop smart supply chain for agricultural product customers.

In terms of food cold chain logistics services, ①the Company will build a warehouse-distribution integrated multi-level contract fulfilment capability: For the multi-scenario and multi-product service needs of fast in and out, small batches, and high frequency, we will build a warehouse-distribution integrated multi-level fulfilment capability through improving network elasticity and optimizing production models to help customers' business reach nationwide; ②the Company will upgrade and expand cold chain logistics network capabilities: The Company will invest cold storage resources in accordance with regional business characteristics, strengthen the integration of SF Cold Chain and New Havi's line-haul resources, help build a lower-tier-market network, and comprehensively build a wide coverage, differentiated, high-elasticity network that integrates warehouse, transportation and distribution; ③the Company will reduce costs and increase efficiency: Through equipment investment, process optimization, network node optimization, system upgrades and other measures, the Company will help customers systematically reduce costs in the supply chain, and provide cost-effective, efficient, and stable omni-channel delivery services.

In terms of pharmaceuticals logistics services, ①the Company will continue to deeply explore the pharmaceutical business, with a focus on the eight major customer groups in this industry, to increase the market share, build expertise and strengthen resource integration capabilities and solution service capabilities to enhance customer awareness and satisfaction; ②the Company will strengthen the service capabilities of the pharmaceutical supply chain, with the "warehouse-transportation-distribution integration" comprehensive supply chain solution as the core, build a warehouse-transportation-distribution supply chain system that runs through the upstream and downstream of the industry chain, and pave the way for "pharmaceutical six warehouses" as the center and "third-party warehouses" as the extension 8-24 hours of warehouse-to-store direct distribution network; ③the Company will leverage the core advantages of the pharmaceutical less-than-truckload network and railway and aviation resources to enhance the service capabilities and timeliness competitiveness of pharmaceutical logistics; ④the Company will continuously improve the quality compliance, risk controllability and brand influence of SF Pharmaceutical Logistics, and complete the certification of "Comprehensive Cold Chain Logistics Star Enterprise".

(5) Intra-city on-demand delivery Strategy:

SF Intra-city will actively seize market opportunities in the continuous penetration of diversified traffic, local retail development, accelerated intra-city logistics and the third-party on-demand delivery services, and deeply cultivate the capabilities of full-scenario, full-coverage, full-time, full-distance, and omni-channel services, so as to continuously consolidate the scale effects, refine its operational capabilities, enhance medium- to long-term revenue and profit potential, and form a virtuous cycle of operations. The Company will also adapt to evolving consumer trends, focusing on serving customers, industries, and society, creating more flexible income opportunities, bringing broader value creation, and better fulfilling our mission of "bring enjoyable lifestyle to your fingertips".

(6) Supply Chain and International Business Strategy:

For International Express, the Company will continue to transform and upgrade overseas express networks, improve service quality and coverage and at the same time, strengthen global aviation network planning and customs clearance capabilities in key countries and regions, to deepen the global network layout, improve global resource integration capabilities, and build a comprehensive logistics service system covering the globe: ①The Company will focus on Asia, America, and Europe markets, our express networks therein, and build a stable and efficient international network worldwide through strategies such as upgrading aviation network layout, investing in the construction of customs core resources and consolidating overseas local end multi-channel distribution capabilities. The Asian routes will focus on exploring opportunities in high-tech, machinery manufacturing industries and expand service capabilities in the field of heavy cargo transportation. The American routes will maintain timeliness advantages, expand the mid-end customers and continue to reduce costs and give back to customers at the price end. The European routes will continue to enlarge the scale of boutique route business, maintain stable service delivery, reduce cost and enhance efficiency; ②The Company will focus on the two major sets of service offerings, namely, international express and cross-border e-commerce logistics, improve the product matrix, optimize the cost structure, and build a competitive moat in terms of service capabilities in Southeast Asia and the Asia-Pacific region; ③The Company will connect the whole process from domestic to overseas and build an end-to-end full-link service standard and operation monitoring system to improve the service quality management system and provide stable services for the cross-border businesses.

International Freight Forwarding Services, continuously unleashing the synergy effect and leveraging its extensive domestic customer base, the Company will explore new scenarios and opportunities on freight forwarding services for imports and exports freight transportation for customers. Amid the volatile international relations on the global logistics services, the Company will promptly seek alternative solutions for its customers. By leveraging its self-operated all-cargo aircraft, outsourced charter flights, ground and sea transportation resources, and the comprehensive coverage and diversified service capabilities in Asia, the Company will provide customers with a wider range of service portfolios to further strengthen its competitive advantages.

In terms of supply chains, the Company will actively respond to the pressures of economic slowdown with a continued concern on cost saving and value-added services. For operations, the Company will improve resource efficiency through network integration and communication to reduce costs. For business development, with further integration of supply chain with other segments, the Company will foster the industry-standardized service portfolio and develop upstream and downstream businesses around the customers' supply chain ecosystem. At the same time, the Company will closely follow the industrial upgrade and transformation for better domestic and international supply chain services and opportunities of domestic and Asia-Pacific supply chains. For technologies, the Company will further upgrade the supply chain with digitalization and improve production efficiency with technology empowerment on customer demand. For green and low carbon, the Company will assist in the carbon emission management with digitalization throughout the supply chain life cycle for customers to compete more effectively for a green and sustainable supply chain.

V) Network Construction

Multi-Network Synergies: ① The Company will continuously deepen the existing integration initiatives, further streamlined integration, and amplify integration benefits alongside increasing transportation volumes. ②The Company will expand the full-link integration of the express network with the cold chain and pharmaceutical network, increase the investment in dual-temperature and triple-temperature vehicle resources, promote the use of constant temperature containers, and fully utilize the express network to enhance the terminal collection and delivery service capabilities of cold chain and pharmaceutical businesses. ③The integration with Kerry Logistics and New Havi will be extended to the entire process of all links including sites, outlets, routes, vehicles, and cargo loading. ④For mature business integrations, the Company will gradually pilot the management integration, such as unified management of various types of sites in the same park, of self-operated vehicles of varied organizations, deepening from opportunity integration to comprehensive integration.

Operation Optimization: ①In terms of the operation, the Company will further broaden the depth and scope of model innovation, fully leverage and strengthen model transformation benefits, and combine the comprehensive and close-loop review of the Group's overall product, service, operation and cost standards, to strengthen end-to-end product guarantees, reshape the SOP for operation, and build a more competitive product operation guarantee system. **② In terms of the transit**, the Company will further strengthen site standardization, process innovation, equipment intelligence, talent specialization, and management refinement to solidify transit capacity, efficiency, and function, integrate with various organizations and regions to facilitate model optimization and transit benefits. **③ In terms of the transportation**, the Company will further optimize the ground transportation resource structure and resource integration, increase the proportion of price-controllable resources such as self-operated and outsourced individual transportation capacity, optimize resources and system adaption, improve algorithm-based vehicle dispatch capabilities, and the closed-loop management of ground transportation network through digital technologies and systems, reducing the per kilogram cost of transportation. **④ In terms of the end delivery**, the Company will further deepen model transformation implementation in eligible areas, promote the improvement of terminal small station construction, and enhance terminal customer service capabilities, digital management of couriers, quality diagnosis and closure system management, guide couriers for better service capabilities with incentives, and improve the employee benefit system. Moreover, through measures including but not limited to incentive activities, provision standard optimization, customer manager transformation, bonus assessment, and low-income warning activities, the Company will guide the transformation of couriers' role for better sales revenue.

4. 2024 Performance Outlook

In 2023, the Company adhered to the philosophy of healthy management achieving not only steady and robust growth in its business scale in China, but also solidifying its logistics network foundations overseas. Moreover, leveraging its excellent lean management capabilities, the Company continuously implemented its cost reduction and efficiency improvement, achieving a commendable year-on-year growth in its annual financial and operational performance.

Looking forward to 2024, China's express delivery industry is transitioning from a high-speed growth phase to a high-quality development phase, with the relevant authorities expecting a comparatively slowdown in industry growth. Globally, with the international environment becoming increasingly complex and varied, the uncertainty in economic growth has significantly increased. However, amidst many challenges, the reshaping of the global supply chain, the global expansion of outstanding Chinese manufacturing brands, and the rise of cross-border e-commerce will bring structural development opportunities to the international logistics market.

As a company committed to long-termism, SF Express has always been dedicated to achieving best-in-class service quality, steady business growth, and superior cost efficiency. In Chinese market, the Company will continue to deepen its root in and understanding of customer needs and diversified business scenarios, continuously improve its product matrix, solidify its competitive edges, and tap into market potential. In the global market, the Company will leverage its local advantages in the Asian market to accelerate the global network layout, constructing a second growth curve for its long-term development. Leveraging its proven track record of cost reduction and efficiency improvement in first and last-mile pickup, transit, transportation, and delivery over the past two years, the Company will further deepen its strategy of multiple network integration. Additionally, in 2024, the Company will invest in improving the competitiveness of its operational personnel compensation, operational model transformation, the operation of the Ezhou hub, and the refining of its international networks. Although these investments may put some pressure on the Company's costs for 2024 in the short term, these measures will benefit the Company in achieving mid-to-long-term structural cost optimization, further enhancing differentiated service capabilities, improving customer experience, and thus strengthening the Company's long-term competitive edges.

Based on the current external market environment and internal business strategy, the Company will strive in further enhancing its service quality, achieving steady growth in total revenue, and maintaining a relatively stable net profit margin attributable to the parent as compared to that in 2023.

5. Company risks and countermeasures

I) Market risk

Risk of macroeconomic fluctuations: The logistics industry plays a fundamental role in the development of the national economy but it is also significantly affected by domestic and global macroeconomic conditions. The macroeconomic growth has slowed down, and the macro-economy is expected to move into a new phase of medium-slow growth; the overall economic environment still faces complicated challenges although domestic production and consumption activities recovered in 2023.

Meanwhile, inflation in developed countries, weak consumer demand, unstable international relations and other negative factors have become obstacles to the growth of international trade. However, with the recovery of international transport capacity resources, so that the international air and sea transport prices have fallen from the historical high range back to stabilize at the level of normalization in 2019. In addition, the international freight industry is highly competitive with narrower profit margin. The superposition of domestic and foreign economic factors may affect the logistics industry and the performance of the Company.

Market competition risk: As the main driving force for express business growth, the e-commerce market has transitioned from the explosive development phase into normal-level steady growth. With the reduction in incremental space, the competition of leading express enterprises may be fiercer in the existing markets. Tighter industry regulation, competition returning to the normal level and limited space for competition on prices prompted more express enterprises to offer comprehensive logistics services rather than homogeneous services, pay more attention to product service layering and conduct competition in more logistics segments. The Company has been forging differentiated competitive advantages, and providing a complete product matrix in the diversified business scope, but under the impact of more leading express enterprises getting involved in the competition in segments, if the Company cannot adjust operating strategies, seize the market opportunities and maintain its position as the leading service provider in a timely manner on the grounds of market changes, it may face the risk of slowing revenue growth and declining market share.

Risk response: The Company keeps a close watch on the macroeconomic, analyses its impact on our main business, and adjusts our operation strategies in a timely manner to minimise the adverse impact on the Company's business and future development. The Company pays close attention to and studies industry development trends, analyses the market competition patterns, and deploys forward-looking strategic planning. The Company adheres to the multidimensional development of business, constantly improves the product matrix, deeply taps demands from customers' supply chain and provides integrated logistics solutions for various industries to achieve a differentiated service experience and enhance customer stickiness towards us. The Company also insists lean operations and deeply integrates the business foundation in order to achieve the resources complementation and optimise network effectiveness. Meanwhile, the Company attaches great importance to science and technology investment, as it could empower product innovation, improve service quality, and is committed to providing customers with digital integrated supply chain services, consolidate core competition barriers, thereby supporting the long-term sustainable development of the Company's business.

II) Policy risk

Risk arising from changes in industry regulations and industrial policies: The operation of express delivery requires business licensing and is subject to regulation by laws, administrative rules and industry standards such as the Postal Law of the People's Republic of China (《中华人民共和国邮政法》), the Administrative Measures on Courier Service Operation Permits (《快递业务经营许可管理办法》), the Administrative Measures for Express Delivery Market (《快递市场管理办法》) and the Rules for Guiding the Operation of Express Business (《快递业务操作指导规范》). With a view to effectively regulating the development of the express delivery industry and enhancing service quality, competent departments at various levels successively introduced regulatory policies to regulate industry competition and service standards. Particular emphasis was placed on high-quality development of the industry, calling on related parties to protect the legitimate rights and interests of couriers, improve the social security level of the couriers, implement the main responsibility of the couriers and standardize the enterprise franchise and labour management. With the stronger regulation, the compliance cost and violation risk of the express delivery industry may increase, which may have an impact on the development trend and market competition landscape of the express delivery industry, and may affect the future business growth and performance of the Company.

Risk response: The Company has established research teams for state and local policies in all business units to conduct in-depth analysis on relevant policies introduced, fully capitalising on favourable policies while avoiding policy risks and grasping industry policies and hence promoting business growth. Furthermore, the Company has always attached importance to the guarantee of rights and interests of couriers, continually improved the social security level while boosting their efficiency and reducing working hours to raise their income through technology empowerment.

Risk from relevant state policies on environmental protection, energy conservation and emission reduction: China has undertaken that it will strive to reach the peak of CO_2 emissions by 2030 and achieve carbon neutrality by 2060. It is foreseeable that China will issue subsequent policies on environmental protection, energy conservation and emission reduction. Such policies to be released may affect the service and operation pattern of express delivery companies, and may lead to increased expenses in relevant aspects such as environmental protection, energy conservation and emission reduction incurred by express delivery companies, which will pose adverse effect on the future performance of the Company. Meanwhile, if companies fail to fulfil their green environmental obligations in accordance with the laws, they will not only be liable to the relevant legal obligation, but also impair their corporate social images.

Risk response: The Company took into account the external environment and policy changes as well as took a keen insight into the development trend of the industry, so as to steer the direction of the industry and implement the forward-looking deployment and adjustment. The Company paid attention to its own impacts on the environment, and in 2021, the Company published the "SF Holding's White Paper for Carbon Emission Target" (《顺丰控股碳目标白皮书》), the industry's first white paper for carbon emission in China. Leveraging technological strength such as data and algorithm, the Company adjusted the energy consumption structure, upgraded transportation and business models, implemented the reduction and recycling of express packaging, and then promoted the green and low-carbon reform.

III) Business risk

Risk of possible rising costs: The express and logistics industry is a labour-intensive industry. There are relatively large demands for labour along various stages of operation such as collection, sorting, transportation and delivery. With the reduction in demographic dividend in China, there are certain pressures on rising labour costs while investments in logistics infrastructures and other aspects also increase. If the Company cannot secure enough business volume or effectively control costs in the future, it will probably face challenges in its earnings growth.

Risk response: The Company has improved its logistics infrastructure, innovated system tools, including bringing the entire logistics process online intellectualisation, improving sorting centers' automation, optimising route planning, applying scientific and technological means to enhance efficiency and reduce manpower investment, gradually achieving transformation of the express delivery industry from a labour-intensive industry to a technology intensive industry. Meanwhile, the Company also continues to review and optimise resources invested in all business units, expand the synergistic reuse of resources across business segments by promoting multi-network integration and operation model optimisation, improve the input-output ratio of resources and enhance cost efficiency. The core logistics infrastructure constructed by the Company in accordance with its long-term strategic direction will gradually release economies of scale along with future business growth.

Risk from fuel price fluctuation: Transportation cost is one of the major costs of the express delivery industry, and fuel cost is an important component of transportation cost. Fluctuation of fuel price will have a certain impact on the profitability of express delivery companies. If the price continues to rise, the Company will experience pressure of increased costs.

Risk response: By further optimising the layout of outlets, the Company improves the scientificity of route planning and the vehicle loading rate of trunk and feeder routes, and improves the efficiency of resource use; Further, the Company will strengthen promotion for use of new energy vehicles to reduce the risk of fuel price fluctuations to a certain extent. Meanwhile, the Company also has well-established operation and cost monitoring mechanisms in place. When costs fluctuate significantly, operation plans and fuel cost control measures will be dynamically adjusted. The Company also comprehensively evaluates and explores mechanisms for charging appropriate fuel surcharges around specific products based on oil price fluctuations, thereby reducing the negative impact of fuel cost fluctuations on the Company.

Risk from international operation: With the development of the Company's international business, especially after the acquisition of Kerry Logistics, the proportion of international business has expanded rapidly, and the number of countries covered by services has increased. International logistics service relying on international trade is subject to trade relations and other unpredictable factors. Global economic development, national relationships, international trade and tax policies have experienced unpredictable changes and there are many uncertainties on international trade, including significant price fluctuations of the transportation capacity of international routes, stable operation capability for business in some countries and regions and so on, which bring challenges to the Company's operation. If the Company fails to take effective measures to deal with this, it may have an adverse impact on the Company's international business development.

Risk response: In the course of the Company's business development, we continue to track and study changes in trade policies, closely monitor the market dynamics and adjust our strategies for international business operation in a timely manner; actively explore international transportation resources in terms of the sea, land, air and rail, strengthen the monitoring of operation networks, and make every effort to ensure stable and efficient cross-border services. Meanwhile, the Company increases the investment in scientific and technological resources, promotes the construction of international business informatisation, and facilitates making operational decisions in an efficient manner.

IV) Exchange rate fluctuation risk

Exchange rate fluctuation risk: As the Company's overseas operations expand, businesses denominated in foreign currencies are set to account for an increasing share of our total business volume. Given the uncertainties in the international financial environment and fluctuations in RMB's exchange rates, the Company's foreign-currency assets, foreign-currency liabilities and future foreign-currency transactions will all be subject to fluctuations in exchange rates, which will in turn affect the Company's business performance or financial statements.

Risk response: The Company's foreign exchange transactions are mainly conducted based on the actual needs of its cross-border foreign-currency businesses. To avoid and guard against risks associated with fluctuations in exchange rates and interest rates, better manage its foreign currency positions and become more competitive, the Company has established the Management Policies for Foreign Exchange Risks (《外汇风险管理制度》), and conducted centralised management of foreign currency positions, implements netting, maturity matching, and natural hedging to avoid foreign exchange risk in advance wherever possible. It also uses financial derivatives and hedging instruments with low default risks and controllable risks to lock in the costs of exchange rate and interest rate and avoid exchange rate and interest rate risks. All the Company's hedging transactions are conducted in strict compliance with the relevant hedging principles, and are based on our normal production and business activities and justified with actual business operations. All the transactions are carried out for the purpose of locking in costs and avoiding risks. The Company does not trade for speculative purposes, and operates within its authority to ensure effective execution and reduce the impact of exchange rate fluctuations on its operation and earnings. In terms of transaction counterparty selection, the Company conducts foreign exchange hedging transactions with only large and established commercial banks at home and abroad, and all such transactions conform to the principles of legality, prudence, safety and effectiveness. In addition, the Company will devote its efforts to study and analyse exchange rates and interest rates, closely monitor changes in the global markets, issue early warnings in time, and take countermeasures accordingly.

V) Information system risk

Information system risk: To cope with business diversification at the Company and meet the complex and diverse needs of customers, the Company has set up and applied various information systems and technologies. Rapid development of the industry and the evolving marketplace also pose a challenge of rapid change in technology and services on the construction of core business systems of the Company. With the wide variety and rapid replacement of professional technologies in the Company, along with emerging new technologies, changes in information technology and future business requirements may cause certain information system risks. Although the series of information security management and control mechanisms have been established drawing on the substantial amount of data accumulated over the years by the Company, there still exists certain human or system caused information security risks. And as the top-level laws related to data security and personal information protection are introduced, and employees' and users' awareness of privacy protection has enhanced, the regulators have set higher and stricter requirements for the standardisation of data processor, especially personal information processing activities. Therefore, companies with a deluge of personal information are also inevitably facing privacy compliance risks.

Risk response: The Company has formulated comprehensive response measures over information system risks.

Firstly, the Company continues to carry out operation and optimisation of the ISO27001 information security management system and the ISO27701 privacy information management system. The Company implements information security control and protection in all aspects according to established policies and strategies for information security, and continuously updates all procedures and systems for information security. It continuously reinforces risk awareness among staff members, conducts staff training on operation standards, develops internal information circulation guidelines, implements rules of strong control over sensitive information, avoids unintentional violations, and constructs monitoring and pre-warning and response systems for abnormal behaviours, so as to eliminate information system security risks in their infancy.

Secondly, according to requirements of regulatory authorities, the Company has carried out multi-level network security assessment of information systems. Based on high standards of technology protection requirements, it conducts continuous and regular security intervention in the business system construction phase to build on the anti-security attack capabilities of client service products and our own business systems. During the operation of the information system, it has established the security capability baseline (measurable cyberspace security capability evaluation), safe operation capability, DevOps security capability, and security ecology capability to enhance the capability of the IT infrastructures to discover and defend against cyber security attacks. Moreover, the Company has established a more comprehensive system for prevention and control of information risks, and formulated standard processes such as the Major Event Management Process System for IT System (《IT 系统重大事件管理流程制度》) and the Management Guidelines for Emergency Plan Formulation and Implementation of IT System (《IT 系统应急预案制定与执行管理指引》) to implement closed-loop risk prevention and control via pre-warning, in-process control and post-recording.

Furthermore, with a view to eliminating privacy compliance risks, reducing potential business loss, fulfilling the responsibilities of data processors, effectively protecting the benefits of users and employees, and maintaining a positive image of SF's personal information protection, the Company acted in compliance with the GDPR, and assessed privacy compliance of its apps, implemented multiple publicity and training on privacy compliance within the Company after the Data Security Law (《数据安全法》) and Personal Information Protection Law (《个人信息保护法》) were promulgated, and continuously conducts security intervention during personal information processing and business system building activities, with high standards of privacy compliance requirements enforced, so as to enhance the ability to resist security attacks on personal information protection and business system. Additionally, the Company has actively participated in the formulation and review of various information security standards of the National Information Security Standardisation Technical Committee, and pilot work for implementation of policies.

XIV、Reception of Research, Communication, Interviews and Other Activities During the Reporting Period

√ Applicable ☐ Not applicable

Date of reception	Venue of reception	Method of reception	Type of visitors	Visitor	Main topics and information provided	Index of Basic Information of Research
March 28, 2023	20/F, Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen	Communication on phone	Institution	A total of 391 investors, including Fullgoal Fund, China Universal Asset Management, Harvest Fund, Invesco Great Wall, BOCOM Schroder Fund, E Fund, Bosera Funds, Taikang Asset, Pacific Ocean Asset Management, Wellington Investment, CITIC Securities, Huatai Securities, Changjiang Securities, China Merchants Securities, HSBC Qianhai Securities, Guohai Securities, TF Securities and other institutions	Interpreting the Company's annual results for 2022, introducing business highlights, and presenting business outlook for 2023	"Record Form of Investor Relations Activities Held on March 28, 2023" (No.: 2023-001) disclosed by the Company on CNINFO (www.cninfo.com.cn) on March 30, 2023
April 6, 2023	https://ir.p5w.net	Network platform for online communication	Institution	All investors	Interpreting annual results and introducing business development and operational measures of the Company for 2022	"Record Form of Investor Relations Activities Held on April 6, 2023" (No.: 2023-002) disclosed by the Company on CNINFO (www.cninfo.com.cn) on April 10, 2023
April 27, 2023	2/F, Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen	Field research	Institutions and individuals	A total of 37 investors, including and other institutions and individual shareholders	Interpreting the Company's development outlook, 2022 annual report and first quarterly report for 2023	"Record Form of Investor Relations Activities Held on April 27, 2023" (No.: 2023-003) disclosed by the Company on the Cninfo website (www.cninfo.com.cn) on April 28, 2023
August 28, 2023	20/F, Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen	Communication on phone	Institutions and individuals	A total of approximately 387 investors, including Bosera Funds, Chongyang Investment, Springs Capital, Fullgoal Fund, Fidelity International Holdings, Franklin Templeton Investments, Bank of Communications, Schorder Fund Management, Harvest Fund, China Universal Asset Management, China Asset Management, Omers Asia Pte, and other institutional and individual shareholders	Reviewing the business, interpreting the results for the first half of 2023 and future plans for developing international business, etc	"Record Form of Investor Relations Activities Held on August 28, 2023" (No.: 2023-004) disclosed by the Company on CNINFO (www.cninfo.com.cn) on August 29, 2023
October 25, 2023	Shenzhen Stock Exchange 8th Floor Listing Hall	Field research + offline communication on web platform	Institution	Web-based participation: All investors On-site participation: Hao Yue from Minmetals International Trust, Zhang Xinxin from CCB Principal Capital Management, Li Sisi, China from Southern Asset Management, Su Tianpeng from Pingan Asset Management, Yu Quan from Pingan Asset Management, Guo Jing from Changjiang Pension, Ma Jun from GF Fund Management, Chen Ze from E Fund, Bian Wenjiao from Huatai Securities Research Institute, Wang Nianchun from Guosen Securities	Interpretation of the results for the first half of 2023 and expectations for future business development	"Record Form of Investor Relations Activities Held on October 25, 2023" (No.: 2023-005) disclosed by the Company on CNINFO (www.cninfo.com.cn) on October 25, 2023

XV、Implementation of the action programme "Quality and Returns Improve Together"

Whether the company disclose the "Quality and Returns Improve Together" action programme during the reporting period or not?

□ Yes √ No

The Company is committed to adhering to a sustainable and healthy development approach, continuously improving its quality. At the same time, the Company actively shares its developmental achievements with its investors, consistently increasing the returns to investors. (1) The Company's per-share dividend for 2023 is RMB0.6, representing a 140% increase as compared to that in 2022; (2) According to the "Future Five-Year (2024-2028) Shareholder Return Plan" recently formulated by the Company's board of directors, the cash dividend ratio from 2024 to 2028 will steadily increase based on that for 2023; (3) Moreover, the Company has changed the purpose of the share repurchase plans for March and September 2022 and January 2024 to cancellation, which will contribute to an increase in the Compony's earnings per share.

Going forward, the Company will continue to focus on its core business development, enhance its core competitiveness, improve corporate governance, and increase its value for investment. At the same time, it will fully utilize measures such as cash dividends and repurchases to actively maintain market stability.

I. Basic Information of Corporate Governance

In strict accordance with the requirement of the Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China and Rules Governing the Listing of Shares on Shenzhen Stock Exchange, Self-Regulatory Guidelines for Companies Listed on the Shenzhen Stock Exchange No. 1: Standardized Operation of Companies Listed on Main Board as well as relevant laws and regulations promulgated by the CSRC and Shenzhen Stock Exchange, the Company has formulated the Articles of Association and other internal control regulations, improved its corporate governance structure, internal management and control system, and set up norms for company behaviours. The actual conditions of corporate governance met the requirements of the regulatory documents with respect to the corporate governance structure of listed companies issued by the CSRC.

1. Shareholders and General Meeting

During the Reporting Period, the Company standardized the gathering, convening, and voting procedures of shareholders' general meetings in strict accordance with Securities Law, Company Law, and other relevant laws and regulations to effectively guarantee the rights and interests of minority shareholders and equally treat all investors so that they can fully exercise their rights. The Company engaged lawyers to attend general meetings and issue legal opinions for the holding and voting procedures of the general meetings. In this way, the legal rights and interests of all shareholders were fully respected and safeguarded.

2. Controlling shareholders and the Company

The Company's controlling shareholders strictly regulated shareholder behavior in accordance with the Code of Corporate Governance for Listed Companies in China, Stock Listing Rules of Shenzhen Stock Exchange, and Articles of Association. The controlling shareholders exercised shareholder rights through the general meeting, and there was no direct or indirect interference with the Company's operations and decision-making beyond the general meeting and the Board of Directors.

3. Directors and the Board of Directors

The Company elects candidates for the Board of Directors in strict accordance with the Company Law, Articles of Association, and Regulated Opinions on Shareholders General Meetings of Listed Companies. The number of members and composition of the Board of Directors meet the requirements of laws and regulations.

The Board of Directors of the Company convened Board sessions in strict accordance with the relevant provisions of the Articles of Association, Working System for Independent Directors, and Rules of Procedure for the Board of Directors and other related regulations. All directors scrupulously attended the Board sessions, seriously examined various proposals, and fulfilled their duties diligently. Independent directors fulfilled their duties independently, safeguarded the Company's overall interests, and issued independent opinions on major and important issues.

4. Supervisors and Supervisory Committee

The Company elects candidates for the Supervisory Committee in strict accordance with the Company Law, Articles of Association, Regulated Opinions on Shareholders General Meetings of Listed Companies and other relevant laws and regulations. The number of members and composition of the Supervisory Committee meet the requirements of laws and regulations. The Supervisory Committee of the Company convened the sessions of Supervisory Committee in strict accordance with the relevant provisions of the Articles of Association, Rules of Procedure for the Supervisory Committee, and other related regulations. All supervisors scrupulously attended the sessions, seriously fulfilled their duties diligently, and supervised and issued opinions for major issues, related-party transactions, and financial status.

5. Information disclosure and transparency

The Company duly performed information disclosure obligations in accordance with the requirements of the Articles of Association, Rules Governing the Listing of Shares on Shenzhen Stock Exchange, and the relevant laws and regulations of the CSRC and the Shenzhen Stock Exchange. The Company designated Securities Times, Securities Daily, Shanghai Securities News, China Securities Journal and Cninfo to disclose the Company's information in a true, accurate, and timely manner so that all shareholders of the Company can be impartially informed about the Company.

6. Investor relations management

During the Reporting Period, the Company disclosed information strictly in accordance with relevant laws and regulations and the Rules Governing the Listing of Shares on Shenzhen Stock Exchange to ensure that all shareholders of the Company can access information on an equal basis. In addition, the Company designated the Secretary of the Board of Directors as the head of investor relations management to organize and implement the routine management of investor relations and promptly answer investors' questions in the form of phone calls, email, and interactions. The Company designated the Securities Affairs Department as a specialized investor relations management agency to strengthen communications with investors and adequately safeguarded investors' rights to know.

7. Performance appraisals and incentives

Through performance appraisals, the Company effectively implemented a comprehensive assessment of each employee and further understood each employee's work competence and expertise, thereby effectively adjusting appropriate positions for employees and achieving the goal of performance appraisal. The Company continues to improve the performance appraisal mechanism. The remuneration of the Company's senior executives and middle-level management personnel is linked to the Company's operating performance indicators. In order to further establish and improve its incentive mechanism to attract and retain outstanding talents, thus continuously improving its competitiveness, the Company has implemented the share option incentive scheme to promote its sustainable and healthy development.

8. Stakeholders

The Company can fully respect and safeguard the legitimate rights and interests of relevant stakeholders, coordinate and balance the interests of shareholders, employees, communities and others, and jointly promote the Company's sustained and healthy development. The Company will continue to further its governance, perfect its corporate governance structure, disclose information to enhance the Company's transparency, strengthen investor relations management, and protect the interests of small and medium investors.

There are no material discrepancies between the Company's actual governance status and the laws, administrative regulations and relevant rules of governance on listed companies promulgated by the CSRC.

II. Details of the Company's Independence from the Controlling Shareholder and Actual Controller with Respect to Assets, Personnel, Financial Affairs, Organization and Business

When the Company conducted significant assets restructuring, Mingde Holding, the controlling shareholder, and Mr. Wang Wei, the actual controller of the Company made a Commitment to Maintain the Independence of the Listed Company on January 23, 2017, undertaking to strictly comply with the relevant regulations of the CSRC on the independence of listed companies, and maintain the independence of assets, personnel, finance, organization and business of the listed Company. The commitment is permanently effective. As of the end of the Reporting Period, Mingde Holding and Mr. Wang Wei fulfilled earnestly the independence commitment and did not affect the independence of the Company. The Company was independent from the controlling shareholder in terms of assets, personnel, finance, organization, and business.

III. Horizontal Competition

☐ Applicable √ Not applicable

IV. Details about the Annual General Meeting and Extraordinary General Meetings Convened during the Reporting Period

1. Details about the shareholders' general meeting during the Reporting Period

Meeting	Meeting Type	Investor Participation %	Date Convened	Disclosure Date	Meeting Resolutions
2022 Annual General Meeting	Annual General Meeting	67.29%	April 27, 2023	April 28, 2023	"2022 Annual General Meeting Resolutions" (2023-035) disclosed by the Company on CNINFO (www.cninfo.com.cn)
First Extraordinary General Meeting of Shareholders of 2023	Extraordinary General Meeting	66.57%	August 17, 2023	August 18, 2023	"Resolutions of the First Extraordinary General Meeting of 2023" (2023-066) disclosed by the Company on CNINFO (www.cninfo.com.cn)
Second Extraordinary General Meeting of Shareholders of 2023	Extraordinary General Meeting	68.94%	December 28, 2023	December 29, 2023	"Resolutions of the Second Extraordinary General Meeting of 2023" (2023-093) disclosed by the Company on CNINFO (www.cninfo.com.cn)

2. Extraordinary General Meeting requested by preferred shareholders with restitution of voting right

☐ Applicable √ Not applicable

V. Directors, Supervisors and Senior Management

1. Basic information

Name	Title	Tenure status	Gender	Age	Commencement Date	End Date	Quantity of shares held at the beginning of the period (share)	Quantity of shares increased in the current period (share)	Quantity of shares decreased in the current period (share)	Other increase or decrease (share)	Quantity of shares held at the end of the period (share)	Reason for increase or decrease in shares
Wang Wei	Chairman of the Board, general manager	Current	Male	53	December 28, 2016	Present	0	0	0	0	0	-
Ho Chit	Director Deputy general manager, financial head	Current	Male	49	November 15, 2021 September 29, 2021	Present	0	122,000	0	0	122,000	Stock Incentive Exercise
Wang Xin	Director	Current	Female	51	December 20, 2022	Present	50,000	122,000	0	0	172,000	Stock Incentive Exercise
Zhang Dong	Director	Current	Male	43	December 20, 2022	Present	0	122,000	0	0	122,000	Stock Incentive Exercise
CHAN Charles Sheung Wai	Independent director	Current	Male	70	December 20, 2022	Present	0	0	0	0	0	-
Lee Ka Sze, Carmelo	Independent director	Current	Male	63	December 20, 2022	Present	38,000	0	0	0	38,000	-
Ding Yi	Independent director	Current	Female	59	December 20, 2022	Present	0	0	0	0	0	-
Shum Tze Leung	Chairman of the Supervisory Committee	Current	Male	58	December 27, 2019	Present	0	0	0	0	0	-
Wang Jia	Supervisor	Current	Female	44	April 09, 2021	Present	0	0	0	0	0	-
Liu Jilu	Supervisor	Current	Male	77	December 28, 2016	Present	44,723,780	0	8,930,000	0	35,793,780	Personal capital need
Li Juhua	Employee representative supervisor	Current	Female	44	December 27, 2019	Present	0	0	0	0	0	-
Zhang Shun	Employee representative supervisor	Current	Male	32	December 20, 2022	Present	0	0	0	0	0	-
Li Sheng	Deputy general manager	Current	Male	57	December 28, 2016	Present	0	122,0000	0	0	122,000	Stock Incentive Exercise
Zhou Haiqiang	Deputy general manager	Current	Male	46	December 20, 2022	Present	0	61,000	0	0	61,000	Stock Incentive Exercise
Geng Yankun	Deputy general manager	Current	Male	38	December 20, 2022	Present	0	122,0000	0	0	122,0000	Stock Incentive Exercise
Gan Ling	Deputy general manager, secretary of the Board	Current	Female	49	December 28, 2016	Present	0	0	0	0	0	-
Total	-	-	-	-	-	-	44,811,780	671,000	8,930,000	0	36,552,780	-

Any director or supervisor resigned, or any senior executive in office dismissed during the Reporting Period?

☐ Yes √ No

Changes of directors, supervisors and senior executives of the Company

☐ Applicable √ Not applicable

2. Biography of Key Personnel

The professional background, main working experience and their main duties in the Company of incumbent directors, supervisors, and senior executives of the Company.

Board of Directors

Chairman

Mr. Wang Wei, male, born in 1970, is the founder and de facto controller of the Company. He currently serves as Chairman, Executive Director and General Manager of the Company. He has served as the chairman of the board of directors and non-executive director of Kerry Logistics (00636.HK) since October 2021.

Directors

Mr. Ho Chit, male, born in 1975, graduated from the University of Hong Kong and Tsinghua University. He is a certified public accountant of Hong Kong and an American certified public accountant, with extensive experience in financial management, corporate finance, auditing and business management. He served as Senior Manager of the Audit and advisory division of Arthur Anderson and PriceWaterhouseCoopers from 1997 to 2005, as Senior Financial Director of Sohu.com Limited (SOHU.US) from 2005 to 2008, as Chief Financial Officer of Changyou. Com Limited (CYOU. US) from 2009 to 2014, and as Chief Executive Officer of Fox Fintech Group from 2014 to 2021. He has served as Deputy General Manager and Financial Head of the Company since September 2021, and was appointed as Director of the Company since November 2021 and re-designated as an executive director since August 2023, as non-executive Director of Kerry Logistics (00636.HK) since October 2021, as non-executive Director of SF REIT Asset Management Limited since April 2022 and has been the Chairman of the Board since August 2023.

Ms. Wang Xin, female, born in 1972, was graduated from CEIBS with a Master degree of Business Administration. She served as the Senior Project Manager and the Associate Partner of Mercer Management Consulting (now Oliver Wyman) from 2000 to 2008, as the Associate Partner of AT Kearney from 2008 to 2011, as the Senior Partner of Roland Berger from 2011 to 2021, as the Assistant CEO and the CHO of S.F. Holding from January 2022 to January 2024, and as the Assistant CEO and the CSO of S.F. Holding since January 2024. She has been a Director of S.F. Holding since December 2022.

Mr. Zhang Dong, male, born in 1980, was graduated from Shandong University of Technology with a bachelor's degree. From 2004 to 2021, he served as the senior technical manager, planning director, head of product department, regional general manager, head of business customer management and assistant chief marketing officer. He has been the chief marketing officer of S.F. Holding and the president of South China Region since November 2021. He was appointed as a Director of S.F. Holding in December 2022 and was re-designated as our executive Director on August 2023.

Mr. Chan Charles Sheung Wai, male, born in 1954, was graduated from the University of Manitoba, Canada and is a certified public accountant in Canada and Hong Kong. Mr. CHAN has extensive experience in auditing, finance and risk management, and served as the Managing Partner of the Audit Department of Arthur Andersen Chinese Mainland/Hong Kong, the Managing Partner of the Audit Department of PricewaterhouseCoopers China, and the Senior Managing Director of Protiviti China/Hong Kong (a risk management and consulting firm). Mr. CHAN was also a member of the HKEX Listing Committee, a member of the Election Committee of the First Legislative Council of Hong Kong, and the Independent Non-Executive Director of CITIC Securities (600030.SH, 06030.HK) and Changyou (CYOU.US). Mr. CHAN is currently serving as the Independent non-executive Director of Maoyan Entertainment (01896.HK), Hansoh Pharmaceutical (03692.HK), Sun Art Retail (06808.HK), and Bioheart (02185.HK). He has been an Independent non-executive Director of S.F. Holding since December 2022.

Mr. Lee Carmelo Ka Sze, male, born in 1960, was graduated from the University of Hong Kong with a Bachelor's degree in Law, and he is a qualified lawyer in Hong Kong, England and Wales, Singapore and the Australian Capital Territory. Mr. LEE has rich legal experience, and has been a partner and senior partner of Woo Kwan Lee & Lo since 1989, and its Managing Partner since 2022. Mr. LEE is also one of the Candidate Chairmen of the Listing Review Committee of the Stock Exchange of Hong Kong, a member of the InnoHK Steering Committee of the Innovation and Technology Commission of the Government of the Hong Kong Special Administrative Region, the Chairman of the Appeal Tribunal Panel (Buildings), a member of the Campaign Committee of the Community Chest of Hong Kong and the co-chairman of the Charity Marathon Planning Committee. His working experience also included being an Independent non-executive Director of Ping An (601318.SH, 02318.HK), CPIC (601601.SH, 02601.HK), KWG Group (01813.HK) and other companies. Mr. LEE is currently serving as the Independent non-executive Director of China Mobile (600941.SH, 00941.HK), as the Non-executive Director of Safety Godown (00237.HK) and Playmates Holdings (00635.HK). He has been an Independent non-executive Director of S.F. Holding since December 2022.

Ms. Ding Yi, female, born in 1964, Ph.D. Economics and Senior Economist, has extensive experience in financial management, and served as a lecturer at the School of Finance of Renmin University of China, the Deputy General Manager of PICC (601319.SH、01339.HK). Investment Management Department, the Director and President Assistant of PICC Asset Management Company Limited, the General Manager and Chairman of Huaneng Capital Services Co., Ltd., the Chairwoman of Great Wall Securities (002939.SZ), and the Chairwoman of Invesco Great Wall Fund Management Company Limited. Ms. DING is currently serving as the Director of Tongwei Co., Ltd. (600438.SH), and the Independent Director of Huaxia Bank (600015.SH), Huatai Asset Management Co., Ltd., and Zhangjiakou Yuanshi Advanced Materials Co., Ltd. She has been an Independent non-executive Director of S.F. Holding since December 2022.

Supervisory Committee

Chairman of the Supervisory Committee

Mr. Shum Tze Leung, male, born in 1965, has served as Regional General Manager, Planning Director, Operation Director, Vice President of Operation Department, Head of Industrial Projects, and Head of Procurement & Supply Chain Center of S.F. Group from 1997 to 2020. He has been Head of Hong Kong operations of the Company since 2020. He has served as Supervisor of S.F. Holding since December 2019. He has served as Chairman of the Supervisory Committee of the Company since April 2021.

Supervisors

Ms. Wang Jia, female, born in 1979, holds a bachelor degree in economics from Shenzhen University. She served at Deloitte Touche Tohmatsu Certified Public Accountants LLP Shenzhen Branch from 2002 to 2006 and Ernst & Young (China) Advisory Limited Shenzhen Branch from 2007 to 2014. She joined S.F. Group in 2014 and has held various positions, including financial planning expert and the head of internal control group, and is currently head of risk control and compliance. She has served as Supervisor of S.F. Holdings since April 2021.

Mr. Liu Jilu, male, born in 1947, was graduated from Anhui University with a specialization in economics and management. From 1994 to 2016, he served as General Manager of Ma'anshan Dingtai Metal Products Company, Chairman & General Manager of Ma'anshan Dingtai Technology Co., Ltd. and Chairman & General Manager of Ma'anshan Dingtai Rare Earth & New Materials Co., Ltd. He has served as Supervisor of the S.F. Holdings since December 2016.

Ms. Li Juhua, female, born in 1979, was graduated from Tongji University with a Bachelor's degree in management. She is a Fellow of the Chartered Management Accountants (FCMA) and the Chartered Global Management Accountant (CGMA). She served as an accountant and finance manager of Shanghai Totole Flavoring Food Co., Ltd. under Nestlé from 2002 to 2004, as an assistant accountant and an assistant finance manager at Walmart's China headquarters from 2004 to 2008, as Financial Manager of B&Q Shenzhen from 2008 to 2010, and as Financial Director of Maoye International Holdings Limited (00848.HK) from 2011 to 2012. She successively held various key positions within S.F. Group from 2012 to December 2023, including the head of accounting department, head of tax department and head of financial shared service center and the Head of CFO Office. She served as Assistant CFO and simultaneously as the Head of CFO Office since January 2024. She served as an Employee Representative Supervisor of the S.F. Holdings since December 2019, as a non-executive director of SF REIT Asset Management Limited (the manager of SF REIT (02191.HK)) since August 2023, and as a non-executive director of SF Intra-city limited (09699.HK) since November 2023.

Mr. Zhang Shun, male, born in 1991, was graduated from Sun Yat-sen University with a Master's degree in Economics. Mr. Zhang successively held various positions since he joined S.F. Group in 2015, including procurement management coordinator, procurement management senior coordinator and operation management senior coordinator. He served as the Head of Culture and Employee Relations Section of from November 2020 to February 2024, and as the Assistant Head of SF Express business region since March 2024, and as an Employee Representative Supervisor of S.F. Holding since December 2022.

Senior Executives

For the work experience, positions, and other posts held concurrently by Mr. Wang Wei and Mr. Ho Chit, please refer to the section headed "the Board of Directors".

Mr. Li Sheng, male, born in 1966, holds a bachelor's degree in law from Sichuan Normal University. From 1997 to 2005, he served as Senior Executive at Walmart China. He joined S.F. Group in 2005 and successively held various positions, including general manager of Hubei region, general manager of Sichuan region, vice president of our Group, president of Central China operation, president and person in charge of SF Airlines Company Limited. He has been the chairman of SF Airlines Company Limited since June 2021 and the assistant chief operation officer of S.F. Group since 2022. Since December 2016, he has served as Deputy General Manager of S.F. Holdings.

