S.F. HOLDING CO., LTD.

2022 ANNUAL REPORT

30th ANNIVERSARY 1993-2023

Stock Abbr: **SF Holding**
Stock Code: **002352**

Sustainable and robust growth

Service and efficiency enhancement　Lean operations

Network integration and optimization　Long-term and steady progress

Important Information

The Company's Board of Directors, Supervisory Committee, directors, supervisors, and senior management hereby guarantee that the contents of the Annual Report are true, accurate, and complete, and that there are no misrepresentations, misleading statements, or material omissions, and shall assume individual and joint legal liabilities.

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 and warrant that the financial report contained herein is true, accurate, and complete.

All directors have attended the Board meeting at which the Annual Report was considered.

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 "Risk and Responses" in "Section XIII. Prospects of the Company" of "Chapter 3. Management Discussion and Analysis". Investors shall refer to this information.

The profit distribution proposal reviewed and approved by the Company's Board of Directors 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, a cash dividend of RMB2.50 (including tax) will be distributed for every 10 shares held. There will be no bonus shares or conversion of equity reserve into share capital of the Company.

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 2022 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, 2022 to December 31, 2022
The same period of previous year	January 1, 2021 to December 31, 2021
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. Holding 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. Holding 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	顺丰控股股份有限公司		
Chinese Name Abbreviation of the Company	顺丰控股		
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, Bao'an 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 Zhong Tian 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	Chen Anqiang, Liu Jingping

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

Name of Sponsor Institution	Office Address of Sponsor Institution	Name of Sponsor Representative	Continuous Supervision Period
Huatai United Securities Co., Ltd.	Floor 27 and Floor 28, Fund Building, No. 5999, Yitian Road, Futian District, Shenzhen	Long Wei, Ning Xiaobo	November 19, 2021 to December 31, 2022
China International Capital Corporation Limited	Floor 27 and Floor 28, China World Tower 2, No. 1, Jianguomenwai Avenue, Beijing	Tian Dan, Long Hai	November 19, 2021 to December 31, 2022

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

☐ Applicable √ Not applicable

II. Key Operating and Financial Data

Results Overview for 2022

Revenue

RMB 267.5 billion ↑29.1%

Total assets

RMB 216.8 billion ↑3.31%

Gross profit

RMB 33.4 billion ↑30.4%

Net assets attributable to the parent company[3]

RMB 86.3 billion ↑4.00%

Net profit attributable to the parent company[1]

RMB 6.17 billion ↑44.6%

Basic earnings per share

RMB 1.27 /share ↑36.6%

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

RMB 5.34 billion ↑191%

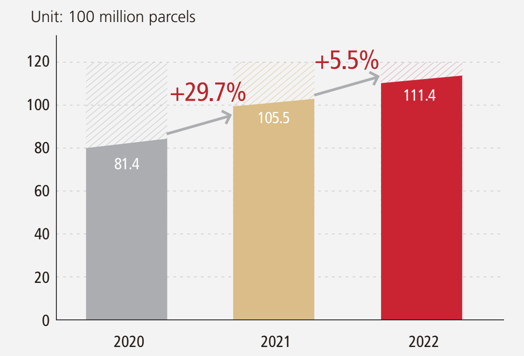
Return on net assets[4]

7.34% +0.53%

Notes:

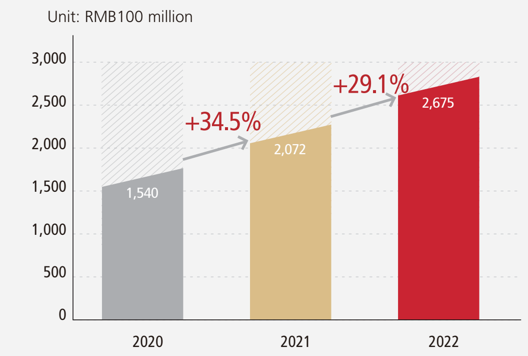
1. Net profit attributable to the parent refers to the net profit attributable to the shareholders of the listed company
2. Profit attributable to the parent company after deducting non-recurring profit or loss refers to the net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss
3. The net assets attributable to the parent refers to the net assets attributable to the shareholders of the listed company
4. Return on net assets represents weighted average return on net assets

Volume

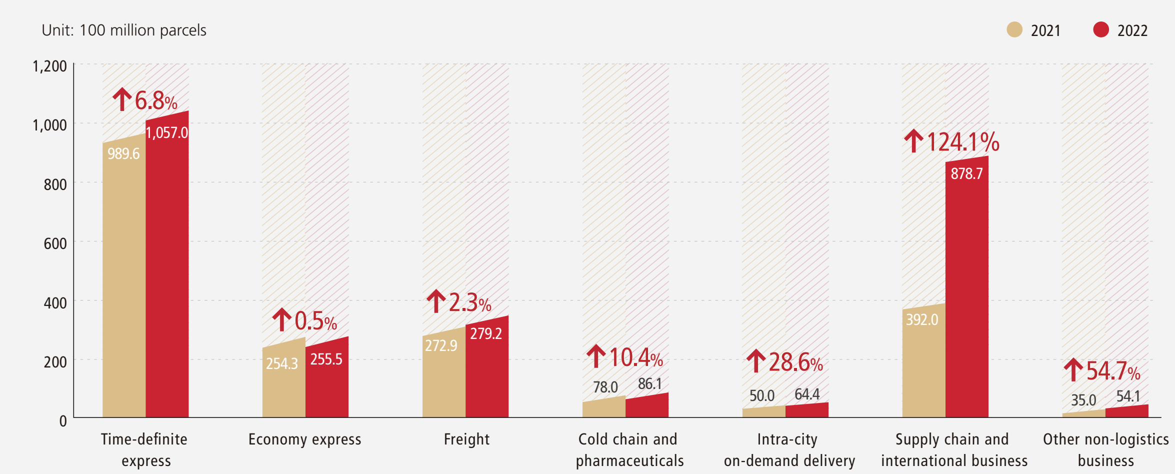


● The volume does neither include the volume of Kerry Logistics express shipments, nor does it include the business volume of the Company's international freight and agency, and supply chain

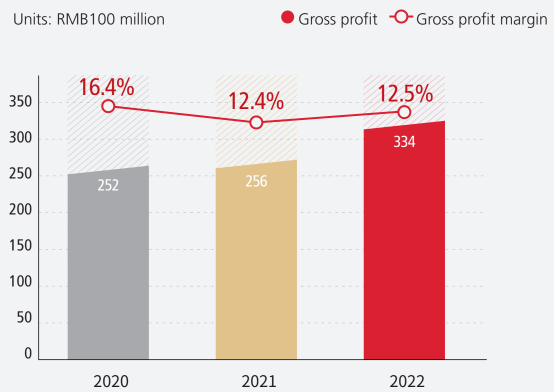
Revenue



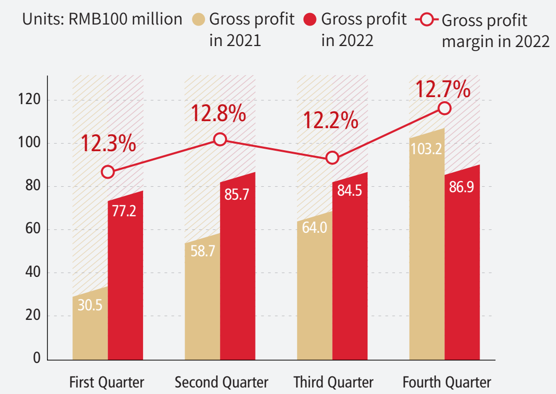
Revenue by Business Segment and Its Share in Total Revenue



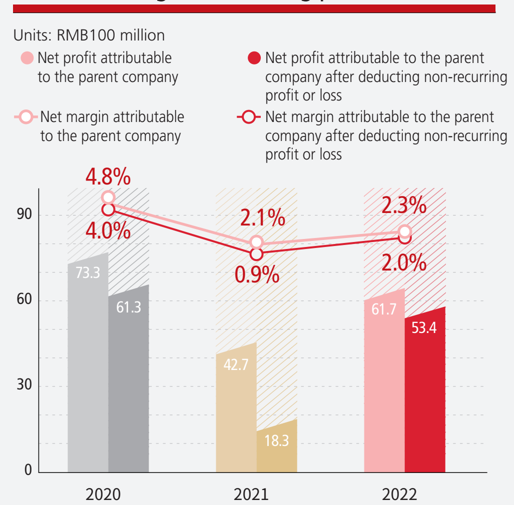
Gross profit



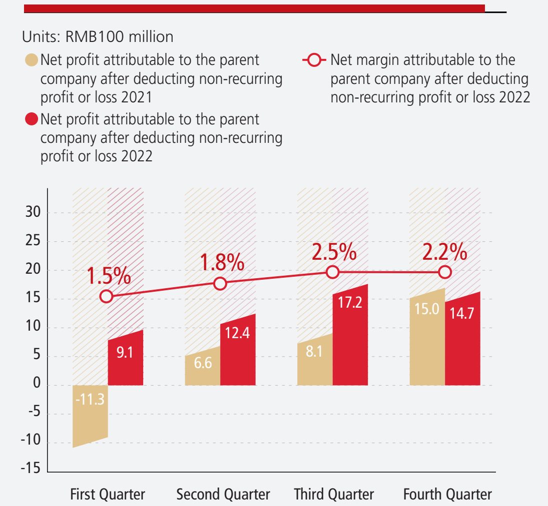
Quarterly gross profit



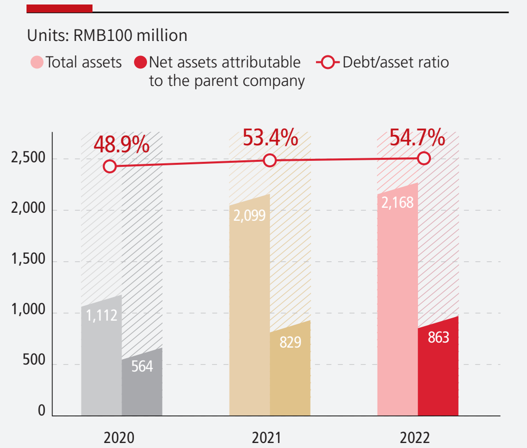
Net profit attributable to the parent company & Net profit attributable to the parent company after deducting non-recurring profit or loss



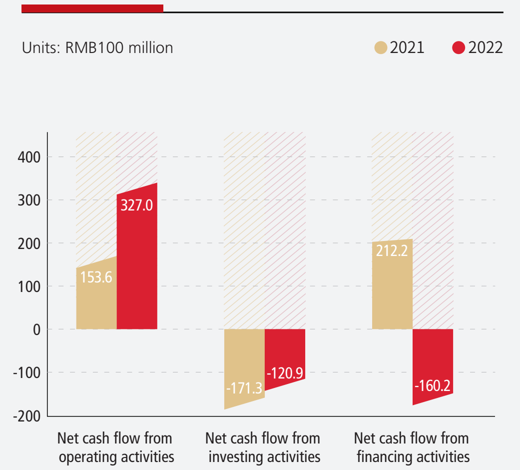
Quarterly net profit attributable to the parent company after deducting non-recurring profit or loss



Assets



Net cash flow



Financial summary

Major accounting data and financial indicators

(RMB'000)	2022	2021	Changes in this year over the previous year	2020
Revenue	267,490,414	207,186,647	29.11%	153,986,870
Cost of revenue	234,072,360	181,548,507	28.93%	128,810,033
Gross profit	33,418,054	25,638,140	30.35%	25,176,837
Net profit attributable to shareholders of the parent company	6,173,764	4,269,098	44.62%	7,326,079
Net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss	5,336,924	1,834,199	190.97%	6,132,337
Net cash flow generated from operating activities	32,702,947	15,357,605	112.94%	11,323,919

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 2022	End of 2021	Changes at this year-end as compared with the end of the previous year	End of 2020
Total assets	216,842,707	209,899,982	3.31%	111,160,042
Total liabilities	118,556,658	111,984,735	5.87%	54,400,343
Net assets	98,286,049	97,915,247	0.38%	56,759,699
Net assets attributable to shareholders of the parent company	86,263,741	82,943,226	4.00%	56,443,048
Gearing ratio (%)	54.67%	53.35%	Increase by 1.32 percentage points	48.94%

(RMB)	2022	2021	Changes in this year over the previous year	2020
Basic earnings per share	1.27	0.93	36.56%	1.64
Diluted earnings per share	1.27	0.93	36.56%	1.64
Weighted average return on net assets (%)	7.34%	6.81%	Increase by 0.53 percentage points	15.20%

Major financial data by quarter

(RMB'000)	First quarter	Second quarter	Third quarter	Fourth quarter
Revenue	62,984,185	67,079,948	69,083,218	68,343,063
Cost of revenue	55,263,558	58,514,752	60,637,225	59,656,825
Gross profit	7,720,627	8,565,196	8,445,993	8,686,238
Net profit attributable to shareholders of the parent company	1,022,140	1,490,257	1,959,559	1,701,808
Net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss	911,818	1,236,038	1,715,549	1,473,519
Net cash flow generated from operating activities	4,807,300	11,905,514	7,663,876	8,326,257

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)	2022	2021	Year-on-year change
Express segment	138,410,580	132,319,106	4.60%
Freight segment	31,354,280	28,356,404	10.57%
Intra-city segment	6,567,057	5,117,905	28.32%
Supply chain and international segment	89,916,599	39,979,632	124.91%
Undistributed units	1,241,898	1,413,600	-12.15%
Total	267,490,414	207,186,647	29.11%

Net profit

(RMB'000)	2022	2021	Year-on-year change
Express segment	5,459,146	3,832,187	42.46%
Freight segment	27,677	-582,308	104.75%
Intra-city segment	-286,903	-898,851	68.08%
Supply chain and international segment	1,945,862	615,252	216.27%
Undistributed units	-122,737	965,462	-112.71%
Inter-segment elimination	-19,425	-12,529	-55.04%
Total	7,003,620	3,919,213	78.70%

Note:

(1) The Company carried out multi-network coordination continuously so that the large parcel (generally those are heavier than 20KG with restricted flow direction and distance) business of time-definite express and economy express business (which are under operation by express segment) were included in the responsibility of the freight organization step by step. Therefore, the data on "large parcel express" was included in the segment data of freight.

(2) The corresponding relationship between the operating segments and the Company's principal business segments was: the express segment included time-definite express and economy express businesses other than large parcel express business included in the responsibility of the large parcel organization mentioned in item (1), as well as cold shipping and pharmaceutical businesses; the freight segment included the large parcel express business, and freight business; the intra-city segment was mainly intra-city on-demand delivery business; the supply chain and international segment mainly was international express business, international freight and freight forwarding business, and supply chain business; the undistributed units mainly included segments of non-principal logistics and freight forwarding, including investment, industrial parks and other functional segments of the headquarters.

Non-recurring profit or loss items and amounts

(RMB'000)	2022	2021	2020	Description
Investment income from disposal of subsidiaries	32,314	1,808,638	443,625	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)	374,595	105,502	-52,899	It mainly represents the gains arising from disposal of associates.
Government subsidies included in the current profit and loss (except for government subsidies that are closely related to the Company's normal business operations, and are in line with national policies and are continuously granted on a certain standard or quantitative basis)	826,447	857,458	1,032,230	It mainly represents government subsidies arising from fiscal appropriation, tax refund, grants for employment stabilization, and transportation capacity subsidies, 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	–	
In addition to the effective hedging business related to the Company's normal business operations, the profit or loss from fair value changes in holding held-for-trading financial assets and held-for-trading financial liabilities, as well as the investment income from the disposal of held-for-trading financial assets and held-for-trading financial liabilities	47,500	151,606	139,467	
Reversal of provisions for impairment of accounts receivable that have been separately tested for impairment	94,297	46,264	–	
Other non-operating income and expenses other than the above	-73,330	-136,453	-153,227	
Less: Income tax impact	235,481	381,549	196,455	
Impact on minority shareholders' equity (after tax)	229,502	18,942	18,999	
Total	836,840	2,434,899	1,193,742	

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 in accordance with the Chinese Accounting Standards:

   ☐ Applicable √ Not applicable

I. Industry Review in 2022

1. Environment and Growth of the Logistics Industry

I) China's macro-economy has achieved a steady growth, and its economic operation is more resilient than ever before. In the era of VUCA, the external environment is increasingly uncertain. Inflation in Europe and the United States, rising energy prices, the sluggish consumer spending, geopolitical risks, and other factors are affecting the normal development of global economy and trade. Even though being confronted with numerous difficulties, China's economic operation is generally stable, highlighting its development resilience. According to the data published by National Bureau of Statistics, the annual GDP of China totaled RMB121.02 trillion in 2022, representing an increase of 3.0% over the previous year at constant prices. China has the world's second largest economy by GDP. China's total import & export values totaled RMB42.07 trillion in 2022, representing an increase of 7.7% over the previous year. The total value of exports showed a year-on-year increase of 10.5%.

II) The size of the consumer market in 2022 was flat compared to that in 2021, and online shopping penetration rate increased in 2022. The demands for domestic consumer market are yet to recover. According to the data published by the National Bureau of Statistics, the total retail sales of consumer goods of 2022 was RMB43.97 trillion, representing a decrease of 0.2% over the previous year. The retail sales of goods increased by 0.5%, and the catering revenue decreased by 6.3%. The online retail sales of physical goods of 2022 in China were RMB11.96 trillion, representing a year-on-year increase of 6.2%. The percentage of the online retail sales of physical goods in the total retail sales of consumer goods in 2022 was 27.2%, representing a year-on-year increase of 2.7%. The penetration rate of online shopping further increased.

III) The logistics market was under short-term pressure, and China's express delivery sector was still growing. Logistics is the weatherglass of the economy. In 2022, the domestic logistics industry was under pressures from limited demand and rising costs, which disturbed both the demand and supply of the logistic supply chain, but the overall operation was stable. According to the data published by China Federation of Logistics & Purchasing, the average Logistics Prosperity Index of 2022 was 48.5%, down by 4.9 percentage points as compared to last year. The total cost of social logistics was RMB17.8 trillion, representing a year-on-year increase of 4.4%. The percentage of the total cost of social logistics in GDP was 14.7%. According to the data published by the State Post Bureau, 110.58 billion deliveries were made in China in 2022, representing a year-on-year increase of 2.1%. In terms of parcel volume, China has ranked first in the world for nine years in a row. The revenue of China's express delivery business of 2022 was RMB1.06 trillion, representing a year-on-year increase of 2.3%. The Average Selling Price (ASP) increased steadily, indicating that the express delivery industry in China was heading for high-quality development.

2. Industry planning and policy directions

I) Chinese government is dedicated to expanding domestic demand and promote economic development, which is conducive to the recovery of the logistics industry. In December 2022, the Central Economic Work Conference made clear that "putting forth effort to expand domestic demand and recover and expand consumption" should be prioritized for the macro-control of 2023. According to the Outline of the Strategic Plan to Expand Domestic Demand (2022-2035)* 《扩大内需战略规划纲要(2022－2035 年)》 issued by the Central Committee of the Chinese Community Party and the State Council and the Implementation Plan for Expanding Domestic Demand During the "14th Five-Year Plan" Period* 《"十四五"扩大内需战略实施方案》 issued by the National Development and Reform Commission, expanding domestic demand has become an important part of China's policies. Expanding domestic demand will bring opportunities to the development of the logistics industry as consumption and manufacturing recover.

II) China vigorously promotes the construction of modern logistics. In May 2022, the State Council issued the Plan for Modern Logistics Development During the "14th Five-Year Plan" Period, which is the first national five-year plan in the field of modern logistics, making clear that promoting the modernization of the logistics industry has national strategic significance. (1) The logistics infrastructure has been comprehensively improved, and China will vigorously support the construction of national logistics hubs, international transit hubs, air cargo hubs, high-speed rail freight, cold chain logistics and other infrastructure. (2) Industry standards have been improved, and the logistics standard specification system has been further improved. Standardized, containerized and modular logistics loading tools and packaging basic modules have been widely used. (3) The innovation ability and competitiveness of enterprises have been significantly enhanced, encouraging the digital transformation of the logistics industry, promoting the integrated development of the logistics industry and manufacturing industry, cultivating backbone logistics enterprises and well-known service brands with international competitiveness, and supporting the development of "specialized, proficient, special and new" modern logistics enterprises.

III) Encouraging the express delivery enterprises to "cover rural areas, connect with manufacturers and go overseas" has become the long-term development plan of the country for the express delivery industry. (1) **In terms of covering rural areas**, some of the proposals of the Opinions on Effectively Completing the Key Work of Comprehensively Promoting Rural Revitalization in 2022 (Document No. 1 of the Central Government for 2022) are as follows: To speed up the network development of express delivery service networks in rural areas, to carry out the program of "express delivery covering rural areas* (快递进村)", encouraging the development of integrated stations featuring passenger transport, freight transport and postal service in villages and towns and integrated stations of postal and delivery enterprises and logistics enterprises in rural areas, promoting the unified delivery for counties, townships and villages, speeding up the program of the transport of agricultural products from rural areas to cities with "Internet Plus", promoting the establishment of a long-term and stable relation between production and marketing, expanding the networks of cold chain logistics in rural areas and promoting the construction of the infrastructure for the warehousing and storage in the growing areas of different agricultural products, preservation and cold chain logistics in counties. (2) **In terms of connecting with manufacturers**, the State Post Bureau carried out the "5312" project program of serving the advanced manufacturing industry with express delivery service and the typical project of in-depth integration of national express delivery service and the advanced manufacturing industry. The State Post Bureau was taking the establishment and development of pilot zones to a higher level. The following actions shall be taken: improving the coverage of express delivery facilities and services in manufacturing parks; establishing direct links between production and marketing for key express delivery enterprises and key manufacturers to establish mutually beneficial, all win, long-term and stable strategic cooperative relations. (3) **In terms of going overseas**, express delivery enterprises and advanced manufacturers are encouraged to cooperate with each other to set up an independent, controllable, safe and reliable international postal and delivery logistics supply chain, support express delivery enterprises to actively develop overseas businesses, improve the capacity of domestic and international postal and delivery hubs, develop multi-modal transport featuring land transport, water transport and air transport, improve the international comprehensive transport capacity, and enhance the stability of the industrial chain.

IV) The logistics industry development focuses on intelligent and green logistics. (1) According to the Plan for Modern Logistics Development During the "14th Five-Year Plan" Period, the following actions shall be taken: accelerating the digital transformation of logistics, promoting the transformation and upgradation of logistics infrastructure by classification, accelerating the construction of relevant facilities of the internet of things (IoT), developing new logistics infrastructure (e.g. intelligent logistics hubs, intelligent logistics parks, intelligent warehouse logistics bases, intelligent ports and digital warehouses), expanding the commercial application scenarios of intelligent logistics, promoting the application of automation, unmanned and intelligent logistics technologies and equipment, automatic perception, automatic control, intelligent decision-making technologies and other technologies. (2) Relevant policies laid stress on the importance of green logistics. The State Post Bureau launched the "9917" program of green development, focusing on promoting logistics enterprises to strengthen green energy conservation and low-carbon management, strengthen the research and development and application of new green logistics technologies and equipment, promote the use of recycled packaging, reduce excessive packaging and secondary packaging, and accelerate the standardization of the logistics industry. The Company saw effective improvement in green express packaging in 2022. Nearly 15 million recyclable express boxes were placed, and 700 million corrugated boxes were recycled and reused respectively by delivery companies throughout the year.

3. Industry landscape, competition and development

I) Express delivery industry focuses on service quality competition. (1) In terms of industry supervision, the government strengthens the guidance and supervision of the express industry to intensify protection of the sound and positive development of the express delivery market as well as the legitimate rights and interests of couriers. The "price war" trend of the express delivery market was promptly curbed. (2) In terms of market demand, the consumer market growth was slowing down, while the marketing channels and traffic were more diversified. As the new e-commerce platforms (e.g., live streaming and short video clips) were rapidly emerging in the last two years, the large platforms and corporate customers paid more attention to consumer service experience than ever before, and therefore asked for shorter delivery time and better service quality. Express delivery enterprises were given impetus to change the ways how they compete from "same quality with a lower price" to "diversities in quality and customer bases". (3) In terms of the supply of the logistics industry, "the Matthew effect" remained. According to the data published by the State Post Bureau, the CR8 of express delivery service brands of 2022 was 84.5%, higher than 80.5% of 2021, and the concentration ratio was further improved. However, in the context of the slowdown of upstream incremental demand and the limited space for cutting costs, the competition among leading express delivery enterprises was intensifying. Express delivery enterprises actively promoted service and products stratification, enhanced networks capabilities, and improved outlets service. The competition in the logistics industry has gradually shifted from the price war to the competition for service quality, differentiation and diversities in services and the stability of networks.

II) Industry integration through mergers and acquisitions continued in China. Concentration ratio of express delivery industry remained high in 2022, whereas that of other logistics sectors in China (e.g., less-than-truck-load transport, cold chains, integrated logistics and cross-border logistics) were still low. According to the list of China's Top 50 logistics Enterprises for the Year 2022*(2022 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 for the year 2022 was RMB1.94 trillion, accounting for approximately 15% of the revenue of the entire logistics market, which indicated that the concentration ratio of China's logistics market was relatively low, thus huge potential for industry integration. International logistics giants all expand through continuous mergers, acquisitions and integration. The size of China's logistics market has the potential to cultivate the world's leading logistics players. With the gradual macroeconomic recovery, it is expected that the logistics industry's domestic and foreign investment and financing as well as the integration through M&As will become more active than ever before.

III) Continuous transformation of logistics services towards digital supply chains. The digital era features more diversified business models and channels with less middlemen than ever before. The production and supply model has shifted from producing on a large scale to a small scale and delivering in batches. Therefore, an increasing number of enterprise customers have begun to build a consumer-centric, flexible, agile and responsive digital supply chain system to adapt to the current market competition environment. Logistics players pay more attention to their own digital construction to improve service efficiency and network flexibility. The application of advanced logistics technology and in-depth cooperation with industry customers help to promote the digital transformation of customers' supply chains, and reduce costs and increase efficiency, which has become a new important competitive advantage trying to be built by logistics enterprises.

IV) Map out their global service networks and build stable international supply chains. It is increasingly urgent to regain the vitality of taking the place of "Made in China" on the international market. The global networks and operation capacity of logistics industry give strong backing to the establishment of the "external (international) circulation". As the "Made in China" and Chinese brands are embedded in the global value chains with increasingly prominent positions, and they need to be supported by services of logistics networks with a global coverage. Cross-border e-commerce has developed rapidly, and its potentialities are further brought into play. According to the data published by the National Bureau of Statistics, the import and export values of China's cross-border e-commerce totaled RMB2.11 trillion in 2022, representing a year-on-year increase of 9.8%. The total value of exports was RMB1.55 trillion, representing a year-on-year increase of 11.7%. 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 Chinese logistics enterprises to go abroad.

V) The importance of green logistics continues to increase. The logistics industry pays more attention to sustainable and healthy development than ever before. Logistics enterprises keep on strengthening the green logistics transformation and increasing the investment in technology, automation equipment and green low-carbon consumables. China's Dual-Carbon strategy encourages logistics enterprises to explore green and low-carbon development modes, e.g., dispensing and using new energy transport vehicles, green packaging research and development, and green warehouse construction. Corporate customers' demand for carbon reduction has become increasingly prominent. Customers need low-carbon green supply chains and logistics services to reduce their carbon emissions. Therefore, low-carbon and green services are becoming an important competitiveness of logistics enterprises.

4. Position and competitive edge of SF in the logistics industry

SF Holding, with an operating revenue of RMB267.5 billion in 2022, is the largest integrated service provider in the field of express delivery logistics in China and the fourth largest in the world. By adhering to long-term sustainable and healthy development and forward-looking long-term strategic plans, the Company seized lots of opportunities, expanded its scale and led the industry in a sustained way in the past three decades since establishment.

I) The Company has a diversified logistics network with a domestic and global coverage, and the Company is capable of offering domestic and international end-to-end supply chain services. Through endogenous development and M&A, the Company has developed one-stop comprehensive logistics service networks with a better product matrix, an improved coverage and more service scenarios. The Company serves the end-to-end supply chain for customers, covering production and sale at home and abroad. As Ezhou Huahu Airport, the first cargo-focused hub airport in Asia and the fourth in the world, went into operation officially in 2022, and SF Terminal Forwarding center* (顺丰枢纽转运中心) will go into operation officially in 2023 center, they will become an important strategic infrastructure for the Company to follow the dual circulation strategy, build a central land-sea corridor and an air transport corridor, and help the Company develop logistics networks with international competitiveness, connecting China with the rest of the world.

II) The Company stays ahead of its competitors in multiple logistics segments. Relying on the fast, punctual and safe door-to-door service capability, the Company's time-definite express business holds a safe lead in the domestic market. After years of incubation and M&A integration, the Company also leads the competition in other business segments. According to the List of Less-than-truck-load Transport Enterprises in China for the Year 2022* (2022 中国零担企业排行榜) published by Wetuc Think Tank* (运联智库), SF Freight ranked first for three years in a row in terms of the revenue from less-than-truck-load transport and the volume of goods transported. According to the list of Top 100 Cold Chain Logistics Enterprises in China* (中国冷链物流百强企业) published by China Federation of Logistics & Purchasing at the "14th Global Cold Chain Summit 2022", SF Cold Chain Logistics ranked first for four years in a row. According to the data published by iResearch, SF INTRA-CITY is China's largest independent third-party instant delivery service platform. According to the List of Top 50 Enterprises in Cross-border E-commerce Logistics for the Year of 2022* (2022 跨境电商物流 50 强榜单) published by Wetuc Think Tank* (运联智库), SF international Express ranked fourth. According to the list of Top 50 Global Freight Forwarders for the Year 2022* (2022 年度全球货代 50 强榜单) jointly published by Armstrong & Associates (an American logistics consulting agency) and Transport Topics, Kerry Logistics ranked ninth on the list of water transport and twelfth on the list of air transport.

III) Relying on industry-leading technology, the Company promotes supply chains digitalization within the company and for the customers. The Company aims to link up internal complex business scenarios and rich logistics resources with technology empowerment. The Company promotes the transformation of its operation with end-to-end digitalization, achieving a better network layout and resource planning and improving the Company's operational efficiency and service competitiveness. By leveraging the application of advanced logistics technology to offer digital supply chain solutions, SF was enabled to work with more industry customers to renovate supply chains, and improve digitalization and intelligence of the supply chains in various industries. Technological empowerment + supply chain planning has become unique competitive edge of the Company, making it stands out from the rest of the market players who provide logistics services or technical services only.

For details of our core competitiveness, please refer to "3. Core competitiveness" in "Chapter 3 Management Discussion and Analysis".

In general, China's logistics market is huge. Although SF leads the competition in every business segment, SF can still increase its market share substantially. The long-term strategic vision, forward-looking business layout, innovative product capabilities, high-quality services and strong scientific and technological strengths will help SF break through the competition and realize long-term development with a solid foundation.

II. Business development of the Company

SF Holding is the largest integrated logistics service provider in China and the fourth largest in the world. Focusing on the logistics ecosystem, the Company has consistently built on its service capabilities, and has diversified into eight segments, namely time-definite express, economy express, freight, cold chain and pharmaceutical, intra-city on-demand delivery, supply chain and international business (including international express, international freight and freight forwarding, and supply chain), which can provide customers with domestic and international end-to-end one-stop supply chain services. Meanwhile, leveraging our leading technology research and development capabilities, we will strive to create a digital supply chain ecosystem, and become a front runner in the global smart supply chain.

Business Segments

Express Logistics

Time-definite Express

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

- Options of half-day delivery, same-day delivery, next morning/next day delivery, etc. dependent on shipping route and distance;
- Satisfying time-efficient and door-to-door delivery demands such as personal pieces, industrial and commercial pieces, mid- to high-end brand order fulfillment, reverse returns from 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

- "SF Express" operates a self-operated network to serve e-commerce platforms and merchants calling for excellent user experience and stable time efficiency with door-to-door delivery;
- "Fengwang Express" has a franchise network to serve lower-tier e-commerce market players with affordable pricing adopted;
- Integrated warehousing and distribution service to serve warehousing needs with several service and pricing levels, with nationwide sub-warehouses, smart cloud-based warehouses etc.

Freight

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

- **Large parcel by land:** Provide large parcels for B2C e-commerce, with allocation from B2C store/ less-than-carload freight for large parcel/transportation in vehicles;
- **Extended services:** large parcel warehousing and distribution, moving, store distribution, delivery and installation integration, and other scenarios;
- SF Freight operates a self-operated network to serve high-end customers while SX Freight franchise network is oriented to lower-tier e-commerce markets.

Cold Chain and Pharmaceutical

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

- Fresh food speedy distribution: Distribute over 4,000 types of farm produce across the country from place of origin to consumers;
- Cold chain food transport: Provide high-standard end-to-end temperature-controlled cold chain services in eluding multi-temperature section controlled storage, less-than-truck load/special truck transport, distribution to stores and consumers;
- Pharmaceutical logistics: Serve clients throughout the pharmaceutical industrial chain, capable of conducting multi-temperature section control 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 product system 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 and overseas warehouse services

- **International express:** High timeliness standard services that meet the needs of cross-border expedite delivery, including high-quality international standard express and economical international special products;
- **International e-commerce:** Cost-effective and economical services that meet the needs of cross-border e-commerce, including efficient international e-commerce express and economical international small parcels;
- **Overseas local express:** covering Thailand, Vietnam, Malaysia, Cambodia, Indonesia and other Southeast Asian countries.

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 air transport services such as pick-up at departure point, multiple integration, customs clearance, delivery to end customer;
- **Land transport:** provide innovative and economic 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 with technology, relying on SF's big data, AIoT technology and software and hardware system integration capabilities to help customers build a smart supply chain;
- SF Supply Chain and New HAVI to provide local supply chain service; while Kerry Logistics mainly to provide global integrated logistics.

1. Customer operation[1]

The Company continues to improve its customer management system based on customer stratification to enhance its differentiated service competitiveness and operation efficiency.

I) Credit account clients (corporate clients)

As of the end of 2022, the number of active credit account clients amounted to approximately 1.81 million, an increase of 10% over 170,000 compared with the same period of the previous year.

(1) SKA (strategic key accounts): We aggregate the superior capabilities of the Group's supply chain organizations, focus on building and improving the overall solution capabilities of SF Express, combine the strategic development and layout of SKA accounts, and continuously break through and deepen customer supply chain links and core business scenarios through key accounts plan to promote the Company's supply chain business share and capability improvement.

① **E-commerce and circulation industry:** a. In-depth exploration of e-commerce goods return scenarios: we continuously improve the integrated service solution for goods return and exchange, focus on improving consumer service experience while upgrading personalized service capabilities, and gain market share in return business cooperation with multiple e-commerce platforms. As of the end of 2022, the average daily order volume doubled compared with the same period of the previous year. b. Breakthrough of cross-border supply chain scenario: We integrate advantageous resources such as warehousing, express delivery, freight, international special planes, and logistics partners through technology empowerment, so as to improve the end-to-end efficiency and dynamic monitoring capability from domestic concentrated transportation to cross-border direct delivery and help e-commerce platforms expand overseas business under the concentrated transportation and direct delivery mode.

② **Communication and high-tech industry:** By integrating the capabilities of Kerry Logistics and SF Supply Chain, we extend to the front-end production logistics supply chain scenario, successfully win the bid for the central warehouse business of raw materials in the core production link of a customer's supply chain, and deeply participate in the future planning and implementation of the customer's supply chain; extend to the overseas retail warehousing and distribution performance scenario, and provide warehousing operation and distribution performance services for a customer to implement an overseas warehousing project. By enhancing the Company's comprehensive solution capability, we further consolidate the domestic business share of key accounts while expanding the expansion of international transportation and overseas supply chain business.

③ **Clothing, footwear, and hats industry:** In order to achieve innovative breakthroughs in the luxury industry and address the pain points that the luxury industry cannot extend the offline ultimate service experience to online, we create end-to-end standardized products "Shangpai Service (尚派服务)" through technology empowerment and terminal delivery capability building, so as to realize the two-way empowerment of SF brand and high-end brand. This model is promoted and replicated in many high-end brands, which can achieve business growth.

④ **Consumer goods industry:** We help customers realize the supply chain reform. Relying on the warehouse network planning, sales forecasting, and smart replenishment of the intelligent supply chain of SF, we break through the automatic park cooperation of offline large warehouses based on online channel cooperation with a key account, gradually realize the transition from online inventory to online and offline inventory and help customers to integrate to B & to C to reshape the supply chain.

(2) KA (key accounts): ① In respect of mechanism improvement, we promote the implementation of CRM mechanism, standardize the customer decision review mechanism, and gradually promote the standardization of business opportunity management and healthy delivery; improve the KA customer demand management channel and collaboration mechanism, integrate the Group's resource capabilities, and effectively support the business development in complex scenarios of KA. **② As regards business expansion,** we focus on large Internet platforms, semiconductor, new energy, new consumption, IVD (In Vitro Diagnosis) and other opportunistic industries. We focus on major customer bases and identify customer needs based on the multi-dimensional customer review model and KA customer business planning tools. We quickly build an iron triangle team for business, operation and maintenance and solutions, integrate the Group's resources and capabilities, and provide targeted solutions for customers, to effectively expand the industry share; **③ In respect of management improvement,** we continue to build on our four primary capabilities – "customer needs, solutions, customer operation and maintenance, and team management" to effectively support the implementation of the overall work and improve the ability of KA teams to generate revenue and profit.

(3) SME (small and medium-sized enterprises): ① In respect of improvement of sales capability, based on the talent portrait formed by big data, we continuously strengthen the intensive management of sales, carry out differentiated training, and improve the comprehensive capabilities of customer managers, to realize the improvement of per capita revenue and profit; **② In respect of business expansion,** we seize the market opportunity to achieve a significant revenue increase in new businesses, hot industries, opportunity scenarios, etc. We have acquired 96,000 new contractual SME customers. We also conduct in-depth research on the supply chain scenarios of existing customers, sort out business opportunities, identify potential business opportunity, focus on the solutions to opinions of B-end customers, guarantee stable service during peak hours, and provide customized solutions to continuously improve customer experience.

II) Retail customers (individual customers)

As of the end of 2022, the number of individual members amounted to 585 million, representing a year-on-year increase of 19%. We increased touchpoints with retail customers through multiple channels, online and offline, to ensure the growth of our retail business:

(1) Online: The operation is based on SF APP and WeChat mini-programs, etc. In 2022, we focused on promoting the experience and maintenance of users in core channels, and improving online functions, to promote the efficiency of users' order placement. A new "WeCom" on WeChat channel was built to efficiently respond to users' questions and continuously improve user stickiness. The membership scale of WeChat channel increased by 25.6%, and the daily active users reached 18 million, representing a year-on-year increase of 41%. At the same time, we focused on building the core channel of SF APP, and introduced various service capabilities such as moving, mobile phone maintenance, mobile phone replacement and used clothing recycling to meet the needs of diversified users. The number of members of SF APP channel increased by 55.7%, and the daily active users reached 3 million, representing a year-on-year increase of 50%.

(2) Offline: ① Broaden the scenarios: We provide a diverse range of services based on the needs of customers' daily consumption scenarios, including return service for online shopping, home delivery service, luggage delivery, family delivery, public welfare delivery, airport/high-speed railway station self-service and Hive Box laundry, etc. ② Expand Channels: We expand offline channels such as self-owned outlets, urban stations, rural stations and regional agents to improve the density of terminal channels. As of the end of 2022, the aggregate number of courier stations and cooperation stations in other external channels of SF within China increased by 10% over the previous year.

Through online and offline management system, we reach customers through online channels in a well-targeted fashion and strengthen the attraction of new customers and the retention of returned customers, enlarging our member pool; in offline channels, we segment business scenarios and expand offline channels to stimulate individual user activity and increase package-delivery frequency.

2. Business development

I) Time-definite express

In 2022, the Company's time-definite express business achieved tax-exclusive revenue of RMB105.7 billion, representing a year-on-year increase of 6.8%. With the reopening and recovery of economic activities, SF Express quickly resumed its operation guarantee by taking advantages of self-operated network resources and strong control ability, providing efficient and stable delivery for customers and consumers.

Based on the competitive advantage of SF Express in bulk cargo collection scenario, the time-definite express business was expanded to cover reverse logistics and e-commerce goods returns. The Company actively expanded cooperation with major mainstream and emerging e-commerce platforms, continuously improved the satisfaction of return business services, and expanded the Company's share in return business on various platforms. In particular, the cooperation with emerging platforms has developed rapidly.

The Company continues to expand the ultimate time-definite service, improve product capabilities, and cover more service scenarios. Through the integration of express network and intra-city couriers resources, the operation mode is further optimized, and the Company launched the new product of "intra-city delivery within half a day", which provides fast service of collect in the morning and deliver in the afternoon, or collect in the afternoon and delivery in the afternoon, arriving on the same day to meet the long-distance half-day delivery needs of various scenarios such as business parcel delivery, fresh food supermarkets, community group buying and local e-commerce. It has been promoted in more than 20 cities in 2022. SF launched an ultimate time-definite product "exclusive expedite delivery" has been comprehensively promoted, and air transportation and high-speed rail roads have been utilized to achieve the fastest cross-city delivery as fast as 4 hours. Currently, such service has been rolled out in 138 cities. At the same time, by continuously consolidating the service capacity of bulk air transportation, emphasize flexibility and speed, the Company achieves the fastest cross-provincial door-to-door delivery within seven hours. The Company builds a customer-airport direct receiving and dispatching mode to reduce the transshipment links and improve the efficiency, and adopts independent operation in the transshipment links to avoid the separation of the same batch of goods, so as to improve the customer experience and meet the immediate response needs of the supply chain under the JIT production and circulation mode of the industrial chain.

Ezhou Huahu Airport was put into operation in July 2022. In terms of freight transport, two air routes, namely Ezhou – Shenzhen and Ezhou – Shanghai, were launched in the first phase. It is expected that the transshipment hub centers will be put into operation successively in the third quarter of 2023. The Company gradually built a hub-and-spoke air transportation network with wide coverage, low cost, and high efficiency, so as to achieve the optimization and layout change of the Company's full-link network mode, bringing more time-definite business growth.

II) Economy express

In 2022, the Company's economy express business achieved tax-exclusive revenue of RMB25.55 billion, representing a slight year-on-year increase of 0.5%, maintaining almost the same as the corresponding period of previous year. The main reason was that the Company adhered to differentiated competition and has taken the initiative to optimize the product structure and reduce the number of low gross profit margin products since the second half of 2021. After the optimization, the service and pricing tier of the products and the distinction of the operating model are clearer, significantly promoting the profitability of economy express.

(1) Directly operated brand service

We continuously optimize the product structure of direct-commerce express service. As of the fourth quarter of 2022, the concessionary special delivery business with a low gross profit margin has been fully phased out, and the main "e-commerce standard express" products has maintained steady growth, promoting the positive year-on-year growth of direct e-commerce express business.

1 The data statistics involved in this sub-section do not include the customer data of SF Express, New HAVI and Kerry Logistics acquired by the Company.

Affected by objective factors such as the slowdown of online retail consumption year by year, the competition in the e-commerce express sector has intensified. The Company partnered up with major e-commerce platforms in warehousing and distribution by segmenting business scenarios, using multi-level e-commerce warehousing resources combined with the high-quality performance and independent third-party market positioning. In particular, the e-commerce emerging platforms has grown rapidly, steadily improving the scale of the Company's e-commerce parcel standard express business. In terms of product efficiency, based on high-quality services, the unit price of e-commerce standard express remained stable. Through internal intensive management, the Company maintained the healthy development of the e-commerce express business, and continuously improved the gross profit of its e-commerce express products, improving profitability significantly year-on-year.

(2) Franchise brand service

In 2022, Fengwang Express continued to expand the coverage of the national service network, improve the self-dispatch ability of express delivery, and promote the integration of network resources, so as to ensure the orderly growth of business scale and improve business efficiency. The self-dispatch ability of Fengwang franchise outlets has been significantly improved, reducing the dependence on the self-operated network of SF Express and reducing the operating cost. At the same time, synergetic self-operated network promoted the integration of branch lines, and reused the resources of direct branch lines to increase the bulk cargo shifts of Fengwang Express. The franchisees also could pick up the goods at the nearest direct outlets, improving the bulk cargo capacity of Fengwang Express. In addition, hubs of Fengwang Express were piloted at the concentrated collection terminal to help the concentrated collection and packaging of self-operated network and improve the utilization rate of transit resources of Fengwang Express. We built a comprehensive credit index system of outlets, deeply engaged in the digital construction of outlets to achieve the online operation monitoring; and built a portrait system of couriers, carried out refined employment management, and launched the function of courier's wallet to achieve the special rewards being paid directly to couriers and lay a solid foundation for the delivery fee being paid directly.

(3) Integrated warehousing and distribution service

SF provides multi-level national warehousing and warehousing-distribution services, including customized warehouses, standard warehouses, and economic warehouses. Combined with self-operated distribution and third-party distribution, different services and pricing combinations cover different levels of customer needs. In 2022, focusing on improving the business health and operation refinement, we enhanced the integrated warehousing and distribution service capability and profitability. ① **Business optimization:** We sorted out and returned low-efficiency warehouses, optimized the customer structure, improved the business health, and paid attention to operating efficiency, to continuously improve the average performance revenue per shipment; ② **Warehouse network coordination:** We integrated multi-network to promote site coordination, and reduced empty warehouse area by 47,000m², improving the utilization rate of warehouse network resources; ③ **Efficiency improvement:** We improved the connection of ex-warehouse and delivery links of warehousing and distribution services from system functions, operation procedures and process equipment, opened up all-link operation data of warehousing and distribution with the supply chain system as the core, and achieved smart sorting, packaging, interception and other functions in combination with delivery equipment, so as to enhance the sorting capacity in the warehouse and improve the delivery efficiency; ④ **Mode optimization:** Based on the warehouse sorting capacity and business forecasting, direct delivery from the warehouse to destination helped reduce the pressure from departure sorting hubs.

III) Freight

In 2022, the Company recorded tax-exclusive revenue of RMB27.92 billion from freight business, representing a year-on-year increase of 2.3%.

In 2022, affected by economic downturn and the increase in raw material and energy prices, production and consumption were inhibited, resulting in reduced logistics orders and general decline in the growth rate of cargo volume of major players in the express industry. However, with the introduction of national policies to expand domestic demand and boost the economy, and the rush of charter flights to catch up with overseas markets, the markets of manufacturing and services will be recovered.

SF Express adhered to the philosophy of "faster and more stable efficiency, wider and deeper scope, and more specialized and stronger capabilities" for large parcels service to provide better service guarantee for customers against the backdrop of numerous external challenges. The overall NPS (net recommendation score by users) remained a leading position, and the peak daily freight volume of the self-operated network reached 54,000 tons. The peak daily freight volume of the franchise network reached 24,000 tons, and the overall scale of the large cargo business remained the leading position in the industry; At the same time, we optimized the product structure, integrated internal resources to promote cost reduction and efficiency improvement.

In terms of To C scenarios, we consolidate the barriers to terminal service capabilities, focus on providing more professional services around the furniture and household appliance industry, and strengthen the terminal delivery capability, so as to specialize and refined our business. ① **Furniture industry:** expand the service categories at the collection terminal, increase the coverage to ultra-long and ultra-wide furniture, and gradually invest in the delivery terminal with two full-time couriers to improve the installation capacity at home; ② **Household appliance industry:** a large appliance production warehouse with a total area of 130,000m² has been put into operation, covering the core production areas of household appliances, and improving the quality assurance of order delivery through the warehousing and distribution mode. In the future, we will continue to develop the ability to deliver large pieces to home and install for customers, focus on consolidating the foundation by delivering and installing furniture and household appliances, and build up service barriers through operation model innovation, so as to increase income by reducing costs.

In terms of To B scenarios, we formed flexible solutions based on customer needs through a combination of various products and resources to quickly respond to the low-cost and high-efficiency needs of enterprises. ① Consolidate professional capabilities. The collection terminal set up night collection and night delivery services based on the needs of delivery in the industrial zone and expanded the coverage of wooden packaging such as wooden pallets and wooden frames to reduce damage to goods, ensuring the safety of goods transportation. The delivery terminal used electronic receipts to replace paper receipts to improve customer convenience and reduce customers' costs; ② Improve delivery flexibility by mode innovation. In short-distance markets dominated by economic circles, goods were collected and delivered directly at the collection terminal to reduce costs and improve delivery speed. In traditional markets dominated by industrial zones, with the help of third-party dedicated line resources, we improved the delivery quality and price performance of high-kilogram goods. In the future, we will continue to focus on industrial and commercial deliveries, innovate multi-mode delivery to reduce costs, and comprehensively enhance the competitiveness of large products in industrial areas and high-kilogram sections.

SX Freight franchise network continued to expand its business scale, and the market share of cargo volume scale ranks top four in the franchise express industry. The number of franchised outlets increased to 15,000+. SX Freight further improved network coverage, operation efficiency and service quality by building its own backbone network in core areas and integrating remote areas with self-operated network sites and vehicle coordination, so as to achieve double growth in scale and efficiency.

IV) Cold chain and pharmaceuticals

In 2022, the Company recorded tax-exclusive revenue of RMB8.61 billion from the cold chain and pharmaceutical business, representing a year-on-year increase of 10.4%.

According to China Federation of Logistics & Purchasing, the market size of China's cold chain logistics is expected to exceed RMB490 billion in 2022, representing a year-on-year increase of approximately 7.2%. The total revenue of the top 100 enterprises of China's cold chain logistics amounted to RMB92.7 billion in 2021, accounting for 20.3% of the total industry size, with the concentration increasing year by year. With the implementation of the blueprint guidance and planning of the "14th Five-Year Plan" cold chain logistics development plan, many national ministries and commissions have issued cold chain logistics support policies to help the high-quality development of cold chain logistics. At the same time, with the rise of the prepared meal, fresh food live streaming, and other business forms, the demand for cold chains in the fresh food retail market has grown rapidly, and the trend of online and offline channel integration, multi-batch and small-batch transportation has become increasingly prominent. SF Cold Chain remains its leading competitive advantage in the cold chain market by virtue of high-standard service, full network coverage, and integrated supply chain capability.

(1) Shipment of fresh food:

The upstream service network for the Company to facilitate sales of agricultural products has covered more than 2,800 county-level cities and more than 4,000 fresh products across the country. In 2022, we focused on the following aspects: ① **Service hierarchy:** We integrated self-owned special planes, cold chain, warehousing and other external cooperation resources, matched agricultural products with different value hierarchy and time-definite needs, formulated differentiated operation modes and refined pricing hierarchy, improved business efficiency, and served a broader agricultural product market with a more cost-effective mode; ② **Business innovation:** We actively expanded emerging categories and subdivision scenarios, including prepared meal, live delivery, fishing scenes, etc., in which the field of prepared meal has integrated warehousing + cold chain + scientific and technological capabilities, formulated industry supply chain solutions, cooperated closely with the government, associations and leading brands, and jointly held a number of industry press conferences to promote the development of the industry; ③ **Technology empowerment:** Convenient technology tools such as Xiaoguoguo management system, Fengshou and drop shipping were researched and invested to help farmers sell, deliver and settle; ④ **Brand building:** The Company invested special funds and subsidies to cooperate with the government of the place of origin to jointly build 16 regional brands of agricultural products to help agricultural products "go global".

(2) Food cold chain:

In 2022, the Company's food cold transportation business remained steady growth, and the profitability of the business continued to improve. ① **Product optimization and upgrading:** We optimized the original cold chain LTL products, and newly launched the "cold chain large-size parcel standard express" and "cold chain large-size parcel to the port of destination", matched the targeted business strategy combination around the customer needs, refined management and operation, turning losses into profits for cold chain large-size goods; ② **Improve service capability:** Focusing on the online and offline omni-channel service needs of merchants, we enhanced the capacity of 2B warehousing + trunk transportation, and formed an all-scenario solution of cold chain circulation covering 2B (large-size) + 2C (express delivery) + instant orders (delivered in 2 hours) with the national warehouse division mode and the large-network distributed mini warehouse + instant delivery service capability, providing the best solution of time-definite and cost for various different needs of customers and obtaining more business shares from customers; ③ **Improve the efficiency in the storage:** All SF cold storages have completed the switching of self-developed cold chain storage management systems, and the vast majority of cold storages have realized paperless operation in the warehouses. Combined with automation construction, process optimization, and the increase in the proportion of self-owned employees, the storage service capacity and operational efficiency have been significantly improved, and the production capacity level has reached a stable support for the peak of e-commerce promotion business. ④ **Strengthen quality management:** In 2022, SF Cold Chain once again passed the national five-star cold chain logistics enterprise certification and continued to expand the scope of ISO22000 food safety management system certification. At present, six cold storages for food have passed the international standard certification. At the same time, the industry service standards in various segments are continuously improved to establish a high-quality benchmark for cold chain services.

(3) Pharmaceutical logistics:

In 2022, SF Pharmaceutical Logistics focused on operation optimization to create a benchmark case of pharmaceutical logistics services: ① **Product incubation capability:** We focused on the incubation of logistics product systems in five major segments: vaccines, IVD (in vitro diagnostic products), pharmaceutical e-commerce, hospital samples and pharmaceutical circulation, and continuously breakthrough new scenarios/capabilities to obtain business opportunities; ② **Vaccine transportation:** SF Pharmaceutical has established a vaccine transportation solution and a one-stop guarantee system, including a series of software and hardware resource systems such as GSP vehicle transportation, vaccine safety and quality standards, operation SOPs and information management systems that meet national vaccine transportation standards; Since the launch of the business, the total number of vaccines delivered amounted to 967 million, including 281 million in 2022; ③ **Build IVD and biological sample scenario service capability:** We actively expanded the upstream and downstream ecosystem service modes of the medical laboratory industry, built a door-to-door temperature control transportation service solution for multi-temperature zone and a full life cycle supervision and traceability platform around the IVD and biological testing sample fields, realized a breakthrough in the scenario of 24-hour express delivery to the dry ice temperature zone of biological samples, and preliminarily built a national 72-hour temperature control service network for IVD; Through the establishment of Yilushunxin platform system, the single window enquiry of full order management of medical customers could be realized, and the customer service experience could be improved.

V) Intra-city on-demand delivery

In 2022, the Company recorded tax-exclusive revenue of RMB6.44 billion from Intra-city on-demand delivery business, representing a year-on-year increase of 28.6%.

Facing uncertainties in the external environment, SF Intra-City adhered to sustainable, high-quality and healthy development, and achieved significant improvement in its profit while maintaining sound business growth. In terms of revenue, business models and income structures were more diversified, and professional and differentiated services drove the growth of high-value orders. Personal service, non-catering scenarios and the continuous expansion of lower-tier cities and counties became the main driving forces. In terms of costs, economies of scale are further released, technology-driven comprehensive overall planning and scheduling achieved better transport capacity and efficiency, the continuously refined management improved operational quality and increased input-output ratio of resources, and achieved operating efficiency enhancement and cost reduction.

(1) Explore "new consumption" service scenarios to maintain a stable business growth

As for merchants, SF Intra-City continues to help customers in various industries establish professional and differentiated performance standards and service experience, improve advantageous experience and delivery capabilities, and develop mature solutions in various industries such as cakes and flowers, supermarket fresh food, pharmaceuticals, and specialized markets. For diversified traffic platforms, SF Intra-City actively promotes ecological co-construction with major platforms, seeks the convergence of live-streaming e-commerce and on-demand delivery service, and builds cooperation with short-form video and live-streaming e-commerce platforms, so as to provide users with the consumption experience of "instant viewing, purchasing, and delivery" and "stock up first and send later". In 2022, the annual paying merchants reached 330,000, representing a year-on-year increase of 27.7%.

As for retail consumers, SF Intra-City provides diversified and high-quality on-demand order fulfillment services, covering scenarios such as life assistance, health care, and commercial agents. Thus, the consumer's mind of "prefer SF Intra-City to make important on-demand deliveries" can be shaped. We have launched a new and upgraded service "worry-free delivery" centering on valuables to secure full-process monitoring and full-amount speedy claims for insured products. We have created a team of "pioneer deliverymen" to ensure high-quality order fulfillment delivery facing a substantial increase in individual orders, as well as the increased demand for medium and long distance and non-standard services. In 2022, the active consumers reached 15.6 million, representing a year-on-year increase of 47.5%.

(2) Continue to improve science and technology systems to achieve efficient scheduling in multiple scenarios

SF Intra-City continued to improve the three core functions in our CLS system, including intelligent business planning and marketing management, deliverymen integration scheduling and intelligent order distribution, and intelligent operation optimization. By continuously optimizing the logic and algorithm of order recommendation and deliverymen scheduling, we have achieved optimal matching of orders and deliverymen, which improves unit fulfillment costs per shipment while supporting efficient fulfillment.

At the same time, based on our accumulation and improvement of smart logistics technology capabilities, SF Intra-City launched the "SF Delivery Cloud"(丰配云) SaaS instant logistics system to provide one-stop intra-city logistics solutions for brand owners with self-delivery business, covering all processes of intra-city instant delivery. Thus, we enabled merchants to realize omni-channel order access and efficient management of the entire process, increasing efficiency and cutting costs.

(3) Consolidate the diversified transportation capacity network, ensuring high-quality and stable delivery

SF Intra-City has formed a nationwide comprehensive capacity scheduling network covering approximate 2,000 cities and counties to meet customer needs such as the expansion of stores, the extension of store delivery scope, and the increase in business hours, and help customers expand operations while achieving growth of SF Intra-City business. The Company has powered its delivery capacity of "two-wheeled + four-wheeled" vehicles to meet the needs of non-standard delivery scenario services such as long distance, large weight, multi-point delivery and errands. During the reporting period, with the percentage of orders for medium and long distance over 3 km increased, the average delivery time and the on-time delivery rate remained at a high level. Furthermore, fluctuations in peak-season the on-time delivery rate remained below 2.5% during public holidays, and the number of cities with night (24-hour) delivery services increased.

VI) Supply chain and international business

In 2022, the Company recorded tax-exclusive revenue of RMB87.87 billion from the supply chain and international business, representing a year-on-year increase of 124.1%. Since the merger of Kerry Logistics in the fourth quarter of 2021, the Company has scaled up its supply chain and international business operations.

(1) International express

① **Put more efforts into improving services in Southeast Asian countries:** We aim to create benchmark products targeting Southeast Asian countries. By increasing the number of direct flights of international cargo scheduled routes to Singapore, Malaysia, Thailand, Vietnam and other countries with all-cargo flights, and leveraging Kerry Logistics' resources and capabilities in Southeast Asia, the Company broadens the scope of services, improves service timeliness, and achieves rapid business growth; ② **Improve the international network layout:** we have launched the routes from China to India, Egypt, and Kenya, routes from Nepal, Bangladesh, Pakistan to other overseas countries, and strengthened the layout of routes to Europe and the United States. We have also increased the number of routes of Hangzhou-New York and Wuhan-Frankfurt, and added Wuhan-Liège route to cover the Asia-Pacific region, bridge Europe and the United States, so as to continue to improve the global express network layout. ③ **Enhance customs clearance capabilities:** We continue to integrate self-operated and agency customs clearance resources. As of the end of 2022, we have licenses or resources for clearances in approximate 70 customs clearance ports in the world, and the services radiate to major regions such as the Americas, Japan, South Korea, Southeast Asia, and Europe. The number of domestic AEO advanced certifications increased to eight, and the import and export customs clearance and end-to-end service capabilities were improved. ④ **Refine operation with technology:** We leverage intelligent technologies and means such as big data, blockchain, and intelligent algorithms to achieve accurate planning and fine management of end-to-end routing. Furthermore, we have realized visualization and closed-loop management and control of abnormal events, and deep optimization of elements in each process. Thus, the average time consumed by international express products in the entire process was shortened by two days, effectively improving product competitiveness and customer experience.

(2) International freight and freight forwarding

The international freight and freight forwarding business faced a relatively volatile external environment in 2022. In the first half of the year, the business continued to maintain a good growth momentum. However, in the second half of the year, due to the weakened global economy beyond expectation, shrank expenditure from consumers, and excessive inventory caused by excessive orders in the previous period, the trade demand for international goods and the number of production orders dropped significantly. Meanwhile, the freight rates dropped rapidly from the historical high level in a short period of time due to the recovery of air and marine resources, and the substantial changes in the supply and demand sides put significant pressure on the international freight and freight forwarding business.

Although facing greater challenges, the Company actively looked for new business opportunities, further optimized the incentive mechanism for business opportunity reported and contracted that has been piloted in some cities by virtue of its domestic network coverage advantages, in an effort to incentivize such business divisions to seize opportunities in the international freight and freight forwarding business, striving to secure new contracts with certain customers. The Company provided customers with end-to-end solutions through combination of multiple logistic business capabilities to improve competitiveness of the international freight and freight forwarding business. In addition, the Company has achieved the integration of demands for international express and international freight businesses on international routes, and the unified planning and evaluation of their route opening and frequency increase, to improve the operational efficiency of international route operations.

(3) Supply chain: SF DSC and New Havi provide local supply chain services in China, while Kerry Logistics mainly provides global integrated logistics services.

In 2022, the domestic supply chain cycle was blocked temporarily. The Company's block chain business was exposed to more challenges and business growth was impeded. Against the background of the uncertain environment, the Company improved the flexibility and resilience of its supply chain services and guaranteed the continuous and stable operation of customers' supply chains through cross-warehouse resource integration, multi-point layout and coordination in key cities and surrounding areas.

In terms of business development, ① SF DSC analyzed and optimized the industrial system it serves, forming four cornerstone industries including automobiles, fast-moving retail, high-tech, and industrial manufacturing, and three industries with high potential, including pharmaceutical and health, fashion boutiques, and energy. We have also launched three major product services in transportation, customs, and 4PL, thus providing personalized and customized services for customers in various industries; ② new Havi adopted a flexible market strategy and focused its expansion of new customers on the advantageous business of western cuisine chains and coffee and tea drinks. We dug deeper into the existing business potential, thus winning more service content and market coverage with high-quality services and integrated solutions. We extended the product line into the upstream and downstream of the supply chain, such as production and processing, trade capability enhancement, etc.; and ③ a synergy has been created between domestic and international supply chain service capabilities. We have been able to provide customers from various industries with comprehensive supply chain services covering all scenarios from domestic to international, from the front-end procurement and production supply chain to the back-end sales supply chain, as well as technological solutions. In 2022, we successfully won bids for and delivered a number of projects to major customers involving domestic and overseas warehouse construction and operation, and transportation and distribution services.

In terms of technology empowerment, the Company realized online business and digital management internally by building a digital medium office for the overall supply chain. Externally, the Company improved its technology product application and technology service output and strengthened the integration of existing customer data ends. Furthermore, the Company carried out cooperation in automation applications, gradually promoted the automation transformation of operation scenarios, and improved the digitalization and intelligence level of supply chain.

3. Operation optimization

In 2022, the Company continued to strengthen its integration and innovation capability, driving a shift in business perception away from "operation" toward "management". To promote the revolution of the entire network operating mode, we focused on the optimization of the end-to-end operation process. **In the pre-planning link**, focusing on coordination between operation and planning across the network, we integrated the resources of multiple business networks horizontally to implement unified planning, and arranged the end-to-end resources of operation, collection, transportation and delivery vertically from a global perspective to achieve more scientific network planning and accurate resource input. **In the operation link**, we promoted the integration of multiple networks to strengthen the integration of transit, transportation and terminal resources of multiple business networks. As a part of the integration, business was interconnected with finance for close control to monitor resource effectiveness on a daily basis, and quickly make dynamic adjustments and responses to anomalies. **In post-action link**, we reviewed the effect of reform and the efficiency of resource utilization, strengthened the LEAN management, and endeavored to improve the timeliness and quality of related services while ensuring optimal business performance.

I) Multi-network coordination

Overall direction: Based on the needs of various types of products in resources, we implemented the all-inclusive end-to-end unified planning of the logistics network to avoid repeated investment in resources, and integrated the network operations of multiple businesses to achieve economies of scale, efficiency enhancement and cost reduction.

⑴ Distribution: The Company integrated its existing site resources, to increase the utilization rate of site and support manpower and transportation capacity. We made uniform plans for incremental site demand and prevented redundant construction. We coordinated operation between sites to enhance risk resistance capacity. **① Site integration:** We promoted the coordination construction of transit depots, collection and dispatch points, and warehouses in various business networks, and planned for new site demands in a unified manner. Among others, 65% of the new demand realized merit-based arrangement and construction based on three types, namely "the same site, the same park, the same region". As for the existing sites with a surplus usable area, we increased the utilization rate of the existing sites through internal demand coordination, external subletting or timely eviction. As of the end of 2022, the number of sites achieved a net decrease of 49 as compared with the beginning of the year. At the same time, when the business was in the trough on holidays, we planned for the site operation in a unified manner. The small sites were utilized intensively and some sites for large-size parcels were shut down temporarily. The average daily number of suspended transit depots for large-size parcels was 40 times during holidays, and the average daily number of suspended collection and distribution stations was 301, which effectively reduced the corresponding manpower and transportation capacity invested to improve business efficiency during holidays. **② Operation integration:** The Company realized flexible coordination in the distribution of small and large-size parcels, and strengthened the final-leg operation of small and large-size parcels on weekdays and during business peak seasons, among which 78% of large-size parcels and 65% of non-standard parcels (large-size parcels weighing 10-15KG) were handled by the large-size transshipment network during peak seasons, thus releasing the production capacity of 1,270,000 parcels at small sites on a daily average basis and relieving the pressure of small-scale parcels sorting. When the business was in the trough on festivals and weekends, the Company enhanced the coordination in operation by handling nearly half of the large-size parcels in the small-size parcel transshipment network, thus increasing the utilization rate of small-size parcel sites and supporting manpower and transportation capacity resources.

(2) Transportation: We made an overall arrangement for lines in the same flow direction for various types of products, gave full play to the economies of scale, realized the straightening of routes, increased the number of flights, and increased the resource utilization rate of low-load lines on the basis of meeting the timeliness requirements of various products. **① Lines integration:** We planned accurate investment in transportation capacity in accordance with the business conditions, reduced low-load lines, integrated 570 trunk lines by the end of 2022, further reduced the proportion of low-load trunk routes (loading rate below 30%) from 6% to 2%, and integrated 839 branch lines. **② Warehouse filling on lines:** We adjusted the line integration method of the self-owned direct network and the franchised network for large-size parcels. According to the two different demands for transportation timeliness and cost, the franchised network can properly store goods and match the empty warehouse resource of the same line used by the self-owned direct network, thus filling the warehouses and shortening the empty warehouse cycle of the early input line of the large-size self-owned direct network. In 2022, the Company realized warehouse filling of cargoes with an average daily volume of more than 2,200 tons in the franchised network, effectively saving the cost of transportation capacity. **③ Routes optimization:** In combination with lines integration and intensive delivery of cargoes, we continued to optimize the land network planning, added 265 new direct trunk lines, increased transportation frequencies for 258 transport lines among our existing lines, and enhanced the timeliness and competitiveness of land transportation. Combining the above measures, the small parcel loading rate of trunk lines increased by 7 percentage points, the loading rate of branch lines increased by 11 percentage points, and the large-size parcel loading rate of trunk lines increased by 3 percentage points. To a certain extent, the pressure from the rising oil price and the rising capacity price was eased.

(3) Terminal: We integrated the outlets resources, collection and distribution resources, and branch lines resources of various businesses at the terminal, and improved the terminal service capabilities and resource efficiency of various businesses. **① Construction of integrated networks:** We built a total of 407 integrated networks capable of collecting and dispatching small and large-size parcels and realized unified operation management at the terminal of small and large-size parcels. Some networks promoted the collaborative operation of small-parcel and large-parcel couriers to give full play to the connecting ability of large-parcel couriers and reduce the round-trip distance between small-parcel couriers and networks. **② Transit for direct dispatch:** By promoting the mode optimization of sorting at the transit depots + goods distributed to the smallest collecting and dispatching unit area at the terminal or directly delivered to customers, we reduced the investment of terminal outlets resources in the coverage area of the transit depots. The average daily direct dispatch volume reached more than 6,800 tons. **③ Fengwang self-delivery:** The proportion of Fengwang express delivery completed by franchisees independently increased by 48 percentage points year-on-year, fully releasing the dispatch capacity of self-operated network terminal. Combining the above measures, in 2022, 717 large-parcel collection and distribution stations were integrated and reduced, with an area of 130,000 square meters, saving the corresponding cost of sites, manpower, and branch lines.

II) Operating management

⑴ Enhancement of transit capacity: In order to cooperate with the transformation of business models such as transit for direct dispatch, we improved bins-sorting accuracy and sorting efficiency in transit depots and continued to develop innovations in transit equipment. In 2022, the automation equipment was upgraded in 47 transit depots, which enhanced the daily handling capability of small-parcel transit depots by 12.1%, reduced the manpower input in transit and improved operational efficiency by 7.8%.