Mr. Zhou Haiqiang, male, was born in 1977. Mr. Zhou joined S.F. Group in 2001, and successively held the positions of senior manager of general affairs department of East China region operation headquarter, general manager of Hangzhou region, deputy president of e-commerce logistics business unit, Assistant Chief Human Resources Officer and head of Shanghai operations. He has been the Assistant CEO of S.F. Group since November 2020 and the Deputy General Manager of S.F. Holding since December 2022.

Mr. Geng Yankun, male, born in 1986, was graduated from Harbin Institute of Technology and Peking University with a master's degree. After graduating in 2009, he joined Baidu, and was successively responsible for the technical R&D and management of Baidu Wiki, Baidu Knows, Baidu Travel and Baidu LBS, etc. He joined S.F. Group in 2017, and currently holds various positions within Group, including the CEO of Beijing S.F. Intra-city Technology Co., Ltd., the CTO of S.F. Holding and the CEO & Chairman of SF Technology Co., Ltd. He has been served as the Deputy General Manager of S.F. Holding since December 2022 and as a non-executive director of SF Intra-city limited (09699.HK) since September 2023.

Ms. Gan Ling, female, born in 1974, holds a master of business administration degree from the University of Texas at Austin in the United States of America and an Executive Master of Business Administration (EMBA) degree from PBCSF Tsinghua University. She was an analyst at Coatue Management, one of the Tiger cub funds, in New York from 2006 to 2010. She served as deputy general manager of Maoye International Holdings Limited (00848.HK) from 2010 to 2015. She is currently a member of the Appeal Review Committee at the Shenzhen Stock Exchange. She joined S.F. Group in 2016 and has been the Secretary of the Board of Directors and Deputy General Manager of S.F. Holding since 2016, and a non-executive director of SF REIT Asset Management Limited (the manager of SF REIT (02191.HK)) since December 2022.

Positions held in shareholder entities

√ Applicable ☐ Not applicable

Name	Name of the shareholder entity	Position in the shareholder entity	Commencement date	End date	Receiving payment from the shareholder entity or not
Wang Wei	Shenzhen Mingde Holding Development Co., Ltd.	Executive director	August 03, 2004	Present	No
Description of posts held in shareholder entity	N/A				

Employment with other companies

√ Applicable ☐ Not applicable

Name	Name of the other entity	Position in the other entity	Commencement date	End date	Receiving payment from the other entity or not
Wang Wei	Guangdong Shucheng Technology Co., Ltd.	Director	August 2018	April 2023	No
Wang Wei	SF REIT Asset Management Limited	Chairman of board of directors, non-executive director	February 2021	August 2023	No
Ho Chit	Fox Financial Technology Group Limited	Director	April 2014	Present	No
Ho Chit	SF REIT Asset Management Limited	Non-executive director	April 2022	Present	No
		Chairman of board of directors	August 2023		
Wang Xin	Global Connect Holding Limited	Director	August 2023	Present	No
Wang Xin	Yihai SF Express (Shanghai) Supply Chain Technology Co., Ltd	Director	October 2023	Present	No
Chan, Charles Sheung Wai	Maoyan Entertainment	Independent non-executive director	January 2019	Present	Yes

Name	Name of the other entity	Position in the other entity	Commencement date	End date	Receiving payment from the other entity or not
Chan, Charles Sheung Wai	Hongkong Fusion Bank	Independent non-executive director	March 2019	Present	Yes
Chan, Charles Sheung Wai	Hansoh Pharmaceutical Group Company Limited	Independent non-executive director	May 2019	Present	Yes
Chan, Charles Sheung Wai	CITIC-Prudential Life Insurance Company Limited	Non-executive director	May 2019	Present	Yes
Chan, Charles Sheung Wai	Shanghai Bio-heart Biological Technology Co., Ltd.	Independent non-executive director	November 2020	Present	Yes
Chan, Charles Sheung Wai	SUN ART RETAIL GROUP LIMITED	Independent non-executive director	January 2021	Present	Yes
Chan, Charles Sheung Wai	Hongkong FuSure Reinsurance Company Limited	Independent non-executive director	April 2021	Present	Yes
Chan, Charles Sheung Wai	Goldman Sachs Gao Hua Securities Company Limited	Independent non-executive director	October 2021	Present	Yes
Chan, Charles Sheung Wai	CITIC-Prudential Asset Management Company Limited	Non-executive chairman	November 2021	Present	Yes
Lee Ka Sze, Carmelo	Manson (Holding) Inc	Director	February 1981	Present	No
Lee Ka Sze, Carmelo	EVERSO COMPANY LIMITED	Director	March 1985	Present	Yes
Lee Ka Sze, Carmelo	Manson Commercial Limited	Director	May 1989	Present	No
Lee Ka Sze, Carmelo	MANSON INVESTMENT AND FINANCE COMPANY, LIMITED	Director	June 1989	Present	Yes
Lee Ka Sze, Carmelo	Kiasu Co. Ltd.	Director	January 1991	Present	No
Lee Ka Sze, Carmelo	WU JIA TANG FOUNDATION LIMITED	Director	September 1994	Present	No
Lee Ka Sze, Carmelo	Loylee Investments Limited	Director	November 1994	Present	No
Lee Ka Sze, Carmelo	SAFETY GODOWN COMPANY, LIMITED	Non-executive director	September 2004	Present	Yes
Lee Ka Sze, Carmelo	KWG Group Holdings Limited	Independent non-executive director	June 2007	March 2024	Yes
Lee Ka Sze, Carmelo	Wise Town Limited	Director	November 2008	Present	No
Lee Ka Sze, Carmelo	PLAYMATES HOLDINGS LIMITED	Non-executive director	November 2019	Present	Yes
Lee Ka Sze, Carmelo	China Mobile Limited	Independent non-executive director	May 2022	Present	Yes

Name	Name of the other entity	Position in the other entity	Commencement date	End date	Receiving payment from the other entity or not
Lee Ka Sze, Carmelo	W. & K. (Nominees) Limited	Director	May 2022	Present	No
Ding Yi	Tongwei Co., Ltd.	Non-executive director	May 2020	Present	Yes
Ding Yi	HUA XIA BANK CO., Limited	Independent director	September 2020	Present	Yes
Ding Yi	Huatai Asset Management Company Limited	Independent director	September 2020	Present	Yes
Ding Yi	Zhangjiakou Yuanshi Advance Materials Co., Ltd	Independent director	November 2021	Present	Yes
Shum Tze Leung	KINGS (HK) INTERNATIONAL LIMITED	Director	February 2019	Present	No
Shum Tze Leung	Kin Shun Information Technology Holdings Limited	Director	February 2019	Present	No
Shum Tze Leung	Kin Shun Information Technology Limited	Director	February 2019	Present	No
Li Juhua	Global Connect Holding Limited	Director	April 2022	August 2023	No
Li Juhua	SF REIT Asset Management Limited	Non-executive director	August 2023	Present	No
Li Sheng	SF Foundation	Director	October 2016	Present	No
Geng Yankun	Ningbo Meishan Bonded Port Zhizi Investment Management Co., Ltd	Chairman of board of directors	December 2022	Present	No
Gan Ling	Sunrise Capital Feeder Fund Ltd.	Director	April 2015	January 2024	No
Gan Ling	SF REIT Asset Management Limited	Non-executive director	December 2022	Present	No
Description of posts held in other entity	N/A				

Penalties imposed by securities regulatory bodies on the Company's current and dismissed directors, supervisors, and senior executives during the Reporting Period in the past three years

☐ Applicable √ Not applicable

3. Remuneration for Directors, Supervisors, and Senior Management

Decision-making procedure, basis of determination, and actual payment of remuneration for directors, supervisors, and senior management

With a view to further improving the remuneration management system for the Company's directors, supervisors, and senior executives, establishing an incentive and restraint mechanism compatible with modern enterprise system which helps match responsibilities with rights, and fully incentivizing the Company's directors, supervisors, and senior executives, the Company formulated the Management System of Remuneration of Directors, Supervisors, and Senior Executives, which was reviewed and approved on the Company's 2017 Second Extraordinary General Meeting of Shareholders, and the amendment was reviewed and approved on the Company's 2020 First Extraordinary General Meeting of Shareholder.

According to the Management System of Remuneration of Directors, Supervisors, and Senior Executives, the Company pays allowances to independent directors each year. The amount of the allowances is determined at the Company's general meeting. The allowances for independent directors are issued from the following month after their appointment resolutions are passed at the Shareholders' General Meeting.

The Company does not provide separate allowances for external directors, internal directors, external supervisors, or internal supervisors. Internal directors and internal supervisors receive remuneration according to the corresponding remuneration for senior executive or other positions concurrently held by them and appraisal management approach.

The remuneration determination mechanism of the Company's senior management: the Remuneration Management Committee under the Board of Directors of the Company formulates and reviews the appraisal method and remuneration plan for the senior management, appraises the performance and behavior of the senior management, and submits appraisal results to the Board of Directors for approval. The Company determines the annual remuneration of the senior management with reference to the income level of the industry and the region, taking into account factors such as the Company's operating performance and their contribution. For our senior management, the Company adopts the annual salary system, in which the fixed salary is determined with reference to factors including market rate and individual contribution, while the annual bonus is a floating incentive determined by the performances of both the Company and individuals.

The remuneration of the Company's internal directors, internal supervisors and senior executives is paid according to the Company's salary system.

Remuneration of directors, supervisors and senior executives during the Reporting Period

Unit: RMB'000

Name	Position	Gender	Age	Tenure status	Total Pre-tax Remuneration Gained from the Company in 2023[1]				Whether Gained Remuneration from the Related Parties of the Company
					Emoluments	Wages and bonus etc.	Other benefits	Share-based Compensation[3]	
Wang Wei	Chairman and General Manager	Male	53	Current	–	1,122	39	–	No
Ho Chit[2]	Director, Deputy General Manager, CFO	Male	49	Current	426	6,092	148	2,945	No
Wang Xin	Director	Female	51	Current	–	2,985	135	2,945	No
Zhang Dong	Director	Male	43	Current	–	2,443	183	2,945	No
Chan, Charles Sheung Wai	Independent Director	Male	70	Current	–	680	–	–	Yes
Lee Ka Sze, Carmelo	Independent Director	Male	63	Current	–	680	–	–	Yes
Ding Yi	Independent Director	Female	59	Current	–	680	–	–	Yes
Shum Tze Leung	Chairman of the Supervisory Committee	Male	58	Current	–	545	96	–	No
Wang Jia	Supervisor	Female	44	Current	–	1,085	63	–	No
Liu Jilu	Supervisor	Male	77	Current	–	–	–	–	No
Li Juhua	Employee representative supervisor	Female	44	Current	–	1,456	236	–	No
Zhang Shun	Employee representative supervisor	Male	32	Current	–	704	62	–	No
Li Sheng	Deputy General Manager	Male	57	Current	–	3,318	144	2,945	No
Zhou Haiqiang	Deputy General Manager	Male	46	Current	–	1,976	241	2,169	No
GengYankun	Deputy General Manager	Male	38	Current	–	2,574	106	2,945	No
Gan Ling	Deputy General Manager and Secretary of the Board	Female	49	Current	–	2,527	92	776	No
合计					426	28,866	1,547	17,670	

Note 1: The total pre-tax remuneration refers to the remuneration received by the above-mentioned personnel during their tenure as a director, supervisor, or deputy general manager of the listed company S.F. Holding in 2023.

Note 2: The amount of "Ho Chit's Emolument" during the reporting period consisted mainly of director's emoluments received from Kerry Logistics, a subsidiary of the S.F. Holding.

Note 3: The amount of Share-based Compensation refers to the accounting amount of stock options granted by the Company's share incentive plan to such persons during the period of their employment in 2023.

Note 4: Any discrepancies in totals are due to rounding.

Other information

☐ Applicable √ Not applicable

VI. Performance of Duties by Directors During the Reporting Period

1. Board of Directors during the Reporting Period

Meeting	Date Convened	Disclosure Date	Meeting Resolutions
2nd meeting of the 6th Board of Directors	March 28, 2023	March 29, 2023	For details, refer to the "Announcement of the Resolutions of the 2nd Session of the 6th Board of Directors" (announcement No.: 2023-011) disclosed by the Company on Cninfo (www.cninfo.com.cn).
3rd meeting of the 6th Board of Directors	March 29, 2023	March 29, 2023	For details, refer to the "Announcement of the Resolutions of the 3rd Session of the 6th Board of Directors" (announcement No.: 2023-026) disclosed by the Company on Cninfo (www.cninfo.com.cn).
4th meeting of the 6th Board of Directors	April 26, 2023	–	The "Full Text and Main Text of the 2023 First Quarter Report of the Company" was reviewed and approved.
5th meeting of the 6th Board of Directors	May 12, 2023	May 13, 2023	For details, refer to the "Announcement of the Resolutions of the 5th Session of the 6th Board of Directors" (announcement No.: 2023-038) disclosed by the Company on Cninfo (www.cninfo.com.cn).
6th meeting of the 6th Board of Directors	August 1, 2023	August 2, 2023	For details, refer to the "Announcement of the Resolutions of the 6th Session of the 6th Board of Directors" (announcement No.: 2023-055) disclosed by the Company on Cninfo (www.cninfo.com.cn).
7th meeting of the 6th Board of Directors	August 28, 2023	August 29, 2023	For details, refer to the "Announcement of the Resolutions of the 7th Session of the 6th Board of Directors" (announcement No.: 2023-069) disclosed by the Company on Cninfo (www.cninfo.com.cn).
8th meeting of the 6th Board of Directors	October 30, 2023	October 31, 2023	For details, refer to the "Announcement of the Resolutions of the 8th Session of the 6th Board of Directors" (announcement No.: 2023-080) disclosed by the Company on Cninfo (www.cninfo.com.cn).
9th meeting of the 6th Board of Directors	December 12, 2023	December 13, 2023	For details, refer to the "Announcement of the Resolutions of the 9th Session of the 6th Board of Directors" (announcement No.: 2023-086) disclosed by the Company on Cninfo (www.cninfo.com.cn).
10th meeting of the 6th Board of Directors	December 28, 2023	December 29, 2023	For details, refer to the "Announcement of the Resolutions of the 10th Session of the 6th Board of Directors" (announcement No.: 2023-091) disclosed by the Company on Cninfo (www.cninfo.com.cn).

2. Details of attendance at meetings of the Board and general meetings by directors

Name of director	Details of attendance of meetings of the Board and general meetings by director						
	Required number of attendance during the Reporting Period	Number of physical attendance at Board meetings	Number of attendance at Board meetings by means of communication	Number of attendance at Board meetings by a proxy	Number of absence from Board meetings	Whether the director does not attend two consecutive Board meetings in person	Number of attendance at general meetings
Wang Wei	9	5	4	0	0	No	2
Ho Chit	9	5	4	0	0	No	3
Wang Xin	9	4	5	0	0	No	3
Zhang Dong	9	5	4	0	0	No	3
Chan, Charles Sheung Wai	9	1	8	0	0	No	3
Lee Ka Sze, Carmelo	9	1	8	0	0	No	3
Ding Yi	9	1	8	0	0	No	3

Information about directors who failed to attend two consecutive Board meetings in person.

☐ Applicable √ Not applicable

3. Details of directors objecting to relevant events of the Company

During the Reporting Period, no directors objected to relevant events of the Company.

4. Other details about the performance of directors

Directors' advice to the Company adopted or not?

√ Yes ☐ No

During the Reporting Period, the directors of the Company performed their duties diligently and actively in accordance with the provisions of the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and other laws and regulations, regulatory documents and the Articles of Association of the Company, Rules of Procedure of the Board of Directors and other systems. The Board of Directors of the Company held a total of 9 meetings, at which all directors attended in person on time without delegated attendance or absence. The directors learned in detail the overall operating conditions and financial situation of the Company, carefully considered the various topics of the sessions of the Board of Directors, and implemented the legal and effective decision-making procedures for major matters. The Directors actively put forward relevant opinions and suggestions on corporate governance and operational decisions in accordance with the actual situation of the Company, and supervised and promoted the execution and implementation of the resolutions of the Board of Directors to ensure that the decisions were made in a scientific, timely and efficient manner, and to safeguard the legitimate rights and interests of the Company and all shareholders.

VII. Details of Special Committees of the Board of Directors During the Reporting Period

Name of Committee	Members	Number of meetings held	Date of meeting	Transaction	Important opinions and suggestions proposed	Other performance of duties	Objection details (if any)
Audit Committee	Chan, Charles Sheung Wai, Lee Ka Sze, Carmelo, Ding Yi	7	February 2, 2023	Consideration of the 2022 Internal Audit Summary and the 2023 Working Plan and the 2022 Internal Control Audit Findings and Key Audit Matter Communication	1. The complicated economic environment will bring challenges to the company's development, and it is recommended that the company should operate steadily, maintain a healthy cash flow and capital structure. 2. The Company is promoting its H-share IPO, due to the differences in the regulatory rules of the capital markets of the two capital markets, it is recommended that the Company should pay more attention to the similarities and differences in the rules and consult more suggestions from professional organizations. 3. The Company's overseas operations face the risk of regulatory environment and cultural differences in different countries, and it is recommended that the Company strengthen its overseas audits, pay attention to its own weaknesses, and learn from the experience of other outstanding cases for continuous review and improvement.	Not applicable	No
			March 27, 2023	Consideration of the proposal to use own funds for foreign exchange hedging business in 2023, Self-appraisal Report on Internal Controls of the Company for 2022, the Company's Final Account Report for 2022, the Proposal on the company's provision for asset impairment in 2022, the Company's 2022 Annual Audit Report and Other Special Reports, and Proposal of Continued Engagement of PriceWaterhouseCoopers Zhongtian LLP as the Company's auditor for 2023		Not applicable	No
			April 26, 2023	Consideration of the Company's 2023 First Quarterly Report, and Company's 2023 First Quarterly Internal Audit Work Report and other Audit Reports		Not applicable	No
			July 25, 2023	Consideration of the Proposal for Establishment of the Company's <Accountant Firm Selection and Appointment Process>, and the Proposal for Launching the Selection and Appointment of the Accountant Firm and Determination of the Selection and Appointment Method		Not applicable	No
			July 28, 2023	Consideration of the Proposal for the Company to Engage Accountant Firm for the Issuance and Listing of H Shares, and the Report on the Utilization of the Company's Previous Proceeds		Not applicable	No
			August 25, 2023	Consideration of the Company's 2023 Semiannual Financial Report, Company's 2023 Semiannual Review Report, and Company's 2023 Second Quarter Internal Audit Work Report and other Audit Reports		Not applicable	No
			October 30, 2023	Consideration of the Company's 2023 Third Quarter Financial Report, Company's 2023 Third Quarterly Internal Audit Work Report, the Working Plan of the Company's 2023 Annual Report, and the Proposal for Change in Accounting Estimates		Not applicable	No

<table>
<tr><th>Name of Committee</th><th>Members</th><th>Number of meetings held</th><th>Date of meeting</th><th>Transaction</th><th>Important opinions and suggestions proposed</th><th>Other performance of duties</th><th>Objection details (if any)</th></tr>
<tr><td rowspan="2">Remuneration and Appraisal Committee</td><td rowspan="2">Ding Yi, Chan, Charles Sheung Wai, Lee Ka Sze, Carmelo</td><td rowspan="2">2</td><td>March 28, 2023</td><td>Consideration of the Proposal to Confirm the Company's Executive Compensation and Performance for 2022, and the Proposal on the Senior Management Compensation Plan for 2023</td><td rowspan="2">It is recommended that the Company continuously optimize the remuneration and incentive system to attract more outstanding talents to join the Company.</td><td>Not applicable</td><td>No</td></tr>
<tr><td>July 28, 2023</td><td>Consideration of the Proposal on Cancellation of Certain Stock Options under the 2022 Stock Option Incentive Plan, the Proposal on Adjustment of the Exercise Price of the Company's 2022 Stock Option Incentive Plan, and the Proposal on the Achievement of Exercise Conditions for the First Exercise Period of the Initial Grant of Stock Options under the 2022 Stock Option Incentive Plan</td><td>Not applicable</td><td>No</td></tr>
<tr><td>Strategy Committee</td><td>Chan, Charles Sheung Wai, Ding Yi, Wang Wei</td><td>1</td><td>March 28, 2023</td><td>Consideration of Company's strategic Objectives and Annual Business Plan for 2023, Annual sustainability report for 2022, the Final Account Report of the Company for 2022 and the Financial Budget Report of the Company for 2023</td><td>It is recommended that companies need to match strategic management talents and teams, pay attention to changes in the external environment and flexibly adjust their strategies to avoid risks; as companies continue to progress towards their 2030 carbon emission targets, it is recommended that companies focus on the ESG development of their peers and large international companies in order to stay ahead of the competition.</td><td>Not applicable</td><td>No</td></tr>
<tr><td>Risk Management Committee</td><td>Ho Chit, Chan, Charles Sheung Wai, Lee Ka Sze, Carmelo</td><td>1</td><td>February 22, 2023</td><td>Consideration of the Risk Control Work Summary for 2022 and Risk Control Work Plan for 2023 of the Company</td><td>It is recommended that companies pay attention to the risk of the impact of international relations on business and make timely response plans.</td><td>Not applicable</td><td>No</td></tr>
</table>

VIII. Details of the Work of the Supervisory Committee

The Supervisory Committee raised no objection to matters under supervision during the Reporting Period.

IX. Employees of the Company

1. Number, role type, and educational background of employees

Number of employees of the parent company at the end of the Reporting Period (person)	–
Number of employees of major subsidiaries at the end of the Reporting Period (person)	153,125
Total number of in-service employees at the end of the Reporting Period (person)	153,125
Total number of employees receiving a salary during the Reporting Period (person)	153,125

Role type

Category	Number (person)
Operations personnel	87,207
Professional personnel	40,721
Management personnel	25,197
Total	153,125

Educational background

Category	Number (person)
Doctorate	43
Master' degree	3,991
Bachelor' degree	40,302
Associate' degree	38,173
High school and below	70,616
Total	153,125

2. Remuneration policy

Upholding the remuneration concept of excellent performance yielding fruitful payment, SF sees value creation as a guideline of incentive. For employees with high value contributions, the Company provides a competitive remuneration system to ensure the internal driving force for the Company's sustainable development. Remuneration is determined by employees' position, and its level is market-oriented. At the same time, through differentiated and diversified long-term and short-term incentive mechanisms, the Company attracts and retains core talents, and aligns their interests with the interests of shareholders and the Company more closely, so as to drive the continuous growth of the long-term operation results of the Company.

3. Training plan

The Company continues to uphold the concept of "talent is the primary productive force", paying high attention to the growth and development of employees. In 2023, the Company promoted the optimization of its overall training system by iterating the course and lecturer management mechanism, encouraging the creation of high-quality content, and boosting lecturers' teaching enthusiasm; by establishing a demand map around the actual business needs of key talent teams and matching course resources, the Company created a full-process training mechanism; at the same time, through digital platform transformation, the Company supported a closed-loop management of talent training work. Thus, the Company achieved "accuracy" of training needs, "supply" of training content, "discovery" of training resources, and "foundation" of talent team training. In addition, with the direction of "contextualized", "stratified", and "specialized", the Company continued to iterate the training of the talent team.

(1) Training of Basic-Level Employees:

For employee groups such as couriers, warehouse managers, customer service and sales staff, the Company will focus on the cultivation of their service awareness, safety awareness, and communication skills. While paying attention to personnel performance improvement, the Company will emphasize the sustainable development of personnel, help basic-level employees to improve their education, and pays attention to personal long-term development.

(2) Echelon Building-Up of Middle and Basic-Level Employees:

In terms of college graduates training, the Company will consider college graduates as an important source of the group's talent echelon, thus it will independently operate special talent projects for college graduates and refine the operation of the "New Eagle Internship Plan, Excellent Talent Plan, Management Trainee Project". By adhering to the three principles of "bold use of freshly joined, talent mobility, self-growth", the Company will spot high-potential college graduates through rotation practice, systematic course learning, dual mentor coaching and other training measures and match them with rapid development mechanisms, promoting college graduates to grow into core professional positions/key management positions.

For junior managers (such as network heads), the Company will accurately identify actual business needs in various scenarios, carry out "network heads onsite special training camp" and "demands in scenarios live room" activities in multiple sessions and multiple regions, and provide junior managers with more effective training resources through both online and offline.

For middle-level managers (such as regional functional department heads), the Company will carry out layered training from reserve to incumbent workers, iterate the "Fengyun Plan – Reserve Functional Department Head Training Plan" with scenario leadership training, actual job training, scenario task simulation as the core focus to train reserve personnel, improve reserve quality and achieve sustainable, high-quality talent supply.

(3) Professional Team Building:

The Company will focus on professional fields, sort out the ability situation of each functional organization, and improve ability through targeted training measures. The Company continues to carry out customized professional ability training projects, such as reserve expert training, expert lectures, expert forums, and provides learning resources on workplace general force and professional ability boutique, continuously improving employees in the professional field and benefiting employees' long-term development.

(4) Senior Management Training:

Adhering to the guidance and principles of differentiated empowerment, refined management, and normalized operation, covering three major groups of business managers, functional department executives, and reserve executives, the Company will carry out high-level cadre training projects such as beacon training camps, Fengxing plans, and reserve executive training camps:

For senior operational managers, focusing on "setting direction, making decisions, leading teams", through communication with moguls in the industry, visits to benchmarks, cross-industry exchanges, overseas study tours and other learning methods, the Company will help managers improve the ability of high-quality decision-making and leadership skills when confronting uncertainties, thus promoting and implementing the Company's operation mode reform, and achieving sustainable and robust development of business;

For senior functional managers, based on the Company's strategic orientation and business needs, the Company will help each unit of functional executives with "chain operation, horizon expansion, capabilities improvement, and overcome insufficiencies, improving the effectiveness of supporting business services and providing potential executives with differentiated learning resources and practice in various scenarios;

For high-level back-up echelon personnel, through the combination of training and practice, the Company will focus on core dimensions such as role transformation in a target position, leadership improvement, strategic business integration to customize the development of courses and learning content for the reserve echelon, provide multiple scenarios of actual practice positions and tasks, and effectively improve reserve cadres' matching degree for target positions.

4. Labor service outsourcing

☐ Applicable √ Not applicable

X. Profit Distribution &Increase of Share Capital due to Conversion of Capital Reserves

Information on the formulation, execution, or adjustments made to profit distribution policies, especially the cash dividend policy, during the Reporting Period

On April 27, 2023, the Company held the 2022 Annual General Meeting, at which the Company reviewed and approved the 2022 Profit Distribution Plan. The specific plan is as follows: on the basis of the total share capital at the registration date on which the 2022 annual profit distribution plan is to be implemented less the special shares repurchased by the Company, the Company distributed a cash dividend of RMB2.50 (including tax) for every 10 shares to all shareholders. No capital reserves were converted into share capital, and no bonus shares were distributed during the year. The profit distribution plan was fully completed on May 12, 2023.

Special Explanation on Cash Dividend Policy

Compliance with the provisions of the articles of incorporation or the resolution of the general meeting or not	Yes
Dividend criteria and proportions specific and clear or not	Yes
Relevant decision-making procedures and mechanisms complete or not	Yes
Independent directors performing their duties and play their due role or not	Yes
If the company has not distributed cash dividends, it should disclose the specific reasons and the next steps to be taken to enhance the level of investor returns	N/A
Minority shareholders given the opportunity to fully express their opinions and appeals or not, and their legitimate rights and interests fully protected or not	Yes
Conditions and procedures compliant and transparent or not when the cash dividend policy was adjusted or changed or not	N/A

The Company made profits in the Reporting Period and the profit distributable to the shareholders of the Company was positive, but the Company did not put forward a proposed plan for cash dividend distribution

☐ Applicable √ Not applicable

Profit distribution & increase of share capital due to capitalization during the Reporting Period

Number of bonus shares per 10 shares (share(s))	0
Dividend distribution per 10 shares (RMB) (including tax)	6.0
Conversion of capital reserves into share capital per 10 shares (share(s))	0
Share base of the distribution proposal (share(s))	Total share capital at the registration date on which the 2023 annual profit distribution plan is to be implemented less the special shares repurchased by the Company
Cash dividend amount (RMB'000) (including tax)	On the basis of the total share capital at the registration date on which the 2023 annual profit distribution plan is to be implemented less the special shares repurchased by the Company, a cash dividend of RMB6.0 (including tax) will be distributed for every 10 shares held.
Cash dividend amount (RMB'000) in other forms (such as share repurchase)	959,850
Total cash dividends (in all forms) (RMB'000)	The total amount of shares repurchased by the Company in 2023 was RMB959.85 million, and on the basis of the total share capital at the registration date on which the 2023 annual profit distribution plan is to be implemented less the special shares repurchased by the Company, a cash dividend of RMB6.0 (including tax) will be distributed for every 10 shares held.
Distributable profits (RMB'000)	12,991,294
Total cash dividends (including other ways) as a percentage of total distributed profits (%)	100%

Cash dividend
If the company's development stage belongs to the growth period, but substantial capital expenditure has been arranged, cash dividend shall represent at least 20% of the profit distribution for the current year.

Particulars of proposal for profit distribution or conversion of capital reserves into share capital
As per the earnings results audited by PriceWaterhouseCoopers Zhongtian LLP, the parent company registered a net profit of RMB14,035.334 million in 2023. The Company appropriated 10% of its net profit (RMB1,403.533 million) for the year 2023 to the statutory surplus reserve. Factoring in retained earnings of RMB1,573.109 million at the beginning of the year, and after deducting the actual cash dividend of RMB1,213.616 million in 2023, profit of the parent company available for distribution to the shareholders was RMB12,991.294 million as of December 31, 2023.
The Company's proposed profit distribution plan for 2023 was as follows: basis on the total share capital at the registration date on which the 2023 annual profit distribution plan is to be implemented, less the shares in special repurchase securities account, a cash dividend of RMB6.0 (including tax) will be distributed for every 10 shares. The remaining undistributed profits will be carried forward to the following year. The capital reserves will not be converted into share capital, and no bonus shares will be distributed during the year.

XI. Execution of Stock Incentive Plan, Employee Share Ownership Scheme, or Other Employee Incentives

√ Applicable □ Not applicable

1. Stock Incentive

The Share Options Incentive Scheme has been formulated to improve corporate governance structure, establish and improve an incentive and restraint mechanism, attract and retain outstanding employees, fully motivate core personnel. Reviewed and approved on the Company's 2022 Second Extraordinary General Meeting of Shareholders, the Company adopted the 2022 Share Option Incentive Scheme.

On July 4, 2022, the Company completed the registration of the first grant of the 2022 Stock Option Incentive Plan. The abbreviation of the share options granted under the scheme is 顺丰 JLC1, and the share option code is 037259.

On November 24, 2022, registration of reserve grant under the Company's 2022 share option incentive plan was completed. The abbreviation of the share options granted under the scheme is 顺丰 JLC2, and the share option code is 037315.

The Company's 6th meeting of the sixth session of Board of Directors and the 6th meeting of the sixth session of Supervisory Committee on August 1, 2023 reviewed and approved the "Proposal in relation to the Adjustment of Exercise Price under the 2022 Share Option Scheme" "Proposal on the Fulfilment of the Exercise Conditions of the First Exercise Period of the First Grant of Stock Options under the 2022 Stock Option Incentive Plan". Pursuant to the relevant provisions of the Company's 2022 Stock Option Incentive Plan (Draft) and the authorization of the Company's Second Extraordinary General Meeting of 2022, the Company adjusted the exercise price of the 2022 Stock Option Incentive Plan by adjusting the exercise price from RMB42.431 per share to RMB42.183 per share. Meanwhile, the Board of Directors agreed that the number of stock options exercisable by the 1,328 incentive recipients who have met the assessment requirements during the first exercise period of the initial grant shall be 8,964,763 shares with an exercise price of RMB42.183 per share. In the process of registration of this exercise, 5 of the incentive recipients were no longer eligible for the incentive recipients due to resignation, and 71 of them voluntarily gave up their eligibility for the exercise of the right, so that the total number of incentive recipients who had actually exercised the right was 1,252, and the number of shares of the exercised stock was listed and circulated was 8,420,193 shares. The listing and circulation date of the exercised shares was 5 September 2023. After the completion of the exercise, the total share capital of the Company remained unchanged, and the number of treasury shares reduced by 8,420,193 shares after the exercise. The exercise of this right has no significant impact on the shareholding structure of the Company.

Details related matters of this Stock Option Incentive Plan had been disclosed on CNINFO (www.cninfo.com.cn), and such disclosure websites are set out below

Announcement	Disclosure Date	Disclosure Website
Announcement on the Fulfilment of the Exercise Conditions of the First Exercise Period of the First Grant of Stock Options under the 2022 Stock Option Incentive Plan	August 2, 2023	CNINFO (www.cninfo.com.cn)
Announcement on the Adjustment of Exercise Price under the 2022 Share Option Scheme	August 2, 2023	CNINFO (www.cninfo.com.cn)
Announcement of Cancellation of Certain Stock Options under the 2022 Stock Option Incentive Plan	August 2, 2023	CNINFO (www.cninfo.com.cn)
Verification Opinion of the Supervisory Board on the List of Viable Incentive Recipients for the First Exercise Period of the 2022 Stock Option Incentive Plan	August 2, 2023	CNINFO (www.cninfo.com.cn)
Verification Opinion of the Supervisory Board on the List of Exercisable Incentive Recipients for the First Exercise Period of the 2022 Share Option Incentive Plan	September 6, 2023	CNINFO (www.cninfo.com.cn)

Stock Incentive Received by Directors and Senior Management of the Company

√ Applicable ☐ Not applicable

Unit: share

Name	Position	Number of stock options held at the beginning of the year	Number of newly granted stock options during the Reporting Period	Number of exercisable stock options during the Reporting Period	Number of exercised stock options during the Reporting Period	Exercise price of exercised stock options during the Reporting Period (RMB/share)	Number of stock options held at the end of the period	Market price at the end of the Reporting Period (RMB/share)	Number of restricted stock options held at the beginning of the period	Number Of Unlocked Shares During The current period	Number Of Restricted Shares Newly Granted During The Reporting period	Grant Price Of Restricted Shares (RMB/share)	Number Of Restricted Shares Held At The End Of The period
Ho Chit	Director, deputy general manager, and financial head	488,000	0	122,000	122,000	42.183	366,000	40.40	0	0	0	0	0
Wang Xin	Director	488,000	0	122,000	122,000	42.183	366,000	40.40	0	0	0	0	0
Zhang Dong	Director	488,000	0	122,000	122,000	42.183	366,000	40.40	0	0	0	0	0
Li Sheng	Deputy general manager	488,000	0	122,000	122,000	42.183	366,000	40.40	0	0	0	0	0
Zhou Haiqiang	Deputy general manager	488,000	0	61,000	61,000	42.183	366,000	40.40	0	0	0	0	0
Geng Yankun	Deputy general manager	488,000	0	122,000	122,000	42.183	366,000	40.40	0	0	0	0	0
Gan Ling	Deputy general manager, and secretary of the Board	272,000	0	0	0	–	204,000	40.40	0	0	0	0	0
Total	–	3,200,000	0	671,000	671,000	–	2,400,000	–	0	0	0	0	0
Note (if any)	–												

Appraisal and incentives of senior management

The Board of Directors set up a Remuneration and Appraisal Committee. The senior management shall be accountable to the Board of Directors, and evaluated by the Board of Directors and the Remuneration and Appraisal Committee. An incentive mechanism with unified responsibilities and rights shall be adopted. The company's incentive mechanism conforms to the Company's current situation, relevant laws, regulations and provisions of the Company's Articles of Association, fully enhances the company's management team and core technical personnel's sense of belonging to the Company, and effectively combines the interests of shareholders, the Company and employees.

2. Employee Share Ownership Plan

☐ Applicable √ Not applicable

3. Other Employee Incentives

☐ Applicable √ Not applicable

XII. Internal Control System Development and Implementation During the Reporting Period

1. Internal control development and implementation

The Company has always been committed to developing and optimizing its corporate internal control system. Based on its own development needs, in line with external regulatory requirements, the Company has set up and continuously improved its internal control system, from such perspectives as system structure, process, authorization and information system development, to ensure effective implementation of the Company's internal control initiatives.

In terms of institutional setup of internal control management, the Company has set up the general meeting, Board of Directors, Supervisory Committee, and the management board in accordance with the requirements of relevant national laws, regulations and institutional norms. The supreme governing body of the Company is the general meeting, the Board of Directors is responsible to the general meeting, and the Supervisory Committee is responsible for supervising the work of the directors and senior executives. The Board of Directors consists of the Strategy Committee, Audit Committee, Risk Management Committee, Remuneration and Appraisal Committee, and Nomination Committee. Based on the characteristics of the industry and the needs of its own business development, the Company has set up functional departments such as Strategic Management, Investment Management, Human Resource Management, Sales Management, Operation Management, Engineering Management, Procurement Management, Comprehensive Management, Financial Management and Internal Audit in accordance with the requirements of functional management. The Company's internal control system workflow laid down clear provisions regarding the division of responsibilities, work processes and authorization and approval permissions across the departments, thereby ensuring that each functional department performs its duties, with clear division of responsibilities, mutual supervision, and mutual restriction.

In the development of the internal control management system, the Company has formulated standardized governance systems such as the Articles of Association, the Rules of Procedure for the General Meeting, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Supervisory Committee, the Rules of Procedure for the Audit Committee of the Board of Directors, the Rules of Procedure for the Risk Management Committee of the Board of Directors, the Rules of Procedure for the Remuneration and Appraisal Committee of the Board of Directors, the Rules of Procedure for the Strategy Committee of the Board of Directors, and the Rules of Procedure for the Nomination Committee of the Board of Directors, to ensure the standardized operation of the organizations at the corporate governance level with regard to systems, as well as the effective implementation of decision-making and independent supervision functions. At the operational level, a set of systematic internal control systems encompassing capital management, investment and financing management, human resources management, information system management, information disclosure, related party transactions, budget management, contract management, asset management, procurement management, sales management, cost and expense management and financial management have been formulated to standardize the Company's routine operation and management to achieve the Company's internal control objectives.

In terms of the supervision and evaluation of the implementation of the internal control management system, the Board of the Company is responsible for the formulation and effective implementation of the internal control system of the Company, and has established independent supervision departments such as internal audit department and risk control and compliance department to check and evaluate the completeness, rationality and effectiveness of implementation of the internal control system of internal organizations and controlling subsidiaries of the listed company and investee companies with significant influence over the listed company, and to evaluate the lawfulness, compliance, authenticity and completeness of accounting information and other core business process information, as well as the reflected financial income and expenditure and related economic activities. The internal audit department and risk control and compliance department regularly report to the Audit Committee on the internal control and internal audit findings on a quarterly basis, and the rectification progress of the problems identified, so as to promote the timely optimization of and improvement in internal management.

2. Details of material deficiency found in the Company's internal control during the Reporting Period

☐ Yes √ No

XIII. The Company's Management and Control over its Subsidiaries during the Reporting Period

During the Reporting Period, the Company, in accordance with the requirements of standard operation of listed companies and governance systems such as External Investment Management System, External Guaranty Management System, Internal Control and Decision-Making System for Related Transactions, Financial Management System, Management System for Externally Providing Financial Support, Major Information Internal Report System, and Internal Audit System, managed the standard operation, investment, finance, personnel, information disclosure and other matters of subsidiaries, and managed and supervised the internal control of subsidiaries according to the internal control evaluation system of listed companies. For its overseas listed subsidiaries, the Company systematically supervised and evaluate internal control of those overseas subsidiaries in accordance with the supervision requirements different from domestic supervision requirements, with reference to the Basic Standards for Enterprise Internal Control and relevant auxiliary guidelines, so as to meet the compliance requirements with respect to domestic and overseas listing.

XIV. Self-appraisal Report on Internal Controls or Audit Report on Internal Controls

1. Self-appraisal report on internal controls

Disclosure date of the Appraisal Report on Internal Control	March 27, 2024
Disclosure index of the Appraisal Report on Internal Control	www.cninfo.com.cn
Proportion of total assets included in evaluation scope to total assets of the Company's consolidated financial statement	99%
Proportion of operating revenue included in evaluation scope to operating revenue of the Company's consolidated financial statement	99%

Deficiency Standards

Category	Financial Report	Non-financial Report
Qualitative criteria	Material deficiency: A deficiency, or a combination of deficiencies results in a failure to prevent or detect and correct a material misstatement or omission in the financial report in time. Those with the following characteristics should be identified as Material deficiency: Identification of fraud, on the part of board of directors, supervisors, senior management; Correction of previously issued financial reports; Identification by the certified public accountant of a material misstatement in the financial report in the current period in circumstances that indicate that the misstatement would not have been detected by the Company's internal control; Ineffective oversight of the Company's internal control by the Company's audit committee and internal audit. Significant Deficiency: A deficiency or a combination of deficiencies results in a failure to prevent or detect and correct a misstatement or omission in the financial report in time, that is less severe than a Material deficiency, yet important enough to merit attention by board of directors and senior management. Control Deficiency: Other internal control deficiencies that do not meet the criteria of Material deficiency or significant deficiency.	Material deficiency: A deficiency, or a combination of deficiencies causes material losses or has a significant negative impact on the Company. Those with the following characteristics should be identified as Material deficiency: Unreasonable decision-making process of the Company; Violation of national laws and regulations; Frequent negative media coverage; Lack of policy for major business or the policy operated ineffectively. Significant Deficiency: A deficiency or a combination of deficiencies results in a failure to prevent a misstatement in time, probably causing losses or negative impact that is less severe than a Material deficiency, yet important enough to merit attention by board of directors and senior management. Control Deficiency: Other internal control deficiencies that do not meet the criteria of Material deficiency or significant deficiency.
Quantitative criteria	Material deficiency: A deficiency or a combination of deficiencies may result in misstatements and omission in the financial report that accounts for more than 5% (inclusive) of the Company's pre-tax profit as shown in the consolidated financial statements of the current period. Significant Deficiency: A deficiency, or a combination of deficiencies may result in misstatements of or omission in the financial report accounting for 3% (inclusive) to 5% of the Company's pre-tax profit as shown in the consolidated financial statements of the current period. Control Deficiency: A deficiency, or a combination of deficiencies may result in misstatements of or omission in the financial report accounting for less than 3% of the Company's pre-tax profit as shown in the consolidated financial statements of the current period.	Material deficiency: A deficiency, or a combination of deficiencies may result in losses that account for more than 5% (inclusive) of the Company's pre-tax profit as shown in the consolidated financial statements of the current period. Significant deficiency: A deficiency, or a combination of deficiencies may result in losses accounting for 3% (inclusive) to 5% of the Company's pre-tax profit as shown in the consolidated financial statements of the current period. Control Deficiency: A deficiency, or a combination of deficiencies that may result in losses accounting for less than 3% of the Company's pre-tax profit as shown in the consolidated financial statements of the current period.
Number of Material deficiencies in the financial report		0
Number of Material deficiencies of the non-financial report		0
Number of significant deficiencies in the financial report		0
Number of significant deficiencies of the non-financial report		0

2. Audit Report on Internal Controls

Audit Opinion in the Audit Report on Internal Controls

In our opinion, SF Holding maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in C-SOX and relevant regulations.

Particulars about Audit Report on Internal Controls	Disclosure
Disclosure date of the Audit Report on Internal Controls	March 27, 2024
Disclosure Index of the Audit Report on Internal Controls	www.cninfo.com.cn
Type of Opinion in the Audit Report on Internal Controls	Unqualified Opinion
Material deficiency in the non-financial report or not	No

The auditor issued an Audit Report on Internal Controls with a non-standard opinion or not

□ Yes √ No

The Audit Report on Internal Controls from the auditor consistent with the Self-appraisal Report from the Board or not

√ Yes □ No

XV. Rectification of self-inspection problems in special actions of listed company governance

Not applicable

I. Major Environment Issues

The listed company and its subsidiaries are not the major pollutant discharge units announced by the Ministry of Ecology and Environment.

The administrative penalties for environmental issues during the reporting period.