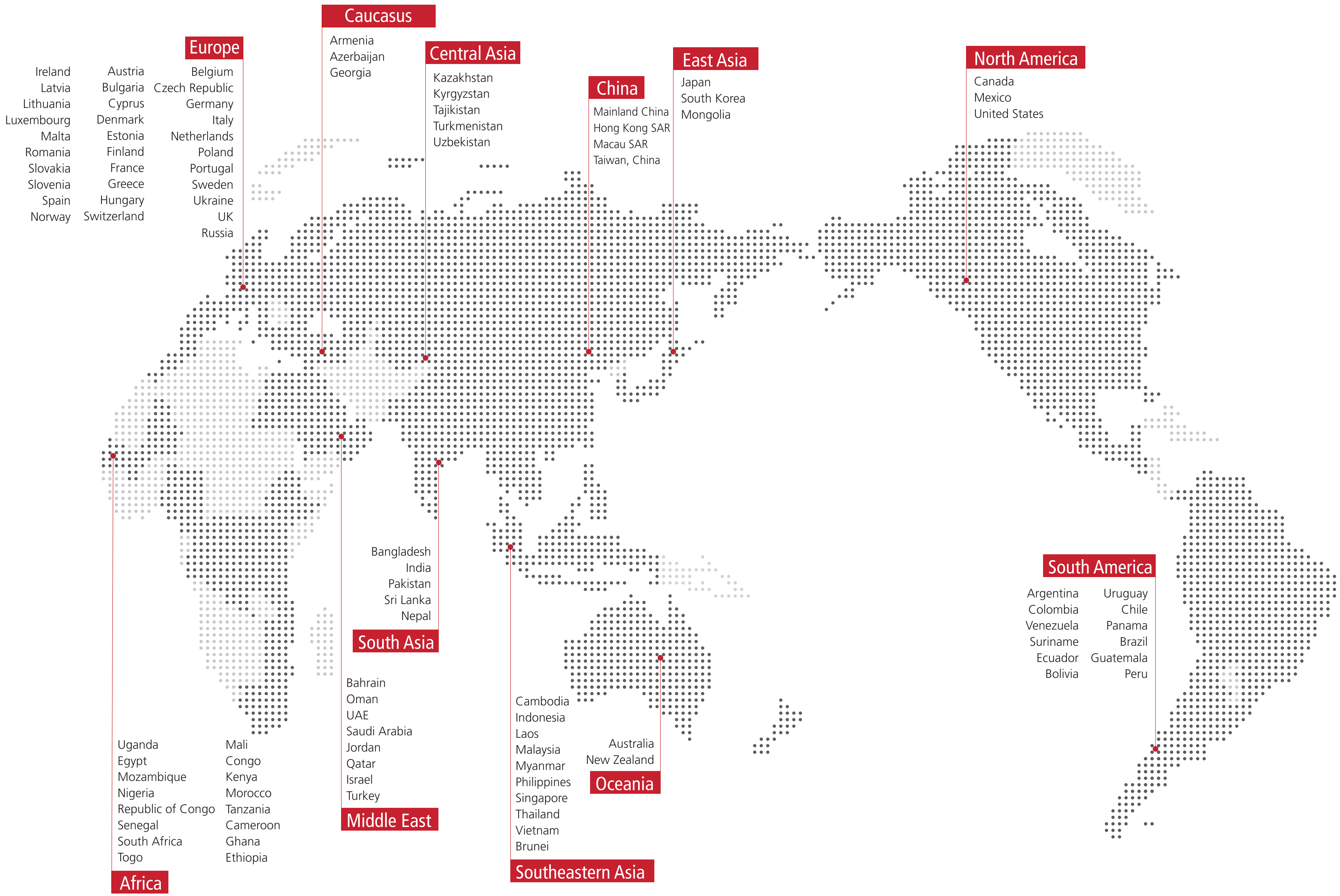
⑵ Land transportation resource management: ① In terms of controllable transportation capacity, we increased the investment in self-owned and leased vehicles, and the proportion of controllable transportation capacity of branch lines increased by 11 percentage points year-on-year. Meanwhile, we supported the reform of the driver accrual model. Through the reasonable distribution of income and optimization of driver scheduling, we achieved "More pay for more work" and increased the human resources efficiency of self-owned vehicle drivers by 16% year-on-year. Through the "drop and pull" mode, we separated the truck and the trailer to save vehicle allocation and increase vehicle efficiency. **② As for outsourced transportation capacity,** centralized procurement of conventional transportation was directly managed by the headquarters. By optimizing the bidding and settlement model of outsourced lines, we promoted the outsourcing suppliers to join a community of interests. Thus, we effectively guaranteed the demand for vehicles during peak periods, further reduced temporary transportation capacity input, and saved transportation capacity costs.

(3) Optimization of terminal networks: By promoting the mode optimization of direct sorting at the transit depots + goods directly distributed to the smallest collecting and dispatching unit area at the terminal, the process of terminal outlet was simplified, the demands for outlet area and equipment were saved, and the increment of traditional outlet was effectively restrained under the background of business growth. Meanwhile, we leveraged a variety of modes to build more terminal sites to receive customers, saving the round-trip time the deliverymen need and enhancing the customer receiving service capacity. As of the end of 2022, more than 4,800 traditional outlets implemented the above model optimization, adding 9,800 terminal stations to receive customers. At the same time, through the LEAN operation, 1,045 low-efficiency outlets were improved in 2022, and the proportion of low-efficiency outlets among all networks dropped from 11.2% at the beginning of the year to 5.4% at the end of the year. Among others, 312 low-efficiency outlets were evicted, saving costs of the corresponding site, manpower and branch line.

⑷ Optimization of deliverymen management: ① Protecting deliverymen's rights and interests: through machine learning, we quantified the difficulty level of deliverymen's operations as time consumed, and defined the pricing standard for deliverymen collection and distribution unit areas in combination with the city's hourly wage, which objectively reflected the difficulty level of labor and realized a better matching of deliverymen's labor and the income. Furthermore, the accuracy and online level of the income distribution was improved. In 2022, a time-consuming pricing model was established for more than 4 million collection and distribution areas, giving priority to improving the per capita income of deliverymen in some areas in difficulties, achieving a 12% increase. **② Digital management:** The Company is the first to create a new digital evaluation mechanism, in which the service quality is connected with the income and rights of the deliverymen, so as to drive the self-management of the deliverymen and effectively improve the service quality. As of the end of 2022, a total of more than 90,000 person-times of deliverymen achieved income increase through this evaluation system. In 2022, the customer complaint rate decreased by 33% year-on-year and the negative review rate decreased by 34% year-on-year in the regions where this function had been piloted. **③ Tool support:** We explored and innovated an online management platform suitable for the Standard Operation Procedure (SOP) for collection and distribution in the logistics industry, and realized real-time query and agile iteration of operating standards. At the same time, the SF Collection and Distribution APP was restructured and optimized according to the delivery standard, making SF deliverymen's collection and distribution more efficient and convenient, and the service more standardized. The satisfaction rate of deliverymen's operations increased to 92%, and the operation efficiency increased by 16%. **④ Improving skill training:** The Company improved the whole life cycle training system for deliverymen by establishing the course system composed of pre-service training (0-15 days), strengthening period (16 days-3 months), consolidation period (4-6 months), development period (6 months or more). We also upgraded the mentor-apprentice management model by adding more than 2,000 mentors on the cloud-based platform which broke the restraints of time and space, and created intelligent mentors for man-machine conversation. We launched the new learning platform "Deliverymen School". 170,000 new workers received pre-service training. 30,000 workers received intensive training. Courses were offered to 1,155 courses were offered for on-job training. There were more than 61.41 million person-times of trainees in total.

3. Core competitiveness

Efficient and reliable global logistics infrastructure network



Global service network coverage map

Domestic

335
prefecture-level cities covered in China (Including municipalities)

City coverage
99.4%

County-level cities covered in China
2,813

County level coverage
97.6%

Overseas

International express delivery and supply chain business
98
countries and regions covered

Cross-border e-commerce delivery business
208
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, 2022, and the periods are all from January 1, 2022 to December 31, 2022.

Total air cargo volume of exceeds **1,950,000** tons

SF's domestic cargo volume accounted for **38.9%** of the national air cargo and mail traffic

Average daily flights **3,000** times

All-cargo aircraft

97 all-cargo aircraft in operation
77 aircraft owned
Including 3 B747, 17 B767, 40 B757, 17 B737

731 pilots in service
327 captains
404 co-pilots

287 pairs of flight rights
58 domestic destinations covered
44 international and regional destinations

138 routes operated worldwide
51,400 flights
67 international routes in operation
Over 6,700 flights

>1,000,000 tons of cargo worldwide
Of which more than 190,000 tons were shipped internationally

Bulk resources

2,854 domestic routes

>11,000 international routes

>1,020,000 flights

>950,000 tons of cargo
Of which over 340,000 tons were shipped internationally

SF has built Ezhou Huahu Airport with partnership with the government. It is the first cargo hub airport in Asia and the fourth in the world. The airport completed its test flight in March 2022 and was officially put into operation in July. Two flight routes, namely Ezhou-Shenzhen and Ezhou-Shanghai, were launched for cargo transportation at the first stage. Within 2023, more than 40 domestic cargo airlines will be opened. Furthermore, we will promote the opening of more than two international cargo airlines including Ezhou-Osaka and Ezhou-Frankfurt by considering the opening process of the ports.

SF's hub transfer center is located in the central area of the airport. The main part of the transfer center project has been completed, and the phase I sorting equipment installation was almost finished. Now it is entering the stage of equipment stand-alone commissioning and the whole-site joint commissioning with all links of the airport system. The overall project is expected to be put into operation in the third quarter of 2023. The Company gradually plans and adjusts the air network to build a hub-and-spoke air network by leveraging Ezhou hub. It is expected to further increase cities covered with high time-definite services and reduce the unit cost of aviation by adding large aircraft.

In addition, as a core air freight hub, the 1.5-2 hour flight from Ezhou Huahu Airport can cover an area accounting for 90% of the national economic population. The airport city is expected to introduce high-end manufacturing, biomedicine, fresh cold chain, cross border e-commerce, electronic spare parts, emergency rescue and other industries, combined with SF's all-cargo routes covering the entire country and radiating the world, to help realize the country's industrial upgrading and enhance the strength of the international supply chain.

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, 2022, and the periods are all from January 1, 2022 to December 31, 2022.

Land transport

>95,000 dry and feeder trucks under management worldwide

>120,000 domestic transport routes

>97,000 vehicles for end-of-line collection and distribution

Rail

Express delivery products

High-speed rail products with **927** flows

4 pairs (or **8** columns) of special express trains

137 lines of general railway trains

Total volume of shipments nearly **480,000** tons

International trains

385 lines in operation

34 countries and regions covered

Handled **150,000** TEU of containers by rail

Sea freight

19,000 maritime routes in operation

700 port terminals reached

179 countries and regions covered

1,170,000 TEU shipped by sea

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, 2022

Service Points

›29,000
domestic service outlets and other service stations

›179,000
domestic end-to-end cooperative service points (including city stations and rural distribution shops)

›20,000
overseas self-operated & cooperative points

›430,000
Network-wide couriers

›300,000
HIVE BOXes

Covering
›190,000 communities

Transit depots

Express depots

379
transit depots in operation

39
hub-level depots

36
air and rail sites

304
regional depots

Freight depot

157
operating depots

25
hub-level depots

132
regional depots

Warehouses

2,071
operational warehouses

covering
›10 million sqm

82
food warehouses covering
›550,000 sqm

20
pharmaceutical warehouses covering
›200,000 sqm

1,431
overseas warehouses covering
›2.9 million sqm

93
franchised warehouses

covering
1.54 million sqm

We boast many key site resources in China and Southeast Asia, such as logistics industry parks and logistics centers

Note: The data below are all as of December 31, 2022

Total land area
15,625 mu

Total building area of
10.13 million sqm

Completed operational projects

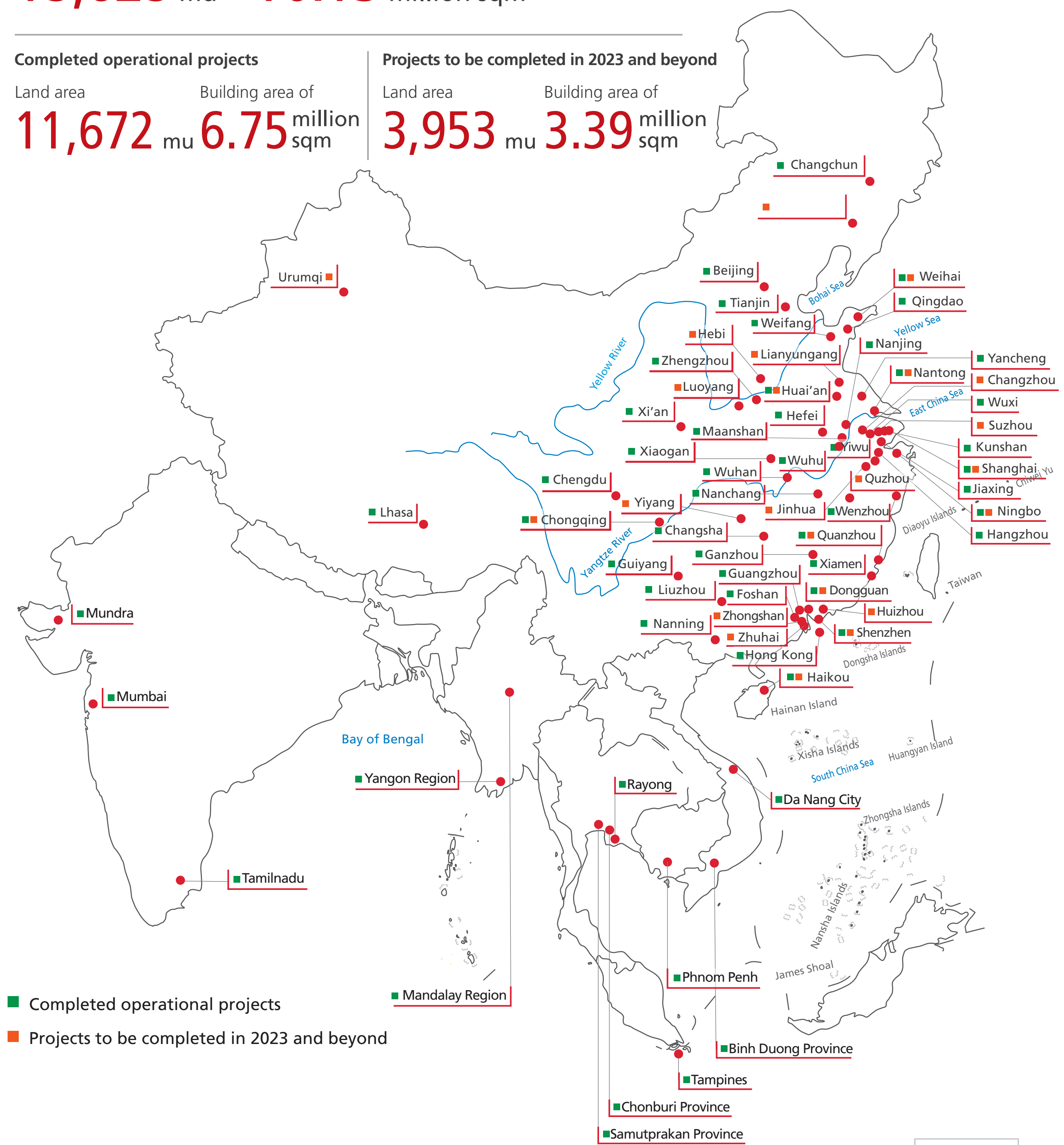
Land area
11,672 mu

Building area of
6.75 million sqm

Projects to be completed in 2023 and beyond

Land area
3,953 mu

Building area of
3.39 million sqm



■ Completed operational projects

■ Projects to be completed in 2023 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 asset-backed special scheme and the logistics real estate development fund, which are operated and managed by the Company.

2. Complete end-to-end one-stop comprehensive logistics service capability

Adhering to the diversification-oriented strategic planning, and based on a fully established and efficient express network, through "internal cultivation + external mergers and acquisitions", the Company horizontally branched out into new businesses and acquired high-quality industry partners to gradually grow into China's largest express logistics service provider 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.

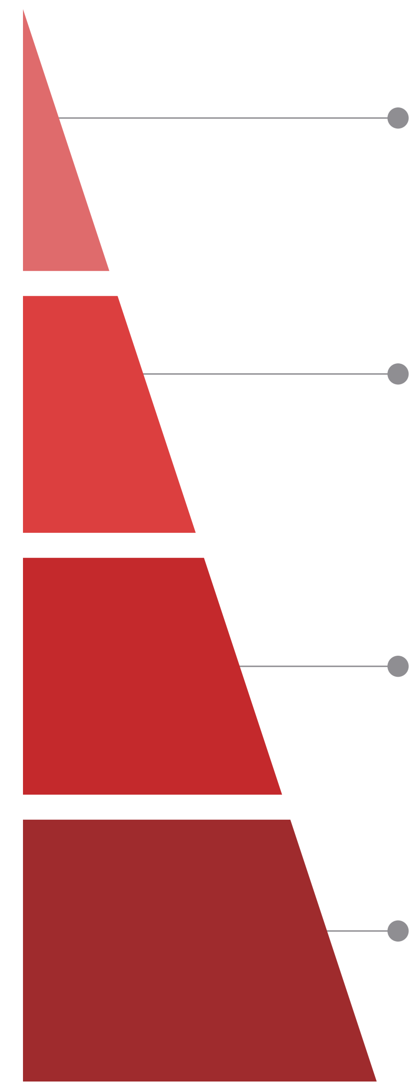
At the same time, we also vertically improved the product matrix, through direct operation, franchise, external cooperation and other models; in each market segment of every business sector, we have launched high-quality services targeting medium – and high-end consumers, as well as cost-effective services for markets in lower-tier cities. Through effective product stratification and organic combination between different products, we cater to the diverse needs of clients, and developed complete end-to-end one-stop integrated logistics solutions.

Our services have penetrated into a wide variety of businesses such as industrial manufacturing, commercial circulation, online sales of agricultural products, food and pharmaceutical cold chain, international trade, local life, etc., covering all aspects of social production and people's livelihood. Boasting 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 98 countries and regions around the overseas market, 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 revitalization, intelligent manufacturing, and industrial upgrading, and build on our capability to protect the 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.

3. Cutting-edge technology for a digitalized, visual and intelligent supply chain

SF is committed to building a smart supply chain ecosystem in the digital age and establishing itself as a leader of smart supply chain. SF combines the massive data and industry solution experience gained in diverse businesses with the application of leading digital, visual, 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 response.

As of the end of the reporting period, SF had taken out 4,452 patents and 2,490 software copyrights, with invention patents accounting for 64% of the total number of patents obtained. The Company actively cooperates with social organizations such as the logistics and supply chain industry, the government, and universities to enhance the social influence of SF Technology. The Company was selected for the International Organization Award "2022 World Internet of Things Ranking List", the well-known media award "2022 Fortune's Most Influential IoT Innovation List" and the field of artificial intelligence "BPAA Second Screening on Practices of Applied Algorithms – Business Track Global Top Ten" and other honorary awards. Meanwhile, the Company participated in the key research and development program initiated by the Ministry of Science and Technology for the first time, demonstrating the Company's commitment to promote intelligence of hub-level parcel processing centers in the industry.



Frontier technology

Continue to explore the revolution and application of frontiers of unmanned, AI, digital twin, privacy computing, etc. in the logistics technology area, so as to ensure the future technological competitiveness of SF.

Digitalized and intelligent supply chain

Technology empowers the end-to-end digitalized and intelligent transformation of the supply chain, joining hands with customers to create an efficient and flexible supply chain and enhance the competitiveness of SF's one-stop integrated logistics services.

Smart brain

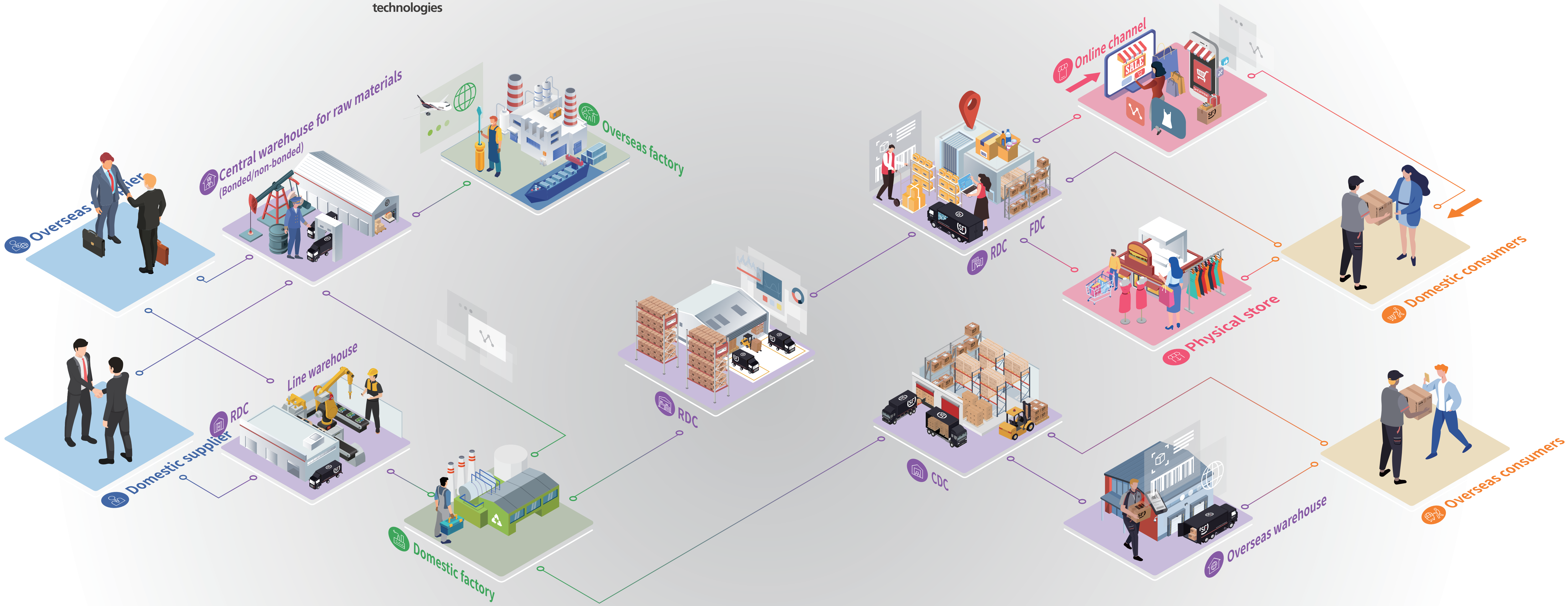
Implement the digitalized construction of full-link logistics network, and create the smart brain of SF to help the Company carry out business model transformation and support the LEAN operation, and realize efficiency enhancement and cost reduction.

Data medium office

Build a shared, credible, timely, and global data medium office, and establish data ecosystems to lay a solid data foundation for the digitized and intelligent upgrading of the Company as a whole.

Industries

Industrial manufacturing | Automobile | Communication and high technologies | Healthcare | Public service | Enterprise and e-governance | Domestic appliance | Apparel, shoes and hats | Consumer goods | Fresh food | E-commerce and movement | Finance and insurance



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 ¦ Line 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

Movement

2B warehouse ¦ 2C warehouse ¦Cold warehouse with multi-temperature zone ¦ GSP pharmaceutical warehouse ¦ Bonded warehouse ¦ Overseas warehouse ¦ FDC
Warehouse network planning ¦ Intelligent warehouse construction ¦ B2B2C+online and offline inventory ¦ 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

Ultimate time fulfillment: 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 special delivery ¦ Overseas warehousing and distribution

Empowered by digital intelligence

Smart park

Intelligent operation center ¦ Vehicle traffic scheduling ¦
AI-powered 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 omnichannel store operations ¦ Blockchain traceability

(1) Consolidate the digital and intelligent foundation: the construction of public database

Data medium office: By building a shared, credible, timely, and global data medium office, we facilitate the healthy operation of business and the construction of data ecosystems.

We accumulate common and highly reusable data among various business lines on the medium platform, create a shared, reusable, and trustworthy Common Data Model across business lines at the Group level, launch data consumption tools such as data markets to achieve data compliance sharing, help businesses conduct data analysis by themselves, improve the efficiency of data retrieval and usage, and cut costs through refined operation management. At the same time, we build an end-to-end DataOps one-stop data development platform to improve data development and delivery efficiency, promote data governance and optimize quality management platform to find end-to-end solutions to the quality problems of master data, and enhance the trusted service capability of master data. We efficiently apply high-quality data, support the Company to truly rely on data to create business value, and support efficient decision-making and business driving before planning, during the operation, and after action.

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

The overall digital and intelligent level of SF logistics network was improved. Through the digitization of the whole-chain operation of collection and distribution, transit and transportation, together with big data prediction, visualized monitoring and early warning, the Company realized the overall intelligent planning and dispatch, dynamic matching of resources, and flat and efficient management. By relying on AIoT, automation and unmanned investment, the Company improved network operation efficiency, ensuring delivery safety, thus facilitating the Company to reduce costs and increase efficiency.

Digital intelligence of forecast & scheduling

Based on big data, operational research and artificial intelligence, we created a global intelligent decision-making system covering" forecast→early warning→scheduling→feedback".

Early forecast

In 2022, under the uncertain changes in the external environment where it is difficult to refer to historical performance, we continued to improve the meticulousness, accuracy, stability and timeliness of forecasting, continuously added new business scenarios for forecasting, explored and applied forecasting for more meticulous shifts at sites, and supported refined operations. By accurately and timely refreshing the forecast parcel volume during peak holidays, we helped sites, capacity, outlets and other links to plan and reserve resources in advance, improve the accuracy of resource investment and increase profitability during peak holidays. During the Double Eleven period, the forecast accuracy rate of the next day's network-wide collection and delivery reached 97%, the accuracy rate of collection and delivery at the business area level could reach over 90%; through dynamic forecasting, the forecast was refreshed every 2 hours, and early warnings were made for shifts exceeding the handling capacity of the sites, helping sites and vehicles in transit to make timely adjustments to ensure service quality.

Network planning

We have created intelligent network planning system tools to support rational planning of resource investment during operations, and achieve cost reduction and efficiency improvement. In 2022, our overall cost reduction reached RMB100 million, and we successfully shortened the delivery time of about 10 million parcels. In terms of trunk lines, we used optimization tool to support direct shipping and increase the frequency of the trunk routes, making financial calculation in route investment strategy during daily life and peak days possible to give guidance for the accurate matching and execution of resource planning. In terms of branch lines, we realized 100% of the application of digital intelligence tools for the planning of branch lines of the network. We also launched online applications for holidays, characteristic economy and other scenarios. In terms of air transportation, we pre-researched flight scheduling/container flow/container loading model for the first time and applied them to the Double 11 peak.

Real-time scheduling

Resources across the entire networks are integrated in real time, including grassroots operation posts, tens of thousands of trunk and feeder vehicles, thousands of air/rail routes, for the construction of online abnormality monitoring, early warning and rescue from transportation, distribution to delivery to ensure the timeliness of potentially delayed express shipments, realizing a closed loop of online abnormality monitoring and scheduling for the whole chain, saving an average of 260,000 parcels on weekdays and 900,000 parcels on peak days. In particular, when dealing with unexpected events such as bad weather, abnormal information can be quickly shared to enable timely notification and enhance the experience of customers.

Digitalized and intelligent distribution

We are committed to constructing automated, visual and intelligent distribution hubs, creating an efficient and intelligent logistics hub.

Automation

Automation equipment was upgraded in 47 transit depots in 2022, boosting distribution capacity and efficiency. As of the end of the reporting period, automatic sorting had been achieved for more than 86% of small parcels and over 60% of single delivery items (i.e., parcels that do not require centralized packaging).

Intelligence

A systematic foundation system of "planning-driven sorting plan and sorting plan with dynamic adjustment" has been built to bridge the gap between planning and actual sorting operations with digital intelligence, allowing planning to better guide actual production. The realization of online of sorting plan with dynamic adjustment has made sorting plan adjustment faster and more automated. After the system launched, the average time of sorting plan process was reduced from 30 minutes to 2 minutes, with a 36.28% improvement in mis-distribution of transit destinations and a 47.42% improvement in return rates. In addition, based on the calculation of site capacity and parcel volume forecast information, the system provides early warning of over-capacity of shifts in transit depots, assisting sites to avoid explosion risks in advance and ensuring transit time efficiency. 60.2% of sites were accurately warned of over-capacity in advance during the Double Eleven period.

Visual

We used computer visual technology to perform video tracking and operation monitoring, realizing whole process visual traceability, helping to solve the quality management and safety and risk control problems of the transit depots.

Digitalized and intelligent transportation

We continuously improved the full-stack end-to-end IT and digital management across various transportation modes such as air, land and rail transportation.

Air transportation

We have focused on online resource management to build a resource pool to enable resource sharing and dynamic booking of urgent parcels, and ensure online support and performance guarantee for multiple products and different security levels of operation. At the same time, we have launched a pilot project with Shenzhen Airport on "one code for freight (货运一个码)" to jointly improve the digitalization of air cargo logistics trajectory.

Automobile transportation

Through intelligent dispatching of vehicles, human performance reform of drivers and refined fuel consumption control, we realized the maximum application of self-owned resources and improved their utilization rate. Through outsourced resource consolidation, online margin process, simultaneous bidding of multiple resources and intelligent route combination tools, we supported common procurement in various business areas, improved bilateral trunk line shipment rates and achieved cost reductions of RMB100 million in external transportation capacity. Through the establishment of a regular transport time control mechanism, we achieved closed-loop control of the whole chain of transport capacity and improved supplier satisfaction and transport time efficiency.

Rail transportation

In the express freight business, we realized the online closed-loop of the entire process from demand to settlement for high-speed rail, general train and liner resources; and in terms of the bulk transportation business, we participated in the third batch of multi-modal transportation demonstration projects of the Ministry of Transportation, supporting railway transportation from pick-up and delivery demand to settlement.

Digitalized and intelligent terminal management

Applying the AOI (Area of Interest) technology (a technology for geographic areas of dynamic digital map operation), we conducted comprehensive digital operation and online management of terminal collection and delivery.

Improve collection and delivery capabilities

We improved the problem diagnosis and resource input model for collection and delivery areas, launched better intelligent solutions to enhance the problem improvement rate. In problem areas using solutions recommended by system intelligence, we achieved improvement rate of 22.65% for overtime collection, 30.62% for overtime delivery and 52.57% for collection. A SOP standard platform was built and improved to update the operational standards for collection and delivery in order to increase the speed of onboarding for new employees. A service quality evaluation model for deliverymen was built to realize online quality scoring and visual quality control, achieving fair and transparent management. In addition, based on factors such as customer preferences, parcel attributes and regional features, etc., we built an express delivery model to help express delivery match the optimal delivery channels and achieve differentiated last-mile delivery to meet customer needs and improve customer experience.

Last-mile network construction

We upgraded the operational tools and management tools in outlets, which, among other things, reduce the overall labor intensity and customer-facing time of deliverymen, lower the damage rate of parcels and support the same-site-operation of large and small parcels in integrated outlets. Through the closed loop of online management of low-efficiency outlets, we timely identified low-efficiency outlets and conducted rectification to achieve site cost saving.

Digitalized and intelligent delivery safety

Technologies such as big data, AI and blockchain were applied to intelligently capture security risk factors and improve delivery safety.

Intelligent identification of parcel security risks

We built security data foundation for parcels to locate specific factors of breakage and loss through big data identification and analysis, we also built a security control system combining business and technology, covering security control scenarios. Through closed-loop tracking of relevant risk routes, sites, intelligent IoT devices and other black spot data (being acquisition of data regarding parcels in breakage and loss scenario), we were able to build a loss warning process, locate high-risk links and operations for damage.

Intelligent security check

Our large-scale application of graph code binding was an initiative to achieve data traceability throughout the chain; at the same time, through AI, we were able to reduce the manpower input for security inspectors, achieving better contraband detection rate and lower release error rate than traditional security checks. In addition, without affecting the efficiency of site operations.

Digitalized and intelligent customer experience

SF has built a service capability and product platform for enterprise customers, opened the general capability module of logistics scenarios to customers, and provided standardized online services for the whole life cycle of enterprise logistics management from contract signing to after-sales service. The customer online self-service rate reached 99%. SF realized the digital upgradation of logistics product management through data and online means, improved the product operation efficiency internally, and helped build a moat of product competitiveness externally. Moreover, based on the one-stop claims operation platform, we captured claims data, built a self-service claims model and claims solution model to achieve unmanned and intelligent rapid claims processing and improve customer claims experience. The customer satisfaction rate for full self-service claims is 98.7%, and the processing time is 98% higher than that for manual claims. In terms of active customer service, through the AOI area, customer behavior data model and AI capability iteration optimization, we actively explored new service scenarios such as pre-delivery booking, abnormal parcel processing and intelligent outbound calling to achieve refined and differentiated customer service for different customers.

Digitalized and intelligent cost management and control

Applying the digital solution of "full-stack business-finance integration", we set up a middle-office platform of business-finance data, and an efficient, one-stop intelligent cost management and control platform to realize the integration of data on revenue, cost and quality, and help digitalize business diagnosis. In 2022, through the integration of data from various business systems and the application of algorithms, we built an operational analysis system that includes "pre-testing – monitoring – post-analysis", newly launched operational measurement models, efficiency point mining models and more operational analysis boards, realizing intelligent cost control and operational decision support, thereby enhancing the operational efficiency and core competitiveness of our Company.

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

The Company integrates SF's exceptional technical capabilities and industrial experience, develop standardized scientific and technological products and solutions, incorporate digital and intelligent capabilities into the client's value chain; by promoting the integration of warehouse and distribution, we provide end-to-end integrated technology supply chain services, solve the pain points at all levels of client supply chain including planning, management, execution, etc., and help various industries create a flexible and intelligent, sustainable supply chain system that responds efficiently to facilitate industrial upgrading, cost reduction and efficiency enhancement.