The Company's wholly-owned subsidiary, S.F. Airlines Co., Ltd (顺丰航空有限公司), was subject to two administrative penalties from Beijing Shunyi Ecology and Environment Bureau during the reporting period, including ① a fine of RMB5,000 for unsealed and unauthorized changes in the use of a machine/vehicle's pollution control device, which did not comply with the relevant provisions of the *Regulations of Beijing Municipality on Prevention and Control of Pollution by Emissions from Motor Vehicles and Non-road Mobile Machinery* (《北京市机动车和非道路移动机械排放污染防治条例》); and ② a fine of RMB5,000 for the opacity smoke value of a machine/vehicle in use exceeding the prescribed emission limit, which did not comply with the relevant provisions of the *Prevention and Control of Atmospheric Pollution of the PRC* (《中华人民共和国大气污染防治法》). The Bantian branch of the Company's wholly-owned subsidiary, S.F. Express Co., Ltd. (顺丰速运有限公司), was subject to two administrative penalties from the Shenzhen Longgang Ecology and Environment Bureau during the reporting period, including ① a fine of RMB30,000 for alleged emitting industrial noise to the surroundings in excess of the prescribed emission standards or technical specification limits, which did not comply with the relevant provisions of the *Regulations on Prevention and Control of Environmental Noise Pollution in the Shenzhen Special Economic Zone (2020 Amendments)* (《深圳经济特区环境噪音污染防治条例(2020 年修正版)》); ② a fine of RMB500 for alleged failure of the exhaust pollution test of a motor vehicle in use at the parking place, which did not comply with the relevant provisions of the *Regulations on Prevention and Control of Exhaust Pollution of Motor Vehicles of the Shenzhen Special Economic Zone (2018 Amendments)* (《深圳经济特区机动车排气污染防治条例(2018 修正)》). The Company's wholly-owned subsidiary, Anhui S.F. Express Co., Ltd. (安徽顺丰速运有限公司), was subject to an administrative penalty from the Hefei Shushan Ecology and Environment Bureau during the reporting period, with a fine of RMB5,750 for failure of taking effective measures to make the boundary noise of air-conditioners at the operating sites exceed the national environmental noise emission standards, which did not comply with the relevant provisions of the *Regulations on Prevention and Control of Environmental Noise Pollution in Hefei City* (《合肥市环境噪声污染防治条例》). In response to the above administrative penalties, the Company has settled the fines in a timely manner and has completed the rectification process as required, which, as a result, will not have any impact on the Company's business operations.

Reference for other environmental information disclosed by key pollutant discharging units

□ Applicable　√ Not applicable

Measures taken to reduce carbon emissions and their effects during the Reporting Period

SF is committed to integrating corporate value with social value. As a socially responsible enterprise, SF has always upheld sustainable and healthy development, aiming to set an example and bring along positive impacts to the entire industry and society through the optimization and upgrade of its operations. Guided by the national carbon peaking and carbon neutrality strategy and aiming to protect the environment and reduce emissions, the Company incorporates climate change response into its business management practices. It continuously improves its environmental management system through measures such as promoting low-carbon transportation, constructing green industrial parks, developing sustainable packaging, and applying green technology. These initiatives covering the entire logistics lifecycle are conducive to promoting green and sustainable logistics.

Building on past achievements in carbon reduction, SF has released the industry's first "White Paper on Carbon Goals", committing to improving its carbon efficiency by 55% by 2030 compared to 2021 and reducing the carbon footprint of each parcel by 70% compared to 2021. In 2023, SF joined the Science Based Carbon Targets initiative (SBTi) and pledged to achieve "net-zero emissions" of greenhouse gases in its value chain by 2050. Leveraging its standardized carbon management capabilities, SF independently developed the industry's first waybill-level carbon emission calculation model, empowering upstream and downstream partners in the industry chain.

For two consecutive years, the Company has received a "B" rating from CDP (Carbon Disclosure Project), indicating that SF has reached a management level in the governance of environmentally sustainable development and is at the forefront of international standards in building sustainable green logistics supply chain services. With outstanding efforts in improving the environment, caring for employees, and engaging in philanthropy, SF has been honorably selected into the list of ESG influence in China released by Fortune for two consecutive years, making it the only privately-owned express delivery company in China to be included.

1. Promoting low-carbon transportation

SF continuously expanded its green fleet, and promoted energy conservation and emission reduction in the transportation process through various measures such as increasing investment in new energy vehicles, optimizing the selection of fuel vehicles, building a system platform to monitor the energy consumption of vehicles, and optimizing transportation routes by scientific and technological means.

The Company has adopted various measures so that more new energy vehicles could be used for our logistics services. We jointly explored the efficient operation mechanism of new energy logistics vehicles with partners to improve the efficiency of transportation energy use and mitigate the impact on the environment. The transportation scenarios of new energy vehicles mainly cover short-distance branch lines, shuttling and end delivery in cities, as well as first-and second-tier trunk transportation across provinces and cities. As of the end of the reporting period, SF has utilized more than 31,000 new energy vehicles for transportation, covering 243 cities. For long-distance transportation and transportation in cold areas in northern China, the Company conducted pilot by introducing hydrogen fuel and LNG natural gas vehicles.

2. Building green industrial parks

SF is committed to building green industrial parks. Through the construction of photovoltaic power stations and the optimization of warehouse space layout, SF has promoted the improvement in transit efficiency and energy-saving efficiency, mitigating the environmental impact of logistics transit. The Company continuously strengthens the use of clean energy and actively develops renewable energy generation plans. By the end of the reporting period, we have completed construction of roof photovoltaic power stations in 14 industrial parks, with a total installed capacity exceeding 60 MW and an annual renewable energy generation exceeding 18 million kWh. In 2023, SF industrial parks in Changsha and Foshan have obtained the "First-Class (Three-Star) Green Warehouse" certification from the China Association of Warehousing and Distribution (CAWD), and the Guizhou Industrial Park has been certified as "Green Logistics Park" by Guizhou Provincial Federation of Logistics & Purchasing.

3. R&D of sustainable packaging

Express packaging plays a crucial role in reducing emissions throughout the logistics chain. In view of this, SF actively responds to the trend of green packaging, implementing the "9917" green development project guidelines for the postal industry. With sustainability and intelligence as guiding principles, SF comprehensively promotes the reduction, recycling, harmlessness, and standardization of packaging. Additionally, SF continues to build a circular ecosystem for express packaging, collaborating with upstream and downstream industry chains to jointly foster the development of sustainable packaging.

Minimum packaging: SF continuously promoted the green packaging plan, and provided detailed packaging operation instructions for different types of consignments to implement the green packaging requirements. The Company conducts innovative research and development on the minimization, standardization and scene-based application of eight types of materials, including plastic bags, plastic papers, stickers and seals. By the end of 2023, SF has reduced the use of raw paper by approximately 43,000 tons and plastic by approximately 162,000 tons.

Recyclable packaging: SF actively promotes the innovative R&D of recyclable packaging containers, providing comprehensive solutions for customers within and outside the industry. Depending on various industries and scenarios, SF has developed and deployed recyclable packaging containers such as medical precision temperature-controlled boxes, cold chain circulating insulation boxes, standard large-scale recyclable pallet boxes, and recyclable honeycomb panels. These efforts not only enhance internal operational efficiency but also provide customers with high-quality and convenient recyclable packaging solutions. In July 2021, SF launched the carbon-neutral recyclable packaging box "π-Box". As of December 2023, a total of over 1.29 million of it have been deployed, covering 119 cities, with a cumulative reuse exceeding 20.64 million times.

Fully biodegradable packaging: SF actively engages in the research and development of biodegradable packaging materials, collaborating with external research institutions and universities to expand and deepen its knowledge of cutting-edge biodegradable packaging technologies. By the end of 2023, SF has deployed over hundreds of million "Feng Bag" in various regions such as Beijing, Hainan, Guangzhou, and Northern Zhejiang.

4. Developing green technology

SF digitizes the entire operational process from pickup and delivery to transfer and transportation, integrating data forecasting, visualization monitoring, and early warning systems. This enables intelligent planning and scheduling, dynamic resource allocation, and efficient management throughout the network. By incorporating IoT technology, automation, and unmanned systems, SF enhances operational efficiency and inputs the power of technology into every stage of package delivery, contributing to quality enhancement, efficiency improvement, and carbon reduction across the entire "pickup-transfer-delivery" process.

At the terminal stage of delivery, SF expands its business coverage and provides efficient, cost-effective, and low-carbon logistics services through the application of intelligent technology. In the transfer stage, SF optimizes warehouse resources with the aid of data, introduces fully automated sorting and site management systems to enhance efficiency, and improves energy utilization. In the transportation stage, SF utilizes smart mapping for route planning, in which factors such as package timeliness and distance are combined to provide the optimal route through intelligent algorithms. Additionally, leveraging data analysis and deep learning technology, SF integrates freight routes and transportation resources to achieve precise matching of vehicles and goods, thereby enhancing transportation efficiency.

Furthermore, SF constructs a standardized carbon management system and develops the in-house data intelligence carbon management platform "Fenghe Sustainability Platform", integrating carbon emission and reduction data across the packaging, transportation, transfer, and delivery processes. Building upon SF's standardized carbon management capabilities, SF has developed the industry's first waybill-level carbon calculation model in 2023. This model not only simulates the volume of greenhouse gas (GHG) emissions from various transportation modes but also calculates the actual GHG emissions and reductions generated at each stage of the "pickup-transfer-delivery" process, enabling precise and automated calculation of carbon data for a large number of consignments and continuously strengthening the capabilities of green technology.

SF leverages technology to drive green and low-carbon transformation while extending green values to the supply chain. Also, SF advocates and collaborates with upstream and downstream partners to accelerate the transition to low carbon, jointly fulfilling the responsibility of protecting the Earth and achieving green development to build a zero-carbon future.

II. Social Responsibilities

As a leading express logistics integrated service provider in China, SF has been assuming its responsibility for the sustainable development of the commercial society and fulfilling its social responsibilities. The Company always takes customers as priority, provides customers with high-quality services, and helps them create value. The Company has established a win-win ecosystem with customers, suppliers, communities and other stakeholders to achieve common development. The Company actively promotes the development of green logistics and make unremitting efforts for environmental protection and sustainable development; and provides channels for employee development to effectively protect the interests of employees, creating a stage for our employees to realize their dreams. We have been operating our business in compliance with laws and regulations to give back to shareholders and protect the interests of all shareholders and stakeholders. Staying true to our original aspiration, we actively participated in public welfare activities to give back to society through the SF Foundation.

2023 is an important year for China to enter into a new journey towards the second centenary goal of building a modern socialist country in an all-round way, and a crucial year for the full implementation of the "14th Five-Year Plan". In 2023, SF demonstrated its corporate responsibility. In terms of supporting rural revitalization, SF kept on optimizing the whole industrial chain plan for smart agriculture, assisted the government in implementing the work of supporting agriculture and helping farmers, and joined hands with employees and partners in the value chain to empower new industries to stimulate industrial vitality and create a better life together. For the dual carbon goals of China, SF has established a carbon emission management system, formulated feasible carbon emission reduction goals and strategic plans, and deployed green solutions in all aspects of collection, transfer, transportation and distribution to promote the achievement of goals through energy consumption structure adjustment, transportation upgradation and business models, and in-depth application of technological means. In the future, SF will take a down-to-earth approach for the long run, fulfill every commitment to all stakeholders, and provide convenient, reliable and warm services for consumers around the world.

For details of SF's fulfillment of social responsibilities, please refer to the 2023 Sustainability Report of S.F. Holding published by the Company on CNINFO on 27 March, 2024.

III. Poverty Alleviation and Rural Revitalization

As a leading integrated logistics service provider in China, the Company has always actively responded to the national strategy, deeply cultivated the field of agricultural product delivery, and contribute to rural revitalization. Countless SF couriers are stationed in the first-mile of the place of origin, helping to realize the business model of agricultural products from “field” to “taste buds”, winning the trust and praise of the vast number of consumers.

In response to the promotion of “agriculture, rural areas, and farmers” work process, the Company focuses on the difficulties in the circulation field of agricultural products. Many high-quality agricultural products in the place of origin are difficult to market due to problems such as perishability, difficult packaging, multiple links, and difficulty in scaling up. Good agricultural products are trapped in the “field”, and farmers’ income is very low. Despite the strong market demand, agricultural products still confront many difficulties in getting out of the mountains. The Company’s strategy of helping farmers is clear: not only to transport good agricultural products out, but also to “transport” the good agricultural brand out. The Company insists on building agricultural product collection points in the fields, investing in mobile sorting vehicles suitable for small batch sorting, and building fresh pre-processing centers close to the place of origin. For many fresh categories, the Company ensured product freshness and safety through the design of exclusive packaging. During the harvest season of characteristic agricultural products, the Company integrates various transportation resources such as aviation, high-speed rail, and cold chain to ensure that agricultural products are efficiently and quickly delivered to all parts of the country. To ensure the quality of service throughout the process, a special project team is set up during the “fresh season”, with the help of data technology and visualization system, to monitor and warn each link of collection, transfer, transportation, delivery, and after-sales in real time. The Company’s strong logistics network, advanced packaging technology, and fast delivery capabilities have overcome one after another high-difficulty transportation of fresh categories, assisting in the express transportation of products such as hairy crabs, live fish, seafood, beef and mutton, lychees, cherries, bayberries, strawberries, and matsutake, to achieve the direct delivery and direct arrival mode of agricultural products nationwide.

The Company continues to promote the coordinated development of the upstream and downstream of the agricultural industry chain, promotes farmers to increase income, and helps achieve common prosperity through reasonable transportation pricing and high-quality services. The Company actively cooperated with local governments, rural cooperatives and other institutions to build regional agricultural product brands, promote brand construction, and formulate regional brand packaging customization special fund subsidy mechanisms. In 2023, the Company cooperated with local governments, obtained brand authorization, designed brand packaging, and helped to jointly build 28 regional agricultural product brands. In addition, the Company always adhered to corporate social responsibility, responded to the concept of green logistics, piloted the use of green and environmentally friendly packaging materials for agricultural products, and brought users a high-quality experience. With the development of the Internet+ economy, the Company leveraged its own platform to carry out rhythmic and sound volume transmission of agricultural products. With the help of external resources, the Company jointly built the agricultural product brand and sales ecological chain, and through cooperation with the government, customer anchors and local fruit farmers the Company carried out live broadcast activities to help the place of origin live broadcast with the Company’s brand marketing power and internet celebrity. In the transformation of agricultural digitalization, the Company provided a series of technology services such as product traceability and one shop one code. At present, the Company’s service network for helping agricultural products production and sales covered more than 2,700 county-level cities nationwide, encompassing 226 types of more than 6,000 specialty agricultural products nationwide, and about 4.58 million tons of specialty agricultural products were delivered in 2023. The Company contributed to rural revitalization with practical actions, allowing more local brand specialty agricultural products to be known, tasted, and recognized by the Chinese.

In addition, the Company actively explored the “express delivery into the village” model, through the establishment of a five-level administrative division address library, supported the decision-making of township and village resource investment, accurately identified rural parcels, ensured the timeliness commitment of express delivery into the village, and created “precise entry into the village” high-quality service. As of December 31, 2023, the Company had more than 100,000 village-level post cooperation points, gradually forming a relatively complete rural express network. The service network’s township coverage rate exceeded 93%, and the daily processing volume of township parcels amounted to 2.26 million. Based on the high-quality logistics services, the extension to the front end of the industrial chain to the full-process service allowed farmers to enjoy more convenient and fast express services in the village.

I. Fulfillment of Commitments

1. Commitments made by the Company's actual controllers, shareholders, related parties, purchasers, the Company and others that were fulfilled during the Reporting Period and those not fulfilled as of the end of the Reporting Period

√ Applicable □ Not applicable

Commitment	Committed by	Commitment Type	Commitment details	Date of commitment	Commitment period	Fulfillment status
Commitments made during the major asset restructuring	Wang Wei, Mingde Holding, Jiaqiang Shunfeng (Shenzhen) Equity Investment Partnership (Limited Partnership), Shenzhen Zhaoguang Investment Co., Ltd., Suzhou Industrial Park Oriza Shunfeng Regulating Equity Investment Company (Limited and reducing Partnership), Suzhou Guyu Qiuchuang related-party Equity Investment Partnership (Limited transactions Partnership), Ningbo Shunda Fengrun Investment Management Partnership (Limited Partnership), Ningbo Shunxin Fenghe Investment Management Partnership (Limited Partnership)	Standardizing and reducing related transactions	1、The company/the enterprise/I and the companies, enterprises or economic organizations under the control or ultimate control of the company/the enterprise/me (excluding the companies controlled by the listed company), hereinafter collectively referred to as "the affiliates of the company/the enterprise/mine" will strictly execute the rights of shareholders in accordance with the provisions of laws, regulations, and other normative documents, perform the obligations of shareholders, and maintain the independence of the listed company in terms of assets, finances, personnel, operations, and institutions. 2、The company/the enterprise/I or the affiliates of the company/the enterprise/I will not use the status of the shareholders to promote the shareholders' meeting or the Board of Directors of the listed company to make resolutions that infringe on the legal rights of minority shareholders. 3、The company/the enterprise/I or the affiliates of the company/the enterprise/I will not appropriate the funds of the listed company by means of borrowing, repaying debt or prepayment on behalf of the company/the enterprise/I or the affiliates of the company/the enterprise/mine, or any other way. 4、The company/the enterprise/I or the affiliates of the company/the enterprise/I will try to avoid related transactions with the listed company. For unavoidable related transactions with the listed company, the company/the enterprise/I or the affiliates of the company/the enterprise/mine will prompt the controlled entity to conduct the transactions in accordance with fair, reasonable, and normal commercial transaction conditions, and will not require or accept conditions given by the listed company that are more favorable than any fair market transaction, and will rigorously perform various related transaction agreements executed with the listed company in good faith. 5、The company/the enterprise/I or the affiliates of the company/the enterprise/I will strictly perform the related transaction decision-making procedures and the corresponding information disclosure obligations in accordance with the listed company's Articles of Association and relevant laws and regulations. 6、The company/the enterprise/I or the affiliates of the company/the enterprise/I will ensure that the entity itself and the controlling entity will not seek special interests beyond the above-mentioned requirements through related-party transactions with the listed company and will not carry out related transactions that impair the interests of the listed company and their small and medium shareholders. If the above commitments are violated, the company/the enterprise/I will jointly and severally assume corresponding legal liabilities, including but not limited to, individual and joint legal liabilities for the total losses caused to the listed company and its small and medium shareholders.	January 23, 2017	Long-term	Normal

Commitment	Committed by	Commitment Type	Commitment details	Date of commitment	Commitment period	Fulfillment status
Commitments made during the major asset restructuring	Wang Wei, Mingde Holding	Avoiding horizontal competition	1、After the completion of this restructuring, in the case that the company/I has/have direct or indirect control over, or significant influence on the listed company, the company/I and other companies/enterprises directly or indirectly controlled by the company/me (hereinafter referred to as the "companies controlled by the company/me") except for the listed company and its subsidiaries will not engage in any business that poses substantial competition to the listed company's current or future business. 2、After the completion of this restructuring, if the company/I and the companies controlled by the company/me may be in substantial competition with the listed company in the future or have a conflict of interest with the listed company, the company/I will abandon or cause the companies controlled by the company/me to abandon any business opportunities that may pose peer competition, or inject all businesses of the company/I and the companies controlled by the company/me that pose peer competition to the listed company at a fair and equitable market price at the appropriate time. 3、The company/I will not use any information known or learned from the listed company to assist any third party to engage in or participate in any business activities that pose substantial competition or potential competition to the listed company. 4、If the company/I or the companies controlled by the company/me violates the above commitments and causes the rights and interests of the listed Company to be damaged, the company/I will bear the corresponding liability for compensation according to laws.	January 23, 2017	Long-term	Normal
	Mingde Holding	Social insurance, housing fund, and other related issues	1、If an employee has recourse to Taisen Holding and its subsidiaries for social insurance or housing provident funds, resulting in litigation or arbitration, or if Taisen Holding and its subsidiaries are subject to administrative penalties from the relevant administrative authorities, the company will assume the corresponding compensation liabilities: If the social insurance and housing provident fund authorities request Taisen Holding and its subsidiaries to repay previous years' employee contributions to social insurance and housing provident fund, the company will use the amount approved by the competent authority to make up the contributions for free on behalf of Taisen Holding and its subsidiaries; if Taisen Holding and its subsidiaries bring any other expenses and economic losses due to failing to pay social insurance and housing provident fund contributions in accordance with the regulations, the company will make up the contributions for Taisen Holding and its subsidiaries for free. 2、As regards Taisen Holding and its subsidiaries' own properties, it is committed that the company will bear the corresponding liability for compensation if Taisen Holding and its subsidiaries are punished by the relevant administrative authority because Taisen Holding and its subsidiaries fail to handle the land use rights certificate and/or the building owner ship certificate. If Taisen Holding cannot continue to use the relevant land/house, the company will bear all expenses and economic losses resulting from this for free. 3、If Taisen Holding and its subsidiaries and branch companies fail to use the rented venues and/or houses which are non-standard and the relevant enterprises need to relocate, the company will bear any losses and expenses sustained by Taisen Holding and its subsidiaries and branch companies.	January 23, 2017	Long-term	Normal

Commitment	Committed by	Commitment Type	Commitment details	Date of commitment	Commitment period	Fulfillment status
Commitments made during the major asset restructuring	Wang Wei, Mingde Holding	Maintaining the independence of the listed company	I. Independence of the personnel of the listed company 1、The senior management personnel of the listed company (General Manager, Deputy General Manager, Secretary of the Board of Directors, Head of Finance, etc.) work full-time for the listed company and receive remuneration from the listed company. They do not hold any positions in the company other than Director and do not retain duties other than Director and Supervisor in other controlled failure to by me or the enterprise other than Dingtai New Materials and its subsidiaries (hereinafter referred to as the "other enterprises controlled by the company/me") 2、Financial officers of the listed company do not work part-time for the company/me or other enterprises controlled by the company/me. 3、The listed company's personnel relations and labor relations are independent of the company/me and other enterprises controlled by the company/me. 4、The company/I will only exercise shareholder rights indirectly through shareholders' meetings and recommend candidates for directors, supervisors, and senior management personnel of the listed company in accordance with the laws and regulations or the provisions of the listed company's Articles of Association and other rules and regulations. The company/I will not intervene in the personnel appointments or dismissals of the listed company beyond the shareholders' meetings or Board of Directors. II. Independence of the assets of the listed company 1、The listed company has independent and complete assets. The assets of the listed company are all under the control of the listed company and are owned and operated independently by the listed company 2、The company/I and other enterprises controlled by the company/me will not illegally occupy the capital and assets of the listed company in any way. 3、No guarantees will be provided for the debt of the company/mine and other enterprises controlled by the company/me using assets of the listed company. III. Financial independence of the listed company 1、The listed company and its holding subsidiaries have independent financial accounting departments and establish independent financial accounting systems and financial management systems. 2、The listed company and its holding subsidiaries can independently make financial decisions. The company/I will not intervene in the use of funds of the listed company beyond the shareholders' meetings or Board of Directors. 3、The listed company and its holding subsidiaries can independently open Bank accounts. The company and other enterprises controlled by the company/me will not share bank accounts with the listed company and its holding subsidiaries. 4、The listed company and its holding subsidiaries shall pay taxes independently. IV. Independence of the organizations of the listed company 1、The listed company has established and improved a corporate governance structure in accordance with the laws, established an independent and complete organizational structure, and has separated them completely from those of the company/my organizations. The listed company will not use office organizations or business premises together with the company/me and other enterprises controlled by the company/me. 2、The listed company operates independently and autonomously. The company/I will not intervene in the management of the listed company beyond the Shareholders' General Meeting and Board of Directors.	January 23, 2017	Long-term	Normal

Commitment	Committed by	Commitment Type	Commitment details	Date of commitment	Commitment period	Fulfillment status
Commitments made during the major asset restructuring	Wang Wei, Mingde Holding	Maintaining the independence of the listed company	V. Independence of the business of the listed company 1、The listed company independently owns the assets, personnel, and qualifications to carry out business activities after the completion of the restructuring and has the ability to operate independently in the market. 2、The company/I and other enterprises controlled by the company/me will avoid engaging in businesses competing with the listed company and its holding subsidiaries in the same industry 3、The company/I will not illegally occupy funds or assets of the listed company. The company/I will strictly abide by the listed company's related-party transaction management system, regulate and minimize the occurrence of related-party transactions with the listed company. For unavoidable related-party transactions with the listed company, the company/I will prompt the other enterprises controlled by the company/me to conduct the transactions in accordance with fair, reasonable, and normal commercial transaction conditions, and will not require or accept conditions given by the listed company that are more favorable than any fair market transaction, and will rigorously perform various related-party transaction agreements executed with the listed company in good faith. The company/I will strictly perform the related-party transaction decision-making procedures and the corresponding information disclosure obligations in accordance with the listed company's Articles of Association and relevant laws and regulations. The company/I will strictly abide by the relevant provisions of the China Securities Regulatory Commission on the independence of listed companies, will not use the controlling shareholder/actual controller's status to violate the listed company's standardized operating procedures, will not overpower the listed company's and its subsidiaries' operations and management activities, will not invade the interests of the listed company and its holding subsidiaries, and will not harm the legitimate rights and interests of the listed company and other shareholders.	January 23, 2017	Long-term	Normal
Commitments undertaken by the Company on the public issuance of convertible bonds	Mingde Holding	Commitments relating to defects of land and property titles	1、Regarding the listed company and its subsidiary's own real estate, Mingde Holding will undertake to assume any liabilities to compensate SF Holding and its subsidiaries for any loss arising from any administrative penalties which is or may be imposed by the relevant administrative authorities presently and in the future arising from the latter's failure to obtain a land use right certificate and/or a real estate ownership certificate for any land or property in use. Mingde Holding will also, without charge, bear any other expenses and economic losses caused to SF Holding in case that SF Holding is unable to continue to use the relevant land/property as a result; 2、If SF Holding and its subsidiaries and branches are affected by the nonstandard rented premises and/or property which lead to suspension of the use of the same and relocation, Mingde Holding will bear any losses and expenses sustained by SF Holding and its subsidiaries and branches as a result.	May 9, 2019	Long-term	Normal

Commitment	Committed by	Commitment Type	Commitment details	Date of commitment	Commitment period	Fulfillment status
Commitments on non-public offering	Mingde Holding	Commitments on matters concerning the defect of the property leased	If the listed company and its subsidiaries and branches have to relocate before the expiry of the lease term under the lease contract on the corresponding premises and/or property leased due to the defects in such properties leased disclosed in this issued declaration document, and the issuer and its subsidiaries and branches sustain the additional economic losses or additional legal liabilities after taking various remedial measures, the Company will be responsible for the additional losses and expenses to the issuer and its subsidiaries and branches arising therefrom.	April 23, 2021	Long-term	Normal
	The listed company	Financial input-related commitments	The Company undertakes not to invest more funds (including various forms of capital injection such as capital increase, loans) in quasi-financial businesses until the proceeds raised are used up and within the 36 months after the receipt of the proceeds	May 11, 2021	Until the proceeds raised are used up or within the 36 months after the receipt of the proceeds	Being fulfilled
Commitments fulfilled on time or not						Yes
If a commitment is not fulfilled before the expiry, the specific reasons for the incomplete performance and next work plan should be specified.						Not applicable

2. Where there had been a profit forecast for an asset or project and the Reporting Period falls within the profit forecast period, the Company makes an explanation on such asset or project reaching the original profit forecast and the reasons for it

☐ Applicable √ Not applicable

II. Status of Capital of the Listed Company Used for Non-operating Purposes by the Controlling Shareholder and Other Related Parties

☐ Applicable √ Not applicable

In the Reporting Period, no controlling shareholder or other related party used capital of the listed company for non-operating purposes.

III. Illegal Provision of External Guarantees

☐ Applicable √ Not applicable

There was no illegal provision of external guarantees of the Company during the Reporting Period.

IV. Explanations Provided by the Board of Directors Regarding the Latest "Non-standard Audit Report"

☐ Applicable √ Not applicable

V. Explanations Provided by the Board of Directors, Supervisory Committee and Independent Directors (if any) Regarding the "Non-standard Audit Report" Issued by the Auditor for the Reporting Period

☐ Applicable √ Not applicable

VI. Changes in Accounting Policy or Accounting Estimate, or Correction of Material Accounting Error Compared with the Financial Report of the Previous Year

☐ Applicable √ Not applicable

VII. Changes in the Scope of Consolidated Statements Compared with the Financial Report of the Previous Year

☐ Applicable √ Not applicable

For details of the changes in the scope of consolidation of the Company in 2023, please refer to "V. Changes in the Scope of Consolidation" in "Section X. Financial Reporting".

VIII. Details Regarding Engagement and Removal of Accountant Firm

Existing accountant firm

Name of domestic accountant firm	PriceWaterhouseCoopers Zhongtian LLP.
Remuneration for domestic accountant firm (RMB'000)	18,471
Consecutive years of audit services provided by the domestic accountant firm	8 years
Names of the certified public accountants from accountant firm	Lin Chongyun, Liu Yufeng
Consecutive years of audit services provided by the certified public accountants of domestic accountant firm	1 year

The accountant firm changed or not during the Reporting Period

☐ Yes √ No

Status of auditor of internal controls, financial adviser, or sponsor engaged:

√ Applicable ☐ Not applicable

The Company engaged PriceWaterhouseCoopers Zhongtian LLP as the Company's internal control auditor for 2023. The remuneration for internal control audit during the Reporting Period was included in the remuneration specified in the table above.

IX. Possibility of Delisting after Disclosure of this Annual Report

☐ Applicable √ Not applicable

X. Bankruptcy and Reorganization

☐ Applicable √ Not applicable

XI. Significant Lawsuit or Arbitration

☐ Applicable √ Not applicable

As of December 31, 2023, legal proceedings of the listed company and its subsidiaries were as follows:

1. The total amount involved in legal cases resolved during the Reporting Period was RMB604.260 million.

2. Cases not yet resolved during the Reporting Period include: Cases involving the Company and its subsidiaries as defendants amounted to RMB899.689 million, accounting for 0.97% of audited net assets attributable to shareholders of the listed company at the end of 2023. Cases involving the Company and its subsidiaries as plaintiffs amounted to RMB931.948 million, accounting for 1.00% of audited net assets attributable to shareholders of the listed company at the end of 2023. The above-mentioned litigation matters mainly related to a number of independent cases with small amounts involved in each single case, which will not have a material adverse effect on the Company's financial status and ability to continue operations.

XII. Punishment and Rectification

☐ Applicable √ Not applicable

There was no such situation during the Reporting Period.

XIII. Integrity of the Company, Its Controlling Shareholders, and Actual Controller

□ Applicable √ Not applicable

XIV. Significant Related-party Transactions

1. Related-party transactions relevant to routine operations

√ Applicable □ Not applicable

Related Party	Relationship	Type of related-party transaction	Details of related-party transaction	Pricing principle of the related-party transaction	Related-party transaction price	Transaction amount (RMB'000)	Proportion of same category of transactions	Approved transaction quota (RMB'000)	Approved quota exceeded or not	Related-party transaction settlement method	Market price of similar transactions available	Disclosure date	Disclosure index
Mingde Holding and its subsidiaries	Controlling shareholder of the Company	Provide services to related parties	Courier service, communication service, technology services, agent services, etc.	Fair pricing based on market prices following the principle of independent transactions.	Contract price	92,697	0.04%	150,000	No	Settlement based on the settlement period and terms in the contract	N/A	November 19, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2023" released by the company on the Cninfo website (www.cninfo.com.cn)
Mingde Holding and its subsidiaries	Controlling shareholder of the Company	Receive services from related parties	Technology services, agent services, etc.	Fair pricing based on market prices following the principle of independent transactions.	Contract price	501,885	0.22%	500,000	Yes	Settlement based on the settlement period and terms in the contract	N/A	November 19, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2023" released by the company on the Cninfo website (www.cninfo.com.cn)
Mingde Holding and its subsidiaries	Controlling shareholder of the Company	Purchase of goods/ equipment from related parties	Purchase of goods/ equipment	Fair pricing based on market prices following the principle of independent transactions.	Contract price	298,508	0.13%	280,000	Yes	Settlement based on the settlement period and terms in the contract	N/A	November 19, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2023" released by the company on the Cninfo website (www.cninfo.com.cn)

Related Party	Relationship	Type of related-party transaction	Details of related-party transaction	Pricing principle of the related-party transaction	Related-party transaction price	Transaction amount (RMB'000)	Proportion of same category of transactions	Approved transaction quota (RMB'000)	Approved quota exceeded or not	Related-party transaction settlement method	Market price of similar transactions available	Disclosure date	Disclosure index
Other companies controlled by the actual controller of the Company	Other companies controlled by the actual controller of the Company other than "Mingde Holding and its subsidiaries"	Receive services from related parties	Agent Services, advertisement services, etc.	Fair pricing based on market prices following the principle of independent transactions.	Contract price	170,582	0.08%	250,000	No	Settlement based on the settlement period and terms in the contract	N/A	November 19, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2023" released by the company on the Cninfo website (www.cninfo.com.cn)
CR-SF International Express Co., Ltd.	A former senior manager of the Company serves as a director of CR-SF International Express Co., Ltd.	Receive services from related parties	Transportation services, etc.	Fair pricing based on market prices following the principle of independent transactions.	Contract price	760,036	0.34%	750,000	Yes	Settlement based on the settlement period and terms in the contract	N/A	November 19, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2023" released by the company on the Cninfo website (www.cninfo.com.cn)
M China Management Limited and its subsidiaries and its franchisees	A former director of the Company serves as a director of the parent company of M China Management Limited	Provide services to related parties	Supply chain service and distribution service, etc.	Fair pricing based on market prices following the principle of independent transactions.	Contract price	1,970,734	0.76%	2,100,000	No	Settlement based on the settlement period and terms in the contract	N/A	November 19, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2023" released by the company on the Cninfo website (www.cninfo.com.cn)
Total				–	–	3,794,442	–	4,030,000	–	–	–	–	–
Details of large amount of sales returns	N/A												
Actual performance in the Reporting Period versus predicted total amount of routine related-party transactions, by types (if any)	The Company's thirtieth meeting of the fifth Board of Directors held on November 18, 2022 and the twenty-fifth meeting of the fifth Supervisory Committee and the third Extraordinary General Meeting of Shareholders of 2022 on December 20, 2022, respectively, reviewed and approved the "Proposal on Estimated Routine Related-party Transaction Amount in 2023." The amount incurred by aforementioned related-party transactions is within the estimated range. The actual amount incurred by aforementioned related-party transactions of the individual ones exceeds the estimated amount is total RMB30.429 million, but the excess doesn't meet the amount standard for approval by the Board.												

Related Party	Relationship	Type of related-party transaction	Details of related-party transaction	Pricing principle of the related-party transaction	Related-party transaction price	Transaction amount (RMB'000)	Proportion of same category of transactions	Approved transaction quota (RMB'000)	Approved quota exceeded or not	Related-party transaction settlement method	Market price of similar transactions available	Disclosure date	Disclosure index
Reason for significant discrepancy between the transaction price and the market price (if applicable)	N/A												

2. Related-party transactions relevant to purchases and sales of assets or equities

☐ Applicable √ Not applicable

3. Related-party transactions with joint investments

☐ Applicable √ Not applicable

There was no related-party transaction with joint investment of the Company during the Reporting Period.

4. Credits and liabilities with related parties

☐ Applicable √ Not applicable

There were no credits and liabilities with related parties of the Company during the Reporting Period.

5. Transactions between the Company and financial companies that have associated relationship

☐ Applicable √ Not applicable

6. Transactions between financial companies controlled by the Company and related parties

☐ Applicable √ Not applicable

7. Other significant related-party transactions

☐ Applicable √ Not applicable

XV. Significant Contracts and Their Execution

1. Trusteeships, Contracts, and Leases

(1) Trusteeships

☐ Applicable √ Not applicable

(2) Contracts

☐ Applicable √ Not applicable

(3) Leases

☐ Applicable √ Not applicable

2. Significant guarantees

√ Applicable ☐ Not applicable

Unit: RMB'000

The Company and its subsidiaries' guarantees to external parties (Guarantees to subsidiaries are not included)										
Guarantee party	Disclosure date of related announcement of guarantee quota	Guaranteed quota	Exact date of occurrence	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Period of guarantee	Fulfilled or not	Guarantee for a related party or not
Hubei International Logistics Airport Co., Ltd.	2020/03/24	3,500,000	2021/02/25	25,300	Joint and several liability guarantee	None	None	2021/09/29-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/03/24	3,500,000	2021/02/25	50,600	Joint and several liability guarantee	None	None	2021/11/30-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/03/24	3,500,000	2021/02/25	20,700	Joint and several liability guarantee	None	None	2021/10/08-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/03/24	3,500,000	2021/02/25	96,600	Joint and several liability guarantee	None	None	2021/11/29-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/03/24	3,500,000	2021/02/25	36,800	Joint and several liability guarantee	None	None	2021/12/01-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/03/24	3,500,000	2021/02/25	46,000	Joint and several liability guarantee	None	None	2021/12/03-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/03/24	3,500,000	2021/02/25	276,000	Joint and several liability guarantee	None	None	2022/01/01-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/03/24	3,500,000	2021/02/25	23,000	Joint and several liability guarantee	None	None	2022/01/04-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/03/24	3,500,000	2021/02/25	69,000	Joint and several liability guarantee	None	None	2022/01/05-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/03/24	3,500,000	2021/02/25	46,000	Joint and several liability guarantee	None	None	2022/05/27-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/03/24	3,500,000	2021/02/25	69,000	Joint and several liability guarantee	None	None	2022/05/30-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/03/24	3,500,000	2021/02/25	23,000	Joint and several liability guarantee	None	None	2022/05/31-2055/04/29	No	No
SUPER WISE (HK) LIMITED	2023/03/29	210,000	2023/12/08	163,724	Joint and several liability guarantee	None	None	2023/12/08-2026/12/08	No	No
Total guarantee quota approved for external parties during the reporting period (A1)				210,000	Total actual amount of guarantees for external parties during the Reporting Period (A2)					163,724
Total guarantee quota approved for external parties at the end of the Reporting Period (A3)				3,376,180	Total actual guarantee balance for external parties at the end of the Reporting Period (A4)					945,724

The Company's guarantees to subsidiaries										
Guarantee party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Exact date of occurrence	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Period of guarantee	Fulfilled or not	Guarantee for a related party or not
SF HOLDING INVESTMENT LIMITED	2017/12/28	3,554,375	2018/07/26	3,554,375	Joint and several liability guarantee	None	None	2018/07/26-2023/07/26	Yes	No
SF HOLDING INVESTMENT LIMITED	2019/01/04	6,000,000	2020/02/20	4,976,125	Joint and several liability guarantee	None	None	2020/02/20-2030/02/20	No	No
SF Holding Investment 2021 Limited	2021/02/10	18,000,000	2021/11/17	2,843,500	Joint and several liability guarantee	None	None	2021/11/17-2026/11/17	No	No
SF Holding Investment 2021 Limited	2021/02/10	18,000,000	2021/11/17	2,132,625	Joint and several liability guarantee	None	None	2021/11/17-2028/11/17	No	No
SF Holding Investment 2021 Limited	2021/02/10	18,000,000	2021/11/17	454,790	Joint and several liability guarantee	None	None	2021/11/17-2031/11/17	No	No
SF Holding Investment 2021 Limited	2021/02/10	18,000,000	2022/01/18	2,843,500	Joint and several liability guarantee	None	None	2022/01/18-2026/11/17	No	No
SF Holding Investment 2021 Limited	2021/02/10	18,000,000	2022/01/18	2,132,625	Joint and several liability guarantee	None	None	2022/01/18-2031/11/17	No	No
Total guarantee quota approved for subsidiaries during the Reporting Period (B1)				100,200	Total actual amount of guarantees for subsidiaries during the Reporting Period (B2)					0
Total guarantee quota approved for the subsidiaries at the end of the reporting period (B3)				20,483,365	Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)					15,383,165

Subsidiary's guarantees to subsidiaries										
Guarantee party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Exact date of occurrence	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Period of guarantee	Fulfilled or not	Guarantee for a related party or not
Subsidiaries of SF Holding (with gearing ratio of 70% or above)	16 March 2019 24 March 2020 18 March 2021 7 January 2022 31 March 2022 29 March 2023	64,443,403	Subject to the actual guarantee contract	20,547,185	Joint and several liability guarantee	None	Part	Subject to the actual guarantee contract Partially	Partially fulfilled	No
Subsidiaries of SF Holding (with gearing ratio below 70%)		26,208,737	Subject to the actual guarantee contract	11,795,392	Joint and several liability guarantee	None	Part	Subject to the actual guarantee contract Partially	Partially fulfilled	No
Total guarantee quota approved for subsidiaries during the Reporting Period (C1)				54,689,800	Total actual amount of guarantees for subsidiaries during the Reporting Period (C2)					13,666,299
Total guarantee quota approved for the subsidiaries at the end of the Reporting Period (C3)				74,423,715	Total actual guarantee balance for subsidiaries at the end of the Reporting Period (C4)					19,245,350

Total guarantee amount provided by the Company (namely total of the first three major items)			
Total guarantee quota approved during the Reporting Period (A1+B1+C1)	55,000,000	Total actual amount of guarantee during the Reporting Period (A2+B2+C2)	13,830,023
Total guarantee quota approved at the end of the Reporting Period (A3+B3+C3)	98,283,260	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	35,574,239
Total guarantee amount (A4+B4+C4) to net assets of the Company			38.34%
Of which:			
Balance of guarantee for shareholders, actual controller, and affiliates thereof (D)			–
Balance of debt guarantee provided for guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)			23,866,775
Amount of total guarantee in excess of 50% of net assets (F)			–
Total amount of the above three guarantees (D+E+F)			23,866,775
Explanation on guarantee liabilities occurred or possible joint and several liabilities of repayment with evidence during the Reporting Period (if any) for unexpired guarantee contracts			N/A
Explanation on provision of guarantees for external parties in violation of the prescribed procedure (if any)			N/A

3. Cash assets managed under trust

(1) Wealth managed under trust

Entrusted finances during the Reporting Period

Unit: RMB'000

Type	Funding Source for Entrusted Funds	Maximum Daily Balance of Such Entrusted Funds During the Reporting Period	Unexpired Balance	Overdue Outstanding Amount	Impairment Provision of Overdue Outstanding Funds
Bank wealth management products	Self-owned funds	23,570,000	6,520,000	–	–
Others	Self-owned funds	248,220	213,263	–	–
Bank wealth management products	Raised proceeds	1,830,000	–	–	–
Total		25,648,220	6,733,263	–	–

Note: The maximum single day balances for each type of entrusted wealth management in the above table occur on different dates and direct sum totals do not represent the maximum single day balances for all of the Company's wealth management.

Details of individual items with significant amount or of low safety, poor liquidity, high risk wealth management products

☐ Applicable √ Not applicable

It is expected that the principal of entrusted financing cannot be recovered, or there may be other circumstances that may result in impairment

☐ Applicable √ Not applicable

(2) Entrusted loans

Entrusted loans during the Reporting Period

Unit: RMB'000

Total Amount of Entrusted Loans	Funding Source for Entrusted Loans	Unexpired Balance	Overdue Outstanding Amount
–	Self-owned funds	41,390	1,750

Details of individual items with significant amount or of low safety, poor liquidity, high risk entrusted loans

☐ Applicable √ Not applicable

It is expected that the principal of the entrusted loan cannot be recovered, or there may be other circumstances that may result in impairment.

√ Applicable ☐ Not applicable

With a view to motivating and retaining the key employees holding high-priority positions within the Company, and to meeting the routine consumption needs of employees, the Company formulated the employee welfare loan management policy in 2017 to grant up to RMB700 million worth of loans to eligible employees in 2017 and 2018, and compiled the 2019 employee welfare loan management policy in 2019 to grant up to RMB300 million worth of loans to eligible employees in one year. For details, refer to the Employee Welfare Loan Management System and the 2019 Employee Welfare Loan Management System released by the Company at www.cninfo.com on October 27, 2017 and December 7, 2019, respectively. As of the end of the Reporting Period, the unexpired balance of the employee welfare loan was RMB41.39 million, with an overdue amount of RMB1.75 million. The company has set aside a certain percentage of bad debt provision, which was immaterial and would not have a material adverse effect on the Company's financial position.

As of the end of the Reporting Period, the historical overdue uncollected entrusted loan of Shenzhen Shuncheng Lefeng Business (顺诚乐丰商业) Co., Ltd. of the Company's subsidiary, amounting to RMB27 million had been ruled by the court to be auctioned off and the auction had been completed, and the proceeds from the auction of the mortgages obtained by the Company had covered the full amount of the loan.

4. Other significant contracts

☐ Applicable √ Not applicable

There was no significant contract of the Company in the Reporting Period.

XVI. Other Significant Events

√ Applicable ☐ Not applicable

(I) Subscription of perpetual convertible bonds issued by Kerry Logistics

On 29 March 2023, in order to support Kerry Logistics, a controlling subsidiary of the Company, to expand the international express delivery business in Southeast Asia, especially to support the development of its subsidiary KerryExpress (Thailand) Public Company Limited (stock code: KEX), SF Holding Limited (as the subscriber), a wholly-owned subsidiary of the Company, entered into a Subscription and Placing Agent Agreement with Kerry Logistics (as the issuer) and the placing agent in accordance with the development strategy of the Company, pursuant to which SF Holding Limited intends to subscribe the HK$780 million perpetual convertible bonds issued by Kerry Logistics. As at the date of the agreement, the Company indirectly held 51.52% equity interest of Kerry Logistics through its wholly-owned subsidiary. Based on the initial conversion price of HK$18.8/share, and assuming full conversion of the convertible bonds in the future, the Company's shareholding ratio in Kerry Logistics will increase to 52.61%.

The third meeting of the sixth session of the Board of the Company considered and approved the Resolution on Subscription of Perpetual Convertible Bond Issued by the Controlling Subsidiary Kerry Logistics. During the Reporting Period, the Subscription Transaction has been completed.

(II) Issuance of domestic and overseas debt financing products by wholly-owned subsidiaries

During the Reporting Period, pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2022] No. DFI14) issued by the National Association of Financial Market Institutional Investors, Shenzhen S.F. Taisen Holdings (Group) Co., Ltd., a wholly-owned subsidiary of the Company, issued the first and second tranche of 2023 super & short-term commercial papers on 16 February 2023 and 30 March 2023, respectively, with a total issuance size of RMB1.5 billion.

(III) The Preparation for the Issue and Listing of H Shares

In order to further promote its globalization strategy, build an international capital operation platform, enhance its international brand image and improve its overall competitiveness, the Company plans to issue overseas listed foreign shares (H-shares) and apply for listing on the Main Board of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Issue and Listing"). The Company held the 6th Meeting of the 6th Session of the Board of Directors and the First Extraordinary General Meeting of 2023 on August 1, 2023 and August 17, 2023, respectively, and passed the "Proposal on the Issuance of H Shares and Listing of the Company on The Stock Exchange of Hong Kong Limited" and other relevant proposals. The Company will take into full consideration the interests of the existing shareholders and the conditions of domestic and overseas capital markets, and will select timing and window as appropriate to complete the Issuance and Listing within the validity period of the resolution of the general meeting (i.e. 18 months from the date of consideration and approval at the general meeting of the Company, or such other period as may be agreed to be extended).

The Company submitted the application for the Issue and Listing to the Hong Kong Stock Exchange on 21 August 2023 and submitted the filing application materials for the Issue and Listing of H Shares to the CSRC in accordance with the relevant regulations and was received by the CSRC. The Issue and Listing of the Company is subject to the approval, ratification or filing by the relevant governmental authorities, regulatory authorities and stock exchanges such as the China Securities Regulatory Commission and the Hong Kong Stock Exchange, and is still subject to uncertainties. The Company will fulfill its information disclosure obligations in a timely manner according to the progress of the aforementioned matter.

(IV) The company repurchased its own shares through centralized competitive bidding

Based on the confidence in future development prospects and high recognition of the company's value, the company further strengthened its long-term incentive mechanism by considering comprehensive factors such as business development prospects, operational conditions, financial status, and future profitability. The company used its own funds to repurchase company shares through the secondary market for employee stock ownership plans or equity incentives. The Company held the twenty-eighth meeting of the 5th session of the Board of Directors on 22 September 2022 and reviewed and approved the "Proposal on Company's Share Repurchase Plan through Centralized Competitive Bidding" with a total repurchase amount of not less than RMB1 billion and not more than RMB2 billion, a repurchase price of not more than RMB70/share and a repurchase period of 12 months from the date of consideration and approval of the repurchase programme by the Board of Directors of the Company.

As end of September 21, 2023, the company completed this repurchase with a total of 20,674,084 shares repurchased during the buyback period. This represents approximately 0.42% of the company's total share capital. The average transaction price for the repurchased shares was RMB48.39 per share, resulting in a total transaction amount of approximately $1 billion (excluding transaction fees).

(V) The company repurchased its own shares through centralized competitive bidding

In order to actively respond to the call of the State, support the sustainable and healthy development of logistics industrial parks, build a light-asset capital operation platform for logistics industrial parks, revitalize the stock of assets, and enhance the efficiency of capital circulation, the Company intended to carry out the declaration and issuance of infrastructure public REITs with the logistics industrial park projects held by its subsidiaries located in Shenzhen, Wuhan and Hefei as the underlying assets. At the 10th Meeting of the 6th Session of the Board of Directors held on 28 December 2023, the Company considered and passed the "Proposal on Carrying Out the Declaration and Issue Work of Infrastructure Public REITs". The issuance of infrastructure public REITs does not constitute a connected transaction, nor does it constitute a major asset reorganization as stipulated in the Measures for the Administration of Major Asset Reorganizations of Listed Companies.

The disclosure index of the above significant events and other significant events is as follows:

Interim announcement	Date of disclosure	Website for disclosure
Announcement on Progress of Repurchase of Shares of the Company	January 4, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	February 2, 2023	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Issuance of the First Tranche of Super & Short-term Commercial Papers for 2023 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	February 21, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	March 1, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Subscription of Perpetual Convertible Bonds Issued by Kerry Logistics, a Controlling Subsidiary	March 29, 2023	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Issuance of the Second Tranche of Super & Short-term Commercial Papers for 2023 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	April 4, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	April 4, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	May 5, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	June 2, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	July 5, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	July 13, 2023	CNINFO (www.cninfo.com.cn)
Prompt Announcement on Matters Relating to the Preparation for the Issuance and Listing of H Shares	August 2, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	August 2, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	August 11, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Submission of Application for Issue and Listing of Overseas-Listed Foreign Shares (H Shares) to the Hong Kong Stock Exchange and Publication of Application Materials	August 22, 2023	CNINFO (www.cninfo.com.cn)
Announcement on the Acceptance of Application Materials for Filing of Issuance of Overseas-Listed Foreign Shares (H Shares) by CSRC	September 2, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	September 5, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Progress and Completion of Share Repurchase by the Company	September 22, 2023	CNINFO (www.cninfo.com.cn)
Announcement on Carrying Out the Declaration and Issue Work of Infrastructure Public REITs	December 29, 2023	CNINFO (www.cninfo.com.cn)

XVI. Significant Events of Subsidiaries

☐ Applicable √ Not Applicable

I. Changes in Shares

1. Changes in shares

	Before Change		Increase or Decrease (+ or -)					After Change	
	Number of shares	Proportion	New shares issued	Bonus shares	Conversion of capital reserve into share capital	Others	Subtotal	Number of shares	Proportion
I. Shares subject to restricted sales	53,950,335	1.10%	–	–	–	-19,866,750	-19,866,750	34,083,585	0.70%
1. Shares held by state	–	–	–	–	–	–	–	–	–
2. Shares held by state-owned legal person	–	–	–	–	–	–	–	–	–
3. Other shares held by domestic capital	53,950,335	1.10%	–	–	–	-19,958,250	-19,958,250	33,992,085	0.69%
Of which: Other shares held by domestic legal person	–	–	–	–	–	–	–	–	–
Other shares held by domestic natural person	53,950,335	1.10%	–	–	–	-19,958,250	-19,958,250	33,992,085	0.69%
4. Shares held by overseas capital	–	–	–	–	–	91,500	91,500	91,500	0.00%
Of which: Other shares held by overseas legal person	–	–	–	–	–	–	–	–	–
Other shares held by overseas natural person	–	–	–	–	–	91,500	91,500	91,500	0.00%
II. Shares not subject to restricted sales	4,841,252,038	98.90%	–	–	–	19,866,750	19,866,750	4,861,118,788	99.30%
1. RMB-denominated ordinary shares	4,841,252,038	98.90%	–	–	–	19,866,750	19,866,750	4,861,118,788	99.30%
III. Total number of shares	4,895,202,373	100.00%	–	–	–	–	–	4,895,202,373	100.00%

Note: Any discrepancies between totals and sums of the proportions are due to rounding.

Reasons of share changes

☐ Applicable √ Not applicable

Approval of share changes

☐ Applicable √ Not applicable

Transfer of share ownership

☐ Applicable √ Not applicable

Effects of share changes on the basic EPS, diluted EPS, net assets per share attributable to ordinary shareholders of the Company, and other financial indicators for the last year and the last Reporting Period

☐ Applicable √ Not applicable

Other information that the Company considers necessary, or are required by the securities regulatory authorities, to disclose

☐ Applicable √ Not applicable

2. Changes in restricted shares

√ Applicable ☐ Not applicable

Unit: number of shares

Name of shareholder	Restricted shares at the beginning of the period	Number of restricted shares increased in the period	Number of restricted shares removed in the period	Restricted shares at the end of the period	Reason for restriction	Date of unlocking restricted shares
Liu Jilu	41,912,835	–	8,370,000	33,542,835	lock-up shares for senior management	8,370,000 shares unlocked in early 2023
Lin Zheying	12,000,000	13,000,000	25,000,000	–	lock-up shares within six months of Director's departure	June 20, 2023
Wang Xin	37,500	91,500	–	129,000	lock-up shares for senior management	–
Ho Chit	–	91,500	–	91,500	lock-up shares for non-public offering	–
Zhang Dong	–	91,500	–	91,500	lock-up shares for non-public offering	–
Li Sheng	–	91,500	–	91,500	lock-up shares for non-public offering	–
Geng Yankun	–	91,500	–	91,500	lock-up shares for non-public offering	–
Zhou Haiqiang	–	45,750	–	45,750	lock-up shares for non-public offering	–
Total	53,950,335	13,503,250	33,370,000	34,083,585	–	–

II. Issuance and Listing of Securities

1. Issuance of securities (excluding preferred shares) during the Reporting Period

☐ Applicable √ Not applicable

2. Explanation on changes in the total shares, structure of shareholders, and structure of assets and liabilities

☐ Applicable √ Not applicable

3. Existing shares held by internal employees of the Company

☐ Applicable √ Not applicable

III. Details about Shareholders and Actual Controllers

1. Total number of shareholders and their holdings

Unit: number of shares

Total number of ordinary shareholders at the end of Reporting Period	199,845	Total number of ordinary shareholders at the end of the final month before the disclosure date of the annual report	199,445	Total number of preferred shareholders with voting rights restored (if any)	–	Total number of preferred stockholders with voting rights restored at the end of the final month before the disclosure date of the annual report (if any)	–

Shareholders holding more than 5% of shares or shares of the top ten shareholders (Excluding lending of shares through refinancing)

Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares held at the end of the reporting period	Increase or decrease of shares during the reporting period	Number of restricted shares held	Number of non-restricted shares held	Pledged, marked or frozen shares	
							Status of shares	Amount
Shenzhen Mingde Holding Development Co., Ltd.	Domestic non-state-owned legal person	48.25%	2,361,927,139	-128,000,000	–	2,361,927,139	Pledged	738,500,000
Hong Kong Securities Clearing Company Ltd	Overseas legal person	4.67%	228,700,101	-35,718,289	–	228,700,101	–	–
Mingde Holding – Huatai United Securities – 21 Mingde EB Guarantee and Trust Property Special Account	Domestic non-state-owned legal person	4.09%	200,000,000	–	–	200,000,000	Pledged	200,000,000
Shenzhen Zhaoguang Investment Co., Ltd.	State-owned legal person	3.88%	189,716,864	-3,558,296	–	189,716,864	–	–
Ningbo Shunda Fengrun Investment Management Partnership (Limited Partnership)	Domestic non-state-owned legal person	2.06%	100,914,904	-1,420,000	–	100,914,904	Pledged	14,000,000
Shenzhen Weishun Enterprise Management Co., Ltd.	Domestic non-state –owned legal person	2.04%	100,000,000	100,000,000	–	100,000,000	–	–
Lin Zheying	Domestic natural person	0.82%	40,021,600	28,021,600	–	40,021,600	–	–
Liu Jilu	Domestic natural person	0.73%	35,793,780	-8,930,000	33,542,835	2,250,945	Pledged	9,780,000
Shanghai Chongyang Strategic Investment Co., Ltd.-Chongyang Strategy Caizhi Fund	Other	0.58%	28,313,442	-11,035,980	–	28,313,442	–	–
Shanghai Chongyang Strategic Investment Co., Ltd.-Chongyang Strategy Juzhi Fund	Other	0.57%	28,029,837	24,329,816	–	28,029,837	–	–
Strategic investor or general legal person becomes the top ten shareholder due to the placement of new shares (if any)	N/A							
Explanation on associated relationship or persons acting in concert between the above-mentioned shareholders	Shenzhen Mingde Holding Development Co., Ltd. holds a total of 2,661,927,139 shares in the Company, accounting for 54.38% of the Company's total share capital, of which 2,361,927,139 shares are directly held, 100,000,000 shares are held through its wholly-owned subsidiary Shenzhen Weishun Enterprise Management Co., Ltd., and 200,000,000 shares are held through the "Mingde Holding – Huatai United Securities – 21 Mingde EB Guarantee and Trust Property Special Account", a special account for guarantee and trust opened for the issuance of exchangeable bonds (EB). The Company is not certain as to whether there is an associated relationship between the other above-mentioned shareholders and whether they are acting in concert.							
Explanation on the above-mentioned shareholders' involvement in entrustment/entrusted voting rights and abstaining from voting rights	N/A							
Special explanation on the top ten shareholders having special repurchase accounts (if any)	At the end of the Reporting Period, the "Special Securities Account for Repurchase of S.F. Holding Co., Ltd." held 51,050,946 shares not subject to trading restrictions on sales. According to relevant regulations, the repurchase account is not included in the presentation of top ten ordinary shareholders and the top ten ordinary shareholders not subject to trading restrictions on sales.							

Top ten shareholders holding unrestricted shares

Name of shareholder	Number of unrestricted shares held at the end of the Reporting Period	Type of shares	
		Type of shares	Quantity
Shenzhen Mingde Holding Development Co., Ltd.	2,361,927,139	RMB-denominated ordinary shares	2,361,927,139
Hong Kong Securities Clearing Company Ltd.	228,700,101	RMB-denominated ordinary shares	228,700,101
Mingde Holding – Huatai United Securities – 21 Mingde EB Guarantee and Trust Property Special Account	200,000,000	RMB-denominated ordinary shares	200,000,000
Shenzhen Zhaoguang Investment Co., Ltd.	189,716,864	RMB-denominated ordinary shares	189,716,864
Ningbo Shunda Fengrun Investment Management Partnership (Limited Partnership)	100,914,904	RMB-denominated ordinary shares	100,914,904
Shenzhen Weishun Enterprise Management Co., Ltd.	100,000,000	RMB-denominated ordinary shares	100,000,000
Lin Zheying	40,021,600	RMB-denominated ordinary shares	40,021,600
Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Caizhi Fund	28,313,442	RMB-denominated ordinary shares	28,313,442
Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Juzhi Fund	28,029,837	RMB-denominated ordinary shares	28,029,837
Huaxia Life Insurance Company Limited-Own Funds	23,875,320	RMB-denominated ordinary shares	23,875,320
Explanation on associated relationship or persons acting in concert between the top ten unrestricted tradable shareholders, and between the top ten unrestricted tradable shareholders and the top ten shareholders	Shenzhen Mingde Holding Development Co., Ltd. holds a total of 2,661,927,139 shares in the Company, accounting for 54.38% of the Company's total share capital, of which 2,361,927,139 shares are directly held, 100,000,000 shares are held through its wholly-owned subsidiary Shenzhen Weishun Enterprise Management Co., Ltd., and 200,000,000 shares are held through the "Mingde Holding – Huatai United Securities – 21 Mingde EB Guarantee and Trust Property Special Account", a special account for guarantee and trust opened for the issuance of exchangeable bonds (EB). The Company is not certain as to whether there is an associated relationship between the other above-mentioned shareholders and whether they are acting in concert.		
Explanation of the top ten common shareholders' participation in margin financing and securities lending business (if any)	In addition to 12,000,073 shares held through an ordinary securities account, Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Caizhi Fund, a shareholder of the Company, also held 16,313,369 shares through a Customer margin securities account of China Merchants Securities Co., Ltd, with an actual total holding of 28,313,442 shares. In addition to 15,021,737 shares held through an ordinary securities account, Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Juzhi Fund Gathering Fund also held 13,008,100 shares through a Customer margin securities account of China Merchants Securities Co., Ltd, with an actual total holding of 28,029,837 shares.		

The participation of the top ten shareholders in securities lending transactions

☐ Applicable √ Not applicable

The changes in the top ten shareholders compared to the previous period

√ Applicable ☐ Not applicable

The changes in the top ten shareholders compared to the end of previous period

Name of shareholder	Entry/Exit during the reporting period	The Number of lending shares through refinancing and unreturned at the end of the period		Number of shares held in shareholders' ordinary accounts, credit accounts and lending through refinancing and not yet returned at the end of the period	
		Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Shenzhen Weishun Enterprise Management Co., Ltd.	Entry	–	–	100,000,000	2.04%
Lin Zheying	Entry	–	–	40,021,600	0.82%
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy Juzhi Fund	Entry	–	–	28,029,837	0.57%
Norges Bank – Own Funds	Exit	–	–	0	0.00%
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy Yingzhi Fund	Exit	–	–	13,912,381	0.28%
Yuanhai Investment Co., Ltd	Exit	–	–	17,488,632	0.36%

Any of the top ten ordinary shareholders or the top ten non-restricted common shareholders of the Company conducted any transaction of promissory repurchase or not during the Reporting Period?

☐ Yes √ No

None of the top ten ordinary shareholder or the top ten non-restricted ordinary shareholders of the Company conducted any transaction of promissory repurchase during the Reporting Period.

2. Details about the controlling shareholder of the Company

Nature of controlling shareholders: natural person holding

Type of controlling shareholders: legal person

Name of controlling shareholder	Legal representative/ company principal	Date of establishment	Organization code	Business scope
Shenzhen Mingde Holding Development Co., Ltd.	Wang Wei	November 5, 1997	91440300279396064N	International freight forwarders; economic and technical consulting, technical information consulting; commercial activities in the form of franchise; import and export operations (except for projects prohibited by laws, administrative regulations and State Council decisions; restricted projects must obtain permissions for operations); investment in industrial enterprises (specific projects will be separately declared).
Equity interests in holdings and participating companies listed at home and abroad of the controlling shareholder in the Reporting Period	N/A			

Change of controlling shareholder in the Reporting Period

☐ Applicable √ Not applicable

There was no change of controlling shareholder of the Company in the Reporting Period.

3. Details about the Company's actual controllers and persons acting in concert

Nature of the actual controller: domestic natural person

Type of the actual controller: natural person

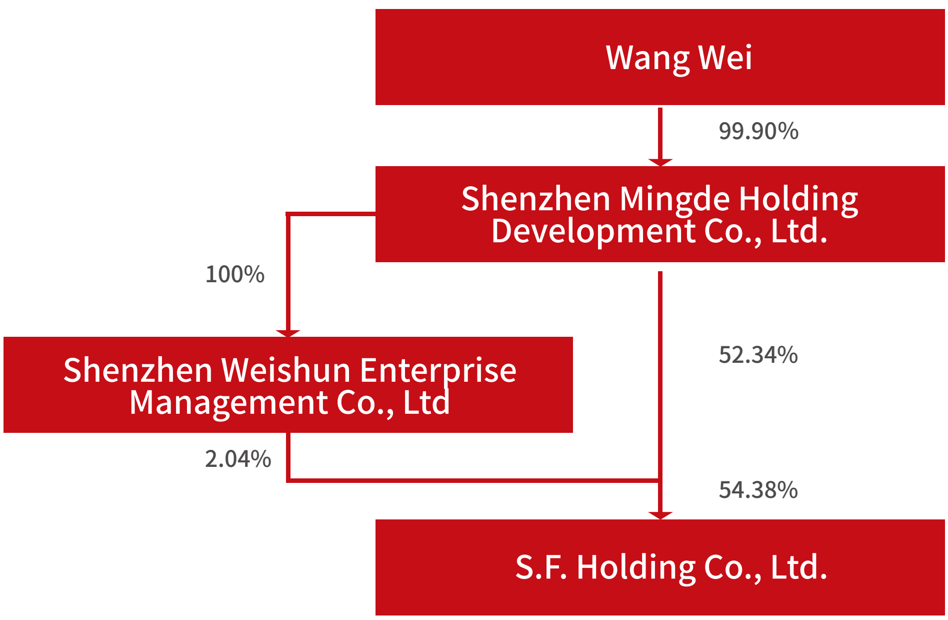
Name of actual controller	Relationship with the actual controller	Nationality	Right of sanctuary in other countries or regions obtained or not
Wang Wei	Himself	China	No
Major occupations and jobs	Mr. Wang Wei, born in 1970, is the founder and de facto controller of the Company. He currently serves as Chairman, Executive Director and General Manager of the Company. He has served as the chairman of the board of directors and non-executive director of Kerry Logistics (00636.HK) since October 2021.		
Domestic and foreign-listed companies with shares held by the ultimate controller in the past 10 years	N/A		

Change of actual controller during the Reporting Period

☐ Applicable √ Not applicable

The actual controller of the Company did not change during the Reporting Period.

The ownership and controlling relationship between the actual controller and the Company is detailed as follows:



Note: Shenzhen Mingde Holding Development Co., Ltd. directly holds 2,361,927,139 shares of the Company, and 200,000,000 shares are held through the "Mingde Holding – Huatai United Securities – 21 Mingde EB Guarantee and Trust Property Special Account", a special account for guarantee and trust opened for the issuance of exchangeable bonds (EB), and 100,000,000 shares are held through its wholly-owned subsidiary Shenzhen Weishun Enterprise Management Co., Ltd.

The actual controller controlled the Company by trust or other asset management methods

☐ Applicable √ Not applicable

4. Number of shares pledged in aggregate by the Company's controlling shareholder or biggest shareholder and its persons acting in concert reaching 80% of the shares that they hold

☐ Applicable √ Not applicable

5. Other institutional shareholders owning mover than 10% of shares

☐ Applicable √ Not applicable

6. Details of restrictions on reducing shareholdings of controlling shareholders, actual controllers, restructuring parties and other commitment subjects

☐ Applicable √ Not applicable

IV. Details of Implementation of Share Repurchase During the Reporting Period

Implementation progress of share repurchase

√ Applicable ☐ Not applicable

Disclosing date	Number of shares to be repurchased (shares)	Percentage of total share capital	Proposed repurchase amount	Proposed repurchase period	Purpose of repurchase	Number of shares repurchased (shares)	Proportion of repurchased shares to the underlying shares involved in the share incentive scheme (if any)
September 23, 2022	14,285,700-28,571,400 (calculated on the basis of the maximum repurchase price of RMB70 per share)	0.29%-0.58% (calculated on the basis of the repurchase price cap of RMB70 per share)	Not less than RMB1 billion but not more than RMB2 billion	Within 12 months from the date on which the repurchase plan is considered and approved by the Board	Employee stock ownership plan or equity incentive plan	20,674,084	–

Implementation of share repurchase reduction through aggregate auction

☐ Applicable √ Not applicable

□ Applicable √ Not applicable

There was no preferred share in the Company during the Reporting Period.

□ Applicable √ Not applicable

During the Reporting Period, the Company did not have any bond-related business.

[English Translation for Reference Only]

Audit Opinion Type	Unqualified Opinion
Audit Report Signing Date	March 26, 2024
Audit Institution Name	PriceWaterhouseCoopers Zhongtian LLP.
Audit Report Reference Number	PwC ZT Shen Zi (2024) No. 10050
Registered Accountants' Names	Lin Chongyun, Liu Yufeng

Auditor's Report

PwC ZT Shen Zi (2024) No. 10050

To the shareholders of S.F. Holding Co., Ltd.,

Opinion

What we have audited

We have audited the accompanying financial statements of S.F. Holding Co., Ltd. ("S.F. Holding"), which comprise:

- the consolidated and company balance sheets as at 31 December 2023;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of S.F. Holding as at 31 December 2023, and their financial performance and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

We are independent of S.F. Holding in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Goodwill impairment assessment relating to Kerry Logistics and SF Supply Chain Business
- Recognition of revenue from logistics and freight forwarding services

Key audit matters	How our audit addressed the key audit matter
(1) Goodwill impairment assessment relating to Kerry Logistics Business and SF Supply Chain Business (Note 2(19), Note 2(29)(a)(iii) and Note 4(19)) As at 31 December 2023, the goodwill balance of SF Holding in relation to the business of Kerry Logistics and SF Supply Chain Business was approximately RMB5,889 million and RMB3,082 million, respectively. Management engaged an independent valuer to conduct impairment assessment of above goodwill at the end of the year. The recoverable amount of Kerry Logistics Business and SF Supply Chain Business relevant asset group was determined by the present value of the future cash flows expected to be derived from the asset, and no impairment loss should be recognised at 31 December 2023. During the goodwill impairment assessment, the forecast of the present value of future cash flows involved critical estimates and judgements on key assumptions including revenue growth rate, EBIT and pre-tax discount rate. Since the balance of the above goodwill was significant and the goodwill impairment assessment involved critical estimates and judgements from management, we considered the impairment assessment of above-mentioned goodwill as a key audit matter.	In response to the key audit matter, we performed procedures as follows: With respect to the impairment assessment of goodwill relating to Kerry Logistics Business and SF Supply Chain Business performed by management at the end of the year, we performed the procedures as follows: • Understood, evaluated and tested the internal controls relating to the goodwill impairment assessment implemented by management; • Assessed the professional competency and objectivity of the independent valuer; • Obtained the valuation report issued by an independent valuer engaged by management, and performed the following procedures with the involvement of our internal valuation experts: (1) We reviewed whether the division of asset groups to which the goodwill belonged to were reasonable; (2) We evaluated the appropriateness of the valuation methods adopted by management and the independent valuer with reference to industry practices; (3) We compared the actual operation performance of asset groups in 2023 with relative estimates in 2022, and assessed the reasonability of cash flows forecast prepared by management. (4) We evaluated the appropriateness of key assumptions (including revenue growth rate, profit margin and pre-tax discount rate) applied in the future cash flows forecast, by reference to historical operating performance, future operation plan, comparable market data, etc.; (5) We checked the calculation of future cash flows forecast for accuracy; (6) We considered the potential impacts in case of reasonable changes in key assumptions adopted by management in impairment assessment. Based on the above audit procedures performed, the evaluation methods and key assumptions adopted by management in the goodwill impairment assessment were properly supported by the audit evidences we obtained.

Key audit matters	How our audit addressed the key audit matter
(2) Recognition of revenue from logistics and freight forwarding services (Note 2(25)(a), Note 4(42)(a)) Revenue from logistics and freight forwarding services represents the revenue from main operations of S.F. Holding. For the year ended 31 December 2023, the revenue from logistics and freight forwarding services of S.F. Holding was approximately RMB251,100 million, accounting for about 97.34% of revenue from main operations. Due to the significant amount of transactions from logistics and freight forwarding services, S.F. Holding used information systems to track the rendering of logistics services on a constant and real-time basis to determine relevant revenue recognition. Therefore, revenue recognition largely relied on the effectiveness of design and operation of the internal controls relating to information systems. Due to the significant amount of revenue from logistics and freight forwarding services, the large number of transactions and the involvement of complex information systems, we needed to apply more audit effort to address them. Therefore, we considered the recognition of revenue from logistics and freight forwarding services as a key audit matter.	In response to the key audit matter, we performed procedures as follows: • We understood the business mode and process of logistics and freight forwarding services of S.F. Holding, obtained contract terms relating to revenue, and assessed the accounting policy of revenue recognition adopted by S.F. Holding in accordance with the Accounting Standards for Business Enterprises; • We understood, evaluated and tested internal controls of S.F. Holding relating to revenue recognition from logistics and freight forwarding services, including general controls and application controls on the information systems relating to revenue from logistics and freight forwarding services. With the involvement of our internal information system audit specialists, we executed the understanding, evaluation and testing of general controls and application controls on the information systems relating to revenue from logistics and freight forwarding services; • Using sampling to check supporting documents related to revenue recognition, including service contracts, the receipts confirmed by customer or routing information recording, invoices, collection records or reconciliation records, etc.; • With respect to the revenue from logistics and freight forwarding services recognised before and after the balance sheet date, on sample basis, we checked the relative supporting documents, so as to evaluate whether the revenue was recognised in the appropriate period. Based on the above audit procedures performed, the recognition of revenue from logistics and freight forwarding services was properly supported by the audit evidences we obtained.

Other information

Management of S.F. Holding is responsible for the other information. The other information comprises all of the information included in 2023 annual report of S.F. Holding other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Management and Those Charged with Governance for the Financial Statements

Management of S.F. Holding is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management designs, executes and maintains is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing S.F. Holding'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 management either intends to liquidate S.F. Holding or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing S.F. Holding's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on S.F. Holding's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the audit standards to draw attention to the users of these financial statements in our auditor's report to the related disclosures in these financial statements or, if such disclosures are insufficient, we should issue a qualified 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 S.F. Holding to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 S.F. Holding to express an opinion on the financial statements. We are responsible for the direction, supervision and execution of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China

26 March 2024

Signing CPA ______________________
Lin Chongyun (Engagement Partner)

Signing CPA ______________________
Liu Yufeng

S.F. HOLDING CO., LTD.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

ASSETS	Note	31 December 2023 Consolidated	31 December 2022 Consolidated
Current assets			
Cash at bank and on hand	4(1)	41,974,505	41,062,750
Financial assets held for trading	4(2)	6,809,742	7,385,379
Notes receivable		226,946	236,244
Accounts receivable	4(3)	25,133,487	25,560,433
Receivables financing		99,978	63,310
Advances to suppliers	4(4)	3,247,294	3,464,911
Loans and advances		326,780	34,212
Other receivables	4(5)	3,569,308	3,341,237
Inventories	4(6)	2,440,425	1,948,354
Contract assets	4(7)	1,632,592	1,522,996
Current portion of non-current assets	4(9)	314,080	440,739
Other current assets	4(8)	5,215,543	5,612,928
Total current assets		90,990,680	90,673,493
Non-current assets			
Long-term receivables	4(9)	368,070	631,278
Long-term equity investments	4(10)	7,378,831	7,858,000
Investments in other equity instruments	4(11)	9,489,535	7,365,684
Other non-current financial assets	4(12)	589,996	1,012,209
Investment properties	4(13)	6,418,720	4,875,366
Fixed assets	4(14)	53,929,854	43,657,404
Construction in progress	4(15)	4,032,884	11,149,860
Right-of-use assets	4(16)	14,073,571	15,429,775
Intangible assets	4(17)	18,147,193	19,176,684
Capitalised development expenditures	4(18)	129,845	311,757
Goodwill	4(19)	9,570,436	9,345,744
Long-term prepaid expenses	4(20)	3,161,404	3,097,621
Deferred tax assets	4(35)	2,263,870	1,632,964
Other non-current assets	4(21)	945,766	624,868
Total non-current assets		130,499,975	126,169,214
TOTAL ASSETS		221,490,655	216,842,707

S.F. HOLDING CO., LTD.

CONSOLIDATED BALANCE SHEET (CONT'D)
AS AT 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

LIABILITIES AND EQUITY	Note	31 December 2023 Consolidated	31 December 2022 Consolidated
Current liabilities			
Short-term borrowings	4(23)	18,221,977	12,837,870
Deposits from customers		1,731	20,670
Financial liabilities held for trading		92,120	96,647
Notes payable		68,165	32,699
Accounts payable	4(24)	24,846,135	24,715,352
Advances from customers		40,714	49,035
Contract liabilities	4(25)	1,832,018	1,244,418
Employee benefits payable	4(26)	5,608,609	6,276,551
Taxes payable	4(27)	2,129,715	2,761,146
Other payables	4(28)	11,494,841	13,346,595
Current portion of non-current liabilities	4(29)	9,485,948	11,173,650
Other current liabilities	4(30)	167,668	5,122,276
Total current liabilities		73,989,641	77,676,909
Non-current liabilities			
Long-term borrowings	4(31)	11,355,241	7,472,010
Debentures payable	4(32)	18,794,782	18,927,508
Lease liabilities	4(33)	8,038,495	8,582,372
Long-term payables		247,452	209,675
Long-term employee benefits payable		82,216	114,024
Deferred income	4(34)	1,090,644	860,791
Deferred tax liabilities	4(35)	4,550,974	4,657,954
Provisions		57,550	55,415
Total non-current liabilities		44,217,354	40,879,749
Total liabilities		118,206,995	118,556,658
Equity			
Share capital	4(36)	4,895,202	4,895,202
Capital reserve	4(37)	43,164,085	43,996,237
Less: Treasury stock	4(38)	(2,575,532)	(2,040,377)
Other comprehensive income	4(55)	5,532,428	4,538,027
General risk reserve		524,376	493,048
Surplus reserve	4(40)	2,413,786	1,010,253
Retained earnings	4(41)	38,835,999	33,371,351
Total equity attributable to shareholders of the Company		92,790,344	86,263,741
Minority interests		10,493,316	12,022,308
Total equity		103,283,660	98,286,049
TOTAL LIABILITIES AND EQUITY		221,490,655	216,842,707

The accompanying notes form an integral part of these financial statements.

Legal representative: Wang Wei　　Chief Financial Officer (financial officer): Ho Chit　　Accounting manager: Hu Xiaofei

S.F. HOLDING CO., LTD.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

ASSETS	Note	31 December 2023 Company	31 December 2022 Company
Current assets			
Cash at bank and on hand	18(1)	138,046	812,181
Financial assets held for trading	18(2)	–	2,335,319
Advances to suppliers		26,243	121
Other receivables	18(3)	21,818,111	15,191,464
Other current assets		6,029	–
Total current assets		21,988,429	18,339,085
Non-current assets			
Long-term equity investments	18(4)	66,933,038	58,217,914
Construction in progress		210,661	144,726
Intangible assets		354,928	368,381
Deferred tax assets		100	–
Other non-current assets		–	459
Total non-current assets		67,498,727	58,731,480
TOTAL ASSETS		89,487,156	77,070,565

S.F. HOLDING CO., LTD.

COMPANY BALANCE SHEET (CONT'D)
AS AT 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)
[English translation for reference only]

LIABILITIES AND EQUITY	Note	31 December 2023 Company	31 December 2022 Company
Current liabilities			
Employee benefits payable		182	227
Other payables		21,337	29,191
Taxes payable		3,292	10,804
Total current liabilities		24,811	40,222
Non-current liabilities			
Deferred tax liabilities		–	1,253
Total non-current liabilities		–	1,253
Total liabilities		24,811	41,475
Equity			
Share capital	4(36)	4,895,202	4,895,202
Capital reserve		71,890,640	71,743,948
Less: Treasury stock	4(38)	(2,575,532)	(2,040,377)
Surplus reserve		2,260,741	857,208
Retained earnings		12,991,294	1,573,109
Total equity		89,462,345	77,029,090
TOTAL LIABILITIES AND EQUITY		89,487,156	77,070,565

The accompanying notes form an integral part of these financial statements.

Legal representative: Wang Wei   Chief Financial Officer (financial officer): Ho Chit   Accounting manager: Hu Xiaofei

S.F. HOLDING CO., LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	2023 Consolidated	2022 Consolidated	2023 Company	2022 Company
1. Revenue	4(42)	258,409,403	267,490,414	–	–
Less: Cost of revenue	4(42)	(225,273,833)	(234,072,360)	–	–
Taxes and surcharges	4(43)	(501,845)	(476,706)	(136)	(52)
Selling and marketing expenses	4(44)	(2,991,589)	(2,784,114)	–	–
General and administrative expenses	4(45)	(17,632,556)	(17,574,490)	(17,826)	(15,823)
Research and development expenses	4(46)	(2,285,314)	(2,222,865)	–	–
Financial (costs)/income	4(47)	(1,866,201)	(1,711,613)	25,725	21,081
Including: Interest expenses		(2,269,700)	(2,054,360)	–	(62)
Interest income		633,373	345,662	25,849	21,163
Add: Other income	4(49)	1,969,535	2,249,361	20,000	–
Investment income	4(50) 18(5)	800,668	1,025,385	14,025,548	686,398
Including: Investment (losses)/income from associates and joint ventures		(67,190)	7,549	–	–
Losses arising from changes in fair value		(46,262)	(27,938)	(5,319)	(24,899)
Reversal of/(Losses on) credit impairment	4(51)	33,632	(821,100)	–	(7)
Asset impairment losses		(186,449)	(131,756)	–	–
Gains on disposal of assets		25,087	91,689	–	198
2. Operating profit		10,454,276	11,033,907	14,047,992	666,896
Add: Non-operating income	4(52)(a)	309,229	231,487	40	51
Less: Non-operating expenses	4(52)(b)	(277,000)	(298,616)	–	(497)
3. Profit before income tax		10,486,505	10,966,778	14,048,032	666,450
Less: Income tax expenses	4(53)	(2,574,896)	(3,963,158)	(12,698)	(41,666)
4. Net profit		7,911,609	7,003,620	14,035,334	624,784
Classified by continuity of operations:					
Net profit from continuing operations		7,911,609	7,003,620	14,035,334	624,784
Net profit from discontinued operations		–	–	–	–
Classified by ownership of the equity:					
Attributable to shareholders of the Company		8,234,493	6,173,764	14,035,334	624,784
Minority interests		(322,884)	829,856	–	–

S.F. HOLDING CO., LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	2023 Consolidated	2022 Consolidated	2023 Company	2022 Company
5. Other comprehensive income, net of tax	4(55)	827,976	1,273,054	–	–
Attributable to shareholders of the Company, net of tax		873,033	1,882,025	–	–
Other comprehensive income which will not be reclassified subsequently to profit or loss		485,954	(49,083)	–	–
Including: Changes in fair value of investments in other equity instruments		486,283	(47,597)	–	–
Other comprehensive income which will not be transferred to profit or loss under the equity method		(329)	(1,486)	–	–
Other comprehensive income which will be reclassified subsequently to profit or loss		387,079	1,931,108	–	–
Including: Cash flow hedge reserve		12,002	15,392	–	–
Other comprehensive income which will be transferred subsequently to profit or loss under the equity method		(5,254)	(18,740)	–	–
Exchange differences on translation of foreign currency financial statements		380,331	1,934,456	–	–
Attributable to minority interests, net of tax		(45,057)	(608,971)	–	–
6. Total comprehensive income		8,739,585	8,276,674	14,035,334	624,784
Attributable to shareholders of the Company		9,107,526	8,055,789	14,035,334	624,784
Attributable to minority interests		(367,941)	220,885	–	–
7. Earnings per share					
Basic earnings per share (RMB Yuan)	4(54)	1.70	1.27	Not applicable	Not applicable
Diluted earnings per share (RMB Yuan)	4(54)	1.70	1.27	Not applicable	Not applicable

The accompanying notes form an integral part of these financial statements.

Legal representative: Wang Wei   Chief Financial Officer (financial officer): Ho Chit   Accounting manager: Hu Xiaofei

S.F. HOLDING CO., LTD.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	2023 Consolidated	2022 Consolidated	2023 Company	2022 Company
1. Cash flows from/(used in) operating activities					
Cash received from sales of goods or rendering of services		270,779,571	282,453,563	–	–
Net increase in deposits from customers and other financial institutions		–	6,945	–	–
Refund of taxes and levies		1,443,270	5,649,323	–	10,265
Cash received relating to other operating activities	4(56)(a)	92,921,774	81,078,659	62,433	26,936
Sub-total of operating cash inflows		365,144,615	369,188,490	62,433	37,201
Cash paid for goods and services		(191,024,507)	(202,633,677)	–	–
Net decrease in deposits from customers and other financial institutions		(18,949)	–	–	–
Net increase in loans to customers		(271,917)	(34,105)	–	–
Net increase in balances with central bank and other banks		(643,752)	(296,941)	–	–
Cash paid to and on behalf of employees		(33,280,900)	(31,255,839)	(5,478)	(8,095)
Payments of taxes and levies		(6,848,672)	(8,039,647)	(30,752)	(45,171)
Cash paid relating to other operating activities	4(56)(b)	(106,486,099)	(94,225,334)	(41,435)	(8,629)
Sub-total of operating cash outflows		(338,574,796)	(336,485,543)	(77,665)	(61,895)
Net cash flows from/(used in) operating activities	4(57)(a)	26,569,819	32,702,947	(15,232)	(24,694)
2. Cash flows (used in)/from investing activities					
Cash received from disposal of investments	4(56)(c)	802,652	2,559,624	–	–
Cash received from returns on investments		798,634	913,099	9,028,331	2,197,582
Cash received from disposal of fixed assets and other long-term assets		335,828	176,331	–	7
Net cash received from disposal of subsidiaries	4(56)(e)	398,822	313,719	–	–
Cash received relating to other investing activities	4(56)(g)	93,261,449	153,839,102	7,708,917	44,200,010
Sub-total of investing cash inflows		95,597,385	157,801,875	16,737,248	46,397,599
Cash paid to acquire fixed assets and other long-term assets		(12,471,899)	(14,183,777)	(72,199)	(97,014)
Cash paid to acquire investments	4(56)(d)	(1,863,225)	(2,073,948)	(8,500,000)	(7,000,000)
Net cash paid to acquire subsidiaries	4(56)(f)	(2,197,408)	(2,217,481)	–	–
Cash paid relating to other investing activities	4(56)(g)	(92,570,470)	(151,418,127)	(7,005,503)	(35,774,516)
Sub-total of investing cash outflows		(109,103,002)	(169,893,333)	(15,577,702)	(42,871,530)
Net cash flows (used in)/from investing activities		(13,505,617)	(12,091,458)	1,159,546	3,526,069

S.F. HOLDING CO., LTD.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	2023 Consolidated	2022 Consolidated	2023 Company	2022 Company
3. Cash flows used in financing activities					
Cash received from capital contributions		157,080	162,673	–	–
Including: Cash received from capital contributions by minority interests of subsidiaries		157,080	162,673	–	–
Cash received from borrowings and issue of debentures		34,087,071	39,568,089	–	–
Cash received relating to other financing activities		361,892	5,187	355,189	–
Sub-total of financing cash inflows		34,606,043	39,735,949	355,189	–
Cash repayments on borrowings and debentures		(32,414,626)	(37,421,220)	–	–
Cash payments for interest expenses and distribution of dividends or profits		(3,633,061)	(3,688,182)	(1,213,616)	(874,518)
Cash paid relating to other financing activities	4(56)(h)	(11,553,041)	(14,643,497)	(959,956)	(2,040,787)
Sub-total of financing cash outflows		(47,600,728)	(55,752,899)	(2,173,572)	(2,915,305)
Net cash flows used in financing activities		(12,994,685)	(16,016,950)	(1,818,383)	(2,915,305)
4. Effect of foreign exchange rate changes on cash and cash equivalents		98,844	871,640	(66)	(1)
5. Net increase/(decrease) in cash and cash equivalents		168,361	5,466,179	(674,135)	586,069
Add: Cash and cash equivalents at the beginning of the year		40,279,947	34,813,768	812,181	226,112
6. Cash and cash equivalents at the end of the year	4(57)(b)	40,448,308	40,279,947	138,046	812,181

The accompanying notes form an integral part of these financial statements.