Smart Supply Chain Service

SF has provided end-to-end technical services that revolve around clients' raw material supply, production, warehousing, transportation, sales, operation and other processes:

Raw material procurement and entry into factories

we carried out intelligent management of raw material supplies, and through circular pickup schemes, etc., automated route setting and loading optimization;

Production

We adopted personnel management and intelligent park solutions based on computer vision to ensure production efficiency and work safety in parks;

Warehousing

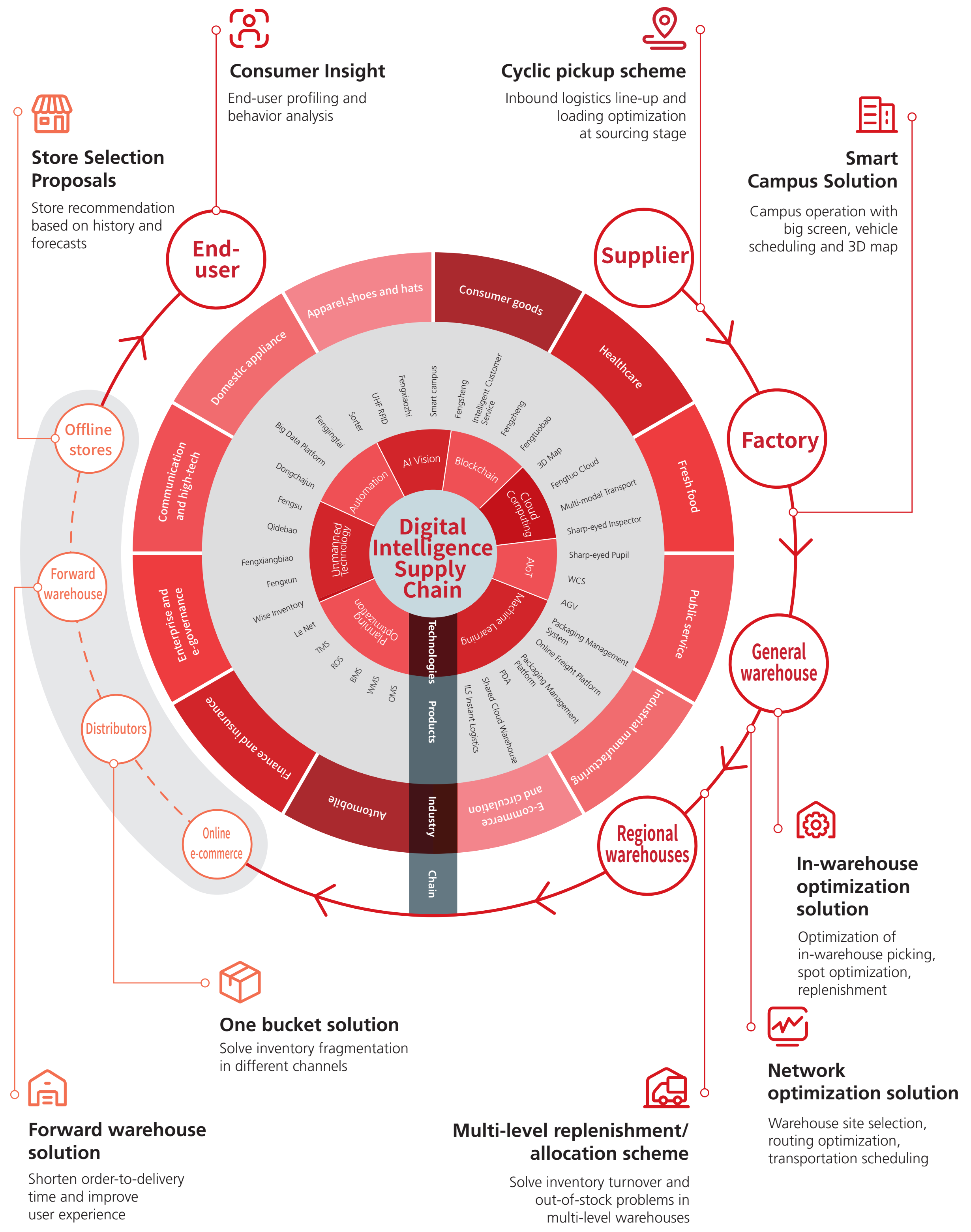
At the design and implementation levels, we provide warehouse network planning, multi-level replenishment, online and offline shared inventory, and other solutions; at the in-warehouse execution level, we provide multiple services such as storage location optimization and warehousing automation;

Sales

Employing big data and algorithm technologies, we help clients gain insights of their consumers and carry out precision marketing, and provide online omni-channel store operation and management tools for small and medium-sized businesses;

Operations

through the implementation of end-to-end supply chain base systems (OMS/TMS/WMS/BMS), we connect the business processes of ordering, warehousing, transportation, settlement, etc. in support to digitalized operations.



⑷ Vision technology capacity: continue to deploy vision technologies that of critical significance for the future development

The Company has also closely tracked the latest trends and evolution paths of cutting-edge logistics technologies, actively deployed vision technologies that have a major impact on the industry and future development, and built a technology capability system for the long-term development of the logistics and supply chain industry.

Digital twin

Establish a highly realistic digital twin platform, using the description, diagnosis, prediction and decision-making capabilities in SF's digital twin to achieve internal application to outlets/lines/networks in logistics scenarios, mapping offline business to digital space in a comprehensive and high-quality manner, realizing scientific decision-making and achieving overall optimality.

Blockchain

Ased on blockchain's ability to enhance data transparency, security and trust, the Company builds a blockchain data collaboration platform to enable interaction of core data on the upstream and downstream alliance chains, improve audit efficiency and reduce review or third-party costs. It deeply integrates the fields of commodity anti-counterfeiting, traceability, manufacturing and synergy, realizing the full-cycle tracking of commodities from production, storage, transportation to final reception and realizing the value of quality traceability. As the first enterprise with disinfection data ledger in the industry, we leveraged blockchain to build digital management tools for vehicle disinfection and site disinfection tasks, providing customers with open and transparent disinfection data checking capabilities, thus enhancing user confidence in express mail safety

Unmanned vehicles

SF has now been invested unmanned vehicles in 17 institutions such as Lanzhou University, Chongqing University of Technology and Harbin Institute of Technology; it also actively involved in the construction of standardization of unmanned vehicle technology and related policies and regulations.

Privacy computing

Under the premise of ensuring that data from both parties' does not leave the domain and user information is not leaked, we built solutions for the financial and marketing sectors by way of technology linking scenarios, which focus on introduction of external data sources, data source output and application of data collaboration.

4. Build brand value with excellent service experience

SF has established itself as a well-recognized and reputable express delivery service provider through over 30 years of development. It has built a brand image of "efficiency", "punctuality" and "safety", created great brand value through high-quality service, and is widely recognized by clients, the industry and the community.

On August 3, 2022, Fortune magazine released its list of the world's top 500 in 2022, and the Company made the list for the first time, ranking 441, which also made it the first private express company of China to be recognized as one of the top 500.

State Post Bureau

1st — 1st for **13** consecutive years

in Overall Satisfaction towards Express Delivery Service and Public Satisfaction in 2021

(As of the disclosure date of the annual report, the data of express delivery satisfaction survey for 2022 has not been released)

1st — 1st for **9** consecutive years

in end-to-end time limit (within 48 hours)

1st — 1st for **9** consecutive years

in 72-hour delivery punctuality (above 90%)

Fortune

441th — for the first time

among "2022 World Top 500 Enterprises"

5th — for **6** consecutive years

among "Most Admired Chinese Companies" in 2022

for the first time

China ESG Impact List (2022 for the first-time publishing)

2022 for the first time

Brand Finance

263th — 1st for **4** consecutive years

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

7th — 1st for **4** consecutive years

among "World's Top 25 Most Valuable Logistics Brands" in 2022 for 4 consecutive years

IV. Analysis of Principal Business

1. Overview

In 2022, the express logistics industry faced a complex and volatile external environment, with multiple factors restricting the revenue growth and profit level of the Company. (1) **The macroeconomic:** production activities and consumption intentions have been suppressed, and corporate orders and logistics demand have weakened, affecting the growth of express logistics business. In the meanwhile, the express logistics enterprises at certain regions in the Mainland China had to temporarily suspend their business outlets, especially in the second and the fourth quarter. The significant decrease in growth of collection volume not only affected growth of revenue, but also led to failure of effective dilution of fixed costs and weakening of the scale effect, thus affecting the profit level. (2) **Fuel price**: fuel price rose sharply in 2022 as compared to the same period of previous year, leading to a relatively fast growth in transport costs for express logistics companies. (3) **International demand**: International trade witnessed declined demand due to the inflation in Europe and the United States, international relations conflict and other factors. In addition, as the supply of international transport capacity resources gradually recovered, the international air and sea freight prices continued to decline from a relatively high level, down significantly especially in the second half of the year. By the end of 2022, the freight rates have fallen back to a relatively lower level in the last three years, affecting the revenue scale and profitability of the international freight forwarding business.

Despite of the various external challenges in 2022, the Company has always adhered to the operating policy of sustainable and healthy development, and adopted a series of lean operation and management initiatives to improve the structure and quality on the revenue side and reduce costs and increase efficiency through lean management on the cost side, which enabled it to deliver a satisfying performance growth and steady achievement of healthy business targets in 2022.

I) Revenue: In 2022, the Company recorded a total revenue of RMB267.5 billion, with a year-on-year increase of 29.1%, of which: (1) **The express logistics business** contributed revenue of RMB174.2 billion, with a year-on-year increase of 5.9%. Although the growth in business volume was affected by the temporary closure of outlets in certain regions due to external factors, the Company, as a logistics company assuming the responsibility of ensuring sufficient supply of livelihood materials, is fully committed to satisfy the corporate demands for logistics transportation and the residents' delivery demands for necessary materials by virtue of its stable network services and resource dispatching capability under the direct operation model. Besides, the Company continued to improve the service quality and products competitiveness by optimizing the structure of product portfolio. In particular, it reduced business volume of those products with low gross profit margin, further refined customer management by levels, and provided diversified and differentiated comprehensive logistics service, to promote the express logistics segment as a whole to realize higher average revenue per parcel compared to the same period of previous year, thus to achieve healthy growth of revenue. (2) **The supply chain and international** business generated revenue of RMB87.9 billion with a year-on-year increase of 124.1%, which was mainly attributable to the consolidation of Kerry Logistics by the Company since the fourth quarter of 2021. In addition, Kerry Logistics also acquired and consolidated certain business in the international freight sector in the first half of 2022, which further expanded the Company's supply chain and international business and thereby led to rapid year-on-year growth of revenue in 2022. Meanwhile, SF International integrated with the advantages of Kerry Logistics in local express capability in some Southeast Asian countries to create international express products with competitive timeliness and highly cost-effective in Southeast Asia, and achieved rapid growth in international express business. However, due to the aforesaid year-on-year decrease of international air and sea freight demands and rates, the international freight forwarding business experienced dramatic decline in both revenue and profitability as compared with the corresponding period of the last year.

For details of the business development, please refer to the section headed "II. Business development of the Company" in this chapter.

II) Profit: The Company realized a net profit attributable to shareholders of the listed company of RMB6.17 billion in 2022, representing a year-on-year increase of 44.6%, and a net profit attributable to shareholders of the listed company of RMB5.34 billion after deducting non-recurring gains and losses, representing a year-on-year increase of 191%. The non-recurring gain and loss items were mainly government grants and one-off gains arising from disposal of equity.

The Company saw a rapid year-on-year growth in business performance in 2022, which is mainly attributable to the improvement of revenue quality, and the satisfying results in the promotion of lean resource planning and cost management initiatives. The Company has placed greater emphasis on improving the efficiency of resource investment, continuing to promote multi-network integration, emphasizing end-to-end overall resource planning for operations, strengthening the integration of transit, transportation and terminal resources of business networks, as well as flexibly carrying out cross-sector resource synergy during different periods (i.e. low and peak business seasons) to expand the benefits of resource sharing. At the same time, the Company took advantage of technology empowerment to enhance the deep digitalization throughout the entire operation and management, and achieve modeling and decision-making of resource investment in advance, real-time intelligent monitoring and scheduling during the process, and data review and efficiency analysis at the post stage, which helped the Company monitor costs more thoroughly and finely, and improve its ability of making prompt business adjustment to respond to changes.

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 technology for a digitalized, visual and intelligent supply chain" under the section headed "III. Core competitiveness" in this chapter.

Benefiting from the above operating initiatives, the Company recorded significant improvement in profitability. As for the same period of previous year, the consolidation of results of Kerry Logistics commenced since the fourth quarter of 2021, while the whole year results of Kerry Logistics in 2022 was consolidated for this reporting period, which also increased the overall profit of the Company.

III) In terms of capital structure, as of the end of the reporting period, the total assets of the Company were RMB216.8 billion; the net assets attributable to shareholders of the parent company were RMB86.3 billion; and the gearing ratio was 54.67%, up 1.32 percentage points from 53.35% at the end of previous year. This was mainly attributable to the increased borrowings by Kerry Logistics as a result of its acquisition of subsidiaries and minority interests. However, the operating cash flow and overall financial structure of the Company remain stable, and the net cash flow from operating activities increased by 112.9% year on year from RMB15.4 billion for the same period of previous year to RMB32.7 billion for the reporting period, to develop a healthy cash flow.

In 2022, the Company invested RMB15.1 billion in total in fixed assets and other items (excluding equity investment), representing a decrease of 21.6% compared with the same period of previous year; which accounted for 5.6% of total operating income, representing a decrease of 3.7 percentage points compared with the same period of previous year, and reflected the Company's business strategy to focus on core logistic business, streamline resource planning and improve the efficiency of resource deployment. In the future, the Company will stick to the purport of long-term, sustainable and healthy development, and input resources to facilitate the renovation of operation models and build differentiated core competitiveness. In the meantime, we will continue to promote the multi-network integration to improve resource utilization efficiency. Proportion of the capital expenditure will continue to maintain within the sound level.

2. Revenues and costs

I) Composition of operating revenue

(RMB'000)	2022		2021		Change over the previous year
	Amount	Proportion of revenue	Amount	Proportion of revenue	
Total revenue	267,490,414	100.00%	207,186,647	100.00%	29.11%
Categorized by industry					
Logistics and freight forwarding	262,079,740	97.98%	203,690,237	98.31%	28.67%
Sales of goods[2]	3,899,692	1.46%	1,764,253	0.85%	121.04%
Others	1,510,982	0.56%	1,732,157	0.84%	-12.77%
Categorized by business[1]					
Time-definite express	105,696,512	39.51%	98,961,735	47.76%	6.81%
Economy express	25,551,306	9.55%	25,428,003	12.27%	0.48%
Freight	27,917,012	10.44%	27,290,961	13.17%	2.29%
Cold chain and pharmaceuticals	8,612,665	3.22%	7,802,610	3.77%	10.38%
Intra-city on-demand delivery	6,436,102	2.41%	5,003,156	2.41%	28.64%
Supply chain and international	87,866,143	32.85%	39,203,772	18.92%	124.13%
Other non-logistics businesses	5,410,674	2.02%	3,496,410	1.69%	54.75%
Categorized by region					
Logistics and freight forwarding – Mainland China	204,621,623	76.50%	186,009,786	89.78%	10.01%
Logistics and freight forwarding – Hong Kong, Macao, and Taiwan, China	8,988,438	3.36%	4,776,091	2.31%	88.20%
Logistics and freight forwarding – Overseas	48,469,679	18.12%	12,904,360	6.22%	275.61%
Other non-logistics businesses	5,410,674	2.02%	3,496,410	1.69%	54.75%

Notes:

(1) As the Company continuously streamlined and optimized its product system, the product of each business segment has been adjusted, mainly including the classification of returned e-commerce products and products distributed by SF Express from the economy express business to time-definite express and freight business respectively. According to the optimized new product classification, the Company counted the revenue of time-definite express, economy express and freight business, and retroactively adjusted the data of the same period in 2021.

(2) Sales of goods mainly comprise the purchase and sale business involved in the process of providing end-to-end supply chain services for customers.

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

Business volume and average revenue per parcel 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)	110.7	105.0	5.5%
Average revenue per parcel (RMB)	15.73	15.67	0.4%

Explanation:

(1) The express & logistics business mainly included time-definite express, economy express, freight, cold chain and pharmaceuticals, and intra-city on-demand delivery business. The statistics of business volume and average revenue per parcel 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 5.5%. Against the backdrop of temporary closure of outlets in certain regions due to external factors, as well as the Company's initiative to optimize its product structure and reduce the business volume of low-margin products, the express & logistics segment still achieved positive growth in business volume that was higher than the overall business volume growth rate of the express industry. At the same time, thanks to the optimization of the product structure of the Company, the average revenue per parcel of the express & logistics business increased by 0.4%, with the revenue structure remaining healthy.

II) Operating cost

(RMB'000)	Cost item	2022		2021		Change over the previous year
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Total cost of revenue		234,072,360	100.00%	181,548,507	100.00%	28.93%
Categorized by industry						
Logistics and freight forwarding	Labor cost(2)	91,585,902	39.13%	83,576,213	46.04%	9.58%
	Transport capacity cost(2)	106,844,961	45.65%	70,854,193	39.03%	50.80%
	Other operating costs	31,078,207	13.28%	24,330,369	13.40%	27.73%
	Total	229,509,070	98.06%	178,760,775	98.47%	28.39%
Sales of goods	Cost of goods	3,426,513	1.46%	1,589,457	0.88%	115.58%
Other businesses	Cost of services	1,136,777	0.48%	1,198,275	0.65%	-5.13%

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 Classified 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 cost and transport capacity cost, and added up them in the totals of the payroll and transport cost, 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 analyzed 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	262,079,740	28.67%	229,509,070	28.39%	12.43%	Increase by 0.19 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 analyzed as follows:

	2022	2021	Change over the previous year
Proportion of labor cost to revenue	34.95%	41.03%	-6.08%
Proportion of transport capacity cost to revenue	40.77%	34.79%	5.98%
Proportion of other operating costs to revenue	11.85%	11.94%	-0.09%
Gross profit margin	12.43%	12.24%	0.19%

Reason for changes:

(1) As the Company has consolidated Kerry Logistics since the fourth quarter of 2021, and the cost structure of Kerry Logistics is different from the original business of SF Express, the changes in the breakdown of cost of sales as a percentage of revenue are mainly affected by the consolidation of Kerry Logistics. Therefore, the following cost-to-revenue analysis will exclude the impact of Kerry Logistics. For the profit analysis of Kerry Logistics, please refer to its annual report disclosed on the Hong Kong Stock Exchange.

(2) The proportion of labor cost to revenue was down by 6.08 percentage points year-on-year, but if excluded the impact of acquisition of Kerry Logistics, it was up by 1.79 percentage points year-on-year. This was primarily due to: ① the Company's initiative to improve the competitiveness of remuneration of first – and second-line employees, emphasizing higher compensation for more work to ensure reasonable fairness, such as improving the per capita income of deliverymen in certain difficult areas based on the regional operation pricing model. ② the Company's focus on terminal service quality, which ensured the face-to-face service quality of deliverymen by reasonably controlling the per capita collection and delivery efficiency; ③ the decrease in business acquisition volume in some cities during the temporary closure period of outlets in certain regions, which rendered the fixed salary costs of employees unable to be effectively amortized; In 2022, the Company will continue to promote the integration of multiple networks and invest in automated equipment, so as to improve the operational efficiency of all aspects of operation and improve the per capita efficiency of transit operation posts and proprietary driver posts, and effectively control the extent of labor cost increases.

(3) The proportion of transport cost to revenue grew by 5.98 percentage points year-on-year, but if excluded the impact of the acquisition of Kerry Logistics, it was down by 4.01 percentage points year-on-year. This was primarily due to: ① the Company's continued promotion of multi-network integration, and the scale effect resulting from unified planning through the integration of route resources of various businesses, the straightening of routes to reduce transit, and the collaborative route filling of fast and slow products, which effectively increased the vehicle loading rate of trunk and feeder routes; ② the improvement of the transport capacity structure through the gradual increase in the proportion and utilization rate of self-owned vehicles, the optimization of outsourced route recruitment and the related settlement models, which reasonably controlled the price per unit of transport capacity. Thanks to the above measures, the Company's transport capacity costs were effectively managed in 2022 despite the negative impact of the increase in outsourced transport capacity prices and fuel costs.

(4) The proportion of other operating costs to revenue decreased by 0.09 percentage point year-on-year, but if excluded the impact of acquisition of Kerry Logistics, it was increased by 1.04 percentage points year-on-year. This was primarily due to the inadequate utilization rate of production capacity during the temporary closure period of outlets in certain regions in 2022 on the growth of business volume which resulted in ineffective dilution of fixed asset costs and weakened economies of scale, as compared to the faster growth of fixed asset investment in sites and equipment in the same period last year which had increased depreciation and amortization expenses. However, by promoting the integration and joint construction of various business sites, the Company managed the incremental demands, reduced temporary site investment, optimized the existing inefficient sites and enhanced the utilization rate of site resources. 2022 saw a year-on-year decrease in the Company's fixed asset investment expenditure, which effectively moderated the growth in fixed costs.

(5) Gross profit margin: the Company's gross profit margin for the logistics and freight forwarding business improved due to the above factors, up by 0.19 percentage points as compared to the corresponding period of previous year, and up by 1.18 percentage points if the impact from consolidation of Kerry Logistics was excluded.

IV) Major customers and major suppliers

Major customers

Total sales revenue from the top five customer (RMB'000)	13,483,051
Total sales revenue from the top five customers in proportion of total annual sales revenue	5.04%
Total sales revenue from affiliated parties in the top five customers in proportion of total annual sales revenue	0.64%

Information about the top five customers

SN	Customer	Revenue (RMB'000)	Proportion of total annual sales revenue
1	Customer 1	4,696,510	1.76%
2	Customer 2	4,058,752	1.52%
3	Customer 3	1,718,005	0.64%
4	Customer 4	1,640,848	0.61%
5	Customer 5	1,368,936	0.51%
Total	–	13,483,051	5.04%

Other information regarding major customers

During the Reporting Period, the Company provided services for M China Management Limited (which is one of related parties of the Company) and its subsidiaries as well as its franchisees, and obtained sales revenue of RMB1,718,005 thousand. Apart from that, the Company did not have any associated relationship with the other major customers mentioned above, 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 other major customers.

Major suppliers

Total purchase amount from the top five suppliers (RMB'000)	29,770,818
Total purchase amount from the top five suppliers in proportion of total annual purchase amount	13.54%
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	11,487,711	5.22%
2	Supplier 2	5,972,666	2.72%
3	Supplier 3	4,994,231	2.27%
4	Supplier 4	3,963,149	1.80%
5	Supplier 5	3,353,061	1.53%
Total	–	29,770,818	13.54%

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 major sales contract or major 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)	2022		2021		Change over the previous year
	Amount	Proportion of revenue	Amount	Proportion of revenue	
Selling and distribution expenses	2,784,114	1.04%	2,837,899	1.37%	-1.90%
General and administrative expenses	17,574,490	6.57%	15,029,663	7.25%	16.93%
Financial costs	1,711,613	0.64%	1,563,359	0.75%	9.48%
Research and development expenses	2,222,865	0.83%	2,154,839	1.04%	3.16%

Explanation:

(1) The proportion of selling and distribution expenses & general and administrative expenses to revenue: a decrease of 1.01 percentage points year-on-year. This was attributable to the Company's continued implementation of lean management initiatives, the technology-driven digitalization and intellectualization improvement in operation and management, and the improved management efficiency through streamlining and flattening the organization.

(2) The proportion of finance cost to revenue: a decrease of 0.11 percentage point year-on-year. This was attributable to the Company's sound financial structure and healthy gearing ratio.

(3) The proportion of research and development expenses to revenue: a decrease of 0.21 percentage point year-on-year. This was attributable to the Company's focus on technology investment to fuel business development and model change, with greater emphasis on the benefits of technology output. As explained in "4. R&D Investment" below, overall R&D investment decreased slightly from the previous year.

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

	2022	2021	Change over the previous year
Number of R&D staff (person)	5,652	6,271	-9.87%
Proportion of R&D personnel as a percentage of total staff	3.47%	3.54%	-0.07%
Composition of R&D personnel by education level			
Junior college (person)	627	786	-20.23%
Bachelor (person)	3,982	4,333	-8.10%
Master and above (person)	1,043	1,152	-9.46%
Composition of R&D personnel by age			
Below 30 (person)	2,115	2,946	-28.21%
30 – 40 (person)	3,349	3,190	4.98%
Above 40 (person)	188	135	39.26%

Note: There was no major change in the composition of R&D staff in the Company.

Investment in R&D

(RMB'000)	2022	2021	Change over the previous year
R&D investment amount	3,528,143	3,651,655	-3.38%
R&D investment as a percentage of revenue	1.32%	1.76%	-0.44%
Amount of capitalized R&D investment	1,266,410	1,429,608	-11.42%
Capitalized R&D investment as a percentage of R&D investment	35.89%	39.15%	-3.26%

Note: There was no significant change in the R&D investment amount as a percentage of revenue compared with the previous year; and there was no great change in the capitalization rate of R&D investment.

V. Non-core Business Analysis

(RMB'000)	Amount	Proportion of total profit	Reason
Other income	2,249,361	20.51%	Mainly including government grants related to daily activities.
Investment income	1,025,385	9.35%	Mainly including income from maturity structured deposits and income from disposal of equity interests.
Gains and losses arising from changes in fair value	-27,938	-0.25%	Mainly due to changes in fair value of financial assets or liabilities
Credit impairment losses	-821,100	-7.49%	Mainly including bad debt losses of accounts receivable.
Asset impairment losses	-131,756	-1.20%	Mainly including impairment losses of long-term equity investment.
Non-operating income	231,487	2.11%	Mainly including compensation income and government grants unrelated to daily activities.
Non-operating expenses	298,616	2.72%	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)	2022	2021	Change over the previous year
Net profit	7,003,620	3,919,213	78.70%
Net profit margin	2.62%	1.89%	0.73%
Net profit attributable to shareholders of the parent company	6,173,764	4,269,098	44.62%
Net profit margin attributable to shareholders of the parent company	2.31%	2.06%	0.25%
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	5,336,924	1,834,199	190.97%
Net profit margin attributable to shareholders of the parent company after deducting non-recurring profit and loss	2.00%	0.89%	1.11%

Net profit by segment

(RMB'000)	2022		2021		Amount of change over the previous year
	Net profit	Net profit margin	Net profit	Net profit margin	
Express segment	5,459,146	3.52%	3,832,187	2.65%	42.46%
Freight segment	27,677	0.08%	-582,308	-1.87%	104.75%
Intra-city segment	-286,903	-2.79%	-898,851	-11.00%	68.08%
Supply chain and international segment	1,945,862	2.15%	615,252	1.52%	216.27%
Undistributed units	-122,737	-0.92%	965,462	8.87%	-112.71%

Notes:

(1) Express segment: In 2022, net profits from the express segment amounted to RMB5.459 billion, representing an increase of 42.46% as compared with the same period of last year, mainly due to ① the significant improvement in profitability of economic express products as a result of the optimization of product structure, which reduced the number of low-margin products; and ②lean resource planning and cost control, with a focus on improving the efficiency of resource deployment, and continuing to expand the efficiency of resource sharing through multi-network integration.

(2) Freight segment: In 2022, net profits from the freight segment amounted to RMB28 million, representing an increase of 104.75% as compared to the corresponding period of the last year, and achieved a turnaround from loss to profit, mainly due to the fact that ①the product structure was optimized to upgrade and launch large aircraft and SF Ground Freight Express, increasing the revenue per kilogram; ② the transshipment, trunk line and terminal integration were improved for large pieces and small pieces, direct sales network and franchise network to achieve cost reduction and efficiency enhancement.

(3) Intra-city segment: In 2022, net losses from the intra-city segment amounted to RMB287 million, representing an increase of 68.08% as compared with the same period of last year, and net profit margin continued to rebound, which is mainly attributable to the fact that ① more diversified business model and revenue structure and the professional and differentiated services drive the growth of high-value orders, with the personal services, non-meal scenarios and focus on lower-tier cities and counties becoming new driving forces; and ② better capacity efficiency as achieved through overall planning and scheduling driven by technology, management was kept refining to improve operational quality and increase the proportion of deployed resources, thus further releasing economies of scale.

(4) Supply chain and international segment: In 2022, net profits from the segment amounted to RMB1.946 billion, representing an increase of 216.27% as compared with the same period of last year, which is mainly attributable to the fact that ①the results of Kerry Logistics were consolidated from the fourth quarter of 2021 as compared with the same period of last year, and the 2022 annual results of Kerry Logistics were consolidated during the Reporting Period, leading to the increase in profit of supply chain and international business; and ②the end-to-end mode of international express delivery and refined cost control were optimized, and the integration with Kerry Logistics was improved in international air freight routes, enhancing resource utilization and improving the profit of international express products.

(5) Undistributed units: In 2022, net losses from undistributed units amounted to RMB123 million, mainly including non-logistics and freight forwarding businesses such as investment, industrial parks and other headquarters functions. Net profits from the units decreased as compared with the corresponding period of the last year, mainly due to the increase in investment income from the transfer of equity interests in the corresponding period of the last year and the decrease in relevant transfers during the Reporting Period.

VII. Cash Flow

(RMB'000)	2022	2021	Change over the previous year
Sub-total of operating cash inflows	369,188,490	303,261,404	21.74%
Sub-total of operating cash outflows	336,485,543	287,903,799	16.87%
Net cash flows from operating activities	32,702,947	15,357,605	112.94%
Sub-total of investing cash inflows	157,801,875	129,699,181	21.67%
Sub-total of investing cash outflows	169,893,333	146,830,408	15.71%
Net cash flows from investing activities	-12,091,458	-17,131,227	29.42%
Sub-total of financing cash inflows	39,735,949	68,270,517	-41.80%
Sub-total of financing cash outflows	55,752,899	47,050,591	18.50%
Net cash flows from financing activities	-16,016,950	21,219,926	-175.48%
Effect of exchange rate changes on cash and cash equivalents	871,640	-99,020	980.27%
Net increase in cash and cash equivalents	5,466,179	19,347,284	-71.75%

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 increase was mainly attributable to the combined effect of business expansion, the optimized management of operating cash flow and profit growth and the acquisition of Kerry Logistics.

(2) Net cash flows used in investing activities: The year-on-year decrease was mainly attributable to the combined effect of the decrease in net outflow on acquisition of a subsidiary and on purchase and construction of long-term assets, and the decrease in net inflow on disposal of a subsidiary and on structured deposits.

(3) Net cash flows from financing activities: The year-on-year decrease was mainly attributable to the combined effect of the decrease in investment acquired and the increase in debt repayment.

VIII. Analysis of Assets and Liabilities

1. Major Changes in Asset Composition

(RMB'000)	As at the end of 2022		As at the beginning of 2022		Increase/ Decrease in Proportion	Major Changes
	Amount	Proportion of Total Assets	Amount	Proportion of Total Assets		
Cash at bank and on hand	41,062,750	18.94%	35,315,051	16.82%	2.12%	For details, please refer to "VII. Cash Flows" under "Chapter 3 Management Discussion and Analysis".
Accounts receivables	25,560,433	11.79%	30,441,758	14.50%	-2.71%	Mainly due to the acceleration of accounts receivable collection.
Contract assets	1,522,996	0.70%	1,038,247	0.49%	0.21%	No major changes.
Inventories	1,948,354	0.90%	1,546,821	0.74%	0.16%	No major changes.
Other current assets	5,612,928	2.59%	7,539,613	3.59%	-1.00%	Mainly due to the decrease of the input VAT to be offset.

(RMB'000)	As at the end of 2022		As at the beginning of 2022		Increase/ Decrease in Proportion	Major Changes
	Amount	Proportion of Total Assets	Amount	Proportion of Total Assets		
Investment properties	4,875,366	2.25%	4,850,233	2.31%	-0.06%	No major changes.
Long-term equity investments	7,858,000	3.62%	7,260,087	3.46%	0.16%	No major changes.
Fixed assets	43,657,404	20.13%	36,925,990	17.59%	2.54%	Mainly due to the increase in buildings.
Construction in progress	11,149,860	5.14%	8,571,203	4.08%	1.06%	Mainly due to increased investment in the industrial park project and the relocation of the transit depot renovation project.
Right-of-use assets	15,429,775	7.12%	17,297,085	8.24%	-1.12%	Mainly due to amortization.
Short-term borrowings	12,837,870	5.92%	18,397,204	8.76%	-2.84%	Mainly due to repayment of borrowings.
Contract liabilities	1,244,418	0.57%	1,675,836	0.80%	-0.23%	No major changes.
Current portion of non-current liabilities	11,173,650	5.15%	8,335,803	3.97%	1.18%	Mainly due to the increase in the current portion of debentures payable.
Long-term borrowings	7,472,010	3.45%	3,510,829	1.67%	1.78%	Mainly due to new borrowings.
Debentures payable	18,927,508	8.73%	15,656,370	7.46%	1.27%	Mainly due to the issuance of US dollar debentures.
Lease liabilities	8,582,372	3.96%	10,941,938	5.21%	-1.25%	Mainly due to the rent payment.
Capital reserve	43,996,237	20.29%	46,200,598	22.01%	-1.72%	Mainly due to the acquisition of minority interests.
Other comprehensive income	4,538,027	2.09%	2,617,231	1.25%	0.84%	Mainly due to the increase in differences in translation of foreign currency statements.
Retained earnings	33,371,351	15.39%	28,245,764	13.46%	1.93%	Mainly due to the increase in profit.
Minority interests	12,022,308	5.54%	14,972,021	7.13%	-1.59%	Mainly due to the integrated impact of acquisition of minority interests and distribution of dividends.

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
51.5% equity of Kerry Logistics	Equity acquisition	22,999,199	Hong Kong (China)	Integrated logistics, international freight forwarding and supply chain solutions	Please refer to XIII. The Company's Management and Control over Its Subsidiaries during the Reporting Period in Section IV.	2,838,971	23.40%	No
Other information	"Asset scale" refers to net assets of Kerry Logistics; "Profiting status" refers to net profit contributed by Kerry Logistics in 2022, which is the net profit of Kerry Logistics after the acquisition date, 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 RMB1,362.735 million; profit or loss attributable to minority shareholders amounted to RMB1,476.236 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 RMB 1,172.615 million. "Assets overseas/net assets of the Company" refers to net assets of Kerry Logistics/net assets of the Company.							

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]	11,262,517	-18,850	–	–	462,910	4,006,429	697,440	8,397,588
2. Investments in other equity instruments	6,810,771	–	-58,183	–	512,099	566,125	667,122	7,365,684
Subtotal financial assets	18,073,288	-18,850	-58,183	–	975,009	4,572,554	1,364,562	15,763,272
Others	–	–	–	–	–	–	–	–
Total	18,073,288	-18,850	-58,183	–	975,009	4,572,554	1,364,562	15,763,272
Financial liabilities	7,658	–	5,821	–	75,718	–	7,450	96,647

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.