Legal representative: Wang Wei Chief Financial Officer (financial officer): Ho Chit Accounting manager: Hu Xiaofei

S.F. HOLDING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

		Equity attributable to shareholders of the Company									
	Note	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Retained earnings	Minority interests	Total equity
Balance at 1 January 2022		4,906,213	46,200,598	(394,993)	2,617,231	420,638	–	947,775	28,245,764	14,972,021	97,915,247
Movements for the year ended 31 December 2022											
Total comprehensive income											
Net profit		–	–	–	–	–	–	–	6,173,764	829,856	7,003,620
Other comprehensive income		–	–	–	1,882,025	–	–	–	–	(608,971)	1,273,054
Total comprehensive income for the year		–	–	–	1,882,025	–	–	–	6,173,764	220,885	8,276,674
Capital contribution and withdrawal by shareholders											
Capital contribution by shareholders		–	825	–	–	–	–	–	–	161,848	162,673
Share repurchase	4(38)	–	–	(2,040,377)	–	–	–	–	–	–	(2,040,377)
Treasury stock cancellation	4(38)	(11,011)	(383,982)	394,993	–	–	–	–	–	–	–
Share-based payments included in equity	9(1)	–	122,999	–	–	–	–	–	–	(13,426)	109,573
Others	4(37)	–	(2,055,007)	–	–	–	–	–	–	(1,856,492)	(3,911,499)
Business combinations involving enterprises not under common control		–	–	–	–	–	–	–	–	57,555	57,555
Profit distribution											
Appropriation to general risk reserve	4(41)	–	–	–	–	72,410	–	–	(72,410)	–	–
Appropriation to surplus reserve	4(40)	–	–	–	–	–	–	62,478	(62,478)	–	–
Distribution to shareholders	4(41)	–	–	–	–	–	–	–	(874,518)	(1,524,826)	(2,399,344)
Transfer within equity											
Transfer from other comprehensive income to retained earnings		–	–	–	38,771	–	–	–	(38,771)	–	–
Movements in other capital reserve		–	110,804	–	–	–	–	–	–	4,743	115,547
Safety reserve											
Appropriation	4(39)	–	–	–	–	–	32,214	–	–	–	32,214
Utilisation	4(39)	–	–	–	–	–	(32,214)	–	–	–	(32,214)
Balance at 31 December 2022		4,895,202	43,996,237	(2,040,377)	4,538,027	493,048	–	1,010,253	33,371,351	12,022,308	98,286,049

S.F. HOLDING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

	Note	Equity attributable to shareholders of the Company									
		Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Retained earnings	Minority interests	Total equity
Balance at 1 January 2023		4,895,202	43,996,237	(2,040,377)	4,538,027	493,048	–	1,010,253	33,371,351	12,022,308	98,286,049
Movements for the year ended 31 December 2023											
Total comprehensive income											
Net profit		–	–	–	–	–	–	–	8,234,493	(322,884)	7,911,609
Other comprehensive income		–	–	–	873,033	–	–	–	–	(45,057)	827,976
Total comprehensive income for the year		–	–	–	873,033	–	–	–	8,234,493	(367,941)	8,739,585
Capital contribution and withdrawal by shareholders											
Capital contribution by shareholders		–	1,207	–	–	–	–	–	–	146,845	148,052
Share repurchase	4(38)	–	–	(959,956)	–	–	–	–	–	–	(959,956)
Share-based payments included in equity	9(1)	–	271,510	–	–	–	–	–	–	37,828	309,338
Exercise of share-based payments	4(38)	–	(69,612)	424,801	–	–	–	–	–	–	355,189
Others	4(37)	–	(1,037,241)	–	–	–	–	–	–	(799,597)	(1,836,838)
Business combinations involving enterprises not under common control		–	–	–	–	–	–	–	–	47,904	47,904
Profit distribution											
Appropriation to general risk reserve	4(41)	–	–	–	–	31,328	–	–	(31,328)	–	–
Appropriation to surplus reserve	4(40)	–	–	–	–	–	–	1,403,533	(1,403,533)	–	–
Distribution to shareholders	4(41)	–	–	–	–	–	–	–	(1,213,616)	(596,065)	(1,809,681)
Transfer within equity											
Transfer from other comprehensive income to retained earnings		–	–	–	121,368	–	–	–	(121,368)	–	–
Movements in other capital reserve		–	1,984	–	–	–	–	–	–	2,034	4,018
Safety reserve											
Appropriation	4(39)	–	–	–	–	–	389,332	–	–	–	389,332
Utilisation	4(39)	–	–	–	–	–	(389,332)	–	–	–	(389,332)
Balance at 31 December 2023		4,895,202	43,164,085	(2,575,532)	5,532,428	524,376	–	2,413,786	38,835,999	10,493,316	103,283,660

The accompanying notes form an integral part of these financial statements.

Legal representative: Wang Wei　　Chief Financial Officer (financial officer): Ho Chit　　Accounting manager: Hu Xiaofei

S.F. HOLDING CO., LTD.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

	Note	Share capital	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	Total equity
Balance at 1 January 2022		4,906,213	71,907,104	(394,993)	794,730	1,885,321	79,098,375
Movements for the year ended 31 December 2022							
Total comprehensive income							
Net profit		–	–	–	–	624,784	624,784
Capital contribution and withdrawal by shareholders							
Treasury stock cancellation	4(38)	(11,011)	(383,982)	394,993	–	–	–
Share repurchase	4(38)	–	–	(2,040,377)	–	–	(2,040,377)
Share-based payments included in equity		–	220,852	–	–	–	220,852
Others		–	(26)	–	–	–	(26)
Profit distribution							
Appropriation to surplus reserve	4(40)	–	–	–	62,478	(62,478)	–
Distribution to shareholders	4(41)	–	–	–	–	(874,518)	(874,518)
Balance at 31 December 2022		4,895,202	71,743,948	(2,040,377)	857,208	1,573,109	77,029,090
Balance at 1 January 2023		4,895,202	71,743,948	(2,040,377)	857,208	1,573,109	77,029,090
Movements for the year ended 31 December 2023							
Total comprehensive income							
Net profit		–	–	–	–	14,035,334	14,035,334
Capital contribution and withdrawal by shareholders							
Share repurchase	4(38)	–	–	(959,956)	–	–	(959,956)
Share-based payments included in equity		–	216,304	–	–	–	216,304
Exercise of share-based payments	4(38)	–	(69,612)	424,801	–	–	355,189
Profit distribution							
Appropriation to surplus reserve	4(40)	–	–	–	1,403,533	(1,403,533)	–
Distribution to shareholders	4(41)	–	–	–	–	(1,213,616)	(1,213,616)
Balance at 31 December 2023		4,895,202	71,890,640	(2,575,532)	2,260,741	12,991,294	89,462,345

The accompanying notes form an integral part of these financial statements.

Legal representative: Wang Wei   Chief Financial Officer (financial officer): Ho Chit   Accounting manager: Hu Xiaofei

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

1 General information

S.F. Holding Co., Ltd. (formerly "Ma'anshan Dingtai Rare Earth and New Materials Co., Ltd.", hereinafter "S.F. Holding" or "the Company"), formerly known as Ma'anshan Dingtai Science & Technology Co., Ltd., was established by 11 natural persons including Liu Jilu and the Labour Union of Ma'anshan Dingtai Metallic Products Co., Ltd. by cash contribution on 13 May 2003. On 22 October 2007, The officially changed to Ma'anshan Dingtai Rare Earth and New Materials Co., Ltd., and the Ma'anshan Dingtai Rare Earth and New Materials Co., Ltd. shares were listed on the Shenzhen Stock Exchange on 5 February 2010.

In December 2016, approved by the China Securities Regulatory Commission, Ma'anshan Dingtai Rare Earth and New Materials Co., Ltd conducted a series of major assets restructuring, including major assets swap, issuing shares to purchase assets and raising matching fund. Upon the completion of major asset restructuring, Shenzhen Mingde Holdings Development Co., Ltd. ("Mingde Holdings") became the parent company and ultimate controlling company of the Company, and Wang Wei was the ultimate controlling person of the Company. The place of registration and headquarters of the Company were changed to Shenzhen, Guangdong Province.

As at 31 December 2023, the total share capital of the Company is RMB4,895,202,373 with a par value of RMB1 per share.

The actual business operations of the Company and its subsidiaries ("the Group") includes: domestic and international express services (except for postal enterprises' franchise business); general freight services; large-scale goods transportation services; refrigerated truck transportation services; third-party pharmaceutical modern logistics business services; urban distribution services; supply chain solution consulting services; domestic and international freight agency business services; air cargo transportation services; warehousing services; property leasing services and industrial investment.

Hangzhou SF Intra-city Industrial Co., Ltd., a subsidiary of the Company, is a company listed on the main board of the Stock Exchange of Hong Kong Limited ("HKEX"), primarily providing intra-city instant delivery services.

Kerry Logistics Network Co., Ltd. ("Kerry Logistics"), a subsidiary of the Company, is a company listed on the main board of the HKEX, providing services such as comprehensive logistics, e-commerce, express delivery and international freight.

First-tier and second-tier subsidiaries included in the consolidation scope of the financial statements are detailed in Note 6(1). The changes in the scope of consolidation for the current reporting period are set out in Note 5.

These financial statements were authorised for issue by the Board of Directors on 26 March 2024.

2 Summary of significant accounting policies and accounting estimates

The Group determines the specific accounting policies and estimates based on its features of production and operation, primarily comprising the methods of provision for expected credit losses on receivables and contract assets (Note 2(9)), valuation of inventories (Note 2(10)), measurement model of investment properties (Note 2(12)), depreciation of fixed assets and amortisation of intangible assets and right-of-use assets (Note 2(13), (16), (27)), criteria for capitalisation of capitalised development expenditures (Note 2(17)), recognition and measurement of revenue (Note 2(25)), etc.

Details of the Group's critical judgements, critical accounting estimates and key assumptions used in determining significant accounting policies are set forth in Note 2(29).

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises – Basic Standard*, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter, referred to as "the Accounting Standards for Business Enterprises" or "CASs") and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Rules on Financial Reporting* issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2023 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company financial position of the Company as at 31 December 2023 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The Company's recording currency is Renminbi (RMB). The Company's subsidiaries decide their recording currencies in line with the economic environments in which they operate, while the subsidiaries in Hong Kong SAR and abroad mainly adopt currencies including HKD and USD as their recording currencies. The financial statements are presented in RMB.

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. If the acquiree is acquired from a third party by the ultimate controlling party in a prior year, the consideration paid and net assets obtained by the Group are measured based on the carrying amounts of the acquiree's assets and liabilities (including the goodwill arising from the acquisition of the acquiree by the ultimate controlling party) presented in the consolidated financial statements of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the business combinations are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combinations are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

For business combinations not under common control, the Group chooses to use concentration test to judge whether the acquired production and operation activities or groups of assets constitutes a business. When the concentration test is passed, the Group conducts accounting treatment according to the relevant asset purchase principle; when the concentration test is not passed, the Group further judges whether the relevant combination obtained in the merger has at least one input and one substantive processing process, and the combination of the two has a significant contribution to the output capacity and hence decide if the Group obtains a business combination, in such a transaction.

The combination cost and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the combination cost exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the combination cost is lower than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combinations are included in the initially recognised amounts of the equity or debt securities.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date on which such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profit realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of subsidiaries' net profit or loss and comprehensive income for the period not attributable to the Company are recognised as minority interests, minority interest income and total comprehensive income attributable to minority shareholders and presented separately in the consolidated financial statements under equity, net profit and total comprehensive income respectively. Where the loss for the current period attributable to the minority shareholders of the subsidiaries exceeds the share of the minority interests in the opening balance of equity, the excess is still deducted against minority interests. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and minority interest income in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and minority interest income in accordance with the allocation proportion of the parent in the selling subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

If the control over the subsidiary is lost due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment in the consolidated financial statements is remeasured at its fair value at the date when the control is lost. The sum of consideration received from the disposal of equity investment and the fair value of the remaining equity investment, net of the sum of the share of net assets of the former subsidiary based on continuous calculation since the acquisition date and goodwill, is recognised as investment income for the current period when the control is lost. In addition, other comprehensive income and other changes in equity (excluding other comprehensive income from changes arising from remeasurement on net liabilities or net assets of defined benefit plans and accumulative fair value changes of investments in equity instrument not held for trading at fair value through other comprehensive income), which are related with the equity investment in the former subsidiary, are transferred to profit or loss for the current period when the control is lost.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the spot exchange rates and approximate exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the equity items, the items other than retained earnings are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statement of foreign operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are recognised in other comprehensive income. The cash flows of foreign operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset, a financial liability or an equity instrument is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

(i) Classification and measurement

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

The financial assets are measured at fair value at initial recognition. Related transaction costs that are attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are recognised directly in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of goods or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following ways:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, loans and advances, other receivables and long-term receivables. Long-term receivables that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets.

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets for both collection of the contractual cash flows and selling such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. Such financial assets mainly include receivables financing. Other debt investments that are due within one year (inclusive) as from the balance sheet date are included in current portion of non-current assets; other debt investments with maturities of no more than one year (inclusive) at the time of acquisition are included in other current assets.

Measured at fair value through profit or loss:

Debt instruments held by the Group that are not divided into those at amortised cost, or those measured at fair value through other comprehensive income, are measured at fair value through profit or loss. At initial recognition, the Group designates a portion of financial assets as at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. Financial assets measured at fair value through profit or loss that are due after one year (inclusive) as from the balance sheet date and are expected to be held over one year are included in other non-current financial assets, and others are included in financial assets held for trading.

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading; investments in equity instruments expected to be held over one year as from the balance sheet date are included in other non-current financial assets.

In addition, a portion of certain investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under other investments in equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

(ii) Impairment

The Group recognises the loss provision based on expected credit losses for financial assets at amortised cost, investments in debt instruments at fair value through other comprehensive income, contract assets, lease receivables, etc.

Giving consideration to reasonable and supportable information that is available without undue cost or effort at the balance sheet date on past events, current conditions and forecasts of future economic conditions, as well as the default risk weight, the Group recognises the expected credit loss as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

For notes receivable, accounts receivable, receivables financing and contract assets that are formed from daily business activities such as providing services and selling goods, the Group recognises the lifetime expected credit loss provision regardless of whether there exists a significant financing component. For lease receivables, the Group also chooses to measure the loss provision based on lifetime expected credit losses.

Except for the above notes receivable, accounts receivable, receivables financing, contract assets and lease receivables, at each balance sheet date, the expected credit losses of financial instruments at different stages are measured respectively. 12-month expected credit loss provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime expected credit loss provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime expected credit loss provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

For the financial instruments with low credit risk as at the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition. The Group determines them as the financial instruments in Stage 1 and recognises the 12-month expected credit loss provision.

For the financial instruments in Stage 1 and Stage 2, the Group calculates the interest income by applying the effective interest rate to the book balance (before deduction of the impairment provision). For the financial instruments in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (after deduction of the impairment provision from the book balance).

The credit risk characteristics of financial assets of which expected credit losses are calculated on the individual basis differ significantly from those of other financial assets. In case the expected credit losses of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group divides the receivables into certain groups based on credit risk characteristics, and calculates the expected credit losses for the groups. Basis for determining groups and methods for provision are presented as follows:

Group 1 of notes receivable	Bank acceptance notes
Group 1 of accounts receivable	Related party customers, with the maturity date as the starting point for ageing calculation
Group 2 of accounts receivable	Non-related party customers, with the maturity date as the starting point for ageing calculation
Group 1 of contract assets	Non-related party customers
Group 1 of other receivables	Related parties
Group 2 of other receivables	Others
Group 1 of long-term receivables	Finance lease receivables
Group 2 of long-term receivables	Loans to employees

Based on the exposure at default and the lifetime expected credit loss rate, the Group calculates the expected credit losses of notes receivable, accounts receivable, receivables financing, lease receivables and contract assets that are classified into groups with consideration to historical credit losses experience, current conditions and forecasts of future economic conditions.

Based on the exposure at default and the 12-month/lifetime expected credit loss rate, the Group calculates the expected credit losses of other receivables, loans and advances, and long-term receivables (loans to employees) that are classified into groups with consideration to historical credit losses experience, the current conditions and forecasts of future economic conditions.

The Group recognises the loss provision made or reversed into profit or loss for the current period.

For debt instruments classified as fair value through other comprehensive income, the Group recognises the impairment loss or gain in profit or loss, and meanwhile adjusts other comprehensive income.

(iii) Derecognition

A financial asset is derecognised when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When investments in other equity instruments are derecognised, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that are previously recognised directly in other comprehensive income is recognised in retained earnings. When other financial assets are derecognised, the difference aforementioned is recognised in profit or loss for the current period.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, mainly including notes and accounts payables, other payables, borrowings and debentures payable. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Equity instruments

An equity instrument is a contract that represents a residual interest in the assets of an entity after deducting all of its liabilities.

(d) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

(10) Inventories

(a) Classification

Inventories comprise raw materials in stock, aviation consumables, finished goods, costs to fulfil a contract (see Note 2(25)(a)) and turnover materials, and are stated at the lower of cost and net realisable value.

(b) Valuation method for inventory delivered

Raw materials in stock, finished goods and aviation consumables are accounted for using the weighted average method upon delivery.

(c) Amortisation methods of low-value consumables and recyclable materials

Turnover materials include low-value consumables and recyclable materials. Recyclable materials are amortised in stages, and low-value consumables are amortised by one-off write-off method when they are used.

(d) Basis for determining the net realisable value of inventories and provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs, costs to fulfil a contract and estimated costs necessary to make the sale and related taxes. The Group makes provision for decline in the value of inventories on an aggregated basis for inventories produced and sold in the same region and with the same or similar end uses.

(e) The Group adopts the perpetual inventory system.

(11) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

A subsidiary is an investee over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is an investee over which the Group has significant influence on its financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements; investments in joint ventures and associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments arising from business combinations involving enterprises under common control, the initial investment cost shall be the share of the carrying amount of equity of the acquiree in the consolidated financial statements of the ultimate controlling party as at the combination date; for long-term equity investments arising from business combinations involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and recognition methods of gains and losses

Long-term equity investments accounted for using the cost method are measured at the initial investment cost. Cash dividend or profit distribution declared by an investee is recognised as investment income in profit or loss for the current period.

For long-term equity investments that are accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments that are accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of the net losses of an investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the estimated losses that it needs to bear. The changes of the Group's share of the investee's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, are recognised in the Group's capital reserve and the carrying amounts of the long-term equity investment are adjusted accordingly. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investee.

The unrealised profits or losses arising from the transactions between the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, based on which the investment gains or losses in the financial statements of the Company are recognised. When preparing the consolidated financial statements, for the portion of unrealised gains and losses attributable to the Group arising from downstream transactions in which the Group invests or sells assets to the investees, on the basis of the elimination result on the Company's financial statements, the Group should eliminate the portion of unrealised revenue and costs or asset disposal gains and losses attributable to the Group, and adjust investment income or losses accordingly; for the portion of unrealised gains and losses attributable to the Group arising from the upstream transactions in which the investees invest or sell assets to the Group, on the basis of the elimination result on the Company's financial statements, the Group should eliminate the portion of unrealised gains and losses included in the carrying amount of the relevant assets, and adjust the carrying amount of long-term equity investments accordingly. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment losses, any unrealised loss is not eliminated.

(c) Basis for determining existence of control, joint control, significant influence over investees

Control means having power over an investee, enjoying variable returns through involvement in relevant activities of the investee, and being able to impact the amount of such variable returns by using the power over the investee.

Joint control is the agreed sharing of control over an arrangement, and the decision of activities relating to such arrangement requires the unanimous consent of the Group and other parties sharing control.

Significant influence is the power to participate in making the decisions on financial and operating policies of the investee, but is not control or joint control over making those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

(12) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annal depreciation rates of investment properties are presented as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation/ amortisation rates
Buildings	10 to 50 years	5%	9.50% to 1.90%
Land use rights	20 to 50 years	0%	5.00% to 2.00%

When an investment property is transferred to owner-occupied property, it is reclassified to fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to investment properties at the date of the transfer. Upon the transfer, amount is recognised at the carrying amount prior to the transfer.

The investment property's estimated useful life, net residual value and depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The amount of proceeds from sale, transfer, retirement or damage of an investment property net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(13) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings (including freehold land), motor vehicles, computers and electronic equipment, aircraft and aircraft engines, rotables and high-value aircraft maintenance tools, machinery and equipment, office equipment and other equipment.

Fixed assets are recognised when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. Fixed assets purchased or constructed are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation method for fixed assets

Except for engine overhaul replacement parts and freehold land, fixed assets are depreciated using the straight-line method to allocate the recorded amount of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are presented as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings (excluding freehold land)	10 to 50 years	5%	9.50% to 1.90%
Port equipment	28 to 40 years	0%	3.57% to 2.50%
Motor vehicles	2 to 20 years	0% to 5%	50.00% to 4.75%
Machinery and equipment	2 to 15 years	0% to 5%	50.00% to 6.33%
Computers and electronic equipment	2 to 5 years	0% to 5%	50.00% to 19.00%
Office equipment and other equipment	2 to 20 years	0% to 5%	50.00% to 4.75%
Aircraft and engine bodies	10 years	5%	9.50%
High-value aircraft maintenance tools	5 years	5%	19.00%
Replacement parts for overhaul of aircraft fuselage	1.5 to 10 years	0%	66.67% to 10.00%
Rotables	10 years	5%	9.50%

Replacement parts for overhaul of engines are depreciated using the units-of-production method and taking the expected usable recurring number as the unit of production.

No amortisation is provided for freehold land.

The estimated useful life or expected usable recurring number and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amounts of fixed assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(14) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below its carrying amount (Note 2(19)).

(15) Borrowing costs

The Group's borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For general borrowings utilised for the acquisition and construction of an asset qualifying for capitalisation, the capitalised amount of the general borrowings is determined by the weighted average of the excess of accumulated capital expenditure over capital expenditure of the special borrowings multiplied by the weighted average effective interest rate of the utilised general borrowings. The effective interest rate is the interest rate at which the future cash flows of the borrowings over the estimated life or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

(16) Intangible assets

Intangible assets include software, land use rights, trademark rights, customer relationships and patents, which are measured at cost.

(a) Software

Software is measured at actual cost and amortised on the straight-line basis over 2 to 10 years.

(b) Land use rights

Land use rights are amortised on the straight-line basis over their estimated useful lives.

(c) Trademark rights

Purchased trademark rights are measured at cost at the time of acquisition. Trademark rights recognised under business combinations involving enterprises not under common control are recorded at fair value. Trademark rights are amortised on the straight-line basis over 5 to 20 years.

(d) Customer relationships

Customer relationships refer to intangible assets recognised under business combinations involving enterprises not under common control. Customer relationships are recorded at fair value and amortised on the straight-line basis over the expected beneficial period.

(e) Patents

Patents are amortised on the straight-line basis over 5 to 10 years.

(f) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(g) Impairment of intangible assets

The carrying amounts of intangible assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

(17) Research and development

The Group's research and development expenses mainly comprise expenses such as materials used in research and development, employee benefits in the research and development department and depreciation and amortisation of assets such as equipment and software used in research and development.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

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

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Capitalised development expenditures previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as capitalised development expenditures in the balance sheet and transferred to intangible assets at the date when the asset is ready for its intended use.

(18) Long-term prepaid expenses

Long-term prepaid expenses include settling-in allowance and introduction fee for pilots, the expenditure for improvements to right-of-use assets, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on a straight-line basis over the expected beneficial period (2 to 20 years) and are presented at actual expenditure net of accumulated amortisation.

(19) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets not ready for their intended use and freehold land are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment assessment indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an asset impairment loss are 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 to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying amount of goodwill is allocated to the related asset groups or sets of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a set of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or the set of asset groups, and then deducted from the carrying amounts of other assets within the asset group or the set of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(20) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance, maternity insurance, housing funds, labour union funds and employee education funds. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

(b) Post-employment benefits

The Group classifies post-employment benefit plans into defined contribution plans and defined benefit plans. A defined contribution plan is a post-employment benefit plan in which the Group pays fixed fees to an independent fund without further payment obligations; a defined benefit plan is a post-employment benefit plan other than a defined contribution plan. During the reporting period, the Group's post-employment benefits mainly include endowment insurance and unemployment insurance paid for employees, which are defined contribution plans. Individual overseas subsidiaries set up and operate defined pension plans, which are defined benefit plans and the amount is not significant.

Basic pensions insurance

The Group's employees in the Chinese mainland participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the pensions are calculated according to local regulations for pension plan. When employees retire, the local labour and social security authority is obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

The termination benefits expected to be settled within one year since the balance sheet date are classified as current liabilities.

(d) Employee incentives

The Group provides incentive plans for on-the-job employees who comply with certain conditions, and makes payments based on the schedule. Provisions for employee incentives are initially measured at the best estimate necessary to settle the present obligation, and expensed as incurred. The Group integrates separation rate, time value of money and other factors into account at initial measurement. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is expensed as incurred. The carrying amount of provisions for employee incentives is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(21) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible losses) and does not give rise to equal taxable and deductible temporary differences. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary differences, and it is probable that the temporary differences will not be reversed in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(22) Provisions

Provisions are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(23) Share-based payments

(a) Categories of share-based payments

A share-based payment is a transaction in which an enterprise grants equity instruments or assumes liabilities that are determined based on equity instruments, in exchange for services rendered by employees or another party. Equity instruments include the equity instruments that are linked to the enterprise, the parent company of the enterprise or another accounting entity within the same group. Share-based payments comprise equity-settled and cash-settled payments.

(b) Basis for determining the best estimate of exercisable equity instruments

At each balance sheet date in the vesting period, the Group would make best estimate in accordance with the newly acquired information such as changes in the number of employees entitled to equity instruments, and amend the number of exercisable equity instruments. On the exercisable date, the ultimate estimated number of exercisable equity instruments coincides with the actual number.

(c) Accounting treatment of implementation of share-based payments

(i) Equity-settled share-based payments

The equity-settled share-based payments where the Group grants shares or other equity instruments as a consideration in return for services, are measured at the fair value of the equity instruments at the grant date. Where the share-based payments are not exercisable until the service in the vesting period is completed or specified performance conditions are met, then at each balance sheet date within the vesting period, the service obtained in the current period shall be included in relevant costs or expenses and in capital reserve at the fair value of the equity instruments at the grant date based on the best estimates of the quantity of exercisable equity instruments made by the Group, in accordance with the latest changes in the number of exercisable employees and subsequent information.

Where the share-based payments cannot be exercised in the end, the Group's costs or expenses shall not be recognised unless that the payments are exercisable under the market conditions or non-exercisable conditions. In this regard, whether the market conditions or non-exercisable conditions are satisfied or not, the payments are deemed to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

(ii) Cash-settled share-based payments

The cash-settled share-based payments where the Group calculates and determines the cash payments or any other asset obligation on the basis of shares or other equity instruments in return for services, are measured at the fair value of the liabilities calculated based on relevant equity instruments. Where the share-based payments is not exercisable until the service in the vesting period is completed or specified performance conditions are met, then at each balance sheet date within the vesting period, the service obtained in the current period shall be included in costs or expenses and in liabilities at the fair value of the Group's liabilities based on the best estimates of the quantity of exercisable equity instruments made by the Group. At each balance sheet date and settlement date before relevant liabilities are settled, the fair value of the liabilities is remeasured and the changes are recognised in profit or loss.

(24) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return and financial subsidy.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in the current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants related to daily activities are included in operating profit. Government grants not related to daily activities are included in non-operating income or expenses.

(25) Revenue recognition

The Group recognises revenue at the consideration that the Group is entitled to charge as expected when the Group has fulfilled the performance obligations in the contract, that is, the customer obtains control over relevant goods or services.

If one of the following conditions is met, the performance obligations are satisfied over time, otherwise at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance 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.

In respect of a contract obligation that is to be fulfilled within a period, the Group should recognise the revenue based on the progress of the obligation fulfilment within the period, except that the progress of the obligation fulfilment fails to be reasonably determined; in respect of a contract obligation that is to be fulfilled at a point in time, the Group should recognise the revenue once the customer obtains the control over relevant goods/services.

In addition, the Group judges whether it is acting as a principal or an agent based on if it has the control right over goods before the transfer of the goods. Provided that the Group has control over goods before the transfer of the goods, it is acting as a principal and recognises relevant revenue, based on consideration received or receivable, by applying gross method; otherwise it is acting as an agent and should recognise revenues at the amount of the commission or service fee which the Group expects to be entitled to receive, which is calculated according to total consideration received or receivable net of the amount due to other related parties or fixed commission amount or rate.

(a) Rendering of logistics and freight forwarding services

The Group's revenue from providing logistics and freight forwarding services includes express and freight service (time-definite express and economic express; cold transportation and medical transportation service; freight service); intra-city on-demand delivery service; supply chain and international service.

The Group recognises revenue based on the progress of the service performed within period, which is determined based on proportion of costs incurred to date to the estimated total costs or days spent to the estimated total days. As at the balance sheet date, the Group re-estimates the progress of the service performed to reflect the actual status of contract performance.

When the Group recognises revenue based on the progress of the service performed, the amount with unconditional right to consideration obtained by the Group is recognised as accounts receivable, and the rest is recognised as contract assets. Meanwhile, provision for accounts receivable and contract assets is recognised on the basis of expected credit losses (Note 2(9)). If the contract consideration received or receivable exceeds the progress of the service performed, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Contract costs include costs to fulfil a contract and costs to obtain a contract. Costs incurred for provision of the aforesaid services are recognised as costs to fulfil a contract, which is carried forward to the cost of revenue when revenue recognised based on the progress of the service performed. Incremental costs incurred by the Group for the acquisition of the aforesaid service contract are recognised as the costs to obtain a contract. For the costs to obtain a contract with the amortisation period within one year, the costs are charged to profit or loss when incurred. For the costs to obtain a contract with the amortisation period beyond one year, the costs are charged in the profit or loss on the same basis as aforesaid revenue of rendering of services recognised under the relevant contract. If the carrying amount of the contract costs is higher than the remaining consideration expected to be obtained by rendering of the service net of the estimated cost to be incurred, the Group makes provision for impairment on the excess portion and recognises it as asset impairment losses. As at the balance sheet date, based on whether the amortisation period of the costs to fulfil a contract is more than one year when initially recognised, the amount of the Group's costs to fulfil a contract net of related provision for asset impairment is presented as inventories or other non-current assets. For costs to obtain a contract with amortisation period beyond one year at the initial recognition, the amount net of related provision for asset impairment is presented as other non-current assets.

(b) Sales of goods

Revenue from sales of goods is recognised when the Group has delivered goods to the agreed delivery location pursuant to the contract and the customer has confirmed the acceptance of the goods, and the delivery note is signed by both parties.

The credit terms granted to customers by the Group are generally short, in line with industry practice, and do not have a significant financing component.

(c) Other services

The Group's services also includes communication service, maintenance service, research and development and technical services and other services.

With regard to certain maintenance service, research and development and technical services, the Group recognises revenue at a point in time when the services are delivered to customers. For other services, the Group recognises revenue based on the progress of the service performed within period, which is determined based on proportion of costs incurred to date to the estimated total costs as at the balance sheet date.

(26) Dividend distribution

Cash dividends are recognised as liabilities in the period in which the dividends are approved by the shareholders' meeting.

(27) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) The Group as the lessee

At the commencement date, the Group shall recognise the right-of-use asset and measure the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, 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 lessee exercises an option to terminate the lease. Variable lease payments in proportion to sales are excluded from lease payments and recognised in profit or loss as incurred. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current liabilities.

Right-of-use assets of the Group comprise leased buildings, machinery and equipment, motor vehicles, etc. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise, the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(19)).

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group may, instead of recognising right-of-use assets and lease liabilities, include the lease payments in the cost of the underlying assets or in profit or loss for the current period on a straight-line basis over the lease term.

The Group shall account for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate, except that the contract changes directly resulting from stipulated by the Ministry of Finance for by applying the practical expedient. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

For eligible rent relief agreed on existing lease contracts, the Group applies the practical expedient and records the exemption amount in profit or loss when the agreement is reached to dismiss the original payment obligation with corresponding adjustment of lease liabilities.

(b) The Group as the lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(i) Operating leases

Where the Group leases out self-owned buildings, machinery and equipment, and motor vehicles under operating leases, lease income therefrom is recognised on a straight-line basis over the period of the lease. Variable rental that is linked to a certain percentage of sales is recognised in lease income as incurred.

For eligible rent relief agreed on existing lease contracts, the Group applies the practical expedient, accounts for the exemptions as variable lease payments and records the exemption amount in profit or loss in the exemption period.

Except that the above eligible contract changes are accounted for by applying the practical expedient, the Group accounts for it as a new lease from the effective date of the modification, and considers any lease payments received in advance and receivable relating to the lease before modification as receivables of the new lease.

(ii) Finance leases

At the commencement date of the lease term, the Group recognises the lease payments receivable under a finance lease and derecognises relevant assets. The finance lease receivables are presented as long-term receivables; finance lease receivables due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets.

(28) Segment information

The Group 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 revenue 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.

(29) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical accounting estimates and key assumptions

(i) Measurement of expected credit losses

For financial assets and contract assets at amortised cost, the Group calculates expected credit losses based on exposure at default and expected credit loss rates, and determines the expected credit loss rates based on the probability of default and the loss given default or the ageing matrix. The Group refers to internal historical information, such as credit losses, and considers the impact of historical credit loss experience according to current situation and forward-looking information to determine expected credit loss rates. And management takes the customer's credit status, credit history, operating status as well as collaterals, the guarantee ability of the guarantor and other information into consideration. The Group monitors and reviews relevant assumptions about expected credit losses regularly. Where there is a difference between the actual bad debts and the original estimate, such difference will affect the Group's provision for bad debts of the above assets in the future period.

(ii) Risk of impairment on long-term assets other than goodwill

As described in Note 2(19), freehold land (fixed assets) and intangible assets not ready for use are tested annually for impairment. Fixed assets other than freehold land, intangible assets, right-of-use assets, construction in progress, investment properties, and long-term equity investments, are tested for impairment whenever events or changes in circumstances indicate 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 assessment, and cause impairment in the above-mentioned long-term assets of the Group.

(iii) Provision for impairment loss of goodwill

The Group performed impairment assessment of goodwill at least annually. The recoverable amount of asset groups and sets of asset groups is the higher of fair value less costs to sell and the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 4(19)).

(iv) Determination of fair value of financial instruments by valuation techniques.

The fair value of a financial instrument that is not traded in an active market is determined by valuation techniques. Valuation techniques primarily refer to direct comparison method and income method, including reference to the prices used in recent orderly transactions between market participants, discounted cash flow analysis, etc. Observable market information is applied in valuation techniques to the extent possible. When observable market information is not available, management will make estimate of significant unobservable information included in the valuation method. Different valuation techniques or inputs may lead to significant differences between fair value estimates.

(v) Uncertain tax position and recognition of deferred tax assets

The Group pays enterprise income tax in various regions. In normal business activities, the final tax treatment of some transactions and matters is uncertain. When accruing income tax expenses in various regions, the Group needs to make significant judgements. If there is a difference between the final determination of these tax matters and the amount originally recorded, the difference will have an impact on the income tax expense and the amount of deferred income tax during the period when the above final determination is made.

Deferred tax assets are recognised for the deductible tax losses and deductible temporary differences that can be carried forward to subsequent years to the extent that it is probable that taxable profit in the future will be available against which the deductible tax losses and deductible temporary differences can be utilised. Whether to recognise the deferred tax assets arising from deductible tax losses and deductible temporary differences largely depends on the judgement of management on: (i) whether the accumulated deductible tax losses and deductible temporary differences in prior years are still effective, and (ii) whether sufficient taxable income that can be used to deduct deductible tax losses and deductible temporary differences can be obtained in the future period. Where there is a difference between the situation and the original estimate, such difference will affect the Group's deferred tax assets and income tax expenses in the future period.

(b) Critical judgements in applying the accounting policies

(i) Judgement on significant influence of the Group over investees

The investees over which the Group has significant influence are accounted for under the equity method. In judging the significant influence over an investee, management considers based on one or more of the following circumstances and all facts and circumstances: (1) the shareholding in the investee; (2) whether it appoints representative in the Board of Directors or a similar authority of the investee; (3) whether it participates in making decisions on financial and operating policies of the investee; (4) whether it has significant transaction with the investee; (5) whether it assigns management personnel to the investee; (6) whether it provides key technical materials to the investee, and all facts and circumstances are considered.

(ii) Determination of the scope of consolidation

As stated in Note 2(6), the Group consolidates a subsidiary from the date of obtaining actual control, and excludes it out of the scope of consolidation from the date of losing the actual control. Control exists when the Group has all three of the following elements: (1) the investor possesses power over the investee and the degree of dispersion of equity in other non-controlling interests; (2) has exposure to variable returns from its involvement with the investee's related activities; and (3) the ability to use the power over the investee to affect the returns. Where variations in relevant facts and circumstances cause a change of these factors, a reassessment will be made.

(30) Significant changes in accounting policies

The Ministry of Finance issued the *Circular on Issuing Interpretation No. 16 of Accounting Standards for Business Enterprises* (Interpretation No. 16) in 2022. The Group and the Company adopted the new lease standard since 1 January 2021, and recognised deferred income taxes related to temporary differences arising from lease liabilities and right-of-use assets on a net basis. From 1 January 2023, the Group and the Company applied Interpretation No. 16 which clarifies that deferred income taxes related to assets and liabilities arising from a specific single transaction are not applicable for initial recognition exemption, and recognised deferred tax assets and deferred tax liabilities separately for equal deductible temporary differences and taxable temporary differences arising from above transactions and disclosed the related information in the notes. The relevant disclosures in the notes as at 31 December 2022 are adjusted accordingly. The implementation of Interpretation No. 16 has no impact to the Group and the Company's profit or loss for the year ended 31 December 2022, as well as financial statement line items as at 1 January 2022 and 31 December 2022.

3 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax	Note (1)	Taxable income
Value-added tax ("VAT")	Note (2)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount/taxable service income multiplied by the applicable tax rate less deductible input VAT of the current period or taxable turnover amount multiplied by the VAT rate)
City maintenance and construction tax	7%, 5%, 1%	Amount of VAT paid
Educational surcharge	3%	Amount of VAT paid
Local educational surcharge	2%	Amount of VAT paid
Customs duty	At applicable tax rate	Customs dutiable value through examination and approval of the Customs

In addition, pursuant to the *Interim Measures for the Collection, Use and Management of the Civil Aviation Development Fund* (Cai Zong [2012] No. 17) issued by the Ministry of Finance, SF Airlines Company Limited ("SF Airlines") pays the civil aviation development fund based on classification of flight routes, maximum take-off weight, flight mileage and applicable collection standards, and includes such payment in cost.

The *Announcement on the Cancellation of Port Construction Fees and Adjustment to Relevant Policies of the Civil Aviation Development Fund* (Announcement [2021] No. 8) was issued by the Ministry of Finance on 19 March 2021. Since 1 April 2021, the collection standard for the civil aviation development fund payable by airlines has been reduced by 20% in accordance with the *Notice of the Ministry of Finance on Adjusting the Relevant Policies of Certain Government Funds* (Cai Shui [2019] No. 46) on the basis of a 50% reduction.

(1) Enterprise income tax

According to the *Enterprise Income Tax Law of the People's Republic of China and the Regulations on the Implementation of Enterprise Income Tax Law*, except for some subsidiaries enjoying the preferential tax rates, the Company and other subsidiaries established in the Chinese mainland are subject to the enterprise income tax rate of 25%.

The Group's overseas subsidiaries recognise their income taxes in accordance with the laws and regulations of the countries or regions where they operate. Specifically, the subsidiaries located in Hong Kong SAR, Macao SAR, Singapore, Japan, South Korea, USA and Thailand are subject to enterprise income tax at the rates between 12% and 24%.

Pursuant to the *Announcement on Implementation of the Policy of Deduction of Relevant Enterprise Income Tax for Equipment and Appliance* (Cai Shui [2018] No. 54), and the *Announcement on Extending the Implementation Period of Certain Preferential Tax Policies* (Cai Shui [2021] No. 6) issued by the Ministry of Finance and the State Taxation Administration, for equipment newly purchased from 1 January 2018 to 31 December 2023 and with a unit value of less than RMB5 million, the one-time period cost can be deducted against the taxable income in the following month after the asset is put into use, instead of being deducted annually in its useful life.

The preferential enterprise income tax policies to which the Group is entitled mainly include:

(a) Pursuant to the Notice on the *Policies and Catalogue of Income Tax Preferences for Enterprises in Guangdong Hengqin New Area, Fujian Pingtan Comprehensive Experimental Zone, and Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperative Zone* (Cai Shui [2014] No. 26) and the *Notice on Continuing the Policies of Income Tax Preferences for Enterprises in Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperative Zone* (Cai Shui [2021] No. 30) jointly issued by the Ministry of Finance and the State Taxation Administration, Shenzhen S.F. Supply Chain Co., Ltd. and other 6 subsidiaries as below are subject to enterprise income tax at the preferential rate of 15% from 2014 to 2025.

(b) Pursuant to the *Notice on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy* (Cai Shui [2011] No. 58) and the *Notice on Issues Concerning the Implementation of the Tax Policies for the Development of Western China by Ganzhou City* (Cai Shui [2013] No. 4) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Taxation Administration, and the *Announcement on Continuing the Enterprise Income Tax Policies for the Development of Western China* (Announcement [2020] No. 23) jointly issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on 23 April 2020, Xi'an Shunlu Logistics Co., Ltd. and other 24 subsidiaries are subject to enterprise income tax at the preferential rate of 15% until the end of 31 December 2030.

(c) Pursuant to the *Announcement on Continuing the Enterprise Income Tax Policies for the Development of Western China* (Announcement [2020] No. 23) jointly issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on 23 April 2020, Tibet S.F. Express Co., Ltd. ("Tibet Express"), which is registered in Tibet Autonomous Region, is subject to enterprise income tax at the preferential rate of 15% from 1 January 2011 to 31 December 2030. Pursuant to the *Notice of the People's Government of the Tibet Autonomous Region on Issuing the Regulations on Preferential Policies for Investment Promotion of the Tibet Autonomous Region* (Zang Zheng Fa [2021] No. 9), Tibet Express is temporarily exempt the region's share of entitlement to enterprise income tax payable. In other words, the region's share of entitlement to 40% in the enterprise income tax payable at the rate of 15% is exempted during the above period.

(d) In accordance with the *Announcement on Further Implementing the Preferential Income Tax Policies for Micro and Small Enterprises* (Announcement [2022] No. 13) jointly issued by the Ministry of Finance and the State Taxation Administration, for the period from 1 January 2022 to 31 December 2024, small and low-profit enterprises can enjoy a 20% enterprise income rate on 25% of the taxable income amount for the proportion of taxable income exceeding RMB1 million but not more than RMB3 million. In accordance with the Announcement on the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households (Cai Shui [2023] No.6) jointly issued by the Ministry of Finance and the State Taxation Administration, for the period from 1 January 2023 to 31 December 2024, small and low-profit enterprises can enjoy a 20% enterprise income rate on 25% of the taxable income amount for the proportion of taxable income not exceeding RMB1 million. In accordance with the Announcement on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households (Cai Shui [2023] No.12) jointly issued by the Ministry of Finance and the State Taxation Administration, the applicable period of the preferential tax policies that small and low-profit enterprises can enjoy a 20% enterprise income rate on 25% of the taxable income amount has been extended to 31 December 2027.

Therefore, Ningbo Shuncheng Logistics Co., Ltd. and other 23 subsidiaries can enjoy a 20% enterprise income rate on 25% of the taxable income amount during the current reporting period.

(e) As per Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the high and new technology enterprises eligible for key support from the State are entitled to a reduced tax rate of 15%. Through filing with local taxation bureaus, SF Technology Co., Ltd. ("SF Technology") and other 4 subsidiaries are qualified as high and new technology enterprises, and entitled to the preferential tax rates for high and new technology enterprises eligible for key support from the State. The subsidiaries are subject to a tax rate of 15% in the reporting period (2022: 15%).

(f) Pursuant to the *Notice on the Policies of Income Tax Preferences for Enterprises in Hainan Free Trade Port* (Cai Shui [2020] No. 31) jointly issued by the Ministry of Finance and the State Taxation Administration, Hainan S.F. Express Co., Ltd. and other 3 subsidiaries, which are registered in Hainan Free Trade Port, are subject to enterprise income tax at the preferential rate of 15% from 1 January 2020 to 31 December 2024.

(2) VAT

According to different businesses, VAT rates applicable to those subsidiaries located in the Chinese mainland of the Group include:

Business type	Applicable VAT rates
Sales of goods and leasing of tangible movable assets	13%
Transportation service (ii), Property leases	9%
Logistics supporting service (i), Research and development and technical service, Information technology service	6%

(i) Pursuant to the *Announcement on Relevant Policies for Deepening the Value-added Tax Reform* (Cai Shui Haiguan [2019] No. 39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, and the *Announcement on the Additional Deduction Policies of Value-added Tax for Consumer Service Industry* (Cai Shui [2019] No. 87), the *Announcement on VAT Policies for Promoting the Bailout and Development of Vulnerable Industries in the Service Sector* (Cai Shui [2022] 11) and the *Announcement on the Value-added Tax Reduction and Exemption Policies for Small-scale Value-added Tax Taxpayers* (Cai Shui [2023] No.1) jointly issued by the Ministry of Finance and the State Taxation Administration, the Group's subsidiaries engaged in consumer service industry qualify for additional 15% deduction of input VAT from output VAT from 1 April 2019 to 31 December 2022 and additional 10% deduction from 1 January 2023 to 31 December 2023, respectively.

(ii) Pursuant to the *Announcement on Relevant Policies for Deepening the Value-added Tax Reform* (Cai Shui Haiguan [2019] No. 39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, and the *Announcement on VAT Policies for Promoting the Bailout and Development of Vulnerable Industries in the Service Sector* (Cai Shui [2022] 11) and the *Announcement on the Value-added Tax Reduction and Exemption Policies for Small-scale Value-added Tax Taxpayers* (Cai Shui [2023] No.1) jointly issued by the Ministry of Finance and the State Taxation Administration, the Group's subsidiaries engaged in productive service industry qualify for additional 10% deduction of input VAT from output VAT from 1 April 2019 to 31 December 2023 and additional 5% deduction from 1 January 2023 to 31 December 2023, respectively.

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2023	31 December 2022
Cash on hand	14,391	18,437
Cash at bank	18,641,306	16,629,310
Balances with central bank from Group Finance Company	1,490,498	848,392
Including: – Statutory reserve (a)	1,476,938	837,242
– Excess reserve (b)	13,560	11,150
Balances with other banks from Group Finance Company	21,674,309	23,378,727
Other cash balances (c)	105,684	165,126
Interest receivable	48,317	22,758
	41,974,505	41,062,750
Including: Overseas deposits	5,455,811	9,471,675

(a) On 18 September 2016, the Group incorporated S.F. Holding Group Finance Co., Ltd. ("Group Finance Company"). Statutory reserve of Group Finance Company deposited with the central bank represents required statutory reserve paid by Group Finance Company in the People's Bank of China ("PBOC") at 5% of deposits from customers denominated in RMB. Statutory reserve deposits are not available for use by the Group in its daily operations, which are restricted cash.

(b) Excess reserve of Group Finance Company deposited with the central bank represents the excess over the required statutory reserve deposited by financial institutions in the central bank, and it is bank deposit that can be readily drawn on demand.

(c) As at 31 December 2023, the Group used restricted cash at bank and on hand of RMB99,558,000 (31 December 2022: RMB37,677,000).

(2) Financial assets held for trading

	31 December 2023	31 December 2022
Structured deposits	6,542,881	7,351,158
Fund investments and others	266,861	34,221
	6,809,742	7,385,379

(3) Accounts receivable

	31 December 2023	31 December 2022
Accounts receivable	26,512,152	27,120,677
Less: Provision for bad debts	(1,378,665)	(1,560,244)
	25,133,487	25,560,433

The Group adopts regular settlement method for logistics and freight forwarding services provided to some customers. At each month-end, the outstanding part becomes accounts receivable.

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	25,492,152	26,162,778
1 to 2 years (inclusive)	490,411	653,524
Over 2 years	529,589	304,375
	26,512,152	27,120,677

(b) As at 31 December 2023, the five largest accounts receivable and contract assets aggregated by debtor were summarised and analysed as follows:

	Balance of accounts receivable and contract assets	Provision for bad debts	% of total balance
Sum of the five largest accounts receivable and contract assets	3,382,615	(40,279)	12.02%

(c) Provision for bad debts

For accounts receivable, the Group recognises the lifetime expected credit loss provision regardless of whether there is any significant financing component.

The provision for bad debts of accounts receivable are analysed by category as follows:

	31 December 2023				31 December 2022			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
Provision for bad debts on the individual basis (i)	657,488	2.48%	(657,488)	100.00%	719,588	2.65%	(719,588)	100.00%
Provision for bad debts on the grouping basis (ii)	25,854,664	97.52%	(721,177)	2.79%	26,401,089	97.35%	(840,656)	3.18%
	26,512,152	100.00%	(1,378,665)	5.20%	27,120,677	100.00%	(1,560,244)	5.75%

(i) As at 31 December 2023 and 31 December 2022, there were no accounts receivable with significant amounts for which the related provision for bad debts was provided on the individual basis.

(ii) As at 31 December 2023, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Related party group	124,569	19.10%	(23,790)
Non-related party group	25,730,095	2.71%	(697,387)
	25,854,664		(721,177)

As at 31 December 2022, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Related party group	237,028	–	–
Non-related party group	26,164,061	3.21%	(840,656)
	26,401,089		(840,656)

(d) In 2023, the total amount of bad debts of RMB42,078,000 were reserved after considering the provision (2022: provision for bad debts of RMB669,961,000), of which RMB58,386,000 (2022: RMB90,559,000) was reversal of provision made in test for impairment on an individual basis. (Note 4 (22)).

(e) In 2023, the provision for bad debts of accounts receivable that were written off amounted to RMB158,277,000 and no accounts receivable with amounts that were individually significant were written off (Note 4(22)).

(4) Advances to suppliers

(a) The ageing of advances to suppliers is analysed below:

Ageing	31 December 2023		31 December 2022	
	Amount	% of total balance	Amount	% of total balance
Within 1 year (inclusive)	3,179,005	97.90%	3,339,817	96.39%
1 to 2 years (inclusive)	42,025	1.29%	94,873	2.74%
Over 2 years	26,264	0.81%	30,221	0.87%
	3,247,294	100.00%	3,464,911	100.00%

As at 31 December 2023, advances to suppliers with ageing over one year were mainly advance payment to suppliers. That is because relevant business transactions were still being performed.

(b) As at 31 December 2023, the five largest advances to suppliers aggregated by debtor were summarised and analysed as follows:

	31 December 2023	
	Amount	% of total balance
Sum of the five largest advances to suppliers	625,967	19.28%

(5) Other receivables

	31 December 2023	31 December 2022
Receivables from related parties (Note 8(4)(d))	633,373	521,494
Guarantees and deposits	1,523,589	1,532,034
Goods payments collected on behalf of other parties	659,441	330,427
Tax paid on behalf of others	168,971	208,441
Employee borrowings and advances	85,491	106,828
Receivables from airlines subsidies and financial rebates	15,371	99,389
Receivables from equity transfer	76,500	77,455
Prepaid social insurance premium	38,154	33,519
Entrusted loan principal receivables	–	27,000
Others	592,137	643,773
	3,793,027	3,580,360
Less: Provision for bad debts	(223,719)	(239,123)
	3,569,308	3,341,237

The Group does not have deposits at other parties under a centralised management arrangement that are presented as other receivables.

(a) The ageing of other receivables based on the point of occurrence is analysed as follows:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	2,841,698	2,572,195
1 to 2 years (inclusive)	266,128	385,523
Over 2 years	685,201	622,642
	3,793,027	3,580,360

As at 31 December 2023, other receivables with ageing over 1 year mainly represented deposits and guarantees and receivables from equity transfer.

(b) Provision for bad debts and changes in balance statements

The Group measures the loss provision for other receivables based on the expected credit losses for the next twelve months or the entire duration.

The provision for bad debts for other receivables were analysed as follows:

	31 December 2023				31 December 2022			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
Provision for bad debts on the individual basis (i)	221,458	5.84%	(209,970)	94.81%	250,413	6.99%	(228,125)	91.10%
Provision for bad debts on the grouping basis (ii)	3,571,569	94.16%	(13,749)	0.38%	3,329,947	93.01%	(10,998)	0.33%
	3,793,027	100.00%	(223,719)	5.90%	3,580,360	100.00%	(239,123)	6.68%

Changes in balance statements are as follows:

	Stage 1	Stage 3	
	Expected credit losses in the following 12 months (grouping)	Lifetime expected credit losses (credit impaired)	Total
31 December 2022	10,998	228,125	239,123
Provision/(Reversal) in the current year	11,797	(1,000)	10,797
Write-off in the current year	–	(26,201)	(26,201)
Transfer to Stage 3	(9,046)	9,046	–
31 December 2023	13,749	209,970	223,719

As at 31 December 2023 and 31 December 2022, the Group did not have any other receivables at Stage 2. Other receivables at Stage 1 and Stage 3 are analysed as follows:

(i) As at 31 December 2023 and 31 December 2022, the Group did not have any other receivables at Stage 1 for which the related provision for bad debts was provided on the individual basis.

As at 31 December 2023, other receivables at Stage 1 for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Book balance	Expected credit loss rate in the following 12 months	Provision for bad debts	Reason
Provided on the grouping basis:				
Related party group	633,373	–	–	Confirm loss provisions based on the expected amount of credit losses in the next 12 months
Non-related party group	2,938,196	0.47%	(13,749)	
	3,571,569		(13,749)	

As at 31 December 2022, other receivables at Stage 1 for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Expected credit loss rate in the following 12 months	Provision for bad debts	Reason
Provided on the grouping basis:				
Related party group	521,494	–	–	Confirm loss provisions based on the expected amount of credit losses in the next 12 months
Non-related party group	2,808,453	0.39%	(10,998)	
	3,329,947		(10,998)	

(ii) As at 31 December 2023 and 31 December 2022, the Group did not have any other receivables at Stage 3 for which the related provision for bad debts was provided on the grouping basis.

As at 31 December 2023, other receivables at Stage 3 for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime expected credit losses	Provision for bad debts	Reason
Provided on the individual basis:				
Receivables from equity transfer	76,500	100.00%	(76,500)	The debtor encountered financial distress
Guarantees and deposits	48,425	76.28%	(36,937)	The debtor encountered financial distress
Others	96,533	100.00%	(96,533)	The debtor encountered financial distress
	221,458		(209,970)	

As at 31 December 2022, other receivables at Stage 3 for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime expected credit losses	Provision for bad debts	Reason
Provided on the individual basis:				
Receivables from equity transfer	77,455	100.00%	(77,455)	The debtor encountered financial distress
Guarantees and deposits	49,425	76.76%	(37,937)	The debtor encountered financial distress
Entrusted loans receivable	27,000	60.00%	(16,200)	The debtor encountered financial distress
Others	96,533	100.00%	(96,533)	The debtor encountered financial distress
	250,413		(228,125)	

(c) In 2023, the total amount of a net provision for bad debts of RMB10,797,000 was made after considering the reversal (2022: provision for bad debts of RMB158,035,000), of which RMB1,000,000 (2022: Nil) was reversal of provision made in test for impairment on an individual basis.

(d) In 2023, the provision for bad debts of other receivables that were written off amounted to RMB26,201,000 (2022: RMB18,814,000) (Note 4(22)) and no other receivables with amounts that were individually significant were written off (2022: Nil).

(e) As at 31 December 2023, the five largest other receivables aggregated by debtor were summarised and analysed as follows:

	Nature of business	Ageing	31 December 2023		
			Book balance	Provision for bad debts	% of total balance
Company 1	Cash to collect on behalf of customers	Within 1 year	561,103	–	14.79%
Company 2	Cash to collect on behalf of customers	Within 1 year	123,684	–	3.26%
Company 3	Cash to collect on behalf of customers	Within 1 year	101,303	–	2.67%
Company 4	Claims receivable	Within 1 year	64,962	–	1.71%
Company 5	Guarantees and deposits	Over 2 years	55,565	–	1.46%
			906,617	–	23.89%

(6) Inventories

Inventories are summarised by category as follows:

	31 December 2023		
	Book balance	Provision for decline in the value of inventories	Carrying amount
Finished goods	1,040,816	(1,676)	1,039,140
Raw materials	472,994	(1,106)	471,888
Aviation consumables	499,062	–	499,062
Turnover materials	365,165	–	365,165
Costs to fulfil a contract	65,170	–	65,170
	2,443,207	(2,782)	2,440,425

	31 December 2022		
	Book balance	Provision for decline in the value of inventories	Carrying amount
Finished goods	706,779	(2,425)	704,354
Raw materials	608,201	(1,114)	607,087
Aviation consumables	353,119	–	353,119
Turnover materials	227,620	–	227,620
Costs to fulfil a contract	56,174	–	56,174
	1,951,893	(3,539)	1,948,354

(7) Contract assets

	31 December 2023	31 December 2022
Contract assets	1,636,144	1,526,396
Less: Provision for impairment loss	(3,552)	(3,400)
	1,632,592	1,522,996

For contract assets, the Group recognises the lifetime expected credit loss provision regardless of whether there exists a significant financing component. As at 31 December 2023 and 31 December 2022, the Group's contract assets are not overdue. After evaluation, the Group believes that there is no need to make individual provision for impairment.

In 2023, the Group didn't have contract assets written off (2022: Nil).

(8) Other current assets

	31 December 2023	31 December 2022
Input VAT to be offset	4,641,173	4,840,499
Prepaid enterprise income tax	551,327	768,131
Others	23,043	4,298
	5,215,543	5,612,928

(9) Long-term receivables and current portion of non-current assets

	31 December 2023	31 December 2022
Finance lease receivables	399,135	755,431
Less: Unrealized financing income	(25,021)	(63,227)
Amortized cost of finance lease receivables	374,114	692,204
Deposits for house purchase	277,904	277,904
Employees loans	42,029	112,662
Others	3,281	8,860
Less: Provision for bad debts	(15,178)	(19,613)
Current portion of long-term receivables	(314,080)	(440,739)
	368,070	631,278

After the balance sheet date, the Group's minimum lease proceeds at undiscounted contractual cash flows (including interest calculated at the contract rate (or the prevailing rate at the balance sheet date in the case of a floating rate) are analysed as below:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	317,410	437,214
1 to 2 years (inclusive)	73,090	244,134
2 to 3 years (inclusive)	8,635	65,863
Over 3 years	–	8,220
	399,135	755,431

(10) Long-term equity investments

	Joint ventures	Associates	Total
31 December 2022	3,648,376	4,209,624	7,858,000
(Decrease)/Increase in investments	(245,348)	100,574	(144,774)
Investment (losses)/income recognised under the equity method	(145,714)	78,524	(67,190)
Other comprehensive income in equity recognised under the equity method	–	(5,583)	(5,583)
Changes in equity recognised under the equity method	40	13,902	13,942
Cash dividends/profits distributed	(892)	(188,104)	(188,996)
Provision for impairment loss	(614)	(123,293)	(123,907)
Effect of translation of foreign currency financial statements	2,855	34,484	37,339
31 December 2023	3,258,703	4,120,128	7,378,831
Including: Balance of provision for impairment loss at the end of the period	(408)	(345,816)	(346,224)

(a) Joint ventures

		Movements in the current year								Provision for impairment loss	
	31 December 2022	(Decrease)/ Increase in investments	Share of net profit/(loss) under the equity method	Other changes in equity	Cash dividends/ profits distributed	Provision for impairment	Exchange differences on translation of foreign currency financial statements	31 December 2023	31 December 2023	31 December 2022
Hubei International Logistics Airport Co., Ltd.	2,227,947	–	(162,409)	–	–	–	–	2,065,538	–	–
Jinfeng Borun (Xiamen) Equity Investment Partnership (Limited Partnership)	317,029	–	(2,908)	–	–	–	–	314,121	–	–
ZBHA Group Co., Ltd. (Limited Partnership)	236,210	–	4,726	–	–	–	–	240,936	–	–
Gem-shunxin Industrial Technology Co., Ltd.	497,197	(291,374)	4,013	(1,106)	–	–	–	208,730	–	–
CC SF China Logistics Properties Investment Fund, L.P.	108,106	13,278	(6,609)	–	–	–	2,124	116,899	–	–
Others	261,887	32,748	17,473	1,146	(892)	(614)	731	312,479	(408)	(4,472)
	3,648,376	(245,348)	(145,714)	40	(892)	(614)	2,855	3,258,703	(408)	(4,472)

(b) Associates

		Movements in the current year								Provision for impairment loss	
	31 December 2022	Increase in investments	Share of net profit/(loss) under the equity method	Share of other comprehensive income	Other changes in equity	Cash dividends/ profits distributed	Provision for impairment loss	Exchange differences on translation of foreign currency financial statements	31 December 2023	31 December 2023	31 December 2022
SF Real Estate Investment Trust ("SF REITs")	1,183,667	12,078	8,161	(5,261)	–	(72,079)	–	27,124	1,153,690	–	–
Chiwan Container Terminal Co., Ltd.	964,318	–	61,006	–	–	(71,449)	–	4,278	958,153	–	–
Giao Hang Tiet Kiem Joint Stock Company	408,610	–	65,382	–	–	(37,863)	–	(10,548)	425,581	–	–
Amass Freight International Co. Ltd.	263,526	–	2,078	–	–	–	–	–	265,604	–	–
PT. Puninar Saranaraya	233,613	–	11,299	–	–	–	–	5,508	250,420	–	–
Zhejiang Galaxis Technology Group Co., Ltd. ("Galaxis Technology")	210,966	–	(14,847)	–	–	–	–	–	196,119	–	–
Others	944,924	88,496	(54,555)	(322)	13,902	(6,713)	(123,293)	8,122	870,561	(345,816)	(243,545)
	4,209,624	100,574	78,524	(5,583)	13,902	(188,104)	(123,293)	34,484	4,120,128	(345,816)	(243,545)

(11) Investments in other equity instruments

	31 December 2023	31 December 2022
Equity of listed companies	2,418,842	158,936
Equity of unlisted companies	7,070,693	7,206,748
	9,489,535	7,365,684

	31 December 2023	31 December 2022
Equity of listed companies		
– Costs	1,881,825	187,763
– Accumulated changes in fair value	537,017	(28,827)
	2,418,842	158,936
Equity of unlisted companies:		
– Costs	3,666,581	3,885,789
– Accumulated changes in fair value	3,404,112	3,320,959
	7,070,693	7,206,748

Including: the changes in cost and accumulated fair value of RMB19,301,000 and RMB47,740,000 respectively in the current year were due to differences in translation of foreign currency statements.

(12) Other non-current financial assets

	31 December 2023	31 December 2022
Financial assets held for trading (over one year):		
Industry fund investments	499,320	770,637
Special scheme equity-class securities	–	116,286
Equity of unlisted companies	84,401	118,324
Others	6,275	6,962
	589,996	1,012,209

(13) Investment properties

	Buildings	Land use rights	Total
Cost:			
31 December 2022	3,926,281	1,162,192	5,088,473
Reclassification with other long-term assets in the current year (Note 4(14), Note 4(15), Note 4(17))	764,650	180,048	944,698
Addition in the current year (i)	570,471	138,949	709,420
Decrease in the current year	(1,548)	–	(1,548)
Effect of translation of foreign currency financial statements	1,864	(810)	1,054
31 December 2023	5,261,718	1,480,379	6,742,097
Accumulated depreciation:			
31 December 2022	138,503	74,604	213,107
Reclassification with other long-term assets in the current year (Note 4(14), Note 4(17))	(23,923)	7,452	(16,471)
Provision in the current year	91,277	34,435	125,712
Decrease in the current year	(45)	–	(45)
Effect of translation of foreign currency financial statements	613	461	1,074
31 December 2023	206,425	116,952	323,377
Carrying amount:			
31 December 2023	5,055,293	1,363,427	6,418,720
31 December 2022	3,787,778	1,087,588	4,875,366

(i) As at 15 September 2023, the Group exercised the right of first refusal to purchase the asset-backed special plan of Huatai Jiayue-SF Industrial Park Phase I No. 3 to acquire Shenzhen Fengkai Industrial Park Management Co., Ltd. ("Shenzhen Fengkai"), Shenzhen Runtai Industrial Park Management Co., Ltd. ("Shenzhen Runtai"), Shenzhen Yutai Industrial Park Management Co., Ltd. ("Shenzhen Yutai"), Shenzhen Xingtai Industrial Park Management Co., Ltd. ("Shenzhen Xingtai") and Shenzhen Shengtai Industrial Park Management Co., Ltd. ("Shenzhen Shengtai") 100% equity ("the subject of exercise"). The exercise price is about RMB1,477,000,000 in total for the appraisal value of the property assets of the logistics industrial park under the special plan. After deducting the assumed liabilities, the total value is approximately RMB573,000,000. The total transfer price of the equity in this transaction is approximately RMB904,000,000. The transaction was completed on 9 October 2023 (the "Purchase Date").

The acquisition meets the concentration test and is treated in accordance with the principle of asset purchase. The fixed assets (buildings) and intangible assets (land use rights) purchased are recognised on the purchase date at total fair value of RMB1,477,000,000.

As at 19 December 2023, the Group acquired 100% equity in Zhengzhou Fengtai E-commerce Industrial Park Management Co., Ltd. ("Zhengzhou Fengtai"). The total exercise price is based on the appraisal value of Zhengzhou Fengtai's asset, which is approximately RMB684,000,000. After deducting the value of approximately RMB348,557,000 in liabilities, the total transfer price of the equity in this transaction is approximately RMB335,443,000. The transaction was completed on 28 December 2023 (the "Purchase Date").

The acquisition meets the concentration test and is treated in accordance with the principle of asset purchase. The fixed assets (buildings) and intangible assets (land use rights) purchased are recognised on the purchase date at total fair value of RMB684,000,000.

(ii) As at 31 December 2023, buildings and land use rights with carrying amount of RMB580,127,000 (cost: RMB586,990,000) (31 December 2022: carrying amount of RMB815,717,000 and cost of RMB833,551,000) were undergoing relevant formalities for filing property certificates.

(iii) As at 31 December 2023, investment properties with carrying amount of RMB111,124,000 (31 December 2022: RMB104,571,000) were pledged as collateral for long-term borrowings (Note 4(31)(c)).

(iv) As at 31 December 2023 and 31 December 2022, the Group assessed that no impairment loss should be recognised for investment properties.

(14) Fixed assets

	Buildings	Motor vehicles	Computers and electronic equipment	Aircraft, aircraft engines, rotables and high-value maintenance tools	Machinery and equipment	Office equipment and other equipment	Total
Cost:							
31 December 2022	20,737,655	7,360,813	5,145,818	13,343,778	11,050,506	10,964,878	68,603,448
Transfer from construction in progress (Note 4(15))	6,868,387	399	134,166	2,194,943	3,838,146	69,534	13,105,575
Transfer from investment properties in the current year (Note 4(13))	594,547	–	–	–	–	–	594,547
Addition in the current year	1,272,496	1,189,776	425,863	343,764	346,663	381,899	3,960,461
Business combinations involving enterprises not under common control increased	84,384	3,884	2,924	–	15,557	5,204	111,953
Transfer to investment properties in the current year (Note 4(13))	(366,084)	–	–	–	–	–	(366,084)
Decrease due to disposal of subsidiaries in the current year	(44,337)	(2,652)	(8,462)	–	(18,218)	(39,382)	(113,051)
Other decreases in the current year	(22,595)	(1,144,248)	(588,257)	(385,452)	(304,089)	(530,076)	(2,974,717)
Effect of translation of foreign currency financial statements	60,886	26,979	13,971	–	70,881	(12,604)	160,113
31 December 2023	29,185,339	7,434,951	5,126,023	15,497,033	14,999,446	10,839,453	83,082,245
Accumulated depreciation:							
31 December 2022	2,208,458	4,843,978	3,595,671	5,577,042	3,210,478	5,480,050	24,915,677
Transfer from investment properties in the current year (Note 4(13))	38,449	–	–	–	–	–	38,449
Provision in the current year	695,828	1,011,297	725,963	1,361,913	1,253,916	1,588,891	6,637,808
Business combinations involving enterprises not under common control increased	17,726	3,479	2,749	–	10,726	4,380	39,060
Transfer to investment properties in the current year (Note 4(13))	(14,526)	–	–	–	–	–	(14,526)
Decrease due to disposal of subsidiaries in the current year	(6,677)	(2,046)	(6,592)	–	(4,888)	(11,066)	(31,269)
Other decreases in the current year	(12,780)	(1,061,855)	(549,407)	(295,085)	(145,085)	(415,938)	(2,480,150)
Effect of translation of foreign currency financial statements	(8,155)	11,488	11,529	–	38,454	(7,615)	45,701
31 December 2023	2,918,323	4,806,341	3,779,913	6,643,870	4,363,601	6,638,702	29,150,750
Provision for impairment loss:							
31 December 2022	–	–	–	–	1,633	28,734	30,367
Decrease in the current year	–	–	–	–	–	(28,726)	(28,726)
31 December 2023	–	–	–	–	1,633	8	1,641
Carrying amount:							
31 December 2023	26,267,016	2,628,610	1,346,110	8,853,163	10,634,212	4,200,743	53,929,854
31 December 2022	18,529,197	2,516,835	1,550,147	7,766,736	7,838,395	5,456,094	43,657,404

(i) As at 31 December 2023, the buildings held by the Group include permanent ownership land that does not require depreciation.

(ii) In 2023, the aggregate amount of depreciation expenses charged to cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses was RMB6,611,786,000 (2022: RMB5,859,984,000).

(iii) As at 31 December 2023, fixed assets with carrying amount of RMB536,746,000 (31 December 2022: RMB486,847,000) were pledged as collateral for short-term and long-term borrowings (Note 4(23)(b) and Note 4(31)(c)).

(iv) Fixed assets with pending certificates of ownership

	31 December 2023			
	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Buildings	6,230,244	(154,749)	–	6,075,495

	31 December 2022			
	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Buildings	4,147,265	(93,939)	–	4,053,326

In addition, as at 31 December 2023, buildings with carrying amount of RMB18,155,000 and (cost of RMB29,844,000) (31 December 2022: carrying amount of RMB19,562,000 and cost of RMB29,844,000) represented public rental houses with restricted property rights purchased by the Group for enterprise talents.

(v) Disposal of aircraft engines, rotables and high-value aircraft maintenance tools

	2023				
	Reason for disposal	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Aircraft rotables	Scrapped	8,029	(3,371)	–	4,658
High-value aircraft maintenance tools	Scrapped	5,060	(3,378)	–	1,682
Aircraft rotables	Disposals	1,143	(270)	–	873
		14,232	(7,019)		7,213

	2022				
	Reason for disposal	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Aircraft rotables	Scrapped	18,191	(3,835)	–	14,356
Aircraft rotables	Disposals	205	(54)	–	151
High-value aircraft maintenance tools	Scrapped	257	(244)	–	13
		18,653	(4,133)	–	14,520

(vi) On October 30, 2023, the Group held the 8th meeting of the 6th Board of Directors and the 6th meeting of the 6th Board of Supervisors, when reviewed and approved *the Proposal on Changes in Accounting Estimates*. Based on the objective evaluation of the business technology department of the Group, as well as the actual flight life and usage of the aircraft fuselage, the Group believes that the current depreciation period of the aircraft fuselage cannot accurately reflect the actual usage status of the assets. In order to more accurately reflect the asset status and operating results of the company's aircraft fuselage, and to better match the depreciation period of the aircraft fuselage with its actual service life, the Group plans to make accounting estimates for the depreciation period of the aircraft fuselage. The accounting estimate change will be implemented from January 1, 2024, and the depreciation period for aircraft fuselage will be changed from 10 years to 10-20 years.

(15) Construction in progress

	31 December 2023	31 December 2022
Industrial Park Projects	2,252,284	7,055,896
Project of Distribution Hubs	474,378	2,082,661
Aircraft import and refit	164,643	1,106,470
Qianhai S.F. Headquarters Office	–	158,959
Others	1,141,579	745,874
	4,032,884	11,149,860
Including: Balance of provision for impairment loss at the end of the period	(17,324)	(1,145)

Name of projects	Budget	31 December 2022	Increase in the current year	Transfer to other long-term assets in the current year (ii)	Provision for impairment loss in the current year	Other decreases in the current year	31 December 2023	% of project investment in budget	Progress of project	Accumulative amount of capitalised borrowing costs	Including: Borrowing costs capitalised in the current year (Note 4(47))	Capitalisation rate	Source of funds
Industrial Park Projects	20,730,396	7,055,896	2,361,839	(7,147,378)	(17,443)	(630)	2,252,284	81.92%	81.92%	212,199	103,284	2.75%	Self-owned funds and loans from financial institutions
Project of Distribution Hubs	21,195,051	2,082,661	3,044,887	(4,652,463)	–	(707)	474,378	75.40%	75.40%	–	–	–	Self-owned funds
Aircraft import and refit	1,572,937	1,106,470	1,306,562	(2,235,410)	–	(12,979)	164,643	83.07%	83.07%	–	–	–	Self-owned funds
Qianhai S.F. Headquarters Office	1,029,950	158,959	5,730	(164,689)	–	–	–	100.00%	100.00%	92,017	240	3.02%	Self-owned funds and loans from financial institutions
Others	–	745,874	1,390,482	(915,457)	–	(79,320)	1,141,579			–	–	–	Self-owned funds
		11,149,860	8,109,500	(15,115,397)	(17,443)	(93,636)	4,032,884			304,216	103,524		

(i) For aircraft import and refit, the percentage of project investment in budget is related to the investment for the current period; for the other projects, the percentage of project investment in budget is related to the accumulative investment.

(ii) The construction in progress transferred to long-term assets for the current year amounted to RMB15,115,397,000, including RMB13,105,575,000 transferred to fixed assets, RMB993,113,000 transferred to investment properties and RMB1,016,709,000 transferred to long-term prepaid expenses.

(iii) For self-built Industrial Park Projects, Project of Distribution Hubs, Qianhai S.F. Headquarters Office and the buildings of other projects, the Group transferred the parts of such projects that had passed completion acceptance and been ready their intended use by 2023 to relevant fixed assets and investment properties.

(iv) For the purchased aircrafts, the Group transferred the modified parts of such aircrafts that had completed commissioning acceptance and been ready for their intended use by 2023 to relevant fix assets.

(v) As at 31 December 2023, construction in progress with carrying amount of RMB272,393,000 (31 December 2022: Nil) were pledged as collateral for long-term borrowings (Note 4(31)(c)).

(vi) The Group considers the proportion of individual project budget amount to total assets to determine whether there are significant construction in progress projects. As at December 31, 2023, there were not significant construction in progress with a single amount in the Group.

(16) Right-of-use assets

	Buildings	Motor vehicles	Machinery and equipment and others	Total
Cost:				
31 December 2022	27,068,199	671,644	63,117	27,802,960
Addition in the current year	6,415,467	104,317	34,010	6,553,794
Decrease in the current year	(2,935,514)	(236,299)	(18,644)	(3,190,457)
Effect of translation of foreign currency financial statements	76,373	14,556	1,209	92,138
31 December 2023	30,624,525	554,218	79,692	31,258,435
Accumulated depreciation:				
31 December 2022	12,093,629	255,382	24,174	12,373,185
Provision in the current year	6,874,516	126,643	20,309	7,021,468
Decrease in the current year	(2,049,814)	(167,932)	(12,481)	(2,230,227)
Effect of translation of foreign currency financial statements	13,639	6,204	595	20,438
31 December 2023	16,931,970	220,297	32,597	17,184,864
Carrying amount:				
31 December 2023	13,692,555	333,921	47,095	14,073,571
31 December 2022	14,974,570	416,262	38,943	15,429,775

As at 31 December 2023 and 31 December 2022, the Group assessed that no impairment loss should be recognised for right-of-use assets.

(17) Intangible assets

	Land use rights	Purchased software	Self-developed software	Trademark rights	Customer relationships	Others	Total
Cost:							
31 December 2022	7,443,805	870,092	6,312,249	4,887,350	5,855,067	337,155	25,705,718
Transfer from other long-term assets in the current year (Note 4(13), Note 4(18))	145,398	–	1,252,367	–	–	–	1,397,765
Business combinations involving enterprises not under common control increased	59,511	14	–	11	–	–	59,536
Addition in the current year	378,266	99,543	–	797	–	20,943	499,549
Transfer to other long-term assets in the current year (Note 4(13))	(325,446)	–	–	–	–	–	(325,446)
Decrease due to disposal of subsidiaries in the current year	(3,702)	(6,290)	(187,640)	–	–	–	(197,632)
Other disposal in the current year	(1,463)	(110,482)	(100,376)	(92)	–	(2,284)	(214,697)
Effect of translation of foreign currency financial statements	6,386	4,670	–	77,967	97,023	2,526	188,572
31 December 2023	7,702,755	857,547	7,276,600	4,966,033	5,952,090	358,340	27,113,365
Accumulated amortisation:							
31 December 2022	694,232	620,438	3,593,934	584,365	793,438	178,022	6,464,429
Transfer from other long-term assets in the current year (Note 4(13))	10,942	–	–	–	–	–	10,942
Business combinations involving enterprises not under common control increased	6,898	8	–	–	–	–	6,906
Provision in the current year	191,595	109,236	1,671,358	247,462	335,626	32,068	2,587,345
Transfer to other long-term assets in the current year (Note 4(13))	(18,394)	–	–	–	–	–	(18,394)
Decrease due to disposal of subsidiaries in the current year	(315)	(6,290)	(68,959)	–	–	–	(75,564)
Other disposal in the current year	–	(46,809)	(97,568)	(22)	–	(567)	(144,966)
Effect of translation of foreign currency financial statements	(4,073)	2,696	13	10,526	21,276	2,204	32,642
31 December 2023	880,885	679,279	5,098,778	842,331	1,150,340	211,727	8,863,340
Provision for impairment loss:							
31 December 2022	–	–	64,595	4	–	6	64,605
Increase in the current year	5,394	–	38,853	–	–	–	44,247
Decrease in the current year	–	–	(6,020)	–	–	–	(6,020)
31 December 2023	5,394	–	97,428	4	–	6	102,832
Carrying amount:							
31 December 2023	6,816,476	178,268	2,080,394	4,123,698	4,801,750	146,607	18,147,193
31 December 2022	6,749,573	249,654	2,653,720	4,302,981	5,061,629	159,127	19,176,684

(a) In 2023, the total amount of amortisation expenses charged to cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses was RMB2,428,293,000 (2022: RMB2,086,019,000).

(b) As at 31 December 2023, intangible assets with carrying amount of RMB292,495,000 (31 December 2022: RMB247,556,000) were pledged as collateral for short-term and long-term borrowings (Note 4(23)(b) and Note 4(31)(c)).

(c) As at 31 December 2023, the Group was still in the process of applying for certificates of ownership for land use rights with carrying amount of RMB157,465,000 (cost of RMB167,949,000) (31 December 2022: carrying amount of RMB51,120,000 and cost of RMB61,250,000).

(d) As at 31 December 2022, the intangible assets developed by the Group accounted for 11.46% (31 December 2022: 13.84%) of the carrying amount of intangible assets.

(18) Capitalised development expenditures

The Group's total expenditure on research and development activities in 2023 is presented by nature as follows:

	2023		
	Research and development expenses	Capitalised development expenditures	Total
Employee benefits	1,215,989	852,750	2,068,739
Depreciation and amortisation	889,934	85,420	975,354
Others	179,391	139,810	319,201
	2,285,314	1,077,980	3,363,294

	2022		
	Research and development expenses	Capitalised development expenditures	Total
Employee benefits	1,225,926	983,881	2,209,807
Depreciation and amortisation	710,291	88,391	798,682
Others	286,648	194,138	480,786
	2,222,865	1,266,410	3,489,275

The changes in the Group's capitalised development expenditures in 2023 are analysed as follows:

	31 December 2022	Increase in the current year	Transfer to intangible assets in the current year (Note 4(17))	Other decreases in the current year	31 December 2023
System development	311,757	1,077,980	(1,252,367)	(7,525)	129,845

(a) In 2023, there was no impairment of the Group's capitalised development expenditures (2022: Nil).

(b) The Group considers the proportion of the beginning or end of year balance of a single capitalised development projects to total assets to determine whether there are significant capitalised development projects. As at December 31, 2023, there were not significant capitalised development projects with a single amount in the Group.

(19) Goodwill

	31 December 2022	Increase/(Decrease) in the current year	Effect of translation of foreign currency financial statements	31 December 2023
Cost:				
Kerry Logistics business (c)	5,708,450	85,219	95,586	5,889,255
SF Supply Chain Business (c)	3,033,680	–	48,439	3,082,119
SF/HAVI China Logistics (Cayman islands)	362,117	–	5,779	367,896
Guangdong Shunxin Freight Co., Ltd.	149,587	–	–	149,587
Others	94,345	(10,618)	287	84,014
	9,348,179	74,601	150,091	9,572,871
Less: Provision for impairment loss				
Others	(2,435)	–	–	(2,435)
	9,345,744	74,601	150,091	9,570,436

(a) During the goodwill impairment assessment, the Group compares the carrying amount of the relevant assets or sets of asset groups (including goodwill) with their recoverable amount. If the recoverable amount is lower than the carrying amount, the difference shall be included in profit or loss for the current period.

(b) All the goodwill has been allocated by the Group to the relevant asset groups or sets of asset groups at the acquisition date. The Group's allocation of goodwill was not changed in 2023.

(c) The recoverable amounts of relevant sets of asset groups of SF supply chain business and Kerry logistics business are calculated based on the approved seven-year and five-year forecast periods, a fixed income growth rate (as shown in the table below) will be used as the basis for estimation, together with a long-term growth rate in the remaining forecast period, determined by the present value of the future cash flows. The calculation of the recoverable amount of SF supply chain business using a seven-year forecast is mainly based on contractual arrangements with suppliers.

The Group determines revenue growth rate and profit margin based on historical experience and forecast of market development. The long-term growth rate is the growth rate adopted after the forecast period; The Group comprehensively assesses and determines the sustainable annual growth rate based on the long-term inflation rate of the Chinese Mainland, Hong Kong, Thailand and Southeast Asia, the United States, etc. The discount rate is the pre-tax discount rate that reflects the specific risks of the relevant asset groups and sets of asset groups.

In 2023, the major assumptions applied in the recoverable amount of related sets of asset groups and cash flows projections were presented as below:

	2023
Revenue growth rates in the forecast period	2.50%~16.64%
Long-term growth rate	2.00%~2.50%
Earnings before interest and tax	-0.2%~6.60%
Pre-tax discount rate	11.90%~14.00%

As at 31 December 2023, the recoverable amount of the asset portfolio related to SF supply chain business is expected to exceed the book value by approximately RMB410,951,000.

As at 31 December 2023, the recoverable amount of the asset portfolio related to Kerry logistics business is expected to exceed the book value by approximately RMB1,374,911,000.

In 2022, the major assumptions applied in cash flows projections were presented as follows:

	2022
Revenue growth rates in the forecast period	-16.50%~17.00%
Long-term growth rate	2.00%~3.00%
Earnings before interest and tax	-0.47%~7.16%
Pre-tax discount rate	11.71%~14.10%

(20) Long-term prepaid expenses

	31 December 2022	Increase in the current year	Amortisation in the current year	Other decreases in the current year	31 December 2023
Improvements to right-of-use assets	2,096,403	1,074,096	(974,378)	(54,443)	2,141,678
Settling-in allowance and introduction fee for pilots	836,956	83,669	(104,012)	(11,198)	805,415
Others	164,262	114,343	(53,458)	(10,836)	214,311
	3,097,621	1,272,108	(1,131,848)	(76,477)	3,161,404

(21) Other non-current assets

	31 December 2023	31 December 2022
Advances for engineering equipment	823,856	617,191
Prepayment for land use right acquisitions and Others	121,910	7,677
	945,766	624,868

(22) Asset/Credit impairment and provision for losses

	31 December 2022	Provision/ (Reversal)	Write-off	Exchange differences on translation of foreign currency financial statements and other	31 December 2023
Provision for bad debts	1,818,980	(35,716)	(184,478)	18,776	1,617,562
Including: Provision for bad debts of accounts receivable (Note 4(3))	1,560,244	(42,078)	(158,277)	18,776	1,378,665
Provision for bad debts of other receivables (Note 4(5))	239,123	10,797	(26,201)	–	223,719
Provision for bad debts of long-term receivables (Note 4(9))	19,613	(4,435)	–	–	15,178
Provision for bad debts of factoring receivables	123,815	–	–	–	123,815
Provision for bad debts of loans and advances	36,451	2,084	(30,808)	977	8,704
Sub-total	1,979,246	(33,632)	(215,286)	19,753	1,750,081
Provision for impairment of long-term equity investments (Note 4(10))	248,017	123,907	–	(25,700)	346,224
Provision for impairment of fixed assets (Note 4(14))	30,367	–	–	(28,726)	1,641
Provision for impairment of intangible assets (Note 4(17))	64,605	44,247	–	(6,020)	102,832
Provision for decline in the value of inventories (Note 4(6))	3,539	700	–	(1,457)	2,782
Provision for impairment of contract assets (Note 4(7))	3,400	152	–	–	3,552
Provision for impairment of goodwill (Note 4(19))	2,435	–	–	–	2,435
Provision for impairment of construction in progress (Note 4(15))	1,145	17,443	–	(1,264)	17,324
Sub-total	353,508	186,449	–	(63,167)	476,790
	2,332,754	152,817	(215,286)	(43,414)	2,226,871

(23) Short-term borrowings

	31 December 2023	31 December 2022
Unsecured borrowings	12,959,996	8,512,438
Guaranteed borrowings (a)	5,156,012	4,224,863
Secured borrowings (b)	105,969	82,496
Pledged borrowings	–	18,073
	18,221,977	12,837,870

(a) As at 31 December 2023, guaranteed borrowings of RMB5,156,012,000 (31 December 2022: RMB4,224,863,000) were guaranteed by SF Holdings or subsidiaries within the Group.

(b) As at 31 December 2023, secured borrowings of RMB105,969,000 were secured by the following assets respectively:

	Carrying amount of secured assets	Including: those also secured for long-term borrowings
Fixed assets	536,746	536,746
Intangible assets	144,678	144,678
	681,424	681,424

As at 31 December 2022, secured borrowings of RMB82,496,000 were secured by the following assets respectively:

	Carrying amount of secured assets	Including: those also secured for long-term borrowings
Fixed assets	486,847	486,847
Intangible assets	113,059	113,059
	599,906	599,906

(c) As at 31 December 2023, the Group did not have short-term borrowings that were overdue. The range of annual interest rate of major short-term borrowings was from 2.20% to 7.47% (31 December 2022: 2.20% to 5.39%).

(24) Accounts payable

	31 December 2023	31 December 2022
Payables to related parties (Note 8(4)(h))	421,194	505,241
Payables for services and purchases	24,424,941	24,210,111
	24,846,135	24,715,352

As at 31 December 2023, accounts payable with ageing over 1 year amounted to RMB408,452,000 (31 December 2022: RMB93,260,000), including payable outsourcing cost and transportation cost payable. The final settlement of the payment has not been made because the Group has not received the invoice from the suppliers.

(25) Contract liabilities

	31 December 2023	31 December 2022
Advances from related parties (Note 8(4)(i))	48,155	7,010
Advances of freight charges and others	1,783,863	1,237,408
	1,832,018	1,244,418

Contract liabilities of RMB1,244,418,000 included in the carrying amount as at 31 December 2022 were transferred to revenue for the year ended 31 December 2023 (2022: RMB1,675,836,000).

(26) Employee benefits payable

	31 December 2023	31 December 2022
Short-term employee benefits payable (a)	5,547,556	6,093,655
Defined contribution plans payable (b)	61,053	182,896
	5,608,609	6,276,551

(a) Short-term employee benefits

	31 December 2022	Increase in current year	Decrease in current year	31 December 2023
Wages or salaries, bonus, allowances and subsidies	5,483,052	27,207,252	(27,673,979)	5,016,325
Employee welfare	101,659	1,680,834	(1,675,608)	106,885
Social security contributions	76,124	757,318	(810,551)	22,891
Including: Medical insurance	68,888	665,091	(714,496)	19,483
Work injury insurance	6,772	75,076	(79,399)	2,449
Maternity insurance	464	17,151	(16,656)	959
Housing funds	9,467	436,805	(435,785)	10,487
Labour union funds and employee education funds	409,693	452,758	(494,741)	367,710
Others	13,660	481,942	(472,344)	23,258
	6,093,655	31,016,909	(31,563,008)	5,547,556

(b) Defined contribution plans

	31 December 2022	Increase in current year	Decrease in current year	31 December 2023
Basic pensions	177,465	1,313,544	(1,431,137)	59,872
Unemployment insurance	5,431	41,124	(45,374)	1,181
	182,896	1,354,668	(1,476,511)	61,053

(27) Taxes payable

	31 December 2023	31 December 2022
Enterprise income tax payable	1,394,250	1,630,863
Unpaid VAT	538,510	928,371
Others	196,955	201,912
	2,129,715	2,761,146

(28) Other payables

	31 December 2023	31 December 2022
Payables to related parties (Note 8(4)(j))	134,589	220,322
Engineering equipment payable	4,345,119	5,557,664
Deposits payable	1,849,724	1,933,887
Payables for goods collected on behalf of other parties	1,534,338	1,200,321
Payable for equity acquisition	267,886	1,045,334
Bank supply chain financial products/refactoring	543,389	992,178
Warranty deposits payable	505,725	441,138
Recharge payable	1,014,895	405,579
Dividends payable	142,507	165,014
Management fees payable	159,211	137,748
Professional service fees payable	134,607	78,339
Others	862,851	1,169,071
	11,494,841	13,346,595

As at 31 December 2023, other payables with ageing over 1 year amounted to RMB1,149,236,000 (31 December 2022: RMB991,380,000), mainly including the undue deposits of continuing business and the unsettled engineering equipment funds.