(1) Other changes:

Other changes in financial assets held for trading are mainly investment income realized 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	874,919	Mainly represents the statutory reserve placed at the Central Bank
Fixed assets	486,847	Bank borrowing mortgage
intangible assets	247,556	Bank borrowing mortgage
Investment properties	104,571	Bank borrowing mortgage
Total	1,713,893	

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
19,343,536	28,895,208	-33.06%

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	600,457
Land	113,531
Warehouse	1,563,813
Sorting center	7,073,309
Aircraft	2,288,891
Vehicle	918,617
Information technology equipment	824,663
Equity investments	4,291,429
Others	1,668,826
Total	19,343,536

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	6166	VAST	–	Fair value measurement	118,945	–	69,354	–	251,163	1,773	–
Domestic and overseas stocks	300771	Zhilai Sci and Tech	21,377	Fair value measurement	86,491	–	2,353	–	–	1,332	88,844
Domestic and overseas stocks	GB00BLH1QT30	Samarkand	26,407	Fair value measurement	36,500	–	-25,910	–	–	–	12,170
Domestic and overseas stocks	00500	Frontier Services	139,980	Fair value measurement	–	–	-76,502	127,635	–	–	57,920
Total			187,764	–	241,936	–	-30,705	127,635	251,163	3,105	158,934
Disclosure Date of Securities Investment Approval Board Announcement											Not applicable
Disclosure Date of Securities Investment Approval Shareholders Meeting Announcement (if any)											Not applicable

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	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
Purchase of Forward Foreign Currencies Against RMB	3,489,350	-21,569	-12,002	N/A	N/A	3,489,350	3.55%
Total	3,489,350	-21,569	-12,002	N/A	N/A	3,489,350	3.55%
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 losses for the period amounted to RMB5.821 million.						

Investment type of derivatives	Initial derivatives investment amount	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	Derivative investment business of the Company mainly consists of forward contracts purchased in 2020, with underlying assets in the form of exchange rates and currency pairs involving USD/HKD. The main elements are: purchasing forward contracts at fixed exchange rates for the Company's USD debts, so that when the USD appreciates against the HKD and the USD debts incur exchange losses, the forward contracts will generate gains on fair value changes for the hedging purposes. The exchange rate locking function of derivative transactions effectively reduces the impact of exchange rate fluctuations on the Company's profit.						
Source of funds	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 fulfill 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	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 24, 2020 and March 31, 2022						
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	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	Use and allocation of unused proceeds	Proceeds idle for over two years
2021	Non-public offering of shares	19,907,320	6,308,020	17,106,933	–	–	–	2,842,966	The balance of structured deposit purchased as cash management of unused proceeds was RMB2.33 billion, with the remaining unused proceeds held in a special account	–
Total	–	19,907,320	6,308,020	17,106,933	–	–	–	2,842,966	–	–
Description or of overall utilization of proceeds										
As of December 31, 2022, the accumulated Raised Funds 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 6,042.579 million, RMB2,117.475 million, RMB2,743.209 million, RMB1,728.335 million, RMB1,475.335 million and RMB3,000 million.										

(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	6,000,000	2,341,815	6,042,579	100.71%	2023/12/31	Note 2	N/A	No
2. Center Construction Project of Hubei Ezhou Civil Airport Transit center	No	4,000,000	4,000,000	1,173,011	2,117,475	52.94%	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	1,607,589	2,743,209	91.44%	2023/12/31	Note 4	N/A	No
4. Land Transport Capacity Improvement Project	No	2,000,000	2,000,000	621,176	1,728,335	86.42%	2023/12/31	Note 5	N/A	No
5. Aviation Materials Purchasing and Maintenance Project	No	1,907,320	1,907,320	564,429	1,475,335	77.35%	2023/12/31	Note 6	N/A	No
6. Replenishment of Liquidity	No	3,000,000	3,000,000	–	3,000,000	100.00%	N/A	Note 7	N/A	No
Subtotal of project investment commitments	–	19,907,320	19,907,320	6,308,020	17,106,933	–	–	–	–	–
Investment of surplus proceeds	Not applicable									
Total	–	19,907,320	19,907,320	6,308,020	17,106,933	–	–	–	–	–
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	Not applicable									
Amount, usage and use progress of surplus proceeds	Not applicable									
Change in implementation location of investment projects funded by proceeds	Not applicable									
Adjustment to implementation method of investment projects funded by proceeds	Not applicable									
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 RMB6,338,458,000 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	Not applicable									
Balances of the proceeds during the project implementation and the reasons	Not applicable									
Usage and allocation of the unused proceeds	The unused proceeds of the Company will be utilized 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 under the investment commitment, which are all deposited in the special account opened by the Company in the regulatory bank for the proceeds. Besides, in order to improve the return of funds, the Company utilized part of the unused proceeds to purchase certain wealth management products with secured principal and fixed income according to the Resolution on the Use of Part Idle Proceeds for Cash Management as considered and approved by the Company at the 19th meeting of the 5th Board of Directors and the 17th meeting of the 5th Supervisory Committee on October 28, 2021. As of December 31, 2022, the unused proceeds of the Company were RMB2,842.966 million, together with the accumulated bank interest and wealth management income of RMB195.491 million, totaling RMB3,038.457 million. The Company has deposited the temporarily unutilized proceeds of RMB2,330 million by way of structured deposits and the remaining RMB708.457 million was deposited as demand deposits with neither mortgage or pledge over the certificate of deposits nor subject to limited ownership or right of use.									
Defects and other problems in utilization and disclosure of the proceeds	Not applicable									

Note 1: "Accumulative proceeds invested" includes accumulative proceeds invested and upfront investment replace dafter the reception of proceeds of RMB6,338,458,000.

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 optimize 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 kilometer" 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 realization of long-term strategy. The benefits achieved are not directly quantifiable.

(3) Statement of Changes in Projects Funded by Proceeds

In the Reporting Period, there were no changes in the projects funded by proceeds.

X. Sale of Significant Assets and Equity

1. Sale of significant assets

□Applicable √Not applicable

2. Sale of significant equity

□Applicable √Not applicable

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.	2,020,000	66,877,990	42,029,579	5,276,799	2,413,967	2,347,317
S.F. Express Co., Ltd.	Subsidiary	International freight forwarding, domestic and international express services, etc.	150,000	21,935,804	4,856,917	17,076,189	2,264,984	2,163,507

(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 was 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 development trend

Challenges and opportunities exist in 2023. On the one hand, the external environment is complex and volatile, bringing variables to the development of the industry; and on the other hand, socio-economic activities will resume to be active, and the growth rate of the industry is expected to recover in 2023 under the national macro policy of stimulating domestic consumption and promoting economic development.

I) The international environment is complex and changing, and China's economy is moving steadily forward. As the world enters the VUCA era, global economic growth is still not expected to be optimistic under multiple shocks such as geopolitical conflicts, supply chain challenges, and inflationary pressures. According to forecast of the World Bank and other authoritative institutions, the global GDP growth rate in 2023 will be 1.9%, which is 1 percentage point lower compared to 2022. The development of major global economies has entered a recessionary phase, which has also adversely affected China's economy. China has proposed a strategy to expand domestic demand in order to cope with external risks and strengthen its own development momentum. China's economy will be stable in 2023, and the IMF has adjusted China's growth rate to 5.2%, expecting China to become the "biggest driver" of global economic growth in 2023.

II) Domestic economic recovery will drive the industry back to good growth, but overseas markets face downward pressure. The recovery of domestic consumption will drive the development of the domestic express delivery and logistics industry. According to the State Post Bureau, the business revenue of express delivery is expected to reach RMB1.13 trillion in 2023, an increase of around 7% year-on-year. However, the international logistics market is facing downward pressure in the short term, and the sluggish of overseas consumer demand is causing a negative impact on China's export trade, not to mention the end of boom in cross-border e-commerce compared to previous years. Along with the downturn in consumer demand and the recovery of the supply side of freight, international air and sea freight prices have declined significantly since the second half of 2022, falling back to a relatively lower level in the last three years from a historically high range, which will affect the revenue and profit levels of the international freight industry.

III) Express delivery enterprises continue to seek new growth in "go to the countryside, go to factories, and go global". ① **"Entry into the countryside"**: In 2022, 95% of China's administrative villages will be covered by express services, the coverage rate of rural e-commerce and express logistics in administrative villages will reach 90%, and the online retail sales of agricultural products will increase by 9.2%. In 2023, the shortcomings of rural logistics infrastructure for collection and delivery will be further complemented, and the potential of markets in lower-tier areas will be further unlocked. ② **"Entry into factories"**: With the ecological evolution of new type e-commerce, trends such as consumer centricity, integration of online and offline channels have brought changes in the channels of the manufacturing industry; the express delivery industry, by virtue of efficient response, nationwide coverage from single points, and cost-effective services, connects factories with consumers to shorten the supply chain and enhance the circulation efficiency. ③ **"Going global"**: With China's economic structural adjustment and industrial upgrade, it is an unavoidable trend that the competitiveness of Chinese brands in the global market will gradually improve, paving the way for the Chinese express logistics enterprises to enter the global market; China is actively advancing the development of international logistics network infrastructure and building an independent controllable international supply chain to enhance its global competitiveness, while logistics companies step up overseas operations to gain access to new growth markets.

IV) Modernization and upgrading of the logistics industry to support national development strategies. The 14th Five-Year Plan for the Development of Modern Logistics aims to build a modern logistics system, and 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 guidance of the national strategy, the head logistics enterprises will enter a stage of high-quality development. The level of infrastructure, industry standards and technological innovation will be significantly improved. At the same time, 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, seeking to create smart supply chains through 5G, big data, artificial intelligence, AIoT, sensing and other technologies, shorten the supply cycle, improve supply chain efficiency, use data to give feedback to entities, promote the upgrading of the industry industrial chain. In this process, head logistics enterprises will fully benefit from technological upgrade, resource layout, and product innovation to form a brand new competitive advantage.

V) Market participants have reached a consensus on green, environmentally friendly and sustainable development. The State Post Bureau has made it clear that in 2023, it will continue to carry out green packaging governance: issuing implementation opinions on the green and low-carbon transformation and development of the industry; further promoting the governance of plastic pollution and excessive packaging in the industry and implementing the "9218" project for green development. In particular, it endeavors to make sure 90% of the e-commerce express shipments are not packaged twice, and to further promote the governance of excessive packaging and plastic pollution through use of recyclable express packaging for 1 billion parcels of shipments, and recycling and reuse of 800 million corrugated boxes of good quality. It continued to promote new energy and clean energy vehicles; promoted the green development of the industry by increasing publicity efforts, making it a broad social consensus, and gathering the strength of the whole society. 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, strengthen energy-saving and emission reduction control, and improve the system to secure ecology safety of the industry. Many leading express delivery enterprises have also successively set carbon emission targets; assisting carbon peaking and carbon neutrality, increasing green investment, and promoting green and sustainable development will become a long-term mission.

SF strategic objectives

Our Strategic Objectives for 2025

How will SF be perceived by the society in 2025

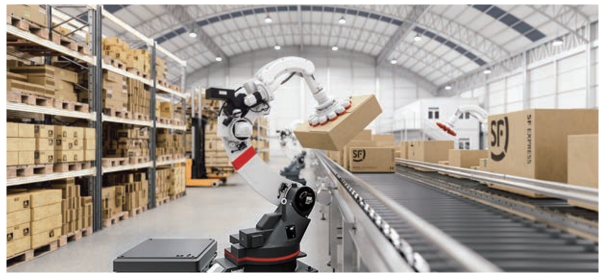
A pacesetter that continuously creates outstanding social value

SF commits to serving corporate clients, and builds a completely new global smart supply chain system;
SF remains highly committed to green environmental protection, becomes a pacesetter for carbon neutrality and a service provider that contributes to sustainable development of the global economy;
SF contributes to the social well-being. With its network reaching every community, every village, every family, and every person, SF helps realizing common prosperity and serving the society.

How will SF be perceived by clients in 2025

The preferred partner for all clients

SF provides convenient, reliable and user-friendly express delivery services to clients worldwide;
It constructs an open-structured digital supply chain ecosystem and collaborates with clients for business model innovation to achieve win-win outcomes.



What SF envisions itself to be in 2025

The leader of the global smart supply chain

SF will have fully completed digital transformation, with the well-established core competencies of "decision-making supported by data", "business driven by data", and "clients empowered by data", and created a digital organizational system characterized by "small front office, large medium office, flat-structured, and self-driven";
It will integrate high-quality resources and accelerate the development of global businesses, achieve a more balanced business mix in domestic and overseas markets, accomplish a complete establishment of global smart supply chain system;
SF will ensure its business scale and company value to ranked 1st in Asia and top 3 in global through sustainable healthy operation.

How will SF be perceived by its employees in 2025

A career platform where outstanding talents around the world can pursue excellence, realize their dreams and feel a sense of pride

SF adheres to the "team" culture of equality, mutual respect, collaboration, win-win, innovation, and inclusiveness, encouraging employees to grow through "competition" and explore their full potential;
An impartial and transparent appraisal system to encourage the creation of value and the pursuit of excellence;
The Company provides outstanding talents worldwide with development opportunities, through competitive remuneration and training systems, allowing them to realize their career dreams.

Our Healthy Operation

Healthy Growth — Healthy Business Portfolio — Healthy Global Layout — Healthy Input/Output Ratio — Healthy Profit and Cash Flows

2. SF strategic direction

In the future, SF will focus 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) Laying out new demands in the courier market, tapping into new markets and reinforcing the competitive moat. With the recovery and activation of socio-economic activities, the courier industry is expected to resume rapid development. However, the industry's original scale effect development model is weakening. The original expansion – price reduction – gaining volume – cost reduction has contributed to the uniformity and homogenization of the industry's services and products. With the scale effect and marginal pulling effect of expansion gradually becoming weaker, the overall profitability of the market is being compressed in stages, in this process, cultivating new products and new business growth points will become the key to future industry competition. The Company will deepen the 2B standardized scenario and form a synergy with 2C standard services.

II) Build a digital supply chain service ecosystem and cooperate with customer in transformation and follow industrial transformation. Efforts will be made to utilize the strong control of our own logistics network to continuously implement comprehensive digital transformation of full-link end-to-end business scenarios including collection, transportation, distribution, and delivery, and build the core competencies of "data supporting decision-making", "data driving business", and "data empowering clients"; maintain the leading edge in logistics science and technology, and constantly improve our logistics efficiency and intelligence level. Further, we will penetrate into the end-to-end links throughout clients' supply chains, thoroughly integrate the Company with clients' value chain, improve client experience, continuously translate the best practices of digital ecological technological application into product output, embrace digitalization to empower the industry supply chain, and improve logistics modernization to become the leader of the smart supply chain.

III) Accelerate the pace of international development and build an efficient and reliable international supply chain. Through close integrations, the Company will realize strategic synergy, so as to establish a world –leading logistics platform, providing clients with global integrated logistics and international freight services. The synergistic partnership in the field of air transport will help expanding international routes together and enhancing its footprints in the international aviation network. The synergies in the field of international express delivery will drive the joint-expansion of cross-border and local express delivery services business in the emerging markets of Southeast Asia. Supply chain collaboration will open up together the end-to-end international supply chain and help more Chinese enterprises expand overseas. In addition, through self-operation, joint venture, investment, mergers and acquisitions, SF will continue to increase the coverage and scope of international express delivery and cross-border e-commerce special delivery, deploy overseas warehouses in the core flow areas, improve the efficiency of overseas delivery and order fulfillment, and provide integrated overseas and local warehousing and distribution services. By drawing on the successful experience of Chinese and foreign companies, we will explore and optimize the operation and management model, and realize visualization, digitalization and intelligentization to provide clients with high-quality, end-to-end cross-border supply chain solutions, and assist with the new development pattern of "dual circulation".

VI) Steadily pushing forward the construction of Ezhou hub and building a global "axis radiation" aviation network. With Ezhou HuaHu Airport as the core, SF is building a route network that "covers the whole country, radiates Asia, and extends to Europe and the United States", turning Ezhou Airport into a global supply chain center, a national warehouse and distribution center, and a high-end processing and distribution center. After the airport transit center and other supporting projects come into operation in the future, SF Airlines will gradually plan and adjust the layout of the air network to build an "axis radiation "aviation network with Ezhou as the center and Shenzhen, Hangzhou, Beijing and Chengdu as regional hubs, further expanding the coverage area of time-definite services and enhancing its competitiveness.

V) Fulfill social responsibilities and persevere with sustainable development.

(1) Continuously advance the development of a green logistics system. We have established a system enabling the Company to measure its own pollutant emissions, and plan its business development accordingly. We are involved in the development of national and industry standard systems, and have introduced a company voluntary carbon reduction project research and implementation plan. We are also a champion of greening, waste reduction, and recyclability among courier and logistics companies. (i) Green packaging: We are committed to developing and applying sustainable packaging products, and have established a packaging R&D and testing center as well as parametric design systems which have an impact across the industry. We have also set up a packaging reduction project and a sustainable packaging cycle system; (ii) Green transportation: We actively promote new energy road vehicles, and provide our clients with green supply chain solutions, while increasing energy efficiency and reducing energy consumption during transportation through optimized operating models; (iii) Green sorting: Measures such as the active construction of green industry parks, increasing the proportion of renewable energy utilization, and the rational planning of warehouse layouts have enhanced delivery efficiency and reduced energy consumption. The Company has set two carbon reduction targets: to achieve a 55% increase in its carbon efficiency by 2030 compared to 2021, and to achieve a 70% reduction in the carbon footprint of each express parcel by 2030 compared to 2021.

⑵ **Continuous improvements in employee care and staff benefits.** The Company is committed to providing employees with a complete range of training and development opportunities, and helping them tackling personal concerns, which in turn gives our clients a warm sense of service. (i) Adhere to the "team" culture of equality, respect, collaboration, win-win, innovation, and inclusiveness, to allow employees to grow through "competition" to exert their full potential; (ii) Establish an impartial and transparent appraisal system to encourage the creation of value and the pursuit of excellence; (iii) Provide outstanding talents worldwide with development opportunities, through a competitive remuneration and training systems, so that they can realize their career dreams; (iv) Establish special organizations centering around couriers, cooperate with multiple government agencies to cater to couriers' catering, accommodation, commuting, etc., employ technological means to continuously implement flat management of couriers network-wide, build a fair and transparent evaluation and training system to guarantee reasonable remuneration for couriers, reduce their burden, and enhance their sense of happiness and belonging.

3. Business Plan for 2023

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

(1) Steady development: Consolidate the competitive advantages of each product in terms of timeliness and service, aggregate the capabilities of each business segment, and develop solutions in various industries in a "combination" approach to build "value" competitiveness in services and improve customer service satisfaction, so as to maintain a healthy revenue and solid scale growth;

(2) Sound profits: Promote lean operations, continuously adjust the cost structure of products, adhere to lean resource planning and cost control, improve the input-output ratio of core resources, fully integrate business with finance, and play the role of long-term perspective in guiding operations to ensure that the Company maintains healthy profit levels;

(3) Foundation transformation: Insist on deepening the transformation of the operation mode, continuously consolidate the service foundation, strengthen the end-to-end overall planning capability under the integration of multiple networks, iterate on differentiated service and resource investment standards, continuously optimize the foundation capability with digital and intelligent technology and enhance the operation efficiency;

(4) Integration and breakthrough: Insist on organizational integration to achieve functional streamlining, adhere to the resource integration to achieve cost reduction and efficiency enhancement, persevere in talent integration to replicate and promote professional capabilities, and stick to the business integration to maintain leading service competitiveness.

II) Product planning:

In 2022, the Company conducts product planning at the core of "one network, two categories of major product lines, and three service with different time frames", realizing full integration of resources for large and small parcels, foundation consolidation, cost reduction and efficiency increase. In 2023, on the basis of the existing product planning, combined with internal and external market changes, we will supply refined products, improve competitiveness, and take a more long-term strategic perspective to product planning:

(1) Clarify product positioning: Clarify the positioning of various products, actively carry out differentiated resource investment for different product business strategies, build barriers and further enhance overall product competitiveness by taking into account external market competition, customer demand and the current situation within SF;

(2) Supply refined products: Insist on end-to-end product optimization, promote the operation of all links (order placement – receipt – transit – transportation – delivery – after-sales) to be more specialized and refined, in order to offer better delivery quality for customers and comprehensively improve customer experience.

III) Client operation:

⑴ **SKA clients:** Through headquarters-to-headquarters strategic cooperation, we will use science and technology and supply chain solutions to achieve joint innovation with clients, establish industrial benchmarks, build brands and accumulation capabilities, and coordinate the Company's various resources to provide them with differentiated services;

⑵ **KA clients:** We will focus on the industry, and with industrial business thinking and value & innovative thinking, deepen SF's industry solution capabilities, focus on business scenarios, and integrate the Company's resources and capabilities, to provide end-to-end scenario-based solutions, so that we can achieve win-win results through cooperation with clients in various businesses;

(3) SME clients: Our operational strategies will be end-to-end management, providing customers with speedy and warm services. At the same time, we will analyze new opportunities in scenarios, collaborate with relevant organizations to accelerate standard product coverage, and enlarge our business scale;

(4) Retail clients: Based on individual clients' full lifecycle, we will adhere to the business development direction of "resource consolidation, intensive cultivation, technology empowerment", continuously gather the scale of traffic online, enlarge the effect of accumulation; provide guarantee to offline integration, conduct refined management on areas, so as to maintain long-term business operation.

IV) Network construction:

(1) Multi-network integration: ① Further expand resource integration, including the network planning and operation of cold chain of food, pharmaceutical logistics, New HAVI and Kerry Logistics into the scope of integration, so as to give full play to the value and scale effect of the overall logistics network. ② In terms of distribution, continuously improve the area-effectiveness and resource utilization rate of transit depots by using same transit depot for large and small parcels, and creating a transit mode of storage on upstairs and transit on downstairs. ③ In terms of transportation, adhere to the overall planning, improve the integration and allocation of transportation for large and small parcels of same direction, continue to promote route frequency, direct shipping, warehouse filling and low load carpooling at the end of the shift, so as to improve the loading rate of routes. ④ In terms of terminals, insist on achieving savings in outlets by optimizing the operation mode, reducing rigid costs, improving service coverage with the help of external resources, and increasing the layout of last-mile sites for customers to help increase business revenue.

(2) Operational capacity: ① In terms of distribution, continue to improve transit capacity through technological enhancement of the distribution system, intelligent equipment, streamlined process operation and other measures, combined with the integration of multi-network resources. ② In terms of land transportation, continue to optimize the structure of capacity resources, increase the proportion of self-operated and C-end capacity, strengthen the standardization and intelligent control of individual capacity resources, and establish a high-quality, efficient and reliable capacity resource pool that aggregates individual capacity. Meanwhile, rely on intelligent ability to realize real-time monitoring and allocation of transport capacity resources in the whole network, guiding vehicle scheduling and utilization based on the principle of one account and maximum benefit for the entire network. ③In terms of terminals, continue to optimize the model for quantifying the difficulty of the work of deliverymen by time to incorporate more operation scenarios and apply to more collection and delivery unit areas, in a bid to enhance the fairness, rationality and online management level of deliverymen's income; iterate the digital operation of deliverymen, create a full-process analysis and early warning and management system from the operation process to the quality result, and further enhance the headquarters' ability to directly control the terminals.

V) Business operation

(1) Strategy for time-definite express:

① We consolidate our absolute leading edge in time-definite, combine with the evolution of segmented customer groups' demand for time-definite (e.g. high-value, high-end manufacturing, etc.), further enhance the utilization of air and land network resources, leverage our resource advantages, and improve the delivery capacity of time-definite products through resource integration and model combination optimization; ② we continue to promote new products, strengthen the time-definite advantage of intra-city express, and expand half-day service to more cities; actively explore cooperation opportunities with e-commerce and short video platforms, maintain stable growth of return business, and deepen its service scenarios in conjunction with model innovation and business development of platforms; and ③ for air transportation of large parcels, we focus on core regions, customers with industry benchmark, large parcels of fresh foods/specialized markets and other areas, invest precisely and expand business with differentiated strategies; consolidate the operation foundation for air transportation of large parcels in key cities, expand and build the ability of direct distribution and dispatch across the network, maintain a high incentive mechanism to drive the front-end of the business to actively generate revenue; invest in additional special customer service, and provide proactive services to ensure service stability during peak hours and strengthen service delivery.

(2) Strategy for economy express:

Self-operated network products online have been progressing steadily with focus on key regions and high-quality large customers. Cost structure would be further optimized and the relative competitive advantages of the products would be enhanced by iteratively improving the product design cost model. Marginal cost benefits will also be maximized through making full use of idle time resources to match targeted marketing strategies. Franchise network of Fengwang Express continues to consolidate network construction, enhance transit capabilities, increase the proportion of autonomous collection and delivery, improve the service quality management system, promote service quality, and ensure that the customer experience index of e-commerce platforms ranks in the forefront.

In terms of warehousing and distribution integration: ① Business expansion: open up the whole chain to expand the upstream and downstream business scenarios of customers' supply chains based on existing customers; continue to expand customers in advantageous industries, create the market-leading service capacity of warehousing and distribution integration in industries such as beauty, 3C, footwear, FMCG, auto parts, etc; break through the national sub-warehouse business, expand service scenarios of serving same products online and offline, and replicate mature solution capabilities to more customers. ②Lean operation: continuously optimize operating costs, promote resource consolidation and integration, and improve service cost performance; enhance service quality, ensure service indicators outperform the industry, optimize the management process.

(3) Strategy for freight:

In terms of **To C living scenarios**, we will strengthen our ability to deliver and install large items upstairs to form a service barrier, and at the same time, with the help of operational model innovation, reduce costs to feed the market and gain more share. ① Furniture industry: expand the coverage of double full-time delivery capacity, consolidate the terminal capacity, expand the furniture categories served, while improving the service cost performance with the help of special line logistics resources, enhance the penetration rate of head customers around the high-end market, and expand the mainstream professional market to improve the scale of parcel volume. ② Home appliance industry: promote the warehouse distribution model, solid foundation for professional warehousing and distribution of large appliances, enhance the scale of warehouses for large parcels in the core production area, and apply pre-warehouse model in sales areas, so as to improve customer experience and drive more scenario-based business growth by taking warehouse as the node.

In terms of **To B production scenarios**, we focus on industrial parcels and commercial parcels, combine multi-scenario model innovation with the consolidated standard foundation capabilities to enhance B-end solution capabilities. We improve the time efficiency and speed to create a core competitive barrier; enhance the ability of "professional", meet the needs of niche scenarios and improve the level of professional delivery of large parcels; in terms of short-haul parcels within the economic circle/province and industrial parcels and commercial parcels from and to the main economic circles, we will reduce costs and improve delivery speed through model reform to provide cost-effective land transportation services for large parcels.

(4) Strategy for cold chain and pharmaceuticals:

In terms of **speedy delivery of fresh foods**: ① Stabilize the logistics market share of our traditional strengths in the fresh food category, explore and incubate niche small categories, provide more cost-effective services and penetrate more markets in lower-tier cities through the transformation and optimization of our operation model. ② Continue to expand new scenarios and new tracks, integrate warehousing and distribution with technological capabilities, provide integrated supply chain solutions and seize new opportunities in the market. ③ Build capacity and expand markets to promote stable business growth by focusing on government-enterprise cooperation, agricultural product category development, supply and marketing model layout, fresh food import and export, etc.

In terms of **cold chain of food**: ① Continue to improve the product development capabilities concerning cold warehouse, truckloads, and warehousing & distribution integration, and provide integrated supply chain solutions for large clients focusing on ice cream, low-temperature milk, meat products, ready-to-serve dishes and other businesses. ②Build a team for terminal collection and delivery to enhance the last-mile service guarantee capacity of cold chain 2B. ③ Optimize customer sub-warehouse models through warehouse network planning, inventory planning and other system capabilities to help customers reduce costs and improve quality in their supply chains. ④ Improve the efficiency of warehouse operations through technological empowerment, combine warehouse production with optimal adjustment of shipping shifts to further improve order fulfillment time. ⑤ Set up a digital logistics performance monitoring and response closed-loop management system to enhance the customer service experience.

In terms of **pharmaceutical logistics**: ① Build a pharmaceutical logistics service platform, linking production/commercial/retail pharmaceutical enterprises to build a medical service ecosystem, helping customers to expand their product flow while accessing pharmaceutical logistics business with the positioning of "product flow support" services, and grasping policy opportunities to establish a "multi-warehouse synergy" system in national pharmaceutical cold chain logistics, creating pharmaceutical industry's first third-party logistics with multi-warehouse synergy capability. ② Deepen the business model of "unified warehouse and joint distribution" to provide customers with a four-way service of "factory – enterprise – hospital – laboratory" in the field of IVD (In vitro diagnostics) & biological samples. ③Continuously extend scenarios in pharmaceutical e-commerce, pharmaceutical companies, vaccines and other areas to constantly improve product service capabilities and expand market share.

(5) Strategy for Intra-City instant delivery:

SF INTRA-CITY will continue to focus on high-quality growth by leveraging its strength and adhering to the development philosophy of "high quality, efficiency and multi-scenarios". ① Insist on building an ecology for providing intra-city localized life services together with private brands and public traffic platforms, and deeply cultivate service capabilities covering multiple scenarios, areas, time ranges and distances. ② Continue to expand self-owned traffic to provide industry-leading professional real-time fulfillment services for individual consumers. ③ Invest in building core capabilities for long-term operation, especially foundation capability building, technological capability innovation and internal operation efficiency improvement. ④ Continuously improve profitability and capital generation capacity.

(6) Strategy for supply chains and international:

In terms of **international express delivery**, we will continue to cultivate express and cross-border e-commerce logistics in Southeast Asia, extend to the Asia-Pacific region and enhance the competitiveness of our products in Europe and the United States, lay out emerging regions around the world and expand our business scale: ① Focus on the construction of the three core networks of "air, customs, and terminal" in international express delivery, and build a stable and efficient global network foundation by upgrading the operation mode of air routes and encrypting the airline network, investing in the construction of core customs resources, and combining multi-channel resources for terminals. ② Focus on the two product segments of international express delivery and cross-border e-commerce logistics to improve the product matrix, adjust the cost structure, and build advantageous service barriers in Southeast Asia and the Asia-Pacific region. ③ Focus on upgrading the customer experience, optimizing the order placement tools, and accurately promising the time efficiency to provide customers with convenient and reliable services. ④ Build an standard and operation monitoring system for end-to-end service integrate the whole process at home and abroad, improve the service quality management system, and provide stable protection for enterprises' cross – border business.

In terms of **international freight and freight forwarding**, the Company will continue to leverage on the synergy effect and take advantage of the Company's large customer base to seek new market opportunities, develop more specific cargo routes, and redesign the existing service portfolio to explore more target industries with potential. By making full use of SF's air and land transportation resources, the unique market position and multi-modal transport solution capabilities of the Company in Asia will be integrated to further enhance its business competitive advantages.

In terms of **supply chains**, we will continue to strengthen the integration of the supply chain organization with other business segments, create high-standard customized supply chain solutions around the core needs of customers and implement them to enhance the competitiveness of the Company's supply chain services; deploy technology products according to the differentiated needs of customers in the industry, empower customers to upgrade their digital ecology and intelligence, and build an end-to-end, intelligent, integrated and convenient supply chain system. We will also leverage digitalization to continuously improve operational efficiency, create marginal effects and empower the entire supply chain ecology.

4 Company risks and countermeasures

1. Market risk

Risk of macroeconomic fluctuations: The logistics industry plays an important fundamental role in the development of the national economy but it is also significantly affected by domestic and global macroeconomic conditions. In recent years, China's macroeconomic growth slows down and China is undergoing a period of economic structure transition, and the macroeconomic is expected to move into a new phase of medium-slow growth. Meanwhile, the global economy is likely to enter a recession. Inflation, rising energy prices, weak consumer demand, geopolitical conflicts and other negative factors have become obstacles to the growth of international trade. However, with the recovery of international transport capacity resources, and oversupply has led to the gradual decline of international air and sea transport prices from the historical high range to a relatively lower level in the last three years. In addition, the international freight industry is highly competitive. The combination effect of above issues and the influencing factor of domestic and foreign economy may bring a certain impact on the overall development of China's 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, analyzes its impact on our main business, and adjusts our operation strategies in a timely manner to minimize the adverse impact on the Company's business and future development. The Company pays close attention to and studies industry development trends, analyzes the market competition patterns, and deploys forward-looking strategic planning. The Company adheres to the multidimensional development of business, constantly improves the product matrix to achieve a differentiated service experience. The Company also deeply integrates the business foundation in order to achieve the resources complementation and optimize network effectiveness. Meanwhile, the Company attaches great importance to science and technology investment, as it could empower product innovation, improve service quality, and consolidate core competition barriers, thereby supporting the long-term sustainable development of the Company's business.

2. 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 for Express Delivery Business Licensing (《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 Delivery 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 labor 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 capitalizing on favorable 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 fulfill their green environmental obligations in accordance with the laws, they will not only be liable to the relevant legal obligation, but also impair their 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 2021" (《顺丰控股碳目标白皮书 2021》), the industry's first white paper for carbon emission in China. Leveraging technological strength such as artificial intelligence and big data, 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.

3. Business risk

Risk of possible rising costs: The express and logistics industry is a labor-intensive industry. There are relatively large demands for labor 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 labor 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 foundation, innovated system tools, including bringing the entire logistics process online intellectualization, improving transit depots' automation, optimizing route planning, using scientific and technological means to enhance efficiency and reduce manpower investment and labor costs, gradually achieving transformation of the express delivery industry from a labor-intensive industry to a technology intensive industry. Meanwhile, the Company also continues to review and optimize resource invested in all business units to enhance the synergy and reuse of resources and enhance cost efficiency. There are also economies of scale in the logistics industry. In the early process of business expansion and network building, the predictive investment is needed for logistics infrastructures, which is conducive to creating long-term core competitiveness of the Company. With growing business and the in-depth integration of business foundation, the Company will gradually obtain economies of scale.

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. Since this year, under the influence of geopolitics, the international price of crude oil remains high, making the price of domestic refined oil product hits a five-year high. If the price continues to rise, the Company will experience pressure of increased costs.

Risk response: The Company has improved the network planning and integrated land transport resources through the reform of operating models, so as to enhance scientific route planning, reduce inefficient routes, and improve the loading rate of self-operated vehicles; 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 tie-up with 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. The global economic development, geopolitics, national relationships, international trade and tax policies have experienced unpredictable changes and there are many uncertainties on international trade, including drastic price fluctuations of the transportation capacity of international routes, stable operation capability in some countries and regions where business has been set up 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 network, 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 informatization, and facilitates to make operational decisions in an efficient manner.