(29) Current portion of non-current liabilities

	31 December 2023	31 December 2022
Current portion of lease liabilities (Note 4(33))	5,769,965	6,596,956
Current portion of debentures payable (a)	615,295	3,661,225
Current portion of long-term borrowings (Note 4(31))	2,813,385	600,680
Current portion of cash-settled share-based payments	263,732	296,703
Current portion of long-term payables	23,571	18,086
	9,485,948	11,173,650

(a) Current portion of debentures payable

	31 December 2022	Interest accrual	Amortisation of premium/ discount	Reclassification from debentures payable in the current year (Note 4(32))	Repayment for the current year	Exchange differences on translation of foreign currency financial statements	31 December 2023
Overseas debentures denominated in USD of 2018	3,547,743	93,283	4,349	–	(3,785,175)	139,800	–
Green Corporate Debentures of 2021 (1st instalment)	12,844	–	–	518,972	(18,950)	–	512,866
Others	100,638	–	–	531,961	(531,092)	922	102,429
	3,661,225	93,283	4,349	1,050,933	(4,335,217)	140,722	615,295

(30) Other current liabilities

	31 December 2023	31 December 2022
Output VAT to be recognised arising from contract liabilities	129,212	53,779
Ultra short-term commercial notes	–	4,041,584
Short-term corporate debentures	–	1,020,773
Others	38,456	6,140
	167,668	5,122,276

(31) Long-term borrowings

	31 December 2023	31 December 2022
Guaranteed borrowings (a)	5,633,173	5,901,392
Pledged borrowings (b)	2,150,466	1,487,597
Unsecured borrowings	5,113,058	553,843
Secured borrowings (c)	1,271,929	129,858
	14,168,626	8,072,690
Less: Current portion of long-term borrowings (Note 4(29)):		
Guaranteed borrowings	(914,982)	(50,087)
Pledged borrowings	(668,094)	(461,929)
Unsecured borrowings	(1,156,039)	(52,249)
Secured borrowings	(74,270)	(36,415)
	(2,813,385)	(600,680)
	11,355,241	7,472,010

(a) As at 31 December 2023, the Group's guaranteed borrowings of RMB5,608,173,000 (31 December 2022: RMB5,865,597,000) were guaranteed by subsidiaries within the Group, and guaranteed borrowings of RMB25,000,000 (31 December 2022: RMB35,795,000) were guaranteed by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd. ("Taisen Holdings") and Havi Group LP (U.S.).

(b) As at 31 December 2023, the entitlement to receivables arising from aircraft financial leasing business of subsidiary SF Airlines was pledged by subsidiary Shunyuan Financial Leasing (Tianjin) Co., Ltd. ("Shunyuan Financial Leasing") for the pledged bank borrowings of RMB2,150,466,000 (31 December 2022: RMB1,487,597,000). As at 31 December 2023, the balance of receivables pledged was RMB2,496,880,000 (31 December 2022: RMB1,670,516,000), all of which were receivables from subsidiaries within the Group.

(c) As at 31 December 2023, secured borrowings of RMB1,271,929,000 were secured by the following assets respectively:

	Carrying amount of secured assets	Including: those also secured for short-term borrowings
Fixed assets	536,746	536,746
Intangible assets	292,495	144,678
Investment properties	111,124	–
Construction in progress	272,393	–
	1,212,758	681,424

As at 31 December 2022, secured borrowings of RMB129,858,000 were secured by the following assets respectively:

	Carrying amount of secured assets	Including: those also secured for short-term borrowings
Fixed assets	486,847	486,847
Intangible assets	247,556	113,059
Investment properties	104,571	–
	838,974	599,906

(d) Besides, as at 31 December 2023, Taisen Holdings provided a full joint and several liability guarantee for RMB1,239,787,000 of the above secured borrowings (31 December 2022: RMB3,000,000).

(e) As at 31 December 2023, the Group did not have long-term borrowings that were overdue. The range of annual interest rate of major borrowings was from 2.20% to 6.91% (31 December 2022: 3.02% to 5.77%).

(32) Debentures payable

	31 December 2022	Interest accrual	Amortisation of premium/ discount	Exchange differences on translation of foreign currency financial statements	Current portion of debentures payable (Note 4(29))	31 December 2023
Overseas debentures denominated in USD of 2020	4,829,576	142,614	7,195	89,913	(142,614)	4,926,684
Overseas debentures denominated in USD of 2021	8,306,504	241,713	9,743	154,640	(241,713)	8,470,887
Green Corporate Debentures of 2021 (1st instalment)	499,677	19,050	245	–	(518,972)	–
Overseas debentures denominated in USD of 2022	4,792,189	133,695	16,243	89,060	(133,695)	4,897,492
Smooth Freight Logistics Debentures (1st instalment)	499,562	13,939	157	–	(13,939)	499,719
	18,927,508	551,011	33,583	333,613	(1,050,933)	18,794,782

	Issuer	Currency	Par value (thousand yuan)	Date of issue	Term	Amount (equivalent to RMB)	Nominal interest rate	Default or not
Overseas debentures denominated in USD of 2020	SF Holding Investment Limited	USD	700,000	20 February 2020	10 years	4,957,890	2.88%	No
Overseas debentures denominated in USD of 2021	SF Holding Investment 2021 Limited	USD	400,000	17 November 2021	5 years	2,833,080	2.38%	No
Overseas debentures denominated in USD of 2021	SF Holding Investment 2021 Limited	USD	300,000	17 November 2021	7 years	2,124,810	3.00%	No
Overseas debentures denominated in USD of 2021	SF Holding Investment 2021 Limited	USD	500,000	17 November 2021	10 years	3,541,350	3.13%	No
Green Corporate Debentures of 2021 (1st instalment)	Taisen Holdings	RMB	500,000	From 23 April 2021 to 26 April 2021	3 years	500,000	3.79%	No
Overseas debentures denominated in USD of 2022	SF Holding Investment 2021 Limited	USD	400,000	28 January 2022	5 years	2,833,080	2.38%	No
Overseas debentures denominated in USD of 2022	SF Holding Investment 2021 Limited	USD	300,000	28 January 2022	10 years	2,124,810	3.13%	No
Smooth Freight Logistics Debentures (1st instalment)	Taisen Holdings	RMB	500,000	22 September 2022	3 years	500,000	2.79%	No

(33) Lease liabilities

	31 December 2023	31 December 2022
Lease liabilities	13,808,460	15,179,328
Less: Current portion of lease liabilities (Note 4(29))	(5,769,965)	(6,596,956)
	8,038,495	8,582,372

As at 31 December 2023, payments for leases not yet commenced to which the Group was committed amounted to RMB5,197,548,000 (31 December 2022: RMB1,638,701,000) (Note 15(3)(b)).

(34) Deferred income

Government grants	31 December 2022	Increase in the current year	Amount recognised in other income in the current year (Note 4(49))	Other decreases in the current year	31 December 2023
Huanggang Baitan Lake Organising Committee Project	419,578	30,000	(12,274)	–	437,304
Government support funds for industrial park	359,122	215,951	(7,344)	–	567,729
Others	82,091	39,022	(26,317)	(9,185)	85,611
	860,791	284,973	(45,935)	(9,185)	1,090,644

The above government grants are all related to assets.

(35) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	31 December 2023		31 December 2022	
	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Lease liabilities (Note 2(30))	12,542,513	2,998,695	13,965,422	3,187,174
Deductible tax losses	4,011,713	900,683	3,090,230	699,863
Depreciation and amortisation differences	3,671,061	849,888	2,175,284	502,343
Accrued expenses	2,018,943	480,077	2,288,228	551,443
Provision for asset impairment	722,267	174,813	700,865	167,412
Unrealised profits from internal transactions	449,497	112,374	579,524	144,881
Others	344,204	82,661	301,226	70,426
	23,760,198	5,599,191	23,100,779	5,323,542
Including:				
Expected to be recovered within one year (inclusive)		2,002,169		2,219,959
Expected to be recovered after one year		3,597,022		3,103,583
		5,599,191		5,323,542

(b) Deductible tax losses and deductible temporary differences that are not recognised as deferred tax assets are analysed as follows:

	31 December 2023	31 December 2022
Deductible tax losses (c)	18,873,618	20,086,770
Deductible temporary differences	1,113,144	1,133,829
	19,986,762	21,220,599

(c) The following table shows unrecognised deductible tax losses based on its expiration date:

	31 December 2023	31 December 2022
2023	–	793,083
2024	1,270,206	1,568,941
2025	3,954,921	4,764,110
2026	4,468,234	5,702,895
2027	3,254,460	4,334,208
2028 and subsequent years	5,925,797	2,923,533
	18,873,618	20,086,770

(d) Deferred tax liabilities before offsetting

	31 December 2023		31 December 2022	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Appreciation in asset value arising from business combinations involving enterprises not under common control	12,385,409	2,971,543	12,956,677	3,137,944
Right-of-use assets (Note 2(30))	11,850,559	2,830,561	13,379,139	3,052,235
Depreciation and amortisation differences	6,823,020	1,606,602	7,153,559	1,691,289
Changes in fair value of financial assets	1,436,715	359,178	1,424,987	356,247
Others	525,038	118,411	548,082	110,817
	33,020,741	7,886,295	35,462,444	8,348,532
Including:				
Expected to be recovered within one year (inclusive)		1,861,507		2,073,413
Expected to be recovered after one year		6,024,788		6,275,119
		7,886,295		8,348,532

(e) The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:

	31 December 2023	31 December 2022
Deferred tax assets, net	2,263,870	1,632,964
Deferred tax liabilities, net	4,550,974	4,657,954

(36) Share capital

	31 December 2022	Increase in current year	Decrease in current year	31 December 2023
Ordinary shares denominated in RMB	4,895,202	–	–	4,895,202

	31 December 2021	Increase in current year	Decrease in current year Note 4 (38(iii))	31 December 2022
Ordinary shares denominated in RMB	4,906,213	–	(11,011)	4,895,202

(37) Capital reserve

	31 December 2022	Increase in current year	Decrease in current year	31 December 2023
Capital premium				
– Capital contribution by shareholders	34,978,720	–	–	34,978,720
– Transfer of convertible corporate debentures to share capital	5,758,688	–	–	5,758,688
– Transfer of convertible corporate debentures issued by subsidiaries to share capital	1,980,870	–	–	1,980,870
– Capital reserve from transactions with minority shareholders (i)	225,677	1,207	(1,037,241)	(810,357)
– Business combinations involving enterprises under common control	(76,633)	–	–	(76,633)
– Exercise of share-based payments	–	43,898	–	43,898
Other capital reserve				
– Share-based payments included in capital reserve	675,189	271,510	(113,510)	833,189
– Others	453,726	1,984	–	455,710
	43,996,237	318,599	(1,150,751)	43,164,085

	31 December 2021	Increase in current year	Decrease in current year	31 December 2022
Capital premium				
– Capital contribution by shareholders	35,362,702	–	(383,982)	34,978,720
– Transfer of convertible corporate debentures to share capital	5,758,688	–	–	5,758,688
– Transfer of convertible corporate debentures issued by subsidiaries to share capital	1,980,870	–	–	1,980,870
– Capital reserve from transactions with minority shareholders	2,279,859	825	(2,055,007)	225,677
– Business combinations involving enterprises under common control	(76,633)	–	–	(76,633)
Other capital reserve				
– Share-based payments included in capital reserve	552,190	122,999	–	675,189
– Others	342,922	110,804	–	453,726
	46,200,598	234,628	(2,438,989)	43,996,237

(i) Capital reserve from transactions with minority shareholders in the current year mainly due to the acquisition of minority shareholders' equity.

(38) Treasury stock

	31 December 2022	Increase in current year (i)	Decrease in current year (ii)	31 December 2023
Treasury stock	2,040,377	959,956	(424,801)	2,575,532

	31 December 2021	Increase in current year (i)	Decrease in current year (iii)	31 December 2022
Treasury stock	394,993	2,040,377	(394,993)	2,040,377

(i) In accordance with the *Proposal of Repurchasing Shares by Centralised Price Bidding* approved in the 22nd session of the fifth Board of Directors on 2 March 2022 and the 28th session of the fifth Board of Directors on 22 September 2022, the Company repurchased a portion of issued to the public for employee stock ownership plan or share-based incentive through centralised price bidding by self-owned funds. As at 31 December 2023, the Company repurchased a total of 59,471,139 shares, and recognised treasury stock of RMB3,000,333,000. Among them, the Company repurchased 19,838,884 shares, and recognised treasury stock of RMB959,956,000 in 2023; the Company repurchased 39,632,255 shares, and recognised treasury stock of RMB2,040,377,000 in 2022.

(ii) On 1 August 2023, the Company held the 6th session of the sixth Board of Directors and the 4th session of the sixth Board of Supervisors, respectively, at which it approved the *Proposal on the Fulfilment of Conditions for Exercising Stock Options for the First Exercise Period of Stock Options Granted for the First Time Under the 2022 Stock Option Incentive Plan*. The number of exercisable stock options during the first exercise period granted for the first time to incentive recipients who pass the performance evaluation was 8,420,193, and the total capital contributions received for the exercisable stock options were RMB355,189,000. Among them, the treasury shares were reduced by RMB424,801,000, and the capital reserve was reduced by RMB69,612,000.

(iii) On 31 January 2019, the 19th session of the fourth Board of Directors approved the *Proposal of Repurchasing Shares by Centralised Price Bidding*, the Company repurchased 11,010,729 shares issued to the public for employee stock ownership plan or share-based incentive through centralised price bidding by self-owned funds. A total of RMB394,993,000 of treasury stock was recognised.

According to the relevant laws and regulations and the *Articles of Association*, the above-mentioned repurchased shares should be transferred or cancelled within three years. Since the Company has not launched an employee stock ownership plan or equity incentive within three years after the implementation of the above-mentioned share repurchase, approved by the 21st meeting of the fifth Board of Directors and the first extraordinary general meeting in 2022, the Company completed the fifth Board cancellation of the repurchased 11,010,729 shares in 2022, thereby offsetting the treasury shares of RMB394,993,000, of which the share capital was reduced by RMB11,011,000 and capital reserve was reduced by RMB383,982,000.

(39) Special reserve

	31 December 2022	Increase in the current year	Decrease in current year	31 December 2023
Safety reserve	–	389,332	(389,332)	–

	31 December 2021	Increase in the current year	Decrease in current year	31 December 2022
Safety reserve	–	32,214	(32,214)	–

Pursuant to the *Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Funds* (Cai Zi [2022] No. 136) issued by the Ministry of Finance and the State Administration of Work Safety on 21 November 2022, 1% of the income from the "Common cargo transportation business" which is operated by certain subsidiaries of the Group is appropriated to safety reserve. The safety reserve is recognised in profit or loss as the "Special reserve" item for the current period. When the accrued safety reserve is used under the prescribed conditions, it is written off against the original amount directly.

(40) Surplus reserve

	31 December 2022	Increase in the current year (Note 4(41))	Decrease in current year	31 December 2023
Statutory surplus reserve	1,010,253	1,403,533	–	2,413,786

	31 December 2021	Increase in the current year (Note 4(41))	Decrease in current year	31 December 2022
Statutory surplus reserve	947,775	62,478	–	1,010,253

According to the *Company Law of the People's Republic of China* and the company's articles of association, the company shall provision 10% of the annual net profit from the statutory surplus reserve fund. When the cumulative amount of the statutory surplus reserve fund reaches more than 50% of the registered capital, it can no longer be provision. After approval, the statutory surplus reserve fund can be used to offset losses or increase share capital. In 2023, the company provisioned a statutory surplus reserve of RMB1,403,533,000 (2022: RMB62,478,000) based on 10% of net profit.

(41) Undistributed profits

	2023	2022
Undistributed profits at the beginning of the year	33,371,351	28,245,764
Add: Net profit attributable to the shareholders of the parent company for the current year	8,234,493	6,173,764
Transfer from other comprehensive income to retained earnings	(121,368)	(38,771)
Less: Ordinary share dividends payable (a)	(1,213,616)	(874,518)
Appropriation to statutory surplus reserve	(1,403,533)	(62,478)
Appropriation to general risk reserve	(31,328)	(72,410)
Undistributed profits at the end of the year	38,835,999	33,371,351

(a) The Company held a shareholders' meeting on 27 April 2023. On the basis of the total share capital at the registration date on which the 2022 profit distribution plan was implemented less the special shares repurchased by the Company, a total of RMB1,213,616,000 of cash dividends were distributed to all shareholders at RMB2.5 (including tax) per 10 shares, without bonus shares being given or capital reserve being transferred into the share capital.

(42) Revenue and cost of revenue

	2023	2022
Revenue from main operations (a)	257,986,580	267,122,766
Revenue from other operations (a)	422,823	367,648
Total revenue	258,409,403	267,490,414
Cost of revenue from main operations	225,013,777	233,822,858
Cost of revenue from other operations	260,056	249,502
Total cost of revenue	225,273,833	234,072,360

(a) The Group's revenue is disaggregated as follows:

	2023			
	Logistics and freight forwarding services	Sales of goods	Others	Total
Revenue from main operations				
Including: At a point in time	–	5,626,072	306,401	5,932,473
Over time	251,127,665	–	619,037	251,746,702
Lease income	–	–	307,405	307,405
	251,127,665	5,626,072	1,232,843	257,986,580
Revenue from other operations				
Including: At a point in time	–	–	100,907	100,907
Over time	–	–	136,465	136,465
Lease income	–	–	185,451	185,451
	–	–	422,823	422,823
Total	251,127,665	5,626,072	1,655,666	258,409,403

	2022			
	Logistics and freight forwarding services	Sales of goods	Others	Total
Revenue from main operations				
Including: At a point in time	–	3,899,692	351,610	4,251,302
Over time	262,079,740	–	561,990	262,641,730
Lease income	–	–	229,734	229,734
	262,079,740	3,899,692	1,143,334	267,122,766
Revenue from other operations				
Including: At a point in time	–	–	69,014	69,014
Over time	–	–	83,124	83,124
Lease income	–	–	215,510	215,510
	–	–	367,648	367,648
Total	262,079,740	3,899,692	1,510,982	267,490,414

As at 31 December 2023, the Group's performance obligations that had been entered into but had not yet been performed or not been fully performed are part of a contract for an estimated period of not more than one year.

(43) Taxes and surcharges

	2023	2022	Payment criteria
Property tax	200,648	146,993	Calculation of residual value of property or rental income from property and the prescribed tax rate
Stamp tax	96,051	108,638	The amount stated in the taxable voucher or the number of vouchers and the prescribed tax rate or unit tax calculation
City maintenance and construction tax	80,340	91,686	1%-7% of amount of VAT paid
Educational surcharge	59,605	66,425	2%-3% of amount of VAT paid
Others	65,201	62,964	
	501,845	476,706	

(44) Selling and marketing expenses

	2023	2022
Outsourcing staff expenses	976,012	977,788
Employee benefits	777,180	833,962
Depreciation and amortisation expenses	378,498	342,872
Others	859,899	629,492
	2,991,589	2,784,114

(45) General and administrative expenses

	2023	2022
Employee benefits	14,100,595	14,163,667
Depreciation and amortisation expenses	642,562	624,073
Others	2,889,399	2,786,750
	17,632,556	17,574,490

(46) Research and development expenses

	2023	2022
Employee benefits	1,215,989	1,225,926
Depreciation and amortisation expenses	889,934	710,291
Others	179,391	286,648
	2,285,314	2,222,865

(47) Financial costs

	2023	2022
Interest expenses on borrowings	1,808,850	1,570,293
Add: Interest expenses on lease liabilities	564,374	609,652
Less: Interest capitalized (Note 4(15))	(103,524)	(125,585)
Interest expenses	2,269,700	2,054,360
Less: Interest income	(633,373)	(345,662)
Net gains or losses on exchange	96,381	(117,314)
Commission expenses and others	133,493	120,229
	1,866,201	1,711,613

(48) Expenses by nature

The cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

	2023	2022
Labour outsourcing cost	88,615,879	77,832,877
Transportation outsourcing costs	38,352,035	38,204,742
Transportation expenses	44,578,173	68,640,219
Including: Aircraft maintenance costs	458,091	431,618
Employee benefit expenses	31,776,779	31,445,636
Depreciation and amortisation expenses	10,297,639	9,138,080
Depreciation expenses of right-of-use assets	7,021,468	7,174,410
Venue usage expenses (b)	7,100,757	6,481,654
Others	20,440,562	17,736,211
	248,183,292	256,653,829

(a) In 2023, the Group’s government grants which were offset against costs and expenses amounted to RMB164,944,000 (2022: RMB214,306,000). Therein, the amount that was recognised in non-recurring profit or loss amounted to RMB135,824,000 (2022: RMB138,620,000).

(b) As stated in Note 2(27), the Group directly recognises the lease payments of short-term leases and low-value leases in profit or loss. In 2023, the amount was RMB3,601,571,000 (2022: RMB3,620,688,000).

(49) Other income

	2023	2022
Tax preference	1,313,036	1,778,617
Fiscal appropriation and subsidies	610,564	433,329
Amortisation of deferred income (Note 4(34))	45,935	37,415
	1,969,535	2,249,361

In 2023, other income of the Group that was recognised in non-recurring profit or loss amounted to RMB944,950,000 (2022: RMB681,625,000).

(50) Investment income

	2023	2022
Investment income from financial assets held for trading	491,442	664,145
Investment income from disposal of subsidiaries	268,204	32,314
Investment income from disposal of other investments	74,248	307,566
Investment income from dividends of financial assets not held for trading	2,438	13,811
Share of net gains or losses of investees under the equity method (Note 4(10))	(67,190)	7,549
Others	31,526	–
	800,668	1,025,385

In 2023 and 2022, there is no significant restriction on the repatriation of investment income of the Group.

(51) Reversal of/(Losses on) credit impairment

	2023	2022
Reversal of/(Losses on) impairment of accounts receivable	42,078	(669,961)
Losses on impairment of other receivables	(10,797)	(158,035)
Reversal of impairment of long-term receivables	4,435	2,372
(Losses on)/Reversal of impairment of loans and advances	(2,084)	4,524
	33,632	(821,100)

(52) Non-operating income and expenses

(a) Non-operating income

	2023	Amount recognised in non-recurring profit or loss in 2023	2022	Amount recognised in non-recurring profit or loss in 2022
Compensation income	52,328	52,328	50,194	50,194
Government grants	14,016	14,016	6,202	6,202
Others	242,885	242,885	175,091	175,091
	309,229	309,229	231,487	231,487

(b) Non-operating expenses

	2023	Amount recognised in non-recurring profit or loss in 2023	2022	Amount recognised in non-recurring profit or loss in 2022
Losses on scrapping of long-term assets	78,978	78,978	143,994	143,994
Compensation expenses	99,460	99,460	78,391	78,391
Donation expenses	11,961	11,961	13,770	13,770
Others	86,601	86,601	62,461	62,461
	277,000	277,000	298,616	298,616

(53) Income tax expenses

	2023	2022
Current income tax	3,340,596	3,948,002
Deferred income tax	(765,700)	15,156
	2,574,896	3,963,158

The reconciliation from income tax calculated based on the applicable tax rates and profit before income tax presented in the income statement to the income tax expenses is listed below:

	2023	2022
Profit before income tax	10,486,505	10,966,778
Tax at the statutory tax rate of 25%	2,621,626	2,741,695
Tax effect of non-taxable income	(109,495)	(215,471)
Costs, expenses and losses not deductible for tax purposes	296,602	246,471
Adjustments of prior years	(32,451)	(38,780)
Effect of different tax rates available to different jurisdictions	(211,891)	(190,484)
Tax effect of preferential tax rate	(364,417)	(322,841)
Tax losses and temporary differences not recognized	879,651	1,353,001
Reversal of previously recognized tax losses and temporary differences	30,752	518,108
Utilization of previously unrecognized tax losses and temporary differences	(378,149)	(85,016)
Recognition of tax losses and temporary differences not recognized in prior years	(157,332)	(43,525)
Income tax expenses	2,574,896	3,963,158

(54) Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares of the parent company:

	2023	2022
Consolidated net profit attributable to ordinary shareholders of the parent company	8,234,493	6,173,764
Weighted average number of outstanding ordinary shares of the Company (in thousand)	4,850,498	4,868,677
Basic earnings per share (Yuan/share)	1.70	1.27
Including:		
– Basic earnings per share from continuing operations (Yuan/share)	1.70	1.27

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. In 2023 and 2022, the Company had dilutive potential ordinary shares due to the implementation of the share option incentive plan:

	2023	2022
Consolidated net profit attributable to ordinary shareholders of the parent company	8,234,493	6,173,764
Adjusted consolidated net profit attributable to ordinary shareholders of the parent company for calculation of earnings per share	8,234,493	6,173,764
Weighted average number of outstanding ordinary shares of the Company (in thousand)	4,850,498	4,868,677
Add: Effect of the share-based payments plan	4,484	5,063
Weighted average number of outstanding diluted ordinary shares (in thousand)	4,854,982	4,873,740
Diluted earnings per share (Yuan/share)	1.70	1.27

(55) Other comprehensive income

Other comprehensive income, the related income tax effect and the reclassifications to profit or loss in 2023 and 2022 were as follows:

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2023			
	31 December 2022	Attributable to the parent company in the current year – net of tax	Other comprehensive income transferred into retained earnings	31 December 2023	Amount incurred before income tax for the current year	Less: Income tax (expenses)/credits	Attributable to the parent company – net of tax	Attributable to minority shareholders – net of tax
Other comprehensive income which will not be reclassified subsequently to profit or loss:								
Changes in fair value of investments in other equity instruments	2,965,732	486,283	121,368	3,573,383	484,100	2,749	486,283	566
Other comprehensive income which will not be transferred to profit or loss under the equity method	(2,764)	(329)	–	(3,093)	(329)	–	(329)	–
Other comprehensive income which will be reclassified subsequently to profit or loss:								
Cash flow hedge reserve	(12,002)	12,002	–	–	12,002	–	12,002	–
Other comprehensive income which will be transferred to profit or loss under the equity method	(18,740)	(5,254)	–	(23,994)	(5,254)	–	(5,254)	–
Exchange differences on translation of foreign currency financial statements	1,605,801	380,331	–	1,986,132	334,708	–	380,331	(45,623)
	4,538,027	873,033	121,368	5,532,428	825,227	2,749	873,033	(45,057)

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2022			
	31 December 2021	Attributable to the parent company in the current year – net of tax	Other comprehensive income transferred into retained earnings	31 December 2022	Amount incurred before income tax for the current year	Less: Income tax (expenses)/ credits	Attributable to the parent company – net of tax	Attributable to minority shareholders – net of tax
Other comprehensive income which will not be reclassified subsequently to profit or loss:								
Changes in fair value of investments in other equity instruments	2,974,558	(47,597)	38,771	2,965,732	(57,876)	(307)	(47,597)	(10,586)
Other comprehensive income which will not be transferred to profit or loss under the equity method	(1,278)	(1,486)	–	(2,764)	(1,486)	–	(1,486)	–
Other comprehensive income which will be reclassified subsequently to profit or loss:								
Cash flow hedge reserve	(27,394)	15,392	–	(12,002)	15,392	–	15,392	–
Other comprehensive income which will be transferred to profit or loss under the equity method	–	(18,740)	–	(18,740)	(18,740)	–	(18,740)	–
Exchange differences on translation of foreign currency financial statements	(328,655)	1,934,456	–	1,605,801	1,336,071	–	1,934,456	(598,385)
	2,617,231	1,882,025	38,771	4,538,027	1,273,361	(307)	1,882,025	(608,971)

(56) Notes to statement of the cash flow

The Group has no cash flows presented on a net basis, and significant cash flow items are set out below:

(a) Cash received relating to other operating activities

	2023	2022
Inflows from cash collected on delivery on behalf of other parties	87,029,041	77,286,558
Others	5,892,733	3,792,101
	92,921,774	81,078,659

(b) Cash paid relating to other operating activities

	2023	2022
Outflows from goods payments collected on behalf of other parties	86,864,109	77,323,122
Others	19,621,990	16,902,212
	106,486,099	94,225,334

(c) Cash received from disposal of investments

	2023	2022
Cash received from disposal of associates and joint ventures	468,039	841,595
Cash received from disposal of financial assets	334,613	1,718,029
	802,652	2,559,624

(d) Cash paid to acquire investments

	2023	2022
Cash paid to acquire financial assets	1,693,960	951,916
Cash paid to acquire associates and joint ventures	169,265	1,122,032
	1,863,225	2,073,948

(e) Net cash received from disposal of subsidiaries

	2023	2022
Consideration for disposal of subsidiaries	607,728	233,639
Add: Cash received in the current year for the disposal of subsidiaries in previous years	–	99,751
Less: Cash and cash equivalents held by subsidiaries on the day of loss of control	(208,906)	(19,671)
	398,822	313,719

(f) Net cash paid to acquire subsidiaries

	2023	2022
Consideration for acquisition of subsidiaries by way of business combinations	141,702	1,952,915
Add: Cash paid in the current year for acquisition of subsidiaries in prior periods	835,299	108,797
Less: Consideration to be paid in subsequent years	–	(745,718)
Cash and cash equivalents held by subsidiaries at the acquisition date	(4,545)	(125,369)
Net cash paid for acquisition of subsidiaries by way of business combinations	972,456	1,190,625
Consideration for acquisition of assets	1,269,444	1,099,465
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	(44,492)	(72,609)
Net cash paid for acquisition of assets	1,224,952	1,026,856
Total net cash paid to acquire subsidiaries	2,197,408	2,217,481

(g) Cash received/paid relating to other investing activities

Cash received/paid relating to other investing activities by the Group represents cash inflows and outflows from redemption/purchase of bank wealth management products and structural deposits.

(h) Cash paid relating to other financing activities

	2023	2022
Repayments of lease liabilities (i)	7,765,246	7,813,330
Acquisition of minority interests	1,833,285	3,914,671
Repurchase of shares	959,956	2,040,377
Long-term asset purchases paid for by bank supply chain financial products/refactoring	992,178	868,330
Others	2,376	6,789
	11,553,041	14,643,497

(i) In 2023, the total cash outflows relating to leases paid by the Group amounted to RMB11,582,911,000 (2022: RMB11,687,763,000), except for the repayments of lease liabilities classified as cash paid relating to financing activities, and the remaining was classified as cash paid relating to operating activities.

(57) Supplementary information to the statement of cash flow

(a) Reconciliation from net profit to cash flows from operating activities

	2023	2022
Net profit	7,911,609	7,003,620
Add: Asset impairment losses	186,449	131,756
(Reversal)/Loss in Credit impairment	(33,632)	821,100
Depreciation of right-of-use assets	7,021,468	7,174,410
Depreciation and amortisation expenses	10,297,639	9,173,703
Losses on disposal of long-term assets	53,891	52,305
Losses arising from changes in fair value	46,262	27,938
Financial costs	2,269,700	1,929,262
Investment income	(800,668)	(1,025,385)
Expenses recognised on equity-settled share-based payments	309,338	109,573
Increase in deferred tax assets	(634,410)	(245,603)
(Decrease)/Increase in deferred tax liabilities	(131,290)	260,759
Amortisation of deferred income	(45,935)	(37,415)
Increase in inventories	(491,314)	(397,187)
(Increase)/Decrease in operating receivables	(262,500)	8,816,879
Increase/(Decrease) in operating payables	873,212	(1,092,768)
Net cash flows from operating activities	26,569,819	32,702,947

(b) Cash and cash equivalents

	31 December 2023	31 December 2022
Cash on hand	14,391	18,437
Cash at bank that can be readily drawn on demand	40,329,175	40,008,101
Other cash balances that can be readily drawn on demand	6,126	138,535
Other balances that can be readily drawn on demand	98,616	114,874
	40,448,308	40,279,947

(c) Significant operating, investment and financing activities that do not involve cash receipts and payments

	2023	2022
Right-of-use assets increased in the current period	6,553,794	6,126,609
Long-term asset purchases paid for by bank supply chain financial products/refactoring	543,389	992,178
	7,097,183	7,118,787

(d) Changes in liabilities from financing activities

	Bank borrowings (including current portion of bank borrowings)	Debentures payable and Ultra short-term commercial notes (including current portion of ultra short-term commercial notes)	Lease liabilities (including current portion of lease liabilities)	Bank supply chain financial products/re-factoring	Other	Total
31 December 2022	20,910,560	27,651,090	15,179,328	992,178	314,480	65,047,636
Net cash inflows/(outflows) from financing activities	10,227,269	(9,447,697)	(7,765,246)	(1,025,110)	(889,262)	(8,900,046)
Accrued interest in the current year (Note 4(47))	1,039,024	732,349	564,374	32,932	4,545	2,373,224
Changes that do not involve cash receipts and payments	213,750	474,335	5,830,004	543,389	932,183	7,993,661
31 December 2023	32,390,603	19,410,077	13,808,460	543,389	361,946	66,514,475

(58) Monetary items denominated in foreign currency

(a) As at 31 December 2023 and 31 December 2022, the Group's companies whose recording currency is RMB held financial assets and liabilities denominated in non-recording currencies held by companies (mainly USD, HKD and EUR), excluding financial assets and liabilities denominated in non-recording currencies held by subsidiaries within the Group, of which the equivalent amounts in RMB (presentation currency of these financial statements) are listed as below:

	31 December 2023		
	Amount in the original currency	Exchange rate to RMB	Equivalent to RMB
Cash at bank and on hand –			
USD	35,917	7.0827	254,389
HKD	49,927	0.9062	45,245
EUR	786	7.8592	6,177
Receivables –			
USD	91,642	7.0827	649,073
HKD	30,787	0.9062	27,900
EUR	2,180	7.8592	17,133
Payables –			
USD	55,209	7.0827	391,029
HKD	62,571	0.9062	56,703
EUR	7,216	7.8592	56,712
SGD	1,075	5.3772	5,780

	31 December 2022		
	Amount in the original currency	Exchange rate to RMB	Equivalent to RMB
Cash at bank and on hand –			
USD	81,868	6.9646	570,178
HKD	35,511	0.8933	31,722
EUR	163	7.4229	1,210
Receivables –			
USD	272,999	6.9646	1,901,329
HKD	96,310	0.8933	86,034
EUR	6,544	7.4229	48,575
Payables –			
USD	140,907	6.9646	981,361
HKD	73,704	0.8933	65,840
EUR	14,303	7.4229	106,170
SGD	2,009	5.1831	10,413

(b) As at 31 December 2023 and 31 December 2022, the Group's overseas subsidiaries, except for those operating in Hong Kong SAR, held no significant financial assets or liabilities denominated in non-recording currencies. Those companies operating in Hong Kong with HKD as recording currency held financial assets and liabilities denominated in non-recording currencies (mainly USD, RMB and EUR), excluding financial assets and liabilities denominated in non-recording currencies held by subsidiaries within the Group, of which the equivalent amounts in HKD (recording currency of companies operating in Hong Kong) and RMB (presentation currency of these financial statements) are listed as below:

	31 December 2023			
	Amount in the original currency	**Exchange rate to HKD**	**Equivalent to HKD**	**Equivalent to RMB**
Cash at bank and on hand –				
RMB	98,862	1.1035	109,093	98,862
USD	54,329	7.8157	424,617	384,796
EUR	4,420	8.6725	38,332	34,738
Accounts receivable –				
RMB	5,846	1.1035	6,451	5,846
USD	13,417	7.8157	104,863	95,029
Accounts payable –				
RMB	8,046	1.1035	8,879	8,046
USD	13,834	7.8157	108,122	97,982
EUR	655	8.6725	5,680	5,148

	31 December 2022			
	Amount in the original currency	**Exchange rate to HKD**	**Equivalent to HKD**	**Equivalent to RMB**
Cash at bank and on hand –				
RMB	59,509	1.1195	66,620	59,509
USD	99,358	7.7967	774,665	692,008
EUR	4,734	8.3098	39,339	35,142
Accounts receivable –				
RMB	251,686	1.1195	281,762	251,686
USD	231,573	7.7967	1,805,505	1,612,858
Accounts payable –				
RMB	32,985	1.1195	36,927	32,985
USD	203,672	7.7967	1,587,969	1,418,533
EUR	1,930	8.3098	16,038	14,327

5 Changes in the consolidation scope

(1) Business combinations involving enterprises not under common control

Main business combinations involving enterprises not under common control in 2023:

Acquiree	Timing of acquisition	Acquisition cost	% of interest acquired	Method of acquisition	Acquisition date	Basis for determining the acquisition date
A third-party logistics company	31 January 2023	132,016	51.00%	By cash	31 January 2023	Completion of equity delivery

The revenue, net profit, net cash flows from operating activities, total net cash flows of the above company from the acquisition date to the end of the year are RMB49,098,000, RMB4,818,000, RMB1,585,000, and RMB1,585,000, respectively.

(2) Disposal of subsidiaries

(a) Aggregated information of subsidiaries disposed in the reporting period:

Name of subsidiary	Proceeds from disposal	Disposal proportion	Method of disposal	Timing of losing control	Basis for judgement of timing of losing control	Difference between proceeds from disposal after deducting disposal costs and corresponding shares of net assets in the consolidated financial statements
Shenzhen Fengwang Information Technology Co., Ltd. ("Fengwang Information Technology") (i)	460,930	100.00%	Sales of equity	27 June 2023	Transfer of control right	243,378
Shanghai Fengzan Technology Co., Ltd. (ii)	85,188	100.00%	Sales of equity	10 May 2023	Transfer of control right	–
	546,118					243,378

(i) On 12 May 2023, Shenzhen Fengwang Holdings Co., Ltd. ("Fengwang Holdings"), a subsidiary indirectly held by the Company, entered into an equity transfer agreement with Shenzhen Jitu Supply Chain Co., Ltd. Fengwang Holdings transferred 100% of equity interests in its subsidiary, Fengwang Information Technology, and its subsidiaries at RMB1,183,000,000. Since the completion of the transaction, the Group no longer controls Fengwang Information Technology and its subsidiaries, and no longer include them into the consolidation scope.

In accordance with the equity transfer agreement, profit or loss of Fengwang Information Technology and its subsidiaries from the signing date to the settlement date of equity transfer agreement is borne by Fengwang Holdings. Therefore, the adjusted proceeds from disposal amounted to RMB461,000,000. The transaction was completed on 27 June 2023 and the Group recognised investment income of RMB243,378,000, of which the amount attributable to shareholders of the parent company was RMB155,153,000.

(ii) On 10 May 2023, the Group transferred 100% of equity interest in Shanghai Fengzan Technology Co., Ltd. to Shenzhen Fengxiang Information Technology Co., Ltd., a company controlled by the ultimate controlling person of the Company, with a share of net assets of RMB85,188,000 from Shanghai Fengzan Technology Co., Ltd. as the transaction consideration. After the transaction, the Group no longer include Shanghai Fengzan Technology Co., Ltd. into the consolidation scope (Note 8(3)(g)).

(3) Other changes in the consolidation scope

(a) In 2023, the Group set up the following major subsidiaries by cash:

Chengdu FI Technology Co., Ltd.

Shanghai Fengjietai Enterprise Management Co., Ltd.

Wenzhou Jieyutai Enterprise Management Co., Ltd.

SF Pharmaceutical Supply Chain (Tianjin) Co., Ltd.

Hubei Fengxinling Supply Chain Management Co., Ltd.

Ezhou Shunjia Aviation Ground Services Co., Ltd.

(b) In 2023, the Group cancelled the following major subsidiaries:

Meizhou Yoududu Fruit Industry Co., Ltd.

Shanghai S.F. E-commerce Co., Ltd.

Shenzhen SF Customised Logistics Co., Ltd.

Hefei Fengyutai Enterprise Management Co., Ltd.

Hefei Jiafeng Industrial Park Management Ltd.

Beijing S.F. International Network Co., Ltd.

Shenzhen S.F. International Network Co., Ltd.

Shenzhen Shunjie Yunda Logistics Technology Co., Ltd.

Nanchang Jietai Industrial Park Management Co., Ltd.

Linyi Fengyikai Industrial Park Management Co., Ltd.

Shenzhen Yizhan Select Technology Co., Ltd.

Shenzhen Fengchi Shuntong Information Technology Co., Ltd.

Huai’an Fengtai E-commerce Industrial Park Co., Ltd.

Guofeng IOT Digital Intelligence Supply Chain (Guangdong) Co., Ltd.

Guangdong Fengchi Shunxing Technology Co., Ltd.

Fengmeng Technology Co., Ltd.

S.F. Insurance Broker (Shenzhen) Co., Ltd.

Tianjin Shunfeng Import and Export Trading Co., Ltd.

Ezhou S.F. Bonded Supply Chain Management Co., Ltd.

Shanghai SF Multimodal Transportation Co., Ltd.

Shenzhen Qianhai Huidao Asset Management Co., Ltd.

6 Interests in other entities

(1) Interests in subsidiaries

(a) First-tier and second-tier subsidiaries of the Group are as follows:

	Place of registration	Major business location	Registered capital	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Taisen Holdings	Shenzhen	Shenzhen	5,000,000	Investment holding	100.00%	–	Reverse acquisitions
S.F. Express Co., Ltd.	Shenzhen	Shenzhen	150,000	International freight forwarding, domestic and international express service, etc.	–	100.00%	Business combinations involving enterprises under common control
SF Technology Co., Ltd.	Shenzhen	Shenzhen	60,000	Technical maintenance and development service	–	100.00%	By new establishment
Shenzhen Shunlu Logistics Co., Ltd.	Shenzhen	Shenzhen	160,000	Cargo transportation and freight forwarding	–	100.00%	Business combinations involving enterprises under common control
Anhui S.F. Telecommunication Service Co., Ltd.	Anhui Province	Anhui Province	50,000	Value-added telecommunication service	–	100.00%	By new establishment
Shenzhen Yuhui Management Consulting Co., Ltd.	Shenzhen	Shenzhen	250,000	Consulting service	–	100.00%	Business combinations involving enterprises under common control
Shenzhen S.F. Supply Chain Co., Ltd.	Shenzhen	Shenzhen	1,500,000	Supply chain management and other services	–	100.00%	By new establishment
SF Airlines Co., Ltd.	Shenzhen	Shenzhen	1,510,000	Transport service of aviation cargo	–	100.00%	Business combinations involving enterprises under common control
Shenzhen Fengtai E-Commerce Industrial Park Asset Management Ltd.	Shenzhen	Shenzhen	9,530,000	E-Commerce industrial park asset management	–	100.00%	Business combinations involving enterprises under common control
Shenzhen Fengtai Industrial Park Management Service Co., Ltd.	Shenzhen	Shenzhen	58,000	Management consulting	–	100.00%	By new establishment
Shenzhen S. F. Airport Investment Co., Ltd.	Shenzhen	Shenzhen	100,000	Industrial investment	–	100.00%	By new establishment
SF Holding (Hong Kong) Limited	Hong Kong	Hong Kong	HKD 8,346,998	Investment holding	–	100.00%	Business combinations involving enterprises under common control
S.F. Holding Group Finance Co., Ltd.	Shenzhen	Shenzhen	2,500,000	Financing, wealth management and consulting services	–	100.00%	By new establishment
Shenzhen SF Chuangxing Investment Co., Ltd.	Shenzhen	Shenzhen	330,000	Industrial investment	–	100.00%	By new establishment
Shenzhen Fengnong Technology Co., Ltd.	Shenzhen	Shenzhen	145,000	Retail	–	100.00%	By new establishment

	Place of registration	Major business location	Registered capital	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Shenzhen Fenglang Supply Chain Co., Ltd.	Shenzhen	Shenzhen	50,000	Supply chain management and other services	–	70.00%	By new establishment
Shunyuan Financial Leasing (Tianjin) Co., Ltd.	Tianjin	Tianjin	1,500,000	Leasing business	–	100.00%	By new establishment
SF Multimodal Co., Ltd.	Shenzhen	Shenzhen	242,000	Goods delivery and other services	–	100.00%	By new establishment
S.F. Duolian Technology Co., Ltd.	Dongguan	Dongguan	150,000	Technology development	–	100.00%	By new establishment
Dongguan SF Taisen Enterprise Management Co., Ltd.	Dongguan	Dongguan	30,010	Property management	–	100.00%	By new establishment
SF Innovative Technology Co., Ltd.	Dongguan	Dongguan	450,000	Information technology service	–	100.00%	By new establishment
Shenzhen Shunheng Rongfeng Supply Chain Technology Co., Ltd.	Shenzhen	Shenzhen	260,000	Consulting service	–	100.00%	Business combinations involving enterprises under common control
Shenzhen Hengyi Logistics Service Co., Ltd.	Shenzhen	Shenzhen	100,000	Freight forwarding service	–	100.00%	Business combinations involving enterprises under common control
Shenzhen Lefeng Commercial Co., Ltd.	Shenzhen	Shenzhen	92,500	Factoring	–	100.00%	Business combinations involving enterprises under common control
Hangzhou SF Intra-city Industrial Co., Ltd.	Hangzhou	Hangzhou	933,458	Supply chain management and other services	–	56.87%	By new establishment
SF Sharing Precision Information Technology (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	7,000	Information technology service	–	100.00%	By new establishment
Hangzhou Shuangjie Supply Chain Co., Ltd.	Hangzhou	Hangzhou	50,000	Supply chain management and other services	–	100.00%	By new establishment
Shenzhen S.F. Express Co., Ltd.	Shenzhen	Shenzhen	1,695,000	Business and supply chain management	–	87.80%	By new establishment
Huanggang Xiufeng Education Investment Co., Ltd.	Huanggang	Huanggang	90,000	Consulting services regarding business information and business management	–	100.00%	By new establishment
Junhe Information Technology (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	10,000	Information technology and development services	–	100.00%	By new establishment
S.F. Digital Technology (Shenzhen) Services Co., Ltd.	Shenzhen	Shenzhen	250,000	Technology and consulting services	–	100.00%	By new establishment
Shenzhen S.F. International Industry Co., Ltd.	Shenzhen	Shenzhen	15,000	Information technology and consulting services	–	100.00%	By new establishment
Shenzhen S.F. Investment Co., Ltd.	Shenzhen	Shenzhen	1,100,000	Investment holding	–	100.00%	By new establishment
SF Cold Chain Logistics Co., Ltd.	Shenzhen	Shenzhen	97,660	Cargo transportation and freight forwarding	–	100.00%	By new establishment

(b) Subsidiaries in which the Group has significant minority interests

The Group determines the subsidiaries with significant minority interests by considering factors such as whether the subsidiaries are listed companies, the proportion of minority interests to the Group's consolidated shareholders' equity, and the proportion of profit or loss attributable to minority shareholders to the Group's consolidated net profit, which are set out below:

	Proportion of ownership interest held by minority shareholders	Profit or loss attributable to minority shareholders in 2023	Dividends paid to minority shareholders in 2023	Minority interests as at 31 December 2023
Kerry Logistics and its subsidiaries	48.48%	17,466	(581,149)	10,347,858

	Proportion of ownership interest held by minority shareholders	Profit or loss attributable to minority shareholders in 2022	Dividends paid to minority shareholders in 2022	Minority interests as at 31 December 2022
Kerry Logistics and its subsidiaries	48.48%	1,476,236	(1,524,826)	11,587,420

The significant financial information of the significant non-fully-owned subsidiaries of the Group is listed below:

	31 December 2023	31 December 2022
Current assets	18,187,621	21,821,593
Non-current assets	25,760,002	25,615,187
Total assets	43,947,623	47,436,780
Current liabilities	13,130,867	14,196,749
Non-current liabilities	9,017,591	10,240,832
Total liabilities	22,148,458	24,437,581

	2023	2022
Revenue	45,944,780	74,261,942
Net profit (i)	227,315	2,838,971
Total comprehensive income (i)	361,076	3,040,177
Cash flows from operating activities	3,043,080	4,918,473

The above financial figures take into account the fair value of identifiable assets and liabilities at the point of acquisition of Kerry Logistics' equity and the adjustment effect of uniform accounting policies.