4. Exchange rate fluctuation risk

Exchange rate fluctuation risk: As its 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 centralized management of foreign currency positions, under which it decides expenditure based on revenue, 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 step up efforts to study and analyze exchange rates and interest rates, closely monitor changes in the global markets, issue early warnings in time, and take countermeasures accordingly.

5. Information system risk

Information system risk: To cope with business diversification at the Company and the complex and diverse needs of customers, the Company has built and applied various information systems and technologies. Rapid development of the industry and the evolving marketplace also pose 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 standardization of data processor, especially personal information processing activities. Therefore, companies with 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 optimization 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 behaviors, 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 (situational awareness of privacy data risks, MTTD and MTTR indicators based on offensive and defensive confrontations), DevOps security capability (DevSecOps process and tool chain), and security ecology capability (external perception and linked stop loss) 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.

Lastly, 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 creating 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 special programs concerning publicity and training on privacy compliance 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 and steadily 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 cooperated with National Development and Reform Commission, State Post Bureau of The People's Republic of China and all levels of public security departments to combat behaviors such as black production and speculation, has actively participated in the formulation and review of various information security standards of the National Information Security Standardization Technical Committee, and pilot work for implementation of policies, has regularly held security summits and security salons to facilitate information sharing with industry leaders and industry elites; and has established alliance partnership and cooperation with information security teams of well-known Internet and e-commerce companies for the joint construction of a safe and orderly cyberspace

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
February 28, 2022	4/F, Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen	Field research	Institution	Zhu Yixuan from Baillie Gifford, Wang Song from Greenwoods Asset, Yin Li, China from Southern Asset Management, Wu Yanfeng from HSBC Qianhai Securities, and Sun Xiaodi from HSBC Qianhai Securities	Introducing the overall operation and strategic initiatives as well as intra-city businesses of the Company for 2021	"Record Form of Investor Relations Activities Held on February 28, 2022" (No.: 2022-001) disclosed by the Company on CNINFO (www.cninfo.com.cn) on March 1, 2022
March 30, 2022	20/F, Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen	Communication on phone	Institution	A total of 403 investors, including China Universal Asset Management, Springs Capital, Chongyang Investment, Fullgoal Fund, Harvest Fund, Invesco Great Wall, BOCOM Schroder Fund, E Fund, ICBC Credit Suisse, PineBridge Investments, Rosefinch Fund, Shenwan Hongyuan Securities, Guotai Junan Securities, China Merchants Securities, Guohai Securities, Southwest Securities, CITIC Securities, Changjiang Securities, Huatai Securities and other institutions	Interpreting the Company's annual results for 2021, introducing business highlights, and presenting business outlook for 2022	"Record Form of Investor Relations Activities Held on March 30, 2022" (No.: 2022-002) disclosed by the Company on CNINFO (www.cninfo.com.cn) on March 31, 2022
March 31, 2022	https://ir.p5w.net	Other	Other	All investors	Interpreting annual results and introducing business development and operational measures of the Company for 2021	"Record Form of Investor Relations Activities Held on March 31, 2022" (No.: 2022-003) disclosed by the Company on the Cninfo website (www.cninfo.com.cn) on April 1, 2022
April 29, 2022	2/F, Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen	Field research	Institutions and individuals	A total of approximately 34 investors, including Greenwoods Assets, Invesco Great Wall, Mingda Assets, Qianhai Haiya Financial Holdings, Qianhai Jingzhi Assets, Yuanzhi Ruixin, and other institutional and individual shareholders	Interpreting the Company's development outlook, 2025 strategy, 2021 annual report and first quarterly report for 2022	"Record Form of Investor Relations Activities Held on April 29, 2022" (No.: 2022-004) disclosed by the Company on CNINFO (www.cninfo.com.cn) on May 1, 2022
August 30, 2022	20/F, Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen	Communication on phone	Institution	A total of 399 investors, including Bosera Funds, Chongyang Investment, Springs Capital, Fullgoal Fund, China Universal Asset Management, Harvest Fund, Invesco Great Wall, BOCOM Schroder Fund, E Fund, Y2 Capital, Rosefinch Fund, Changjiang Securities, Seal and Securities, HSBC Qianhai Securities, Southwest Securities, China Industrial Securities, CITIC Securities, China Merchants Securities and other institutions	Business review, performance interpretation and theme-based sharing for the first half of 2022	"Record Form of Investor Relations Activities Held on August 30, 2022" (No.: 2022-005) disclosed by the Company on CNINFO (www.cninfo.com.cn) on August 31, 2022
October 14, 2022	Online meetings	Communication on phone	Institution	A total of 199 investors, including Bosera Funds, Lombarda China Fund, Minsheng Royal Fund, ICBC Credit Suisse, Invesco Great Wall, Fullgoal Fund, Harvest Fund, China Funds, BOC Asset Management, Nanfang Fund, Dacheng Fund, GF Fund, BOSC Asset, China Life AMP, Rongtong Fund, CITIC-Prudential Fund, Hwabao WP Fund, Aegon-industrial Fund, Penghua Fund, Springs Capital, Greenwoods Asset, China Orient Asset Management, Value Partners, Schroder, UBS, Changjiang Securities, Huatai Securities and other institutions	Interpreting the estimated results of the Company for the first three quarters of 2022 and introducing business development	"Record Form of Investor Relations Activities Held on October 14, 2022" (No.: 2022-006) disclosed by the Company on CNINFO (www.cninfo.com.cn) on October 17, 2022

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 behaviors. 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
First Extraordinary General Meeting of Shareholders of 2022	Extraordinary General Meeting	65.48%	February 11, 2022	February 12, 2022	"Resolutions of the First Extraordinary General Meeting of 2022" (2022-013) disclosed by the Company on CNINFO (www.cninfo.com.cn)
2021 Annual General Meeting	Annual General Meeting	65.28%	April 29, 2022	April 30, 2022	"2021 Annual General Meeting Resolutions" (2022-053) disclosed by the Company on CNINFO (www.cninfo.com.cn)
Second Extraordinary General Meeting of Shareholders of 2022	Extraordinary General Meeting	64.59%	May 17, 2022	May 18, 2022	"Resolutions of the Second Extraordinary General Meeting of 2022" (2022-058) disclosed by the Company on CNINFO (www.cninfo.com.cn)
Third Extraordinary General Meeting of Shareholders of 2022	Extraordinary General Meeting	65.74%	December 20, 2022	December 21, 2022	"Resolutions of the Third Extraordinary General Meeting of 2022" (2022-138) 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, general manager	Current	Male	52	December 28, 2016	Present	0	0	0	0	0	–
Ho Chit	Director Deputy general manager, financial head	Current	Male	48	November 15, 2021 September 29, 2021	Present	0	0	0	0	0	–
Wang Xin	Director	Current	Female	50	December 20, 2022	Present	50,000	0	0	0	50,000	–
Zhang Dong	Director	Current	Male	42	December 20, 2022	Present	0	0	0	0	0	–
CHAN Charles Sheung Wai	Independent director	Current	Male	69	December 20, 2022	Present	0	0	0	0	0	–
Lee Ka Sze, Carmelo	Independent director	Current	Male	62	December 20, 2022	Present	38,000	0	0	0	38,000	–
Ding Yi	Independent director	Current	Female	58	December 20, 2022	Present	0	0	0	0	0	–
Shum Tze Leung	Chairman of the Supervisory Committee	Current	Male	57	December 27, 2019	Present	0	0	0	0	0	–
Wang Jia	Supervisor	Current	Female	43	April 09, 2021	Present	0	0	0	0	0	–
Liu Jilu	Supervisor	Current	Male	76	December 28, 2016	Present	55,883,780	0	11,160,000	0	44,723,780	Personal capital need
Li Juhua	Employee representative supervisor	Current	Female	43	December 27, 2019	Present	0	0	0	0	0	–
Zhang Shun	Employee representative supervisor	Current	Male	31	December 20, 2022	Present	0	0	0	0	0	–
Li Sheng	Deputy general manager	Current	Male	56	December 28, 2016	Present	0	0	0	0	0	–
Zhou Haiqiang	Deputy general manager	Current	Male	45	December 20, 2022	Present	0	0	0	0	0	–
Geng Yankun	Deputy general manager	Current	Male	37	December 20, 2022	Present	0	0	0	0	0	–
Gan Ling	Deputy general manager, secretary of the Board	Current	Female	48	December 28, 2016	Present	0	0	0	0	0	–
Lin Zheying	Deputy chairman	Resigned	Male	58	December 28, 2016	December 20, 2022	0	12,000,000	0	0	12,000,000	Due to recognition of the Company's development strategy and investment value
Zhang Yichen	Director	Resigned	Male	59	December 28, 2016	December 20, 2022	0	0	0	0	0	–
Deng Weidong	Director	Resigned	Male	55	April 09, 2019	December 20, 2022	0	0	0	0	0	–
Liu Chengwei	Director	Resigned	Male	52	December 28, 2016	December 20, 2022	0	0	0	0	0	–
Chan Fei	Director	Resigned	Male	48	December 27, 2019	December 20, 2022	0	0	0	0	0	–
Lo Sai Lai	Director	Resigned	Male	60	December 28, 2016	December 20, 2022	0	0	0	0	0	–
Zhou Zhonghui	Independent director	Resigned	Male	75	December 28, 2016	December 20, 2022	0	0	0	0	0	–
Jin Li	Independent director	Resigned	Male	52	December 28, 2016	December 20, 2022	0	0	0	0	0	–
Dicky Perter Yip	Independent director	Resigned	Male	76	February 15, 2017	December 20, 2022	0	0	0	0	0	–
Chow Wing Kin Anthony	Independent director	Resigned	Male	72	December 28, 2016	December 20, 2022	0	50,000	0	0	50,000	Due to confidence in the Company's future development prospects
Chu Yan	Supervisor	Resigned	Female	44	April 08, 2021	December 20, 2022	0	0	0	0	0	–
Xu Zhijun	Deputy general manager	Resigned	Male	46	December 28, 2016	December 20, 2022	0	0	0	0	0	–
Total	–	–	–	–	–	–	55,971,780	12,050,000	11,160,000	0	56,861,780	–

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

√Yes ☐No

For the specific circumstances and reasons for the resignation or dismissal of directors, supervisors and senior executives during their terms of office, please refer to the following table "Changes of directors, supervisors and senior executives of the Company".

Changes of directors, supervisors and senior executives of the Company

√Applicable ☐Not applicable

Name	Position	Type	Date	Reason
Wang Xin	Director	Elected	December 20, 2022	Appointed as non-independent director due to the election of the Board of Directors.
Zhang Dong	Director	Elected	December 20, 2022	Appointed as non-independent director due to the election of the Board of Directors.
Chan, Charles Sheung Wai	Independent Director	Elected	December 20, 2022	Appointed as independent director due to the election of the Board of Directors.
Lee, Carmelo Ka Sze,	Independent Director	Elected	December 20, 2022	Appointed as independent director due to the election of the Board of Directors.
Ding Yi	Independent Director	Elected	December 20, 2022	Appointed as independent director due to the election of the Board of Directors.
Zhang Shun	Employee Representative Supervisor	Elected	December 20, 2022	Appointed as employee representative supervisor due to the election of Supervisory Committee.
Zhou Haiqiang	Deputy General Manager	Appointed	December 20, 2022	Appointed as deputy general manager by the Board of Directors
Geng Yankun	Deputy General Manager	Appointed	December 20, 2022	Appointed as deputy general manager by the Board of Directors
Lin Zheying	Deputy Chairman	Resigned due to expiry of term.	December 20, 2022	Resigned due to expiry of term of the Board of Directors.
Zhang Yichen	Director	Resigned due to expiry of term.	December 20, 2022	Resigned due to expiry of term of the Board of Directors.
Deng Weidong	Director	Resigned due to expiry of term.	December 20, 2022	Resigned due to expiry of term of the Board of Directors.
Liu Chengwei	Director	Resigned due to expiry of term.	December 20, 2022	Resigned due to expiry of term of the Board of Directors.
Chan Fei	Director and Deputy General Manager	Resigned due to expiry of term.	December 20, 2022	Resigned due to expiry of term of the Board of Directors.
Lo Sai Lai	Director	Resigned due to expiry of term.	December 20, 2022	Resigned due to expiry of term of the Board of Directors.
Zhou Zhonghui	Independent Director	Resigned due to expiry of term.	December 20, 2022	Resigned due to expiry of term of the Board of Directors.
Jin Li	Independent Director	Resigned due to expiry of term.	December 20, 2022	Resigned due to expiry of term of the Board of Directors.
Dicky Perter Yip	Independent Director	Resigned due to expiry of term.	December 20, 2022	Resigned due to expiry of term of the Board of Directors.
Chow Wing Kin Anthony	Independent Director	Resigned due to expiry of term.	December 20, 2022	Resigned due to expiry of term of the Board of Directors.
Chu Yan	Employee Representative Supervisor	Resigned due to expiry of term.	December 20, 2022	Resigned due to expiry of term of Supervisory Committee.
Xu Zhijun	Deputy General Manager	Resigned due to expiry of term.	December 20, 2022	Resigned due to expiry of term.

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 and General Manager of the Company. He has served as the chairman of the board of directors and non-executive director of SF REIT Asset Management Limited since February 2021, and 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 and the Internet sector. He served as Senior Manager of the Audit and Consulting Department of Arthur Anderson and PriceWaterhouseCoopers from 1997 to 2005, as Senior Financial Director of Sohu.com Inc. (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 as Controlling Director of the Company since November 2021, as non-executive Director of Kerry Logistics (00636.HK) since October 2021 and as non-executive Director of SF REIT Asset Management Limited since April 2022.

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, and as the Assistant CEO and the CHO of S.F. Holding since January 2022. 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 2020, he served as the senior technical manager, planning director, head of product department, regional general manager and head of customer platform of SF Group. From September 2020 to October 2021, he served as the assistant chief marketing officer of SF Holding. He has been the chief marketing officer of SF Holding and the president of South China Region since November 2021. He has been a Director of S.F. Holding since December 2022.

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 Consultant 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 Director of CITIC Securities (600030.SH, 06030.HK) and Changyou (CYOU.US). Mr. CHAN is currently serving as the Independent Director of Maoyan Entertainment (01896.HK), Hansoh Pharmaceutical (03692.HK), Sun Art Retail (06808.HK), and Bioheart (02185.HK). He has been an Independent 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 of Woo Kwan Lee & Lo since 1989, and its Senior Partner since 1998. Mr. LEE is also one of the 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 Community Chest Corporate Challenge. His working experience also included being an independent non-executive director of Ping An (601318.SH, 02318.HK), CPIC (601601.SH, 02601.HK) and other companies. Mr. LEE is currently serving as the Independent Director of China Mobile (00941.HK) and KWG Group (01813.HK), as the Non-executive Director of Safety Godown (00237.HK) and Playmates Holdings (00635.HK). He has been an Independent 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 Investment Management Department, the Director and President Assistant of PICC Asset Management Co., Ltd., the General Manager and Chairman of Huaneng Capital Services Co., Ltd., the Chairman of Great Wall Securities (002939.SZ), and the Chairman 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 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 since 1997. He is currently a Head of Hong Kong operation of the Company. He served as Supervisor of the Company from December 2019 to April 2021. Since April 2021, he has served as Chairman of the Supervisory Committee of the Company.

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 2007 and Ernst & Young (China) Advisory Limited Shenzhen Branch from 2007 to 2014, and served as Head of Internal Control of Taisen Holding from 2014 to 2016. Ms. Wang has served as Head of Internal Control of the Company from 2017 to 2022, as acting Head of Risk Control and Compliance of the Company since 2023 and as Supervisor of the Company since April 2021.

Mr. Liu Jilu, male, born in 1947, holds a university degree and is an engineer. He is an outstanding private entrepreneur in Anhui Province and President of Ma'anshan Federation of Industrial Economics. He served as General Manager of Ma'anshan Dingtai Metal Products Company, Chairman & General Manager of Ma'anshan Dingtai Technology Co., Ltd., and Chairman and General Manager, and Party Committee Secretary of Ma'anshan Dingtai Rare Earth & New Materials Co., Ltd. Mr. Liu has served as Supervisor of the Company since December 2016.

Ms. Li Juhua, female, born in 1979, graduated from Tongji University. She served as Accounting Director of Shanghai Totole Flavoring Food Co., Ltd. under Nestlé from 2002 to 2004, as Accounting 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 2010 to 2012. From 2012 to 2016, Ms. Li served as Deputy Accounting Director, Accounting Director and Tax Director of S.F. Group. From 2017 to August 2021, she served as Head of Finance Sharing Center of the Company. Ms. Li has served as Head of CFO Office and Head of Business and Finance Management Office of the Company since August 2021 and as Employee Representative Supervisor of the Company since December 2019.

Mr. Zhang Shun, male, born in 1991, was graduated from Sun Yat-sen University with a Master's degree in Economics. Mr. ZHANG joined SF Group in 2015 and has been the Head of Culture and Employee Relations Section of S.F. Holding since November 2020. He has been serving as a supervisor representing employees 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. From 2005 to 2013, he served as Head of the Audit and Supervision Department, General Manager of Hubei operation, President of Central China operation, and President of West China operation of S.F. Group. From 2013 to May 2021, he served as President of SF Airlines. Since June 2021, he has served as Chairman of SF Airlines. Mr. Li served as Director of S.F. Group from 2013 to 2016 and as Deputy General Manager of S.F. Group from 2015 to 2016. He has served as Deputy General Manager of the Company since December 2016.

Mr. Zhou Haiqiang, male, was born in 1977. Mr. ZHOU joined SF Group in 2001, and successively held the positions of Head of General Affairs Department of Jiangsu District and Head of General Affairs Department of East China Region of SF Group from 2001 to 2007, General Manager of Hangzhou District, and Deputy President and Assistant CHO of E-commerce Logistics Business Unit of SF Group from 2008 to 2016, and General Manager of Shanghai District of S.F. Holding from the end of 2016 to the end of 2020. He has been the Assistant CEO of S.F. Holding since the end of 2020. He has been serving as 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 was also the Co-founder and CTO of Baidu Waimai from 2014 to 2017. Mr. GENG has been the CEO of Beijing S.F. Intra-city Technology Co., Ltd. since 2017, and the CTO of S.F. Holding and the CEO of SF Technology Co., Ltd. since 2020, being responsible for technology R&D, operation management and other related business of S.F. Holding. He has been serving as the Deputy General Manager of S.F. Holding since December 2022.

Ms. Gan Ling, female, born in 1974, holds an MBA degree from the University of Texas at Austin, US. 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 from 2010 to 2015. Currently, she is a member of the Appeal Review Committee at the Shenzhen Stock Exchange. Ms. Gan joined S.F. Group in 2015, and has been non-executive director of SF REIT Asset Management Limited since December 2022. She has been serving as the Secretary of the Board of Directors and Deputy General Manager of the Company since 2016.

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	Present	No
Wang Wei	SF REIT Asset Management Limited	Chairman of board of directors, non-executive director	February 2021	Present	No
Ho Chit	Fox Financial Technology Group Limited	Director	April 2014	Present	No
Ho Chit	Great Wall Securities Co., Ltd.	Independent director	August 2015	May 2022	Yes
Ho Chit	SF REIT Asset Management Limited	Non-executive director	April 2022	Present	No
Chan, Charles Sheung Wai	SRE GROUP LIMITED	Independent director	July 2012	October 2022	Yes
Chan, Charles Sheung Wai	Maoyan Entertainment	Independent director	January 2019	Present	Yes
Chan, Charles Sheung Wai	Hongkong Fusion Bank	Independent director	March 2019	Present	Yes
Chan, Charles Sheung Wai	Hansoh Pharmaceutical Group Company Limited	Independent 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 director	November 2020	Present	Yes
Chan, Charles Sheung Wai	SUN ART RETAIL GROUP LIMITED	Independent director	January 2021	Present	Yes
Chan, Charles Sheung Wai	Hongkong FuSure Reinsurance Company Limited	Independent director	April 2021	Present	Yes
Chan, Charles Sheung Wai	Goldman Sachs Gao Hua Securities Company Limited	Independent director	October 2021	Present	Yes
Chan, Charles Sheung Wai	CITIC-Prudential Asset Management Company Limited	Non-executive director	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 director	June 2007	Present	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 director	May 2022	Present	Yes
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	Present	No
Li Sheng	SF Foundation	Director	October 2016	Present	No
Gan Ling	Sunrise Capital Feeder Fund Ltd.	Director	April 2015	Present	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 2022[1]		Whether Gained Remuneration from the Related Parties of the Company
					Wages and bonus etc.	Other benefits	
Wang Wei	Chairman and General Manager	Male	52	Current	702.00	–	No
Ho Chit[2]	Director, Deputy General Manager, CFO	Male	48	Current	7,248.07	141.91	Yes
Wang Xin	Director	Female	50	Current	84.12	–	No
Zhang Dong	Director	Male	42	Current	65.33	–	No
Chan, Charles Sheung Wai	Independent Director	Male	69	Current	21.94	–	Yes
Lee Ka Sze, Carmelo	Independent Director	Male	62	Current	21.94	–	Yes
Ding Yi	Independent Director	Female	58	Current	21.94	–	Yes
Shum Tze Leung	Chairman of the Supervisory Committee	Male	57	Current	543.30	90.39	No
Wang Jia	Supervisor	Female	43	Current	867.08	23.35	No
Liu Jilu	Supervisor	Male	76	Current	–	–	Yes
Li Juhua	Supervisor	Female	43	Current	1,261.31	119.08	No
Zhang Shun	Supervisor	Male	31	Current	15.67	–	No
Li Sheng	Deputy General Manager	Male	56	Current	4,830.80	88.22	No
Zhou Haiqiang	Deputy General Manager	Male	45	Current	66.57	–	No
Geng Yankun	Deputy General Manager	Male	37	Current	65.60	–	No
Gan Ling	Deputy General Manager and Secretary of the Board	Female	48	Current	2,167.25	52.65	No
Lin Zheying	Deputy Chairman	Male	58	Resigned	–	–	Yes
Zhang Yichen	Director	Male	59	Resigned	–	–	Yes
Deng Weidong	Director	Male	55	Resigned	–	–	Yes
Liu Chengwei	Director	Male	52	Resigned	–	–	Yes
Chan Fei[2]	Director and Deputy General Manager	Male	48	Resigned	3,841.50	125.01	No
Lo Sai Lai	Director	Male	60	Resigned	–	–	No
Zhou Zhonghui	Independent Director	Male	75	Resigned	680.00	–	Yes
Jin Li	Independent Director	Male	52	Resigned	680.00	–	Yes
Dicky Peter Yip	Independent Director	Male	76	Resigned	680.00	–	No
Chow Wing Kin Anthony	Independent Director	Male	72	Resigned	680.00	–	Yes
Chu Yan	Supervisor	Female	44	Resigned	1,838.48	23.35	No
Xu Zhijun	Deputy General Manager	Male	46	Resigned	2,048.43	119.08	No
Total					28,431.32	783.04	

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 senior executive of the listed company SF Holding in 2022, of which Wang Xin, Zhang Dong, Chan, Charles Sheung Wai, Lee Ka Sze, Carmelo, Ding Yi, Zhang Shun, Zhou Haiqiang and Geng Yankun had served corresponding position of the listed company since December 20, 2022.

Note 2: The amount of "Wages and bonus etc." that Ho Chit and Chan Fei received from the Company during the Reporting Period included the director's fees that they received from subsidiary Kerry Logistics.

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
21st meeting of the 5th Board of Directors	January 26, 2022	January 27, 2022	For details, refer to the "Announcement of the Resolutions of the 21st Session of the 5th Board of Directors" (announcement No.: 2022-007) disclosed by the Company on Cninfo (www.cninfo.com.cn).
22nd meeting of the 5th Board of Directors	March 2, 2022	March 3, 2022	For details, refer to the "Announcement of the Resolutions of the 22nd Session of the 5th Board of Directors" (announcement No.: 2022-018) disclosed by the Company on Cninfo (www.cninfo.com.cn) by the Company.
23rd meeting of the 5th Board of Directors	March 30 2022	March 31, 2022	For details, refer to the "Announcement of the Resolutions of the 23rd Session of the 5th Board of Directors" (announcement No.: 2022-028) disclosed by the Company on Cninfo (www.cninfo.com.cn).
24th meeting of the 5th Board of Directors	April 28, 2022	April 29, 2022	For details, refer to the "Announcement of the Resolutions of the 24th Session of the 5th Board of Directors" (announcement No.: 2022-048) disclosed by the Company on Cninfo (www.cninfo.com.cn).
25th meeting of the 5th Board of Directors	May 30, 2022	June 1, 2022	For details, refer to the "Announcement of the Resolutions of the 25th Session of the 5th Board of Directors" (announcement No.: 2022-063) disclosed by the Company on Cninfo (www.cninfo.com.cn).
26th meeting of the 5th Board of Directors	June 2, 2022	June 6, 2022	For details, refer to the "Announcement of the Resolutions of the 26th Session of the 5th Board of Directors" (announcement No.: 2022-069) disclosed by the Company on Cninfo (www.cninfo.com.cn).
27th meeting of the 5th Board of Directors	August 30, 2022	August 31, 2022	For details, refer to the "Announcement of the Resolutions of the 27th Session of the 5th Board of Directors" (announcement No.: 2022-089) disclosed by the Company on Cninfo (www.cninfo.com.cn).
28th meeting of the 5th Board of Directors	September 22, 2022	September 23, 2022	For details, refer to the "Announcement of the Resolutions of the 28th Session of the 5th Board of Directors" (announcement No.: 2022-103) disclosed by the Company on Cninfo (www.cninfo.com.cn).
29th meeting of the 5th Board of Directors	October 28, 2022	October 29, 2022	For details, refer to the "Announcement of the Resolutions of the 29th Session of the 5th Board of Directors" (announcement No.: 2022-112) disclosed by the Company on Cninfo (www.cninfo.com.cn).
30th meeting of the 5th Board of Directors	November 18, 2022	November 19, 2022	For details, refer to the "Announcement of the Resolutions of the 30th Session of the 5th Board of Directors" (announcement No.: 2022-120) disclosed by the Company on Cninfo (www.cninfo.com.cn).
1st meeting of the 6th Board of Directors	December 20, 2022	December 21, 2022	For details, refer to the "Announcement of the Resolutions of the 1st Session of the 6th Board of Directors" (announcement No.: 2022-139) disclosed by the Company on Cninfo (www.cninfo.com.cn).

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

Details of attendance of meetings of the Board and general meetings by director							
Name of 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	11	0	11	0	0	No	4
Ho Chit	11	3	8	0	0	No	4
Wang Xin	1	0	1	0	0	No	0
Zhang Dong	1	0	1	0	0	No	0
Chan, Charles Sheung Wai	1	0	1	0	0	No	0
Lee Ka Sze, Carmelo	1	0	1	0	0	No	0
Ding Yi	1	0	1	0	0	No	0
Lin Zheying	10	0	10	0	0	No	4
Zhang Yichen	10	0	10	0	0	No	4
Deng Weidong	10	0	10	0	0	No	2
Liu Chengwei	10	0	10	0	0	No	3
Chan Fei	10	0	10	0	0	No	4
Lo Sai Lai	10	0	10	0	0	No	4
Zhou Zhonghui	10	0	10	0	0	No	3
Jin Li	10	0	10	0	0	No	1
Dicky Peter Yip	10	0	10	0	0	No	3
Chow Wing Kin Anthony	10	0	10	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 duly and diligently fulfilled their duties. The Company's Board of Directors held a total of 11 meetings, at which all directors attended in person on time, and none of them attended the meetings by proxy or were absent. The directors learned in detail the overall production and operation of the Company, carefully considered the various topics of the sessions of the Board of Directors, actively expressed their opinions, and implemented the legal and effective decision-making procedures for major matters. The Company's independent directors were able to exercise their duties and perform their duties as independent directors. They put forward many guiding opinions and sound suggestions on the Company's development strategy and standardized operation and voiced independent opinions on major matters. For details about the independent opinions of independent directors, please refer to the 2022 Independent Directors' Debriefing Report published on CNINFO on the same day as this Annual Report.

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	Zhou Zhonghui, Jin Li, Chow Wing Kin Anthony	7	January 26, 2022	Consideration of the 2021 Internal Audit Summary and the 2022 Working Plan	1. It is proposed that the Company should continue to maintain refined cost control and capital planning control, and remain cautious in investment in order to maintain a healthy financial structure and cash flow to cope with the impact of the complex external environment; 2. It is proposed that the Company should enhance the internal management and cultural development of the incubation companies, and adopt different management strategies based on the different positioning of the investee companies; 3. It is proposed that the Company should strengthen the integration of internal audit and internal control management with Kerry Logistics	Not applicable	No
			February 23, 2022	Consideration of the 2021 Internal Control Audit Findings and Key Audit Matter Communication		Not applicable	No
			March 29, 2022	Consideration of the Company's Final Account Report for 2021, the Company's 2021 Annual Audit Report and Other Special Reports, Proposal of Continued Engagement of PricewaterhouseCoopers Zhong Tian LLP as the Company's auditor for 2022 and Self-appraisal Report on Internal Controls of the Company for 2021		Not applicable	No
			April 28, 2022	Consideration of the Company's 2022 First Quarterly Report and Company's 2022 First Quarterly Internal Audit Work Report		Not applicable	No
			August 29, 2022	Consideration of the Company's 2022 Semiannual Review Report, Company's 2022 Semiannual Financial Report, and Company's 2022 Second Quarter Internal Audit Work Report		Not applicable	No
			October 27, 2022	Consideration of the Company's 2022 Third Quarter Financial Report and Company's 2022 Third Quarterly Internal Audit Work Report		Not applicable	No
	Chan, Charles Sheung Wai, Lee Ka Sze, Carmelo, Ding Yi		December 20, 2022	Consideration of the Annual Audit Work Plan of S.F. Holding for 2022	–	Not applicable	No

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)
Remuneration and Appraisal Committee	Dicky Peter Yip, Zhou Zhonghui, Lo Sai Lai	2	March 29, 2022	Consideration of the Proposal on Confirmation of the Remuneration Disclosure of Directors, Supervisors and Senior Management in the 2021 Annual Report of the Company and the Proposal on the 2022 Remuneration Plan for Senior Management	It is proposed that the Company should, after the incentive scheme comes into effect, continuously monitor the effectiveness of the scheme and its effectiveness in respect to retaining outstanding employees so as to provide reference for subsequent follow-up adjustments	Not applicable	No
			April 25, 2022	Consideration of the 2022 Share Option Incentive Scheme of the Company (Draft) and its Summary, and the Appraisal Management Measures for the Implementation of the 2022 Share Option Incentive Scheme of the Company		不适用	无
Nomination Committee	Chow Wing Kin Anthony, Dicky Peter Yip, Wang Wei	1	November 14, 2022	Consideration of the Proposal on Nomination of Candidates for Non-independent Directors of the Sixth Session of the Board and the Proposal on Nomination of Candidates for Independent Directors of the Sixth Session of the Board	–	Not applicable	No
Strategy Committee	Jin Li, Chow Wing Kin Anthony, Chan Fei	1	March 29, 2022	Consideration of the Final Account Report of the Company for 2021 and the Financial Budget Report of the Company for 2022	It is proposed that the budget should be prepared taking into account the impact of exchange rate, with a hope that the Company will maintain a healthy gearing ratio in the long run	Not applicable	No
Risk Management Committee	Wang Wei, Dicky Peter Yip, Zhou Zhonghui	1	February 23, 2022	Consideration of the Risk Control Work Summary for 2021 and Risk Control Work Plan for 2022 of the Company	It is proposed that the Company should attach importance to ESG risk management; and that the Company should attach importance to further improve the quality of the deliverymen as they represent the image of the Company	Not applicable	No

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)	162,823
Total number of in-service employees at the end of the Reporting Period (person)	162,823
Total number of employees receiving a salary during the Reporting Period (person)	162,823

Role type

Category	Number (person)
Operations personnel	93,835
Professional personnel	44,678
Management personnel	24,310
Total	162,823

Educational background

Category	Number (person)
Doctorate	45
Master' degree	4,048
Bachelor' degree	40,121
Associate' degree	37,769
High school and below	80,840
Total	162,823

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

SF has always upheld the belief that "talent is the primary productive force", and continues to put a premium on the growth and development of employees. The 2022 overall training plan focused on comprehensively promoting the lean operation of talent team. For example, consolidating "a reservoir" is to improve quality from the source, and strengthen the training and management of college students; focusing on the "two tracks" is to upgrade the management system of the management team and the professional team; improve the "three chassis" from end-to-end to provide tools, processes and system support for the whole process of talent management, create a sustainable talent ecology, and further support business development needs.

(1) Training of Frontline Staff:

The Company places great emphasis on the training of service awareness, safety awareness and communication skills for different staff groups such as couriers, warehouse keepers, customer service staff and sales staff. While focusing on the improvement of personnel performance, the Company emphasizes the sustainable development of personnel, helps frontline personnel improve their academic qualifications and puts a premium on personal long-term development.

(2) Middle-level Echelon Construction:

For college student training, the Company optimizes the training path, clarifies the training system and increases the practice of operation activities. For example, the Company optimizes the management of college students' new induction training courses and tutors, and promotes the exchange and sharing of college graduates through online live streaming channels such as "SF Knowledge(丰识)" and "Knowledge Development Platform for College Graduates (大学生加油站)".

In terms of the training of frontline managers (such as outlet managers, etc.), middle-level managers (such as area managers, etc.), and senior management (such as regional leaders, etc.), the Company has updated and iterated the leadership training system in different dimensions, such as "Outlet Manager Training Program", "Fengyun Plan – Training Plan for Back-up Functional Department Head", "Lighthouse Action – On-the-job Executive Training Camp", etc., which advocate the integration of training and practice and empower employees to achieve rapid transformation to managers, and "on-the-job learning" and "on-the-job practice" have been materialized through job rotation and project entry, and built an elite management echelon to help employees sharpen their own leadership skills and business competence in practice, in an effort to promote the Company's strategic transformation and support business operations.

(3) Professional Team Development:

The Company sets up a special committee around professionals according to professional fields, mainly composed of experts, which is responsible for determining professional ability planning, evaluating expert ability and judging the direction of professional and technical improvement. At the same time, the Company offers personalized training on professional expertise, such as prospective expert training, expert lectures, expert forums, etc, and provides excellent classes and learning resources covering the general workplace ability and professional ability to help employees make continuous progress in their fields of expertise, so as to comprehensively improve their general workplace ability and meet the needs of long-term development for service personnel.

(4) Training of Senior Management:

The Company adheres to differentiated training, covering three major groups of on-the-job, new entrant and back-up management. Among them, the activities, such as Beacon Fire Training Camp, Feng+ Intensive Training, Fengxing Intensive Training, etc., can help management personnel explore the foundation of leadership and the core of competition, respond to changes, seize opportunities, enhance their will and improve literacy with calm, steady and forward-looking steps; additionally, it can also help executives systematically recognize SF, meet challenges together, face SF's future development needs, and enhance the spirit of strategy, innovation, change and transcendence to create the future together while embracing innovations.