(i) In 2023, for Kerry Logistics and its subsidiaries, the net profit attributable to shareholders of the Company was RMB209,849,000 (2022: RMB1,362,735,000), and the total comprehensive income attributable to shareholders of the Company was RMB390,618,000 (2022: RMB2,182,133,000).

(ii) In 2023 and 2022, minority interests of the Group's subsidiaries except Kerry Logistics, had no significant influence on the Group.

(2) Interests in joint ventures and associates

The Group determines significant joint ventures and associates by considering factors such as whether the joint ventures and associates are listed companies, the proportion of their carrying amounts to the Group's consolidated total assets, and the proportion of income from long-term equity investments accounted for under the equity method to the Group's consolidated net profit.

In 2023 and 2022, the Group's joint ventures and associates had no significant influence on the Group. As at 31 December 2023 and 31 December 2022, the Group's main long-term equity investments are detailed in Note 4(10).

7 Segment information

The reportable segments of the Group are the business units that provide different logistics and freight forwarding services. Different businesses require different technologies and marketing strategies, and the Group, therefore, independently manages their operations and evaluates operating results, in order to make decisions about resources allocations and performance evaluations.

In 2023, the Group mainly had three reportable segments, including:

– Express and freight delivery segment, which provides time-define express, economy express, cold chain and pharmaceuticals logistics service, as well as freight service;

– Intra-city on-demand delivery segment, which provides intra-city delivery for merchants and consumers, and last-mile delivery services;

– Supply chain and international segment, which provides supply chain services, international express service and international freight forwarding service.

Due to the promotion of business integration and corresponding adjustments to the internal organizational structure, the Group has adjusted the composition of its operating divisions in conjunction with business changes, and merged the two business segments, previously known as the Express segment and Freight segment, into the Express and freight segment. Segment information has been restated for the 12 months ended 31 December 2022.

Inter-segment transfer prices are determined by reference to pricing policy of related party transactions.

(a) Segment information as at and for the year ended 31 December 2023 was as follows:

	Express and freight delivery segment	Supply chain and international segment	Intra-city on-demand delivery segment	Undistributed units	Inter-segment elimination	Total
Revenue from external customers	186,890,137	62,859,302	7,371,250	1,288,714	–	258,409,403
Inter-segment revenue	12,231,353	733,174	5,029,453	4,430,069	(22,424,049)	–
Cost of revenue	171,293,133	58,378,382	11,604,539	4,133,082	(20,135,303)	225,273,833
Profit/(Loss) before income tax	10,602,204	(328,849)	48,327	143,788	21,035	10,486,505
Income tax expenses/(credits)	2,149,342	205,652	(2,268)	229,825	(7,655)	2,574,896
Net profit/(loss)	8,452,862	(534,501)	50,595	(86,037)	28,690	7,911,609
Total assets	103,171,690	64,308,117	4,038,844	186,550,844	(136,578,840)	221,490,655
Total liabilities	72,928,079	53,658,452	1,218,597	84,432,442	(94,030,575)	118,206,995
Depreciation of right-of-use assets	5,891,828	1,707,837	27,188	67,026	(672,411)	7,021,468
Depreciation and amortisation expenses	7,741,137	1,651,130	52,445	874,960	(22,033)	10,297,639
(Reversal of)/Losses on credit impairment	(111,661)	82,879	3,668	67,481	(75,999)	(33,632)

In 2023, there is no situation in the Group where revenue from a single customer exceeded 10% or more of the total revenue.

(b) Segment information as at and for the year ended 31 December 2022 was as follows:

	Express and freight delivery segment	Supply chain and international segment	Intra-city on-demand delivery segment	Undistributed units	Inter-segment elimination	Total
Revenue from external customers	169,764,860	89,916,599	6,567,057	1,241,898	–	267,490,414
Inter-segment revenue	7,074,141	700,298	3,698,616	12,070,206	(23,543,261)	–
Cost of revenue	151,930,210	82,148,435	9,851,834	11,623,492	(21,481,611)	234,072,360
Profit/(Loss) before income tax	8,364,007	2,938,917	(288,847)	(47,669)	370	10,966,778
Income tax expenses/(credits)	2,897,283	993,055	(1,944)	75,068	(304)	3,963,158
Net profit/(loss)	5,466,724	1,945,862	(286,903)	(122,737)	674	7,003,620
Total assets	94,676,009	66,235,754	3,956,639	148,072,567	(96,098,262)	216,842,707
Total liabilities	66,504,698	53,540,703	1,086,136	79,713,800	(82,288,679)	118,556,658
Depreciation of right-of-use assets	5,870,603	1,597,267	21,799	104,578	(419,837)	7,174,410
Depreciation and amortisation expenses	6,831,767	1,551,214	78,662	688,395	(11,958)	9,138,080
Losses on/(Reversal of) credit impairment	327,586	384,491	1,968	107,231	(176)	821,100

In 2022, there is no situation in the Group where revenue from a single customer exceeded 10% or more of the total revenue.

8 Related parties and related party transactions

(1) General information of the controlling shareholder and subsidiaries

The general information and other related information of the subsidiaries are set out in Note 6(1).

(a) General information of the controlling shareholder

	Place of registration	Nature of business
Mingde Holdings	Shenzhen	Investment

The Company's ultimate holding company is Mingde Holdings, and the ultimate controlling person is Wang Wei.

(b) The balances and changes of registered capital of the controlling shareholder

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Mingde Holdings	113,406	–	–	113,406

(c) The percentages of shareholding and voting rights in the Company held by the controlling shareholder

	31 December 2023		31 December 2022	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Mingde Holdings	54.38%	54.38%	54.95%	54.95%

(2) Nature of related parties that do not control/are not controlled by the Company

Major related parties are listed as follows:

	Relationship with the Company
Hive Box Technology and its subsidiaries	Controlled by the ultimate controlling person of the Company
Guangdong Fengxing Zhitu Technology Co., Ltd	Controlled by the ultimate controlling person of the Company
Shenzhen Fengxiang Information Technology Co., Ltd.	Controlled by the ultimate controlling person of the Company
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	Controlled by the ultimate controlling person of the Company
Shenzhen Shunshang Investment Co., Ltd	Controlled by the ultimate controlling person of the Company
Shenzhen SF Hefeng Microfinance Co., LTD	Controlled by the ultimate controlling person of the Company
Shenzhen Fengyi Technology Limited	Associate of controlling shareholder
Yihai Shunfeng (Shanghai) Supply Chain Technology Co., Ltd.	The Group's associate
Shanghai Jiaxing Logistics Co., Ltd.	The Group's associate
SF Real Estate Investment Trust and its subsidiaries	The Group's associate
Shenzhen Shunjie Fengda and its subsidiaries	The Group's associate
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	The Group's associate
Wuhan Shunluo Supply Chain Management Co. Ltd	The Group's associate
KENGIC Intelligent Technology Co., Ltd. and its subsidiaries	The Group's associate
Zhejiang Galaxis Technology Group Co., Ltd.	The Group's associate

	Relationship with the Company
Giao Hang Tiet Kiem Joint Stock Company	The Group's associate
Shanghai Tingdi Logistics Service Co., Ltd.	The Group's associate
Shenzhen Fenglian Technology Co., Ltd.	The Group's associate
Sichuan Wu Lian Yi Da Technology Co., Ltd. and its subsidiaries	Changed from a subsidiary of the Group to an associate since August 2023
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.[Note 1]	Changed from an associate of the Group to a subsidiary since December 2023
CC SF China Logistics Properties Investment Fund, L.P.	The Group's joint venture
CR-SF International Express Co., Ltd.	The Group's joint venture
Beijing Wulian Shuntong Technology Co., Ltd. and its subsidiaries	The Group's joint venture
ZBHA and its subsidiaries	The Group's joint venture
Hubei International Logistics Airport Co., Ltd.	The Group's joint venture
Shenzhen Shenghai Information Service Co., LTD	The Group's joint venture
SF Foundation	Organisation sponsored by controlling shareholders and the Company's subsidiaries, in which senior managers of the company serve on the Board of Management
Golden Arches (China) Co., Ltd. and its subsidiaries	Significantly influenced by the key management of the Company

Note 1: It changed from an associate of the Group to a subsidiary of the Group at 31 December 2023, and the related party transactions disclosed in the financial statements refer to the transaction volumes before the company became a subsidiary.

(3) Related party transactions

(a) Pricing policies

The pricing method of transactions and transaction price between the Group and related parties are determined, following arm's length principle, by making reference to the market price or through negotiation between both parties.

(3) Related party transactions (Cont'd)

(b) Rendering of services/Sales of goods

	Nature of the transaction	2023	2022
Entities significantly influenced by the key management of the Company	Rendering of services	1,973,589	1,722,355
Entities controlled by the Company's ultimate controlling person	Rendering of services	126,772	131,867
Associates of the Group	Rendering of services	86,245	57,456
Associates of controlling shareholder	Rendering of services	14,756	18,133
Joint ventures of the Group	Rendering of services	13,937	15,816
Controlling shareholder	Rendering of services	426	346
		2,215,725	1,945,973
Associates of the Group	Sales of goods	5,331	9,866
Entities controlled by the Company's ultimate controlling person	Sales of goods	744	11,459
Associates of controlling shareholder	Sales of goods	3	30
		6,078	21,355

(c) Receipt of services/Purchase of goods

	Nature of the transaction	2023	2022
Joint ventures of the Group	Receipt of services	1,270,700	1,079,015
Associates of the Group	Receipt of services	1,231,259	719,712
Entities controlled by the Company's ultimate controlling person	Receipt of services	673,306	590,399
Associates of controlling shareholder	Receipt of services	76	–
Entities significantly influenced by the key management of the Company	Receipt of services	36	103
		3,175,377	2,389,229
Associates of the Group	Purchase of goods	430,482	426,152
Entities controlled by the Company's ultimate controlling person	Purchase of goods	299,276	256,301
Joint ventures of the Group	Purchase of goods	8,781	250
Associates of controlling shareholder	Purchase of goods	763	1,168
		739,302	683,871

(d) Interest income/Interest expenses

	Nature of the transaction	2023	2022
Associates of the Group	Interest income	2,348	743
Joint ventures of the Group	Interest income	1,216	–
		3,564	743
Associates of the Group	Interest expenses	169	361

(e) Leases

(i) Lease income recognised in the current year with the Group as the lessor

	Type of the leased asset	2023	2022
Associates of controlling shareholder	Buildings	2,861	2,530
Entities controlled by the Company's ultimate controlling person	Buildings	2,416	1,071
Associates of the Group	Buildings	2,352	2,796
Controlling shareholder	Buildings	683	–
Joint ventures of the Group	Buildings	641	686
		8,953	7,083

(ii) Additions of right-of-use assets in the current year with the Group as the lessee

	Type of the leased asset	2023	2022
Entities controlled by the Company's ultimate controlling person	Buildings	53,598	43,082
Associates of the Group	Buildings	32,734	103,867
Joint ventures of the Group	Buildings	3,876	–
		90,208	146,949

(iii) Depreciation and interest expenses borne in the current year by the Group as the lessee

	Type of the leased asset	2023	2022
Associates of the Group	Buildings	229,975	225,826
Joint ventures of the Group	Buildings	31,672	–
Entities controlled by the Company's ultimate controlling person	Buildings	12,148	12,333
		273,795	238,159

(f) Guarantees provided

Guaranteed party	Guaranteed amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Joint ventures of the Group	782,000	29 September 2021	29 April 2055	No

(g) Sales of equity

	2023	2022
Entities controlled by the Company's ultimate controlling person	85,188	–
Joint ventures of the Group	12,827	–
Associates of the Group	–	232,939
	98,015	232,939

(h) Purchase of equity

	2023	2022
Joint ventures of the Group	335,443	–

(i) Donation expenses

	2023	2022
Entities significantly influenced by the key management of the Company	10,002	2,028

(j) Key management compensation

	2023	2022
Remuneration of key management	48,509	29,214

(4) Receivables from and payables to related parties

(a) Accounts receivable

	31 December 2023	31 December 2022
Associates of the Group	83,745	24,184
Entities controlled by the Company's ultimate controlling person	30,739	27,951
Joint ventures of the Group	6,404	1,677
Associates of controlling shareholder	3,266	6,527
Entities significantly influenced by the key management of the Company	358	176,682
Controlling shareholder	57	7
	124,569	237,028

(b) Advances to suppliers

	31 December 2023	31 December 2022
Associates of the Group	5,996	12,404
Joint ventures of the Group	3,409	641
Entities controlled by the Company's ultimate controlling person	2,309	10,913
Associates of controlling shareholder	1	3
Entities significantly influenced by the key management of the Company	–	2,039
	11,715	26,000

(c) Loans and advances

	31 December 2023	31 December 2022
Joint ventures of the Group	329,933	–
Associates of the Group	49	32,920
	329,982	32,920

(d) Other receivables

	31 December 2023	31 December 2022
Entities controlled by the Company's ultimate controlling person	561,712	406,426
Associates of the Group	69,647	53,756
Joint ventures of the Group	1,468	8,747
Associates of controlling shareholder	379	645
Controlling shareholder	167	–
Entities significantly influenced by the key management of the Company	–	51,920
	633,373	521,494

(e) Other non-current assets – Advances for engineering and equipment

	31 December 2023	31 December 2022
Associates of the Group	683	1,497
Entities controlled by the Company's ultimate controlling person	250	488
Entities significantly influenced by the key management of the Company	–	120
	933	2,105

(f) Long-term receivables (including current portion of long-term receivables)

	31 December 2023	31 December 2022
Associates of the Group	57,993	68,429
Associates of controlling shareholder	72	260
Entities controlled by the Company's ultimate controlling person	17	–
	58,082	68,689

(g) Deposits from customers

	31 December 2023	31 December 2022
Associates of the Group	1,509	20,587

(h) Accounts payable

	31 December 2023	31 December 2022
Associates of the Group	164,244	184,386
Entities controlled by the Company's ultimate controlling person	135,957	164,570
Joint ventures of the Group	120,900	155,916
Associates of controlling shareholder	93	349
Entities significantly influenced by the key management of the Company	–	20
	421,194	505,241

(i) Contract liabilities

	31 December 2023	31 December 2022
Joint ventures of the Group	43,146	74
Associates of the Group	3,621	397
Associates of controlling shareholder	1,210	4,111
Entities controlled by the Company's ultimate controlling person	170	250
Entities significantly influenced by the key management of the Company	8	2,178
	48,155	7,010

(j) Other payables

	31 December 2023	31 December 2022
Associates of the Group	125,672	194,620
Associates of controlling shareholder	3,608	2,829
Entities controlled by the Company's ultimate controlling person	2,788	1,039
Joint ventures of the Group	2,393	978
Controlling shareholder	128	17
Entities significantly influenced by the key management of the Company	–	20,839
	134,589	220,322

(k) Lease liabilities (including current portion of lease liabilities)

	31 December 2023	31 December 2022
Associates of the Group	598,296	784,767
Joint ventures of the Group	98,987	–
Entities controlled by the Company's ultimate controlling person	92,060	45,379
	789,343	830,146

(5) Commitments in relation to related parties

(a) As at 31 December 2023 and 31 December 2022, the Group had no significant lease-out commitments in relation to related parties

(b) Providing guarantee

	31 December 2023	31 December 2022
Joint ventures of the Group	2,384,180	2,384,180

The above-mentioned guaranteed related party commitments are committed but without guarantees provided to related parties.

9 Share-based payments

(1) Overview of share-based payments

Expenses recognised for the year arising from share-based payments were as follows:

	2023	2022
Equity-settled share-based payments	309,338	109,573
Cash-settled share-based payments	233,708	48,111
	543,046	157,684

(2) Information on equity-settled share-based payments

(a) Information on share-based payment of the Company

In May 2022, the Company held the 25th meeting of the 5th Board of Directors in 2022, at which proposals such as the Stock Option Incentive Plan ("2022 Stock Option Incentive Plan") were approved. The Company granted no more than 60,000,000 share options to eligible incentive recipients, and the exercise price of the share option is RMB42.61. If the Company meets the predetermined performance conditions and the incentive recipients meet the performance evaluation indicators, the four quarters of the total share options received by the grantee will come into effect from 30 May 2022 after 12 months, 24 months, 36 months and 48 months, respectively.

In October 2022, the Company held the 29th meeting of the 5th Board of Directors, at which the *Motion on Adjusting the Exercise Price of Stock Option Incentive Plan* was approved. The exercise price was adjusted from RMB42.61 per share to RMB42.431 per share.

On 1 August 2023, the Company held the 6th meeting of the 6th Board of Directors, at which the *Motion on Adjusting the Exercise Price of Stock Option Incentive Plan* was approved. The exercise price was adjusted from RMB42.431 per share to RMB42.183 per share.

As at 31 December 2023, the Company has 34,404,000 stock options outstanding (2022: 49,500,000).

On 1 August 2023, the Company held the 6th session of the sixth Board of Directors and the 4th session of the sixth Board of Supervisors, respectively, at which it approved the *Proposal on the Fulfilment of Conditions for Exercising Stock Options for the First Exercise Period of Stock Options Granted for the First Time Under the 2022 Stock Option Incentive Plan.* The number of exercisable stock options during the first exercise period granted for the first time to incentive recipients who pass the performance evaluation was 8,420,193.

As at 31 December 2023, the equity-settled share-based payments recognised by the Company accumulated to RMB460,789,000 (31 December 2022: RMB244,485,000), including accumulated amounts attributable to shareholders of the parent company of RMB459,474,000 (31 December 2022: RMB243,869,000). In 2023, the amount of expenses recognised by the Company for the equity-settled share-based payments was RMB216,304,000 (2022: RMB220,852,000).

(b) Information on share-based payments of the Company's subsidiaries

The Group granted some equities or share options of several subsidiaries, to the senior management and other employees of the aforesaid companies or other subsidiaries within the Group respectively.

As at 31 December 2023, the equity-settled share-based payments of these companies recognised by the Group accumulated to RMB601,069,000 (31 December 2022: RMB508,035,000), including accumulated amounts attributable to shareholders of the parent company of RMB487,225,000 (31 December 2022: RMB431,320,000). In 2023, the amount of expenses recognised by the Group for the equity-settled share-based payments was RMB93,034,000 (2022: RMB111,279,000 was offset against expenses). The fair value at the grant date was recognised based on the discounted cash flow model and the binomial tree model.

(3) Information on cash-settled share-based payments

Certain subsidiaries of the Group use their shares or the Company's shares as the calculation basis to grant cash-settled share-based payments to eligible employees of those subsidiaries.

As at 31 December 2023, liabilities arising from the cash-settled share-based payments accumulated to RMB268,453,000 (31 December 2022: RMB334,757,000). In 2023, the Group's expenses recognised for cash-settled share-based payments amounted to RMB233,708,000 (2022: RMB48,111,000). The fair value at the balance sheet date was recognised based on the discounted cash flow model and the binomial tree model.

10 Commitments

Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	31 December 2023	31 December 2022
Buildings, machinery and equipment	1,858,672	3,571,632
Investment contracts that have been signed but not fulfilled or not absolutely fulfilled	131,895	1,811,611
Others	944	–
	1,991,511	5,383,243

11 Contingency

As stated in Note 8(3)(f), subsidiaries of the Group provide loan guarantees to related parties. As at 31 December 2023, the total guarantees were RMB782,000,000 (31 December 2022: RMB895,374,000).

12 Subsequent events

(1) Profit distribution after the balance sheet date

On 26 March 2024, the Board of Directors of the Company agreed that the Company would pay a cash dividend of RMB6.00 (including tax) for every 10 shares to all shareholders, based on the total share capital on the record date of the future implementation of the 2023 annual profit distribution plan, minus the number of shares repurchased by the Company on that day. The remaining undistributed profits are carried forward to subsequent years for distributions. This time, the conversion of provident fund into share capital and the issuance of bonus shares will not be given. The proposal is subject to approval by the General Meeting of Shareholders. Cash dividends proposed after the balance sheet date are not recognized as liabilities at the balance sheet date.

(2) Tender offers after the balance sheet date

On 29 December 2023, Kerry Logistics announced that it will declare a special interim dividend to its eligible shareholders after meeting certain conditions. 907,200,000 shares of Kerry Express (Thailand) Public Company Limited (hereinafter referred to as "KEX") indirectly held by Kerry Logistics (accounting for approximately 52.1% of all KEX shares issued) will be distributed in kind.

As the aforesaid KEX shares to be distributed are held by KLN Logistics (Thailand) Limited ("Kerry Thailand"), a subsidiary of Kerry Logistics, Kerry Logistics and Kerry Thailand need to enter into a share sale and purchase agreement concerning the acquisition of the KEX shares to entitle Kerry Logistics to direct the transfer of the KEX shares to the shareholders of Kerry Logistics for distribution. Notwithstanding that Kerry Logistics is not a recipient or transferee of any of the distribution of KEX shares in kind, Kerry Logistics is deemed to have acquired the KEX shares in kind by entering into a Sale and Purchase Agreement, thereby triggering the mandatory tender offer for KEX under the Thailand Code (unless waived). Under the Thailand Code, the aforesaid share distribution is subject to Kerry Logistics' obtaining a waiver from the Stock Exchange of Thailand ("SET") in respect of the tender offer obligations arising from the distribution.

The Company indirectly holds 51.5% of the shares of Kerry Logistics through its wholly owned subsidiary, Flourish Harmony Holdings Company Limited. If the aforesaid distribution is completed, the Group will receive a total of 467,373,855 shares in KEX, representing approximately 26.8% of all KEX Shares issued, triggering the mandatory tender offer for KEX under the Thailand Code. On 5 February 2024, Kerry Logistics announced that it has obtained a waiver from the SET in respect of the tender offer liability arising from the distribution. Therefore, the conditions for the payment of the special interim dividend by way of distribution of shares in kind have been fulfilled and the distribution has become unconditional. The Group has made a tender offer to KEX shareholders at a price of THB 5.5 per share to acquire the KEX shares held by them.

As at March 26, 2024, the special interim dividend distribution and tender offer in respect of the above transactions were completed and the Group acquired a total of 1,091,818,327 shares in KEX, representing 62.7% of KEX's issued shares.

(3) Share repurchase after the balance sheet date

On 30 January 2024, the Group held the 11th meeting of the 6th Board of Directors and passed *the Proposal on the Company's Share Repurchase Plan through Centralized Bidding.* The total amount of funds for this repurchase shall not be less than RMB500 million and shall not exceed RMB1 billion, and the repurchase period shall be within 6 months from the date of approval of the repurchase plan by the Group's Board of Directors.

On 31 January 2024, the Group repurchased approximately 3,747,000 shares of the Group through a centralized bidding method through a dedicated securities account for share repurchases, with a total repurchase amount of approximately RMB131,570,000 (excluding transaction costs). On 29 February 2024, the Group repurchased approximately 3,385,000 shares of the Group through a centralized bidding method through a dedicated securities account for share repurchases, with a total repurchase amount of approximately RMB116,280,000 (excluding transaction costs). The above-mentioned repurchase meets the requirements of relevant laws and regulations and the established repurchase plan.

13 Operating lease proceeds after the balance sheet date

As the lessor, the Group's undiscounted lease proceeds receivable after the balance sheet date are as follows:

	31 December 2023	31 December 2022
Within 1 year (including 1 year)	371,269	228,038
1 to 2 years (including 2 years)	240,171	185,848
2 to 3 years (including 3 years)	146,234	134,539
3 to 4 years (including 4 years)	90,435	179,036
4 to 5 years (including 5 years)	56,615	60,581
Over 5 years	206,636	246,444
	1,111,360	1,034,486

14 Business combinations

Refer to Note 5(1).

15 Financial instruments and relevant risks

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The above financial risks and the Group's risk management policies to mitigate the risks are as follows:

The Board of Directors is responsible for planning and establishing the Group's risk management framework, formulating the Group's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has established risk management policies to identify and analyse the risks faced by the Group. These risk management policies specify the risks such as market risk, credit risk and liquidity risk management. The Group regularly evaluates the market environment and changes in the Group's operating activities to determine whether to update the risk management policies and systems or not. The Group's risk management is carried out by the Risk Management Committee under policies approved by the Board of Directors. The Risk Management Committee encourages the departments of the Group to work closely together to identify, evaluate and avoid relevant risks. The internal audit department of the Group conducts periodical audit to the controls and procedures for risk management and reports the audit results to the Audit Committee of the Group.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in mainland China and most of the transactions are denominated in RMB. Some operational activities are carried out in regions/countries including Hong Kong SAR, USA, Korea and Europe and relevant transactions are settled in HKD, USD, KRW and EUR. Therefore, the Group is exposed to foreign exchange risk arising from the recognised financial assets and liabilities denominated in non-recording currencies, and future transactions denominated in foreign currencies. Management is responsible for monitoring the amount of financial assets and liabilities, and transactions denominated in non-recording currencies to reduce foreign exchange risk to the greatest extent.

(i) Foreign exchange risk of companies with RMB as recording currency

As at 31 December 2023 and 31 December 2022, the foreign exchange exposure of financial assets and liabilities denominated in non-recording currencies held by the Group's companies whose recording currency is RMB was stated in Note 4(58)(a), mainly from USD, HKD and EUR.

As at 31 December 2023, for the above financial assets and financial liabilities denominated in USD, if the RMB appreciates or depreciates by 5% against the USD, while all other variables had been held constant, the Group will reduce or increase its pre-tax profit by approximately RMB25,622,000 (31 December 2022: RMB74,507,000).

Changes in other foreign currencies have no significant impact on foreign exchange risk.

(ii) Foreign exchange risk of companies with HKD as recording currency

As at 31 December 2023 and 31 December 2022, the foreign exchange exposure of financial assets and liabilities denominated in non-recording currencies held by companies located in Hong Kong SAR with HKD being their recording currency was mainly derived from the USD (Note 4(58)(b)). Because the HKD and the USD are linked exchange rates, the foreign exchange risks faced by the above-mentioned companies using HKD as their recording currency are not significant.

(iii) As at 31 December 2023 and 31 December 2022, the Group's overseas subsidiaries, except for those operating in Hong Kong SAR, held no significant financial assets or liabilities denominated in non-recording currencies.

(iv) In view of the different functional currencies of subsidiaries within the Group, there is still foreign exchange risk arising even if transactions and balances within the Group are offset. As at 31 December 2023 and 31 December 2022, such foreign exchange risks were not material.

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing debts including long-term bank borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2023, the Group's long-term interest bearing debts were mainly related to floating rate long-term borrowings, and fixed rate debentures payable. Among them, floating rate long-term borrowings amounted to RMB11,355,241,000 (31 December 2022: RMB7,472,010,000); the contract amount of fixed rate debentures payable denominated in RMB was RMB500,000,000 (31 December 2022: RMB1,000,000,000), and the contract amount of fixed rate debentures payable denominated in USD was USD2,600,000,000, equivalent to RMB18,415,020,000 (31 December 2022: USD2,600,000,000, equivalent to RMB18,107,960,000).

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new interest bearing borrowings and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. Management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk.

As at 31 December 2023, if interest rates on borrowings had increased/decreased by 50 basis points while all other variables had been held constant, the Group's profit before tax would have decreased/increased by approximately RMB56,776,000 (31 December 2022: RMB37,360,000).

(c) Other price risk

The Group's other price risk mainly arises from movements in price of various investments in equity instruments measured at fair value that will not be sold within 1 year.

As at 31 December 2023, if the price of various investments in equity instruments had risen/fallen by 10%, while all other variables had been held constant, the Group's profit before tax and other comprehensive income before tax would have been approximately RMB59,000,000 (31 December 2022: approximately RMB101,221,000) and RMB948,954,000 (31 December 2022: approximately RMB736,568,000) higher/lower, respectively.

(2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, notes receivable, accounts receivable, receivables financing, loans and advances, other receivables, contract assets, current portion of non-current assets, long-term receivables, investments in debt instruments measured at fair value through profit or loss that are not included in the assessment of impairment, etc. At the balance sheet date, the Group's maximum exposure to credit risk represents the carrying amount of the Group's financial assets, except that the maximum exposure to credit risk of long-term receivables represents the aggregate of its undiscounted contractual cash flows.

The Group expects that there is no significant credit risk associated with cash at bank and on hand since they are mainly deposits at state-owned banks and other medium or large size listed banks with good reputation and a higher credit rating. The Group does not expect that there will be any significant losses from non-performance by these counterparties.

The Group's notes receivable, accounts receivable, receivables financing, other receivables, contract assets, current portion of non-current assets and long-term receivables include receivables from related parties and receivables from non-related parties. In respect of receivables from related parties, the Group considers that they have low credit risk; in respect of receivables from non-related parties, the Group will develop relevant policies to control the exposure to credit risk. The Group evaluates customers' credit quality based on their financial position, possibility of obtaining guarantees from third parties, credit history and such other factors as current market conditions and determines the credit term based on the evaluation results. The credit term of accounts receivable ranges from 30 days to 90 days. The Group monitors customers' credit history on a regular basis. In respect of customers with a poor credit history, the Group will use payment reminders, or shorten or cancel credit terms, to ensure the overall credit risk of the Group is limited to a controllable extent.

The Group's notes receivable, accounts receivable, receivables financing and contract assets mainly arise from rendering of logistics and freight forwarding services and other related services or sales of goods, while other receivables, current portion of non-current assets and long-term receivables represent advances, goods payments collected on behalf of other parties, deposits and guarantees, loans to employees, and finance lease receivables arising from rendering of logistics and freight forwarding services. Management maintains ongoing evaluation on debtors' financial position, but generally does not require debtors' mortgage for outstanding debts. The Group monitors and reviews expected credit losses on outstanding amounts on a regular basis, and takes into account important macroeconomic assumptions and parameters in the calculation of expected credit losses, including the risk of economic downturn, external market conditions, changes in customer conditions, gross domestic product and the consumer price index. Management makes the provision for bad debts based on the evaluation results thereof. Where it is impossible for the Group to reasonably estimate the recoverable amount, the relevant outstanding amount shall be written off accordingly. Indicators for impossibility to reasonably estimate the recoverable amount include debtors' failure to make contract payments as planned or make overdue contract payments, significant financial difficulties, bankruptcy liquidation, etc.

For loans and advances, the Group developed credit policies and operational implementation rules in accordance with the requirements of relevant state regulatory authorities, and implemented standardised management over the entire process of credit granting. In addition, the Group further improved the systems for credit risk monitoring and early warning and defective credit extension management. The Group actively responded to the changes in the credit environment, regularly analysed the situation and dynamic of credit risks and took risk control measures on a forward-looking basis. The Group also established an optimisation management mechanism for defective credit and accelerated the optimisation progress of defective credit to avoid non-performing loans.

In addition, financial guarantee obligations may involve risks due to the failure of counterparties. The Group has strict application and approval requirements for financial guarantee obligations, considering information including internal and external credit ratings, and continuously monitors credit risk exposures, changes in the credit ratings of the counterparties, and other relevant information, to ensure that the overall credit risk is within a controllable extent.

As at 31 December 2023, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2022: Nil).

(3) Liquidity risk

(a) Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group. The Group monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2023				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Deposits from customers	1,731	–	–	–	1,731
Accounts payable	24,846,135	–	–	–	24,846,135
Other payables	11,494,841	–	–	–	11,494,841
Short-term borrowings	18,396,510	–	–	–	18,396,510
Other current liabilities	–	–	–	–	–
Current portion of non-current liabilities	9,660,951	–	–	–	9,660,951
Long-term borrowings	206,068	3,120,571	8,171,144	1,218,218	12,716,001
Debentures payable	562,511	1,058,727	8,739,130	10,754,753	21,115,121
Long-term payables	–	247,452	–	–	247,452
Lease liabilities	–	4,569,459	2,529,679	1,784,760	8,883,898
	65,168,747	8,996,209	19,439,953	13,757,731	107,362,640

	31 December 2022				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Deposits from customers	20,670	–	–	–	20,670
Accounts payable	24,715,352	–	–	–	24,715,352
Other payables	13,346,595	–	–	–	13,346,595
Short-term borrowings	12,963,318	–	–	–	12,963,318
Other current liabilities	5,118,489	–	–	–	5,118,489
Current portion of non-current liabilities	11,448,352	–	–	–	11,448,352
Long-term borrowings	161,001	3,101,351	4,660,180	85,488	8,008,020
Debentures payable	581,461	1,068,586	7,373,540	13,179,071	22,202,658
Long-term payables	–	210,501	–	–	210,501
Lease liabilities	–	4,179,191	3,797,852	1,976,864	9,953,907
	68,355,238	8,559,629	15,831,572	15,241,423	107,987,862

(b) Cash flows derived from leases not yet commenced to which the Group was committed were analysed by maturity at the balance sheet date (Note 4(33)):

	31 December 202	31 December 2022
Within 1 year (inclusive)	1,344,393	986,197
1 to 2 years (inclusive)	458,299	259,841
2 to 3 years (inclusive)	560,409	200,248
Over 3 years	2,834,483	192,415
	5,197,584	1,638,701

16 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Financial assets and liabilities measured at fair value on a recurring basis

As at 31 December 2023, the financial assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets held for trading:				
Structural deposits	–	–	6,542,881	6,542,881
Fund investments and others	78	354	266,429	266,861
Receivables financing:				
Notes receivable	–	99,978	–	99,978
Other non-current financial assets:				
Industry fund investments	–	–	499,320	499,320
Others	–	–	90,676	90,676
Investments in other equity instruments:				
Equity instruments available for sale	2,418,842	–	7,070,693	9,489,535
Total financial assets	2,418,920	100,332	14,469,999	16,989,251

As at 31 December 2022, the financial assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets held for trading:				
Structural deposits	–	–	7,351,158	7,351,158
Fund investments	77	34,144	–	34,221
Receivables financing:				
Notes receivable	–	63,310	–	63,310
Other non-current financial assets:				
Industry fund investments	–	–	770,637	770,637
Special Scheme equity-class securities	–	–	116,286	116,286
Others	–	–	125,286	125,286
Investments in other equity instruments:				
Equity instruments available for sale	158,936	127,564	7,079,184	7,365,684
Total financial assets	159,013	225,018	15,442,551	15,826,582

As at 31 December 2023, the financial liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities:				
Others	–	92,120	–	92,120

As at 31 December 2022, the financial liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities:				
Others	–	96,647	–	96,647

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is transfer between Level 1 and Level 3 for the year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable company model. The inputs of the valuation technique mainly include expected rate and lack of liquidity discount etc.

The changes in Level 3 assets are analysed below:

	Financial assets held for trading – Structural deposits	Financial assets held for trading – Fund investments and others	Other non-current financial assets – Special Scheme equity-class securities	Other non-current financial assets – Industry fund investments	Other non-current financial assets – Others	Other equity instruments – Equity instruments available for sale
31 December 2022	7,351,158	–	116,286	770,637	125,286	7,079,184
Additions in the current year	92,860,000	–	–	16,589	1,384,772	54,174
Reclassification in the current year	–	209,487	–	(209,487)	–	–
Transferred out to the level 1 in the current year	–	–	–	–	(1,466,275)	(139,189)
Decrease in the current year	(94,152,173)	(531)	(116,286)	(22,944)	(4,297)	–
Gains/(losses) recognised in profit or loss for the current period	483,896	53,572	–	(58,405)	(32,494)	–
Losses recognised in other comprehensive income	–	–	–	–	–	(32,059)
Exchange differences on translation of foreign currency financial statements	–	3,901	–	2,930	83,684	108,583
31 December 2023	6,542,881	266,429	–	499,320	90,676	7,070,693

	Financial assets held for trading – Structural deposits	Other non-current financial assets – Special Scheme equity-class securities	Other non-current financial assets – Industry fund investments	Other non-current financial assets – Others	Other equity instruments – Equity instruments available for sale
31 December 2021	9,730,665	235,821	552,130	90,072	6,167,109
Increase in the current year	151,418,127	–	220,144	32,039	345,378
Decrease in the current year	(154,421,228)	(137,660)	(24,173)	–	–
Gains recognised in profit or loss for the current period	623,594	18,125	2,705	(87)	–
Gains recognised in other comprehensive income	–	–	–	–	(32,291)
Exchange differences on translation of foreign currency financial statements	–	–	19,831	3,262	598,988
31 December 2022	7,351,158	116,286	770,637	125,286	7,079,184

(2) Financial assets and liabilities not measured at fair value but for which their fair values are disclosed

The Group's financial assets and liabilities measured at amortised cost mainly include cash at bank and on hand, receivables, loans and advances, current portion of non-current assets, long-term receivables, short-term borrowings, payables, lease liabilities, long-term borrowings, debentures payable, current portion of non-current liabilities, other current liabilities and long-term payables.

The carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value. The fair value of financial assets and liabilities over one year is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, and categorised within Level 3 of the fair value hierarchy.

17 Capital management

The Group's capital management policies aim 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 shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is calculated as "shareholders' equity" as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements.

As at 31 December 2023 and 31 December 2022, the Group's debt-to-asset ratio was as follows:

	31 December 2023	31 December 2022
Debt-to-asset ratio	53.37%	54.67%

18 Notes to the Company's financial statements

(1) Cash at bank and on hand

	31 December 2023	31 December 2022
Cash at bank	138,046	812,181

(2) Financial assets held for trading

	31 December 2023	31 December 2022
Structural deposits	–	2,335,319

(3) Other receivables

	31 December 2023	31 December 2022
Funds granted to subsidiaries	16,316,446	14,689,829
Dividends receivable from Taisen Holdings	5,500,000	500,000
Others	1,673	1,643
	21,818,119	15,191,472
Less: Provision for bad debts	(8)	(8)
	21,818,111	15,191,464

The Company does not have deposits at other parties under a centralised management arrangement that are presented as other receivables.

The ageing of other receivables is analysed as follows:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	11,219,836	2,753,246
1 to 2 years (inclusive)	2,251,616	10,764,477
Over 2 years	8,346,667	1,673,749
	21,818,119	15,191,472

(4) Long-term equity investments

	31 December 2023	31 December 2022
Subsidiaries (a)	66,933,038	58,217,914
Less: Provision for impairment loss of long-term equity investments	–	–
	66,933,038	58,217,914

There is no significant restriction on sales of the long-term equity investments held by the Company.

(a) Subsidiaries

			Movements in the current year					Provision for impairment loss		
	Accounting method	31 December 2022	Movements in the current year	31 December 2023	Shareholding (%)	Voting rights (%)	Explanation of disparity between percentages of shareholding and voting rights	31 December 2023	31 December 2022	Cash dividends declared in the current year
Taisen Holdings	Cost method	58,217,914	8,715,124	66,933,038	100.00%	100.00%	Not applicable	–	–	14,000,000

(5) Investment income

	2023	2022
Income from long-term equity investments under the cost method	14,000,000	500,000
Investment income from financial assets held for trading	25,548	186,398
	14,025,548	686,398

S.F. HOLDING CO., LTD.

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

1 Statement of non-recurring profit or loss for the year ended 31 December 2023

	2023
Investment income from disposal of subsidiaries	268,204
Gains on disposal of other non-current assets	46,668
Government grants recognised in profit or loss, except those that are closely related to normal course of business, in line with national policies, entitled in accordance with defined criteria, and have sustained impact on the Company's profit or loss	1,094,790
Gains or losses on changes in fair value of financial assets and financial liabilities from non-financial enterprises, and profit or loss arising from disposal of financial assets and financial liabilities, except for those arising from the effective hedging activities related to the Company's normal course of business	45,515
Reversal of impairment provision for receivables individually assessed for impairment	61,608
Net amount of other non-operating income and expenses	18,213
Sub-total	1,534,998
Less: Income tax effect	(276,330)
Less: Non-recurring profit or loss attributable to minority shareholders	(157,905)
Non-recurring profit or loss attributable to shareholders of the parent company	1,100,763
Including: Non-recurring profit or loss from continuing operations	1,100,763

(1) Basis for preparation of statement of non-recurring profit or loss for the year ended 31 December 2023

China Securities Regulatory Commission issued the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No.1 – Non-recurring Profit or Loss* (Revised in 2023) (the "Explanatory Announcement No. 1 (2023)") in 2023, which became effective since the date of issuance. The Group prepared the statement of non-recurring profit or loss for the year ended 31 December 2023 in accordance with the Explanatory Announcement No. 1 (2023).

Pursuant to the Explanatory Announcement No. 1 (2023), non-recurring profit or loss refers to profit or loss arising from transactions and events those are not directly related to the company's normal course of business, also from transactions and events those even are related to the company's normal course of business, but will interfere with the right judgement of users of the financial statements on the company's operation performance and profitability due to their special nature and occasional occurrence.

(2) Impact of implementation of Explanatory Announcement No. 1 (2023) on non-recurring profit or loss for the year ended 31 December 2022

Pursuant to the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No.1 – Non-recurring Profit or Loss* (2008) ("Explanatory Announcement No. 1 (2008)", the Group does not have items that are presented as non-recurring profit or loss in 2022 but which shall be presented as recurring profit or loss in accordance with the relevant provisions of Explanatory Announcement No. 1.

2 Statement of non-recurring profit or loss for the year ended 31 December 2022

	2022
Investment income from disposal of subsidiaries	32,314
Gains on disposal of other non-current assets	374,595
Government grants recognised in profit or loss (Government grants included in non operating income, other income, and offsetting cost expenses)	826,447
Gains or losses on changes in fair value of trading financial assets and trading financial liabilities, and profit or loss arising from disposal of trading financial assets and trading financial liabilities	47,500
Reversal of impairment provision for receivables individually assessed for impairment	94,297
Net amount of other non-operating income and expenses	(73,330)
Sub-total	1,301,823
Less: Income tax effect	(235,481)
Less: Non-recurring profit or loss attributable to minority shareholders	(229,502)
Non-recurring profit or loss attributable to shareholders of the parent company	836,840
Including: Non-recurring profit or loss from continuing operations	836,840

(1) Basis for preparation of statement of non-recurring profit or loss for the year ended 31 December 2022

The Group prepared the statement of non-recurring profit or loss for the year ended 31 December 2022 in accordance with the Interpretative Announcement No. 1 (2008).

3 Return on net assets and earnings per share

	Weighted average		Earnings per share			
	Return on net asset (%)		Basic earnings per share (Yuan/share)		Diluted earnings per share (Yuan/share)	
	2023	2022	2023	2022	2023	2022
Net profit attributable to ordinary shareholders of the Company	9.19%	7.34%	1.70	1.27	1.70	1.27
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	7.96%	6.35%	1.47	1.10	1.47	1.10
Including: – Continuing operations						
Net profit attributable to ordinary shareholders of the Company	9.19%	7.34%	1.70	1.27	1.70	1.27
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	7.96%	6.35%	1.47	1.10	1.47	1.10

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