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 29, 2022, the Company held the 2021 Annual General Meeting, at which the Company reviewed and approved the 2021 Profit Distribution Plan. The specific plan is as follows: on the basis of the total share capital at the registration date on which the 2021 annual profit distribution plan is to be implemented less the special shares repurchased by the Company, the Company distributed a cash dividend of RMB1.80 (including tax) for every 10 shares to all shareholders. The remaining undistributed profits were carried forward to the following year. 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 June 15, 2022.

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
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)	2.5
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 2022 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 2022 annual profit distribution plan is to be implemented less the special shares repurchased by the Company, a cash dividend of RMB2.5 (including tax) will be distributed for every 10 shares held.
Cash dividend amount (RMB'000) in other forms (such as share repurchase)	2,040,120
Total cash dividends (in all forms) (RMB'000)	The total amount of shares repurchased by the Company in 2022 was RMB 2,040.120 million, and 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, a cash dividend of RMB2.5 (including tax) will be distributed for every 10 shares held.
Distributable profits (RMB'000)	1,573,109
Total cash dividends (including other ways) as a percentage of total distributed profits (%)	100%

Cash dividend
If the company's development stage is unclear, 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 Zhong Tian LLP, the parent company registered a net profit of RMB624.784 million in 2022. The Company appropriated 10% of its net profit (RMB62.478 million) for the year 2022 to the statutory surplus reserve. Factoring in retained earnings of RMB1,885.321 million at the beginning of the year, and after deducting the actual cash dividend of RMB874.518 million in 2022, profit of the parent company available for distribution to the shareholders was RMB1,573.109 million as of December 31, 2022.
The Company's proposed profit distribution plan for 2022 was 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, a cash dividend of RMB2.5 (including tax) will be distributed for every 10 shares held. 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 during the Reporting Period. The number of share options to be granted shall not exceed 60,000,000 shares. The exercise price of the share options shall be RMB42.61 per share. 49,859,100 of those share options were granted under the first grant to no more than 1,471 Participants.

The Company's 25th meeting of the fifth session of Board of Directors and the 21st meeting of the fifth session of Supervisory Committee on May 30, 2022 reviewed and approved the "Proposal in relation to the Adjustment to Matters relating to the 2022 Share Option Scheme" "Proposal in relation to the Grant of Share Options to the Participants under the 2022 Share Option Incentive Scheme". Due to resignation of nine participants, the Board has changed the number of participants from 1,471 individuals to 1,462 individuals, and adjusted the number of first grant to 48,955,600 shares from 49,859,100 shares. The Board has determined May 30, 2022 as the date of first grant.

13 participants renounced their rights to the aggregated 1,063,500 share options proposed to be granted to them for resignation and other personal reasons in the progress of share options registration, and as a result, the number of participants was adjusted to 1,449 from 1,462, and the first grant of share options was adjusted to 47,892,100 share options from 48,955,600 shares. 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.

The Company's 29th meeting of the fifth session of Board of Directors and the 24th meeting of the fifth session of Supervisory Committee on October 28, 2022 reviewed and approved the "Proposal in relation to the Adjustment of Exercise Price under the 2022 Share Option Scheme" "Proposal on the Grant of the Reserved Share Options under the 2022 Share Option Incentive Scheme to the Participants". In view of the Company's implementation of the equity distribution plan for 2021, the Board of Directors adjusted the exercise price of share options from RMB42.61 per share to RMB42.431 per share. In addition, the Board of Directors determined to grant a total of 1,608,000 reserved share options to 44 incentive participants with October 28, 2022 as the grant date of the reserved grant. 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.

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
2022 Stock Option Incentive Plan (Draft)	April 29, 2022	CNINFO (www.cninfo.com.cn)
Summary of 2022 Stock Option Incentive Plan (Draft)	April 29, 2022	CNINFO (www.cninfo.com.cn)
Assessment and Management Measures for the Implementation of 2022 Stock Option Incentive Plan	April 29, 2022	CNINFO (www.cninfo.com.cn)
Notification on and Review Opinions of the Supervisory Committee on the List of Partial Participants for the First Grant of 2022 Stock Option Incentive Plan	May 11, 2022	CNINFO (www.cninfo.com.cn)
The Self-inspection Report on Insider and Participants of 2022 Stock Option Incentive Plan of the Company	May 18, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Relevant Matters of Adjusting the Company's 2022 Stock Option Incentive Plan	June 1, 2022	CNINFO (www.cninfo.com.cn)
Announcement on First Grant of Stock Options to Participants under 2022 Stock Option Incentive Plan	June 1, 2022	CNINFO (www.cninfo.com.cn)
Verification Opinions of the Supervisory Committee on the List of Participants for the First Grant of 2022 Stock Option Incentive Plan (Grant Date)	June 1, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Completion of Registration for the First Grant of 2022 Stock Option Incentive Plan	July 5, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Adjusting the Exercise Price of the Company's 2022 Stock Option Incentive Plan	October 29, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Grant of Reserved Stock Options of the 2022 Stock Option Incentive Plan to Participants	October 29, 2022	CNINFO (www.cninfo.com.cn)
Verification Opinions of the Supervisory Committee on the List of Participants for the Reserved Grant of 2022 Stock Option Incentive Plan	October 29, 2022	CNINFO (www.cninfo.com.cn)
Notification on and Review Opinions of the Supervisory Committee on the List of Participants for the Reserved Grant of 2022 Stock Option Incentive Plan	November 10, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Completion of Registration for the Reserved Grant of 2022 Stock Option Incentive Plan	November 25, 2022	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	0	488,000	0	0	–	488,000	57.76	0	0	0	–	0
Wang Xin	Director	0	488,000	0	0	–	488,000	57.76	0	0	0	–	0
Zhang Dong	Director	0	488,000	0	0	–	488,000	57.76	0	0	0	–	0
Li Sheng	Deputy general manager	0	488,000	0	0	–	488,000	57.76	0	0	0	–	0
Zhou Haiqiang	Deputy general manager	0	488,000	0	0	–	488,000	57.76	0	0	0	–	0
Geng Yankun	Deputy general manager	0	488,000	0	0	–	488,000	57.76	0	0	0	–	0
Gan Ling	Deputy general manager, and secretary of the Board	0	272,000	0	0	–	272,000	57.76	0	0	0	–	0
Total	–	0	3,200,000	0	0	–	3,200,000	–	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 29, 2023
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.

Category	Financial Report	Non-financial Report
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, 2022, 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 29, 2023
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.

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

SF deeply recognizes the importance of pursuing green development. As a socially responsible enterprise, the Company has always been committed to developing a sustainable logistics supply chain service, hoping to bring positive impact to the entire industry and the whole society through the optimization and upgradation of corporate operations. Based on the achievements of carbon reduction in the past, the Company published a "White Paper on Carbon Goals" in 2021, which is the first publication on carbon goals in the industry. In the white paper, the Company promised to increase its carbon efficiency by 55% in 2030 compared with 2021, and reduce carbon footprint per parcel by 70% compared with 2021. In first list of ESG influence in China released by Fortune in 2022, SF was selected into the list by virtue of its outstanding achievements in ESG.

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. By the end of 2022, SF has utilized more than 26,000 new energy vehicles for transportation, covering 232 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. Currently, a total of 20 light trucks powered by hydrogen fuel are in operation in Shanghai and 2 LNG tractors are in operation in Beijing.

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 2022, we have completed construction of roof photovoltaic power stations in 9 industrial parks, with an overall installed capacity of over 13MW and annual power generation of nearly 10 million kWh.

3. Practicing sustainable packaging

SF kept on building an express packaging cycle ecosystem, and actively cooperated with upstream and downstream industry chains to jointly promote the development of sustainable packaging. From packaging materials manufacturers to logistics enterprises, and from consumers to recycling enterprises, we promoted the recycling of green packaging in the whole society by connecting all links, and practiced green R&D and green operation throughout the life cycle of recycled packaging.

Minimum packaging: Express packaging is an important part of emission reduction along the whole logistics chain. 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. In 2022, a total of approximately 47,000 tons of raw paper and approximately 150,000 tons of plastic were reduced.

Recycled packaging: Through the operation and management platform of recycled packaging and load devices, SF provides customers inside and outside the industry with total recycled packaging solutions, and uses well-developed products such as confidential transportation boxes, airport recycling boxes, recyclable transfer boxes for fragile goods, food recycling boxes, and solar photovoltaic panel recycling packages for different scenarios. In 2022, more than 1.25 million of "π-boxes" (a carbon neutral recycling box) were launched, covering more than 170 cities in China, and achieving more than 15 million of recycling usages.

4. Developing green technology

Through its forward-looking efforts in cutting-edge technologies such as artificial intelligence, big data, robotics, Internet of Things, logistics map and smart packaging, SF integrates the power of technology into the whole life cycle of each parcel based on new energy applications, and helps improve the quality, efficiency, and low-carbon emission reduction of the whole process of "collection, transfer and delivery".

In the collection and delivery process, SF applied its self-developed small drones, expanded the scope of business delivery through intelligent drone technology, and provided efficient, high-cost and low-carbon logistics services. In the transit process, SF has optimized the allocation of warehousing resources based on big data and introduced a fully automatic sorting and site management system to improve the efficiency of warehousing and transshipment and improve the efficiency of energy use. In terms of transportation, SF uses smart maps to plan the transportation route, and considering factors such as express time and distance, the Company provides route optimization through smart algorithms. At the same time, relying on big data analysis and deep learning technology, SF integrated cargo routes and capacity resources to achieve accurate matching between vehicles and goods and improve land transportation efficiency.

While promoting green and low-carbon transformation with the power of technology, SF also hopes to extend the green value to the supply chain. Therefore, it advocates and cooperates with upstream and downstream partners to accelerate low-carbon transformation, and jointly assume the responsibility of protecting the planet, so as to achieve green development and 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 the center, 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 for the purpose of giving back to shareholders and protecting the interests of all shareholders and stakeholders. Staying true to our original aspiration, we actively participated in public welfare activities to give back to the society through the SF Foundation.

2022 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 2022, SF demonstrated its corporate responsibility. In order to meet the periodic urgent needs of citizen's livelihood and supply in certain cities, SF immediately deployed resources across its network, relied on its strong capacity and efficient organization and deployment capabilities to support people's livelihood, and to supply and transport pandemic prevention materials. In this regard, SF made every effort to ensure the smooth and complete logistics service chain. 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 2022 Sustainability Report of S.F. Holding published by the Company on CNINFO on 29 March, 2023.

III. Achievements on Consolidation and Extension of Poverty Alleviation and Rural Revitalization

SF is the first domestic logistics company to deliver fresh agricultural products directly from farmers to urban consumers in the form of express delivery. Since then, we have established a business model for delivering agricultural goods directly from "farms" to the end-consumers. For a long time, many high-quality agricultural products have encountered problems in the delivery process such as vulnerability, difficulty in packaging, prolonged transportation process and limited economies of scale. They are also faced with marketing-related problems such as limited number of channels available, formal homogeneity, limited target audience size and limited branding effect. For many years, farmers have been struggling to increase their income, but found it practically impossible to achieve profitability by selling agricultural products. SF adhered to the concept of distributing quality agricultural products across the country and promoting better brands of agricultural products.

By setting up agricultural produce collection points in farmfields, developing and investing in mobile sorting vehicles suitable for small-batch allocation, launching fresh products pretreatment centers close to the place of origin, customizing design for the packaging of various fresh products, deploying specialized refrigerated vehicles during the harvest season of characteristic agricultural products, exclusive all-cargo aircrafts and other transportation resources, the Company continuously set new records on the delivery speed of agricultural products, and innovated fresh-preserving methods in delivery processes, helping farmers transport quality agricultural products from the farmfields to kitchens in cities.

With a robust logistics network, top-notch packaging technology, and exceptional delivery capability, the Company overcame the express transportation of each thorny category, including hairy crabs, beef and mutton, live fish, seafood, lychee, strawberry, peach and matsutak, to establish a direct delivery model with Chinese characteristics and nationwide coverage. SF Holding persevered with the diversification of its services and business scenarios through logistics model innovation, efficiency enhancement through cost reduction, and market-based pricing. Besides, backed by technology empowerment, the Company developed and invested in various convenient technology tools such as Xiaoguoguo management system, Fengshou and drop shipping, to assist farmers in achieving one-stop efficient operation covering sales, shipment and settlement.

The country kept on propelling rural revitalization in 2022 in a comprehensive manner. In order to actively cooperate with the national strategy, continuously to consolidate and extend the achievements in poverty alleviation, and effectively connect with rural revitalization, the Company also extended to cooperate with local governments to build regional agricultural brands and help branding construction in addition to providing express logistics services. SF has formulated a special fund subsidy mechanism for customization of packaging materials for regional brands and invested RMB3.0 million as special funds thereof. In 2022, SF Holding joined hands with local governments to obtain brand licenses, design brand packaging and co-build a total of 16 regional brands for agricultural products, generating a revenue of over RMB500 million for local farmers. Also, SF adhered to perform the social responsibility by making active response to the concept of green logistics and adopting green and environment friendly packaging materials for agricultural products, which made the Company win high degree of recognition from users. In addition, SF provided a series of technology services such as product traceability and pesticide residue testing to show its contribution for rural revitalization, allowing more local brands of special agricultural products to be known, tasted and recognized by the nation. Up to now, the upstream service network of agricultural products assisted by SF has covered more than 2,800 cities and more than 4,000 fresh products across the country. In 2022, SF delivered 3.62 million tonnes of characteristic agricultural products, generating an estimated income of over RMB100 billion for local farmers.

In addition, SF actively explored the model of "Delivering express parcels to rural areas", promoted the establishment of an intensive mode through "cooperation between China Post and private couriers, cooperation between private couriers, cooperation between public transport companies and private couriers" and supported the construction of rural three-level logistics co-distribution service network. As of the end of 2022, there were more than 179,000 cooperation points of various external channels. The coverage rate of villages and towns increased by 1.2 percentage points compared with the same period last year. The daily volume of parcels handled was 1.76 million pieces. With high-density and high-permeability stations in villages and towns, the average customer pickup distance decreased by 8.4 km. We also supported the online sale of agricultural products and enabled farmers to enjoy more convenient express services within villages than ever before.

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
	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
	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
			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.			
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	Wang Wei, Lin Zheying Zhang Yichen, Deng Weidong, Liu Chengwei, Lo Sai Lai, Chan Fei, Zhou Zhonghui, Jin Li, Dicky Peter Yip, Chow Wing Kin Anthony, Sheng, Xu Zhijun, Gan Ling, all being directors or senior management members of the Company	Commitments on the Company for the due performance of the remedial measures for the dilution of current returns	1. I make a commitment that I will not transfer interests to other institutions or individuals without compensation or under unfair conditions, or cause damage to the interests of the listed company in other ways; 2. I make a commitment that I will constrain the consumption if it is business related; 3. I make a commitment that I will not invest with or spend the listed company's assets outside the performance of my duties; 4. I make a commitment that I will, within the scope of my duties and competence, do my best to ensure that the remuneration system developed by the Board or the remuneration committee for the Company be linked to progress in the implementation of the remedial measures for the returns taken by the listed company; 5. I make a commitment that I will, within the scope of my duties and competence, do my best to ensure that the exercise condition of the stock option incentive of the Company that the Company intends to announce is linked to the implementation status of the remedial measures for the returns taken by the listed company; 6. I make a commitment that I will make any supplemental commitments in accordance with the relevant requirements. if the regulator sets any other requirements for the provisions on the remedial measures for the returns and on my commitment, and the above commitments fail to meet any requirements set by the regulator, after the issue date of these commitments; 7. I undertake to strictly implement the aforementioned commitments. In case of violation of these commitments, I will indemnify the listed company or investors in respect of any losses incurred in accordance with the law.	February 8, 2021	February 8, 2021-May 18, 2022	Being fulfilled
	Mingde Holding, Wang Wei	Commitments on the Company for the due performance of the remedial measures for the dilution of current returns	The Company/I guarantees/guarantee that it/I shall not overstep its/my authority to intervene in the management activities of the listed company or encroach on the listed company's interests. As one of the main responsible entities for the remedial measures for the returns, in the event that the Company/I breaches/breach, or refuses/refuse to implement the above-mentioned commitments, the Company/I gives/give consent that the relevant penalties or relevant administrative measures shall be imposed by securities regulatory agencies including the CSRC and Shenzhen Stock Exchange in accordance with the relevant regulations and rules formulated or issued by them, and will bear the relevant legal liabilities.	February 8, 2021	February 8, 2021-May 18, 2022	Being fulfilled
	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	Being fulfilled
	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
	The listed company	Commitments on the matters concerning the quasi-financial businesses	Within 6 months from the date of signing this letter of commitment, the Company will ensure that it will withdraw from the commercial factoring business by external transfer of equities, cancellation, change of the business scope of Shenzhen Shuncheng Lefeng Factoring Co., Ltd. and Shunyuan Commercial Factoring (Tianjin) Co., Ltd., etc. In the process of withdrawal from the above factoring business, the Company will strictly comply with the requirements of the relevant laws, regulations and normative documents and fulfill the necessary formalities.	August 3, 2021	August 3, 2021-February 2, 2022	Fulfilled
	Subscriber (Note 1)	Undertaking on lock-up of shares	We will not transfer the above shares we subscribe for within 6 months from the listing date of the non-publicly issued shares of S.F. Holding.	October 26, 2021	November 19, 2021-May 18, 2022	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

Note 1: Subscribers are Yuanhai Investment Co., Ltd., Macquarie Bank Limited, Shenwan Hongyuan Securities Co., Ltd., Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy Caizhi Fund, Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy Yingzhi Fund, Guotai Junan Securities Co., Ltd., UBS AG, Barclays Bank PLC, Norges Bank, Caisse de depot et placement du Quebec, FullGoal Fund Management Co., Ltd., Guotai Asset Management Co., Ltd., Shanghai Greenwoods Asset Management Co., Ltd. – Jinglin Jingtai Fengshou Private Securities Investment Fund, Bank of Communications Schroder Fund Management Co., Ltd., Allianz Global Investors Singapore Limited, GIC Private Limited, Shenzhen Yuanzhi Ruixin Mixed Reform Equity Investment Fund Partnership (Limited Partnership), Caitong Fund Management Co., Ltd., Schroder Investment Management (Hong Kong) Limited, Shanghai Greenwoods Asset Management Co., Ltd. – Jinglin Jiazhi Fund, China Pacific Life Insurance Co., Ltd. -Dividend -Individual Dividend, E Fund Management Co., Ltd.

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

For details, please refer to "(30) Significant changes in accounting policies" in "2. Summary of significant accounting policies and accounting estimates" of "Chapter 10 Financial Statements".

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 Company's scope of consolidation in 2022, please refer to "5. Changes in the consolidation scope" of "Chapter 10 Financial Statements".

VIII. Details Regarding Engagement and Removal of Accountant Firm

Existing accountant firm

Name of domestic accountant firm	PricewaterhouseCoopers Zhong Tian LLP
Remuneration for domestic accountant firm (RMB'000)	20,830
Consecutive years of audit services provided by the domestic accountant firm	7 years
Names of the certified public accountants from accountant firm	Chen Anqiang, Liu Jingping
Consecutive years of audit services provided by the certified public accountants of domestic accountant firm	5 years

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 Zhong Tian LLP as the Company's internal control auditor for 2022. 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, 2022, 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 RMB595.813 million.

2. Cases not yet resolved during the Reporting Period include: Cases involving the Company and its subsidiaries as defendants amounted to RMB486,901,000, accounting for 0.56% of audited net assets attributable to shareholders of the listed company at the end of 2022. The above-mentioned litigation matters mainly related to a number of independent transportation contract cases and traffic accident cases with small amounts involved. The Company and its subsidiaries have already purchased commercial insurance for operating vehicles, transportation and other business activities. Based on the historical experience, the insurance purchased can essentially cover the losses caused by the case. Cases involving the Company and its subsidiaries as plaintiffs amounted to RMB251,601,000, accounting for 0.29% of audited net assets attributable to shareholders of the listed company at the end of 2022. Such legal proceedings 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	101,785	0.04%	280,000	No	Settlement based on the settlement period and terms in the contract	N/A	January 27, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2022" 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	428,204	0.18%	500,000	No	Settlement based on the settlement period and terms in the contract	N/A	January 27, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2022" 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	255,349	0.11%	330,000	No	Settlement based on the settlement period and terms in the contract	N/A	January 27, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2022" released by the company on the Cninfo website (www.cninfo.com.cn)
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	158,518	0.07%	250,000	No	Settlement based on the settlement period and terms in the contract	N/A	January 27, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2022"released by the company on the Cninfo website (www.cninfo.com.cn)
CR-SF International Express Co., Ltd.	A senior manager of the Company serves as a director of CR-SF International Express Co., Ltd.	Provide services to related parties	Transportation services, etc.	Fair pricing based on market prices following the principle of independent transactions.	Contract price	7,189	0.00%	100,000	No	Settlement based on the settlement period and terms in the contract	N/A	January 27, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2022" 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
CR-SF International Express Co., Ltd.	A 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	531,495	0.23%	900,000	No	Settlement based on the settlement period and terms in the contract	N/A	January 27, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2022" released by the company on the Cninfo website (www.cninfo.com.cn)
M China Management Limited and its subsidiaries and its franchisees	A 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	1,718,005	0.64%	2,100,000	No	Settlement based on the settlement period and terms in the contract	N/A	January 27, 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2022" released by the company on the Cninfo website (www.cninfo.com.cn)
Total				–	–	3,200,545	–	4,460,000	–	–	–	–	–
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 twenty-first meeting of the fifth Board of Directors held on January 26, 2022 and the eighteenth meeting of the fifth Supervisory Committee and the First Extraordinary General Meeting of Shareholders of 2022 on February 11, 2022, respectively, reviewed and approved the "Proposal on Estimated Routine Related-party Transaction Amount in 2022." The amount incurred by aforementioned related-party transactions is within the estimated range.												
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

Based on long-term business development strategy, the Company aimed to further enhance the circulation of capital and to optimize the asset and liability structure. For this purpose, a subsidiary of the Company entered into a sale and purchase agreement with a subsidiary of SF REIT in relation to the transfer of Changsha Jietai E-Commerce Industrial Park to SF REIT. The subject of this transaction is the 100% equity interest of Changsha Industrial Park Limited, a subsidiary of the Company, and certain amounts payable. The total amount of this transaction is approximately RMB493.2 million.

As the buyer of this transaction is a subsidiary of SF REIT, and as Wang Wei and Ho Chit, directors of the Company, hold directorships in REIT Manager, this transaction constitutes a related-party transaction according to the Rules Governing Listing of Shares on Shenzhen Stock Exchange and other relevant regulations.

On June 2, 2022, the Company held the 26th meeting of the fifth session of Board of Directors and the 22nd meeting of the fifth session of Supervisory Committee, at which the Proposal on the Disposal of Assets and Related-party Transactions was reviewed and approved, with related directors abstaining from voting thereon.

During the Reporting Period, closing of the transaction was completed and the total adjusted final transaction amount was approximately RMB502.3 million.

Relevant queries on the disclosure website of the report of major connected transactions

Announcement	Date of disclosure	Website for disclosure
Announcement on Sale of Assets and Related-party Transactions	2022/06/06	www.cninfo.com.cn

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
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	2020/03/24	147,000	2020/12/31	113,374	Joint and several liability guarantee	Zhuhai project land	Yes	2021/01/15-2030/12/23	No	No
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	2020/03/24	147,000	2020/12/31	4,929	Joint and several liability guarantee	Zhuhai project land	Yes	2021/01/15-2022/06/23	Yes	No
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	2020/03/24	147,000	2020/12/31	4,929	Joint and several liability guarantee	Zhuhai project land	Yes	2021/01/15-2022/12/23	Yes	No
Hubei International Logistics Airport Co., Ltd.*	2020/03/24	3,500,000	2021/02/25	25,300	Joint and several liability guarantee	Nil	Nil	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	Nil	Nil	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	Nil	Nil	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	Nil	Nil	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	Nil	Nil	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	Nil	Nil	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	Nil	Nil	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	Nil	Nil	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	Nil	Nil	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	Nil	Nil	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	Nil	Nil	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	Nil	Nil	2022/05/31-2055/04/29	No	No
Compañía Auxiliar al Cargo Expres, S.A.	NA	41,695	2020/12/29	41,695	Joint and several liability guarantee	Nil	Nil	2020/12/29-2022/12/29	Yes	No
Total guarantee quota approved for external parties during the reporting period (A1)			200,000	Total actual amount of guarantees for external parties during the Reporting Period (A2)						506,000
Total guarantee quota approved for external parties at the end of the Reporting Period (A3)			3,479,554	Total actual guarantee balance for external parties at the end of the Reporting Period (A4)						895,374

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	3,489,350	2018/07/26	3,489,350	Joint and several liability guarantee	Nil	Nil	2018/07/26-2023/07/26	No	No
SF HOLDING INVESTMENT LIMITED	2019/01/04	6,000,000	2020/02/20	4,885,090	Joint and several liability guarantee	Nil	Nil	2020/02/20-2030/02/20	No	No
SF HOLDING LIMITED	2021/02/10	21,486,840	2021/02/09	5,282,182	Joint and several liability guarantee	Nil	Nil	2021/09/23-2022/03/28	Yes	No
SF HOLDING LIMITED	2021/02/10	21,486,840	2021/02/09	2,148,684	Joint and several liability guarantee	Nil	Nil	2021/09/23-2022/01/28	Yes	No
SF Holding Investment 2021 Limited	2021/02/10	18,000,000	2021/11/17	2,791,480	Joint and several liability guarantee	Nil	Nil	2021/11/17-2026/11/17	No	No
SF Holding Investment 2021 Limited	2021/02/10	18,000,000	2021/11/17	2,093,610	Joint and several liability guarantee	Nil	Nil	2021/11/17-2028/11/17	No	No
SF Holding Investment 2021 Limited	2021/02/10	18,000,000	2021/11/17	447,643	Joint and several liability guarantee	Nil	Nil	2021/11/17-2031/11/17	No	No
SF Holding Investment 2021 Limited	2021/02/10	18,000,000	2022/01/18	2,791,480	Joint and several liability guarantee	Nil	Nil	2022/01/18-2026/11/17	No	No
SF Holding Investment 2021 Limited	2021/02/10	18,000,000	2022/01/18	2,093,610	Joint and several liability guarantee	Nil	Nil	2022/01/18-2031/11/17	No	No
Total guarantee quota approved for subsidiaries during the Reporting Period (B1)			5,066,000	Total actual amount of guarantees for subsidiaries during the Reporting Period (B2)						4,885,090
Total guarantee quota approved for the subsidiaries at the end of the reporting period (B3)			23,658,263	Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)						18,592,263

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)	2018/03/14 2019/03/16 2020/03/24 2021/03/18 2022/01/07 2022/03/31	52,329,110	Subject to the actual guarantee contract	17,122,228	Joint liability guarantee	Part	Part	Subject to the actual guarantee contract	Partially fulfilled	No
Subsidiaries of SF Holding (with gearing ratio below 70%)		17,862,110	Subject to the actual guarantee contract	9,115,588	Joint liability guarantee	None	Part	Subject to the actual guarantee contract	Partially fulfilled	No
Total guarantee quota approved for subsidiaries during the Reporting Period (C1)			65,534,000	Total actual amount of guarantees for subsidiaries during the Reporting Period (C2)						13,883,860
Total guarantee quota approved for the subsidiaries at the end of the Reporting Period (C3)			65,122,511	Total actual guarantee balance for subsidiaries at the end of the Reporting Period (C4)						17,927,642

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)	70,800,000	Total actual amount of guarantee during the Reporting Period (A2+B2+C2)	19,274,950
Total guarantee quota approved at the end of the Reporting Period (A3+B3+C3)	92,260,328	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	37,415,279
Total guarantee amount (A4+B4+C4) to net assets of the Company			43.37%
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)			23,109,744
Amount of total guarantee in excess of 50% of net assets (F)			–
Total amount of the above three guarantees (D+E+F)			23,109,744
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	24,235,000	5,000,000	–	–
Trust products	Self-owned funds	4,691	–	–	–
Others	Self-owned funds	672,659	33,229	–	–
Bank wealth management products	Raised proceeds	8,850,000	2,330,000	–	–
Brokerage wealth management products	Raised proceeds	200,000	–	–	–
Total		33,962,350	7,363,229	–	–

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
12,800	Self-owned funds	117,670	28,428

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

In order to support the smooth development of the business of the investee company and meet the capital needs of its daily operation, the Company held the twenty-third meeting of the fifth session of the Board on March 30, 2022, at which the Proposal on the Provision of Financial Assistance to Investee Company by Subsidiaries was considered and approved. Pursuant to the proposal, Kerry Logistics (China) Investment Co., Ltd. (嘉里物流(中国)投资有限公司), one of subsidiaries of the Company, was approved to provide financial assistance with a total amount of not more than RMB12.8 million to its investee company, Beijing Inland Port Co., Ltd. (北京北建通成国际物流有限公司) ("Beijing Inland Port"), for a term of not more than 6 months. The financial assistance has become matured and the principal was fully recovered during the Reporting Period.

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 RMB117.67 million.

As of the end of the Reporting Period, the Company's subsidiary Shuncheng Lefeng Business (顺诚乐丰商业) Co., Ltd. (hereinafter referred to as "Lefeng Business (乐丰商业)", formerly named "Shenzhen Shuncheng Lefeng Factoring Co., Ltd.") had an overdue unrecovered entrusted loan balance of RMB27,000,000. Lefeng Business has filed a lawsuit to the court, and the court has ordered the auction of collateral, and now the case is in the execution stage of auction of collateral by batches. The Company predicts that the collateral value is sufficient to cover the unrecovered loan amount; moreover, the Company made provisions for bad debts in historical years, so this will not have a material adverse impact on the Company's financial condition for this period. The Company acquired Lefeng Business in 2018, and this entrusted loan occurred before the acquisition. After the acquisition was completed, Lefeng did not have any new entrusted loans.

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) Repurchase of shares of the Company by way of aggregate auction

Based on the confidence in the future development prospects of the Company and the high recognition of the Company's value, in order to further improve the Company's long-term incentive mechanism, and to fully mobilize the enthusiasm of the Company's core personnel and outstanding employees to jointly promote the long-term development of the Company, after taking into account the business development prospects, operating conditions, financial position, future profitability and the performance of the Company's shares in the secondary market, the Company convened the 22nd meeting of the fifth session of the Board on March 2, 2022, at which the Proposal on the Plan for Share Repurchase by way of Centralized Bidding was considered and approved. The total amount of the share repurchase shall not be less than RMB1,000 million but not more than RMB2,000 million, and the repurchase price shall not exceed RMB70 per share. The repurchase period shall be within 6 months from the date of consideration and approval of the repurchase plan by the Board. As of September 1, 2022, the share repurchase has been completed. The Company repurchased 38,797,055 shares at a cost of RMB1,999.64 million, with an average repurchase price of RMB51.54 per share. The shares repurchased account for 0.79% of the total share capital of the Company.

On the basis of the completion of the previous share repurchase, the Company convened the 28th meeting of the fifth session of the Board on September 22, 2022, at which another Proposal on the Plan for Share Repurchase by way of Centralized Bidding was considered and approved was considered and approved. Under the proposal, the Company was approved to further repurchase its certain shares for the employee stock ownership plan or equity incentive with its own funds. The total amount of repurchase shall not be less than RMB1,000 million but not exceed RMB2,000 million, and the repurchase price shall not exceed RMB70 per share. The repurchase period shall be within 12 months from the date of consideration and approval of the repurchase plan by the Board. As of December 31, 2022, the Company repurchased a total of 835,200 shares at a cost of approximately RMB40,480,000, with an average repurchase price of RMB48.47 per share. The shares repurchased account for 0.02% of the total share capital of the Company. In the future, the Company will continue to implement the repurchase plan within the repurchase period in light of market conditions.

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

On January 18, 2022, SF Holding Investment 2021 Limited, a wholly-owned subsidiary of the Company, successfully issued additional bonds of USD700 million on the basis of the bonds of USD1,200 million issued in 2021. The additional bonds have been listed on the Hong Kong Stock Exchange.

According to the Company's development strategy, the Company issued onshore and offshore debt financing products through its wholly-owned subsidiaries in order to meet the Company's needs of domestic and overseas business development, reduce financing costs, and optimize debt structure. The 2021 annual general meeting of the Company approved the Company to issue onshore and offshore debt financing products of no more than RMB15 billion or equivalent (inclusive) through Taisen Holdings and SF Holding Investment 2023 Limited, wholly-owned subsidiaries of the Company, of which the offshore debt financing products are expected to be RMB5 billion or equivalent (inclusive).

During the Reporting Period, pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2021] No. SCP285) issued by the National Association of Financial Market Institutional Investors, Taisen Holdings issued five tranches of super & short-term commercial papers on January 7, 2022, February 18, 2022, May 12, 2022, May 19, 2022, and June 16, 2022, respectively, with a total issuance size of RMB3 billion. 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, Taisen Holdings issued five tranches of super & short-term commercial papers on July 14, 2022, July 27, 2022, August 11, 2022, August 18, 2022, and September 15, 2022, respectively, with a total issuance size of RMB3 billion.

During the Reporting Period, pursuant to the Approval on the Registration of Public Issuance of Short-term Corporate Bonds by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd. to Professional Investors (Zheng Jian Xu Ke [2021] No. 3645) issued by the CSRC, Taisen Holdings completed the public issuance of two tranches of short-term corporate bonds on March 11, 2022 and April 15, 2022, respectively, with a total issuance size of RMB1 billion. Pursuant to the Approval on the Registration of Public Issuance of Corporate Bonds by Taisen Holdings to Professional Investors (Zheng Jian Xu Ke [2022] No. 2045), Taisen Holdings completed the public issuance of corporate bonds (Chang Tong Huo Yun Wu Liu) (first tranche) for 2022 on September 22, 2022, with an issuance size of RMB500 million.

(III) Participation of subsidiaries in investment in equity investment funds

In order to promote the long-term development of the Company's intra-city business and realize the positive interaction between industrial operation and capital operation, on December 6, 2022, Shenzhen SF Intra-city Logistics Co., Ltd. ("Shenzhen Intra-city"), a wholly-owned subsidiary of SF Intra-city, a listed subsidiary of the Company, entered into the Partnership Agreement for Xiamen Xiaoyu Qingcheng Venture Investment Partnership (Limited Partnership). Xiamen Xiaoyu Qingcheng Venture Investment Partnership (Limited Partnership) (the "Fund") mainly invests in non-listed enterprises in the field of intelligence, low carbon and new local life opportunities. The target size of the Fund is RMB500 million of which the capital contribution of Shenzhen Intra-city as a limited partner shall not be higher than the lower of RMB50 million or 45% of the total capital contribution of the Fund. As of December 31, 2022, the total capital commitment of the Fund was RMB121.25 million.

During the Reporting Period, the Fund has completed the filing of private investment funds with the Asset Management Association of China.

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 the Results of the Issuance of the First Tranche of Super & Short-term Commercial Papers for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	January 8, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Additional Issuance of Offshore USD Bonds by Overseas Wholly-owned Subsidiaries	January 19, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Issuance of the Second Tranche of Super & Short-term Commercial Papers for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.,	February 22, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Implementation of Employee Incentive Scheme by Repurchase of Shares through Centralized Bidding	March 3, 2022	CNINFO (www.cninfo.com.cn)
Repurchase Report	March 3, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the First Repurchase of Shares of the Company	March 4, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	March 10, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Public Issuance of Short-term Corporate Bonds (First Tranche) for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd. to Professional Investors	March 12, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	March 15, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Issuance of Onshore and Offshore Debt Financing Products by Wholly-owned Subsidiaries	March 31, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	April 2, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	April 14, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Public Issuance of Short-term Corporate Bonds (Second Tranche) for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd. to Professional Investors	April 16, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	May 6, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Issuance of the Third Tranche of Super & Short-term Financing Bonds for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	May 17, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Issuance of the Fourth Tranche of Super & Short-term Commercial Papers for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	May 21, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	June 2, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Issuance of the Fifth Tranche of Super & Short-term Commercial Papers for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	June 18, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Approval of Registration of Multiple Types of Debt Financing Instruments of Shenzhen S.F. Taisen Holding (Group) Co., Ltd.	July 1, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	July 2, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Issuance of the Sixth Tranche of Super & Short-term Commercial Papers for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	July 16, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Issuance of the Seventh Tranche of Super & Short-term Commercial Papers for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	July 29, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	August 2, 2022	CNINFO (www.cninfo.com.cn)

Interim announcement	Date of disclosure	Website for disclosure
Announcement on the Results of the Issuance of the Eighth Tranche of Super & Short-term Commercial Papers for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	August 13, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Issuance of the Ninth Tranche of Super & Short-term Commercial Papers for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	August 23, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Progress and Completion of Share Repurchase by the Company	September 3, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Issuance of the Tenth Tranche of Super & Short-term Commercial Papers for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	September 20, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Approval from the CSRC for Registration of Public Issuance of Corporate Bonds to Professional Investors by Shenzhen S.F. Taisen Holding (Group) Co., Ltd.	September 20, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Results of Public Issuance of Corporate Bonds (Chang Tong Huo Yun Wu Liu) (First Tranche) for 2022 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd. to Professional Investors	September 23, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Implementation of Employee Incentive Scheme by Repurchase of Shares through Centralized Bidding	September 23, 2022	CNINFO (www.cninfo.com.cn)
Repurchase Report	September 23, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Shareholdings of the Top Ten Shareholders in the Repurchase and the Top Ten Shareholders Not Subject to Trading Restrictions on Sales	September 29, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	October 11, 2022	CNINFO (www.cninfo.com.cn)
Announcement on the Progress of the First Repurchase of Shares of the Company	November 1, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Participation of Majority-controlled Subsidiaries in Investment in Equity Investment Funds	December 7, 2022	CNINFO (www.cninfo.com.cn)
Announcement on Progress of Repurchase of Shares of the Company	January 4, 2023	CNINFO (www.cninfo.com.cn)

XVII. Significant Events of Subsidiaries

□Applicable √Not Applicable

I. Changes in Shares

1. Changes in shares

Unit: number of 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	402,695,643	8.21%	–	–	–	-348,745,308	-348,745,308	53,950,335	1.10%
1. Shares held by state	–	–	–	–	–	–	–	–	–
2. Shares held by state-owned legal person	63,396,291	1.29%	–	–	–	-63,396,291	-63,396,291	–	–
3. Other shares held by domestic capital	201,751,263	4.11%	–	–	–	-147,800,928	-147,800,928	53,950,335	1.10%
Of which: Other shares held by domestic legal person	148,828,267	3.03%	–	–	–	-148,828,267	-148,828,267	–	–
Other shares held by domestic natural person	52,922,996	1.08%	–	–	–	1,027,339	1,027,339	53,950,335	1.10%
4. Shares held by overseas capital	137,548,089	2.80%	–	–	–	-137,548,089	-137,548,089	–	–
Of which: Other shares held by overseas legal person	137,548,089	2.80%	–	–	–	-137,548,089	-137,548,089	–	–
Other shares held by overseas natural person	–	–	–	–	–	–	–	–	–
II. Shares not subject to restricted sales	4,503,517,459	91.79%	–	–	–	337,734,579	337,734,579	4,841,252,038	98.90%
1. RMB-denominated ordinary shares	4,503,517,459	91.79%	–	–	–	337,734,579	337,734,579	4,841,252,038	98.90%
III. Total number of shares	4,906,213,102	100.00%	–	–	–	-11,010,729	-11,010,729	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

During the Reporting Period, the Company canceled 11,010,729 shares in the special securities account repurchased in the 2019 repurchase plan. After the cancellation, the total number of shares of the Company was changed from 4,906,213,102 shares to 4,895,202,373 shares.

Approval of share changes

√Applicable □Not applicable

The Proposal on Cancellation of Shares in the Special Securities Account for Repurchase of the Company was approved at the first extraordinary general meeting of the Company for 2022, pursuant to which the Company was approved to cancel the 11,010,729 shares in the special securities account for repurchase.

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

During the Reporting Period, the share capital of the Company decreased by 11,010,729 shares, which contributed to the financial indicators such as basic EPS, and diluted EPS and net assets per share attributable to ordinary shareholders of the Company

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	52,412,835	0	10,500,000	41,912,835	lock-up shares for senior management	10,500,000 lock-up shares of senior management were unlocked at the beginning of 2022
Lin Zheying	0	12,000,000	0	12,000,000	lock-up shares for senior management	June 20, 2023
Wang Xin	0	37,500	0	37,500	lock-up shares for senior management	–
UBS AG	53,008,044	0	53,008,044	0	lock-up shares for non-public offering	May 19, 2022
Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Caizhi Fund	39,349,422	0	39,349,422	0	lock-up shares for non-public offering	May 19, 2022
Shenwan Hongyuan Securities Co., Ltd.	28,016,789	0	28,016,789	0	lock-up shares for non-public offering	May 19, 2022
Shanghai Chongyang Strategic Investment Co., Ltd.-Chongyang Strategy Yingzhi Fund	19,412,381	0	19,412,381	0	lock-up shares for non-public offering	May 19, 2022
Guotai Junan Securities Co., Ltd.	17,890,870	0	17,890,870	0	lock-up shares for non-public offering	May 19, 2022
Yuanhai Investment Co., Ltd.	17,488,632	0	17,488,632	0	lock-up shares for non-public offering	May 19, 2022
BARCLAYS BANK PLC	17,138,859	0	17,138,859	0	lock-up shares for non-public offering	May 19, 2022
Others	157,977,811	0	157,977,811	0	–	–
Total	402,695,643	12,037,500	360,782,808	53,950,335	–	–

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

During the Reporting Period, the first extraordinary general meeting of the Company for 2022 approved the Proposal on Cancellation of Shares in the Special Securities Account for Repurchase of the Company, pursuant to which the Company was approved to cancel the 11,010,729 shares in the special securities account for repurchase. Upon completion of the cancellation, the total share capital of the Company was changed from 4,906,213,102 shares to 4,895,202,373 shares.

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	165,744	Total number of ordinary shareholders at the end of the previous month before the disclosure date of the annual report	186,169	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 previous 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

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	50.86%	2,489,927,139	-12,000,000	–	2,489,927,139	Pledged	778,000,000
Hong Kong Securities Clearing Company Ltd	Overseas legal person	5.40%	264,418,390	32,538,419	–	264,418,390	–	–
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	3.95%	193,275,160	-301,301	–	193,275,160	Pledged	43,449,214
Ningbo Shunda Fengrun Investment Management Partnership (Limited Partnership)	Domestic non-state-owned legal person	2.09%	102,334,904	-9,164,303	–	102,334,904	–	–
Liu Jilu	Domestic natural person	0.91%	44,723,780	-11,160,000	41,912,835	2,810,945	Pledged	5,830,000
Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Caizhi Fund	Other	0.80%	39,349,422	–	–	39,349,422	–	–
Norges Bank-Own Funds	Overseas legal person	0.58%	28,195,185	-11,952,737	–	28,195,185	–	–
Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Yingzhi Fund	Other	0.40%	19,412,381	–	–	19,412,381	–	–
Yuanhai Investment Co., Ltd.	State-owned legal person	0.36%	17,488,632	–	–	17,488,632	–	–
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 2,689,927,139 shares in the Company, accounting for 54.95% of the Company's total share capital, of which 2,489,927,139 shares are directly held 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)	Special explanation (if any) on the top ten shareholders with special account for repurchase at the end of the Reporting Period, the "Special Securities Account for Repurchase of S.F. Holding Co., Ltd." held 39,632,255 shares not subject to trading restrictions on sales. According to relevant regulations, repurchase accounts are 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.	2,489,927,139	RMB-denominated ordinary shares	2,489,927,139
Hong Kong Securities Clearing Company Ltd.	264,418,390	RMB-denominated ordinary shares	264,418,390
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.	193,275,160	RMB-denominated ordinary shares	193,275,160
Ningbo Shunda Fengrun Investment Management Partnership (Limited Partnership)	102,334,904	RMB-denominated ordinary shares	102,334,904
Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Caizhi Fund	39,349,422	RMB-denominated ordinary shares	39,349,422
Norges Bank-Own Funds	28,195,185	RMB-denominated ordinary shares	28,195,185
Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Yingzhi Fund	19,412,381	RMB-denominated ordinary shares	19,412,381
Yuanhai Investment Co., Ltd.	17,488,632	RMB-denominated ordinary shares	17,488,632
NSF Portfolio #112	15,580,464	RMB-denominated ordinary shares	15,580,464
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 2,689,927,139 shares in the Company, accounting for 54.95% of the Company's total share capital, of which 2,489,927,139 shares are directly held 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)	N/A		

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 actual controller of S.F. Currently, he is the chairman and general manager of the Company.		
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 of the Company and the Company is detailed as follows:

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 (RMB0'000)	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)
March 3, 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 6 months from the date on which the repurchase plan is considered and approved by the Board	Employee stock ownership plan or equity incentive plan	38,797,055	–
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	835,200	–

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 28, 2023
Audit Institution Name	PricewaterhouseCoopers Zhong Tian LLP
Audit Report Reference Number	PwC ZT Shen Zi (2023) No. 10050
Registered Accountants' Names	Chen Anqiang, Liu Jingping

Auditor's Report

PwC ZT Shen Zi (2023) 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 2022;
- 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 2022, 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:

- Evaluation of fair value of the identifiable net assets relating to the acquisition and recognition of goodwill
- 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
Evaluation of fair value of the identifiable net assets relating to the acquisition and recognition of goodwill (Note 2(29)(a)(vi), Note 4(19) and Note 5(1)(a)) On 19 April 2022 ("acquisition date"), S.F. Holding completed the acquisition of 100% equity of Topocean Consolidation Service (Los Angeles) Inc. ("Topocean") at a consideration of RMB1,677 million, thus obtained the control right and included Topocean and its subsidiaries in the scope of consolidation. As at the acquisition date, S.F. Holding recognised Topocean' s identifiable net assets at fair value, and the fair value of the identifiable net assets exceeded carrying amount by approximately RMB288 million, due to the recognition of intangible assets (mainly customer relationships) and corresponding deferred tax liabilities. The excess of the consideration over the fair value of the identifiable net assets amounting to approximately RMB1,157 million was recognised as goodwill. Management engaged an independent valuer to assist in the identification of the identifiable assets and valuation of the fair value of intangible assets at the acquisition date. The assessment of the fair value of identifiable net assets on the acquisition date included the identification of intangible assets, the selection of valuation methods, and the forecast of future cash flows, which involved critical estimates and judgements about the key assumptions including revenue growth rate, discount rate. Due to the significant amounts of the fair value evaluated of the identifiable net assets at the acquisition date and recognition of goodwill, and critical estimates and judgements from management were involved in the evaluation of fair value of the identifiable net assets, we considered the evaluation of fair value of the identifiable net assets and the recognition of goodwill relating to the acquisition as a key audit matter.	In response to the key audit matter, we performed procedures as follows: • Discussed with management and understood the purpose of the transaction and the pricing basis; • Obtained the resolutions of the Board of Directors and shareholders' meeting related to the purchase of Topocean, acquisition agreements, valuation report, the Articles of Association and other supporting documents, and examined the transaction details; • Understood, evaluated and tested the internal controls relating to the business combinations implemented by management; • Assessed the professional competency and objectivity of the independent valuer; • Performed the following procedures with the involvement of our internal valuation experts: (1) We evaluated the appropriateness of the valuation methods adopted by management and the independent valuer in the process of valuation; (2) We checked the calculation of goodwill and the fair value of the identifiable assets and liabilities for accuracy; (3) We evaluated the integrity of the identifiable assets and liabilities by check the acquisition agreement, the related information of Topocean, etc.; (4) We obtained an understanding of future business development plan developed by management to evaluate the commercial reasonableness of goodwill recognition; (5) Through the interview with management and by reference to historical performance, operating data and comparable market data of Topocean, we evaluated the appropriateness of key assumptions (revenue growth rate, gross profit rate and discount rate) applied by management in evaluating the fair value and the reasonableness of management's forecast of Topocean's future cash flows, and considered the potential impact on the valuation in case of reasonable changes in the key assumptions. Based on the above audit procedures performed, the valuation methods and key assumptions adopted by management in evaluation of fair value of the identifiable net assets and recognition of goodwill relating to the acquisition were properly supported by the audit evidences we obtained.

Key audit matters	How our audit addressed the key audit matter
(2) 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 2022, the goodwill balance of SF Holding in relation to the business of Kerry Logistics and SF Supply Chain Business was approximately RMB5,708 million and RMB3,034 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. 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 2022 with relative estimates in 2021, 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
(3) 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 2022, the revenue from logistics and freight forwarding services of S.F. Holding was approximately RMB262,100 million, accounting for about 98.10% 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 rounting information recording, invoices, collection records or reconciliation records, etc.; • With respect to the revenue which had not been settled, on sample basis, we requested confirmations of the year-end balance of accounts receivable, and inspected relevant supporting documents, including service contracts, the receipts confirmed by customer, invoices and subsequent collection records; • 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 2022 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

Signing CPA ____________________
Chen Anqiang (Engagement Partner)

28 March 2023

Signing CPA ____________________
Liu Jingping

S.F. HOLDING CO., LTD.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

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

ASSETS	Note	31 December 2022 Consolidated	31 December 2021 Consolidated
Current assets			
Cash at bank and on hand	4(1)	41,062,750	35,315,051
Financial assets held for trading	4(2)	7,385,379	10,384,493
Notes receivable		236,244	317,255
Accounts receivable	4(3)	25,560,433	30,441,758
Receivables financing		63,310	–
Advances to suppliers	4(4)	3,464,911	2,936,246
Loans and advances		34,212	2,633
Other receivables	4(5)	3,341,237	4,238,518
Inventories	4(6)	1,948,354	1,546,821
Contract assets	4(7)	1,522,996	1,038,247
Current portion of non-current assets	4(9)	440,739	351,489
Other current assets	4(8)	5,612,928	7,539,613
Total current assets		90,673,493	94,112,124
Non-current assets			
Long-term receivables	4(9)	631,278	876,363
Long-term equity investments	4(10)	7,858,000	7,260,087
Investments in other equity instruments	4(11)	7,365,684	6,810,771
Other non-current financial assets	4(12)	1,012,209	878,023
Investment properties	4(13)	4,875,366	4,850,233
Fixed assets	4(14)	43,657,404	36,925,990
Construction in progress	4(15)	11,149,860	8,571,203
Right-of-use assets	4(16)	15,429,775	17,297,085
Intangible assets	4(17)	19,176,684	18,324,188
Capitalised development expenditures	4(18)	311,757	343,236
Goodwill	4(19)	9,345,744	7,371,830
Long-term prepaid expenses	4(20)	3,097,621	2,911,094
Deferred tax assets	4(35)	1,632,964	1,566,714
Other non-current assets	4(21)	624,868	1,801,041
Total non-current assets		126,169,214	115,787,858
TOTAL ASSETS		216,842,707	209,899,982

S.F. HOLDING CO., LTD.

CONSOLIDATED BALANCE SHEET (CONT'D)
AS AT 31 DECEMBER 2022

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

[English translation for reference only]

LIABILITIES AND EQUITY	Note	31 December 2022 Consolidated	31 December 2021 Consolidated
Current liabilities			
Short-term borrowings	4(23)	12,837,870	18,397,204
Deposits from customers		20,670	13,723
Financial liabilities held for trading		96,647	7,658
Notes payable		32,699	–
Accounts payable	4(24)	24,715,352	23,467,675
Advances from customers		49,035	27,385
Contract liabilities	4(25)	1,244,418	1,675,836
Employee benefits payable	4(26)	6,276,551	5,575,463
Taxes payable	4(27)	2,761,146	2,873,551
Other payables	4(28)	13,346,595	11,520,282
Current portion of non-current liabilities	4(29)	11,173,650	8,335,803
Other current liabilities	4(30)	5,122,276	4,127,049
Total current liabilities		77,676,909	76,021,629
Non-current liabilities			
Long-term borrowings	4(31)	7,472,010	3,510,829
Debentures payable	4(32)	18,927,508	15,656,370
Lease liabilities	4(33)	8,582,372	10,941,938
Long-term payables		209,675	361,983
Long-term employee benefits payable		114,024	351,754
Deferred income	4(34)	860,791	690,242
Deferred tax liabilities	4(35)	4,657,954	4,402,160
Provisions		55,415	47,830
Total non-current liabilities		40,879,749	35,963,106
Total liabilities		118,556,658	111,984,735
Equity			
Share capital	4(36)	4,895,202	4,906,213
Capital reserve	4(37)	43,996,237	46,200,598
Less: Treasury stock	4(38)	(2,040,377)	(394,993)
Other comprehensive income	4(55)	4,538,027	2,617,231
General risk reserve		493,048	420,638
Surplus reserve	4(40)	1,010,253	947,775
Retained earnings	4(41)	33,371,351	28,245,764
Total equity attributable to shareholders of the Company		86,263,741	82,943,226
Minority interests		12,022,308	14,972,021
Total equity		98,286,049	97,915,247
TOTAL LIABILITIES AND EQUITY		216,842,707	209,899,982

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 2022

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

[English translation for reference only]

ASSETS	Note	31 December 2022 Company	31 December 2021 Company
Current assets			
Cash at bank and on hand	18(1)	812,181	226,112
Financial assets held for trading	18(2)	2,335,319	9,200,219
Advances to suppliers		121	1,248
Other receivables	18(3)	15,191,464	18,275,492
Other current assets		–	5,827
Total current assets		18,339,085	27,708,898
Non-current assets			
Long-term equity investments	18(4)	58,217,914	50,997,088
Fixed assets		–	9
Construction in progress		144,726	24,392
Right-of-use assets		–	2,064
Intangible assets		368,381	382,331
Long-term prepaid expenses		–	779
Other non-current assets		459	111
Total non-current assets		58,731,480	51,406,774
TOTAL ASSETS		77,070,565	79,115,672

S.F. HOLDING CO., LTD.

COMPANY BALANCE SHEET (CONT'D)
AS AT 31 DECEMBER 2022

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

[English translation for reference only]

LIABILITIES AND EQUITY	Note	31 December 2022 Company	31 December 2021 Company
Current liabilities			
Employee benefits payable		227	227
Other payables		29,191	6,884
Taxes payable		10,804	704
Current portion of non-current liabilities		–	519
Total current liabilities		40,222	8,334
Non-current liabilities			
Deferred tax liabilities		1,253	7,290
Lease liabilities		–	1,673
Total non-current liabilities		1,253	8,963
Total liabilities		41,475	17,297
Equity			
Share capital	4(36)	4,895,202	4,906,213
Capital reserve		71,743,948	71,907,104
Less: Treasury stock	4(38)	(2,040,377)	(394,993)
Surplus reserve		857,208	794,730
Retained earnings		1,573,109	1,885,321
Total equity		77,029,090	79,098,375
TOTAL LIABILITIES AND EQUITY		77,070,565	79,115,672

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 2022

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

[English translation for reference only]

Item	Note	2022 Consolidated	2021 Consolidated	2022 Company	2021 Company
1. Revenue	4(42)	267,490,414	207,186,647	–	–
Less: Cost of revenue	4(42)	(234,072,360)	(181,548,507)	–	–
Taxes and surcharges	4(43)	(476,706)	(478,726)	(52)	(5,373)
Selling and distribution expenses	4(44)	(2,784,114)	(2,837,899)	–	–
General and administrative expenses	4(45)	(17,574,490)	(15,029,663)	(15,823)	(23,939)
Research and development expenses	4(46)	(2,222,865)	(2,154,839)	–	(21)
Financial (costs)/income	4(47)	(1,711,613)	(1,563,359)	21,081	8,731
Including: Interest expenses		(2,054,360)	(1,562,008)	(62)	(98)
Interest income		345,662	187,794	21,163	8,852
Add: Other income	4(49)	2,249,361	1,768,139	–	8
Investment income	4(50) 18(5)	1,025,385	2,406,535	686,398	2,022,132
Including: Investment income/ from associates and joint ventures		7,549	42,660	–	–
(Losses)/Gains arising from changes in fair value		(27,938)	98,949	(24,899)	29,843
Credit impairment losses	4(51)	(821,100)	(578,951)	(7)	(1)
Asset impairment losses		(131,756)	(60,390)	–	–
Gains on disposal of assets		91,689	40,461	198	–
2. Operating profit		11,033,907	7,248,397	666,896	2,031,380
Add: Non-operating income	4(52)(a)	231,487	289,542	51	–
Less: Non-operating expenses	4(52)(b)	(298,616)	(404,258)	(497)	–
3. Total profit		10,966,778	7,133,681	666,450	2,031,380
Less: Income tax expenses	4(53)	(3,963,158)	(3,214,468)	(41,666)	(4,059)
4. Net profit		7,003,620	3,919,213	624,784	2,027,321
Classified by continuity of operations:					
Net profit from continuing operations		7,003,620	3,919,213	624,784	2,027,321
Net profit from discontinued operations		–	–	–	–
Classified by ownership of the equity:					
Attributable to shareholders of the Company		6,173,764	4,269,098	624,784	2,027,321
Minority interests		829,856	(349,885)	–	–

S.F. HOLDING CO., LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2022

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

[English translation for reference only]

Item	Note	2022 Consolidated	2021 Consolidated	2022 Company	2021 Company
5. Other comprehensive income, net of tax	4(55)	1,273,054	1,742,921	–	–
Attributable to shareholders of the Company, net of tax		1,882,025	1,585,918	–	–
Other comprehensive income items which will not be reclassified subsequently to profit or loss		(49,083)	1,873,868	–	–
Including: Changes in fair value of investments in other equity instruments		(47,597)	1,873,959	–	–
Other comprehensive income items which will not be transferred to profit or loss under the equity method		(1,486)	(91)	–	–
Other comprehensive income items which will be reclassified subsequently to profit or loss		1,931,108	(287,950)	–	–
Including: Cash flow hedge reserve		15,392	(4,536)	–	–
Other comprehensive income items which will be transferred subsequently to profit or loss under the equity method		(18,740)	–	–	–
Exchange differences on translation of foreign currency financial statements		1,934,456	(283,414)	–	–
Attributable to minority interests, net of tax		(608,971)	157,003	–	–
6. Total comprehensive income		8,276,674	5,662,134	624,784	2,027,321
Attributable to shareholders of the Company		8,055,789	5,855,016	624,784	2,027,321
Attributable to minority interests		220,885	(192,882)	–	–
7. Earnings per share					
Basic earnings per share (RMB Yuan)	4(54)	1.27	0.93	Not applicable	Not applicable
Diluted earnings per share (RMB Yuan)	4(54)	1.27	0.93	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 2022

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

[English translation for reference only]

Item	Note	2022 Consolidated	2021 Consolidated	2022 Company	2021 Company
1. Cash flows from/(used in) operating activities					
Cash received from sales of goods or rendering of services		282,453,563	212,073,004	–	–
Net increase in deposits from customers and other financial institutions		6,945	10,068	–	–
Net decrease in loans to customers		–	84,635	–	–
Net decrease in balances with central bank and other banks		–	461,038	–	–
Refund of taxes and levies		5,649,323	161,859	10,265	–
Cash received relating to other operating activities	4(56)(a)	81,078,659	90,470,800	26,936	9,791
Sub-total of operating cash inflows		369,188,490	303,261,404	37,201	9,791
Cash paid for goods and services		(202,633,677)	(156,611,845)	–	–
Net increase in loans to customers		(34,105)	–	–	–
Net increase in balances with central bank and other banks		(296,941)	–	–	–
Cash paid to and on behalf of employees		(31,255,839)	(28,341,837)	(8,095)	(3,882)
Payments of taxes and levies		(8,039,647)	(5,461,724)	(45,171)	(21,619)
Cash paid relating to other operating activities	4(56)(b)	(94,225,334)	(97,488,393)	(8,629)	(14,796)
Sub-total of operating cash outflows		(336,485,543)	(287,903,799)	(61,895)	(40,297)
Net cash flows from/(used in) operating activities	4(57)(a)	32,702,947	15,357,605	(24,694)	(30,506)
2. Cash flows (used in)/from investing activities					
Cash received from disposal of investments		2,559,624	1,238,705	–	–
Cash received from returns on investments		913,099	490,403	2,197,582	1,523,460
Cash received from disposal of fixed assets and other long-term assets		176,331	147,398	7	–
Net cash received from disposal of subsidiaries	4(56)(c)	313,719	2,337,552	–	–
Cash received relating to other investing activities	4(56)(e)	153,839,102	125,485,123	44,200,010	8,272,497
Sub-total of investing cash inflows		157,801,875	129,699,181	46,397,599	9,795,957
Cash paid to acquire fixed assets and other long-term assets		(14,183,777)	(19,195,560)	(97,014)	(31,554)
Cash paid to acquire investments		(2,073,948)	(656,070)	(7,000,000)	–
Net cash paid to acquire subsidiaries	4(56)(d)	(2,217,481)	(9,043,578)	–	–
Cash paid relating to other investing activities	4(56)(e)	(151,418,127)	(117,935,200)	(35,774,516)	(27,974,434)
Sub-total of investing cash outflows		(169,893,333)	(146,830,408)	(42,871,530)	(28,005,988)
Net cash flows (used in)/from investing activities		(12,091,458)	(17,131,227)	3,526,069	(18,210,031)

S.F. HOLDING CO., LTD.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2022

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

[English translation for reference only]

Item	Note	2022 Consolidated	2021 Consolidated	2022 Company	2021 Company
3. Cash flows (used in)/from financing activities					
Cash received from capital contributions		162,673	23,794,887	–	19,910,000
Including: Cash received from capital contributions by minority interests of subsidiaries		162,673	3,884,887	–	–
Cash received from borrowings and issue of debentures		39,568,089	44,468,053	–	–
Cash received relating to other financing activities		5,187	7,577	–	–
Sub-total of financing cash inflows		39,735,949	68,270,517	–	19,910,000
Cash repayments on borrowings and debentures		(37,421,220)	(27,248,269)	–	–
Cash payments for interest expenses and distribution of dividends or profits		(3,688,182)	(2,379,578)	(874,518)	(1,499,992)
Cash paid relating to other financing activities	4(56)(f)	(14,643,497)	(17,422,744)	(2,040,787)	(1,457)
Sub-total of financing cash outflows		(55,752,899)	(47,050,591)	(2,915,305)	(1,501,449)
Net cash flows (used in)/from financing activities		(16,016,950)	21,219,926	(2,915,305)	18,408,551
4. Effect of foreign exchange rate changes on cash and cash equivalents		871,640	(99,020)	(1)	–
5. Net increase in cash and cash equivalents		5,466,179	19,347,284	586,069	168,014
Add: Cash and cash equivalents at the beginning of the year		34,813,768	15,466,484	226,112	58,098
6. Cash and cash equivalents at the end of the year	4(57) (b)	40,279,947	34,813,768	812,181	226,112

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 2022

(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 2021		4,556,440	24,405,217	(394,993)	1,143,969	279,142	–	745,043	25,708,230	316,651	56,759,699
Movements for the year ended 31 December 2021											
Total comprehensive income											
Net profit		–	–	–	–	–	–	–	4,269,098	(349,885)	3,919,213
Other comprehensive income		–	–	–	1,585,918	–	–	–	–	157,003	1,742,921
Total comprehensive income for the year		–	–	–	1,585,918	–	–	–	4,269,098	(192,882)	5,662,134
Capital contribution and withdrawal by shareholders											
Capital contribution by shareholders		349,773	21,592,292	–	–	–	–	–	–	1,849,237	23,791,302
Share-based payments included in equity	9(1)	–	287,553	–	–	–	–	–	–	61,755	349,308
Others		–	(75,317)	–	–	–	–	–	–	(142,626)	(217,943)
Business combinations involving enterprises not under common control		–	–	–	–	–	–	–	–	13,126,493	13,126,493
Profit distribution											
Appropriation to general risk reserve	4(41)	–	–	–	–	141,496	–	–	(141,496)	–	–
Appropriation to surplus reserve	4(40)	–	–	–	–	–	–	202,732	(202,732)	–	–
Distribution to shareholders	4(41)	–	–	–	–	–	–	–	(1,499,992)	(46,607)	(1,546,599)
Transfer within equity											
Transfer from other comprehensive income to retained earnings		–	–	–	(112,656)	–	–	–	112,656	–	–
Movements in other capital reserve		–	(9,147)	–	–	–	–	–	–	–	(9,147)
Safety reserve											
Appropriation	4(39)	–	–	–	–	–	28,370	–	–	–	28,370
Utilisation	4(39)	–	–	–	–	–	(28,370)	–	–	–	(28,370)
Balance at 31 December 2021		4,906,213	46,200,598	(394,993)	2,617,231	420,638	–	947,775	28,245,764	14,972,021	97,915,247

S.F. HOLDING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2022

(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 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

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 2022

(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 2021		4,556,440	52,344,321	(394,993)	591,998	1,560,724	58,658,490
Movements for the year ended 31 December 2021							
Total comprehensive income							
Net profit		–	–	–	–	2,027,321	2,027,321
Capital contribution and withdrawal by shareholders							
Capital contribution by shareholders	4(36)	349,773	19,562,789	–	–	–	19,912,562
Share-based payments included in equity		–	(6)	–	–		(6)
Profit distribution							
Appropriation to surplus reserve	4(40)	–	–	–	202,732	(202,732)	–
Distribution to shareholders	4(41)	–	–	–	–	(1,499,992)	(1,499,992)
Balance at 31 December 2021		4,906,213	71,907,104	(394,993)	794,730	1,885,321	79,098,375
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

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 2022

(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 2022, the total share capital of the Company is RMB4,895,202,373 with a par value of RMB1 per share.

The approved business scope 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.

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 2022 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 2022 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 or a financial liability 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).

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:

Bank acceptance notes	Group of bank notes with low credit risk
Accounts receivable, other receivables	Group of receivables from related parties
Accounts receivable, other receivables and contract assets	Group of receivables from non-related parties
Long-term receivables	Group of finance leases
Long-term receivables	Group of 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.

(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 gain or losses are recognised. 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 annual 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%-1.90%
Land use rights	20 to 50 years	0%	5.00%-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%-1.90%
Port equipment	28 to 40 years	0%	3.57%-2.50%
Motor vehicles (excluding electromobiles)	2 to 20 years	0%-5%	50.00%-4.75%
Motor vehicles (electromobiles)	2 years	5%	47.50%
Machinery and equipment (automatic sorting equipment imported from abroad)	15 years	5%	6.33%
Machinery and equipment (excluding automatic sorting equipment imported from abroad or warehouse operation equipment)	2 to 10 years	0%-5%	50.00%-9.50%
Computers and electronic equipment	2 to 5 years	0%-5%	50.00%-19.00%
Office equipment and other equipment	2 to 20 years	0%-5%	50.00%-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%-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 expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

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). 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 logistics and freight forwarding services includes domestic express service income such as time-definite express and economic express; cold transportation and medical transportation service income; freight service income; intra-city on-demand delivery service income; supply chain and international service income (including international express service, international freight transport and forwarding service, as well as supply chain 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 contract changes to the contract using the simplified approach, 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. 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 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, reference to the current fair value of other financial instruments that are substantially identical, discounted cash flow analysis, option pricing models, 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.

(vi) Assessment of the fair value of identifiable net assets in acquisition transactions and goodwill recognition

As stated in Note 2(5)(b), identifiable net assets acquired in a business combinations involving enterprises not under common control are recognised at the fair value at the acquisition date, and if 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.

The assessment of the fair value of identifiable assets and liabilities involves critical estimates and judgements from management, in particular, the identification of intangible assets and the evaluation of their fair values, thereby affecting the recognition of goodwill. As stated in Note 5(1)(a), in a business combination involving enterprises not under common control in 2022, the Group had acquired 100% shares of Topocean Consolidation Service (Los Angeles) Inc. ("Topocean"). The valuation process afterwards identified intangible assets (Mainly is customer relationships) and the corresponding deferred income tax liability of approximately RMB364 million and goodwill of approximately RMB1,157 million. The assessment of the fair value of identifiable net assets on the acquisition date includes the identification of intangible assets, the selection of valuation methods, and the forecast of future cash flows, which involves critical estimates and judgements about the key assumptions including revenue growth rate, gross profit rate and discount rate. Different inputs used in the key assumptions may lead to significant differences between fair value estimates.

(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 released the *Circular on Issuing Interpretation No. 15 of Accounting Standards for Business Enterprises* (hereinafter "Interpretation No. 15") in 2021, in 2022 and 2023 released the *Circular on Issuing Interpretation No. 16 of Accounting Standards for Business Enterprises* (hereinafter "Interpretation No. 16"), and *Q&A on Implementation of Accounting Standards for Business Enterprises*. The financial statements for the year ended 31 December 2022 have been prepared by the Group and the Company in accordance with the above circulars and Q&A, and the above amendments have no significant impacts on the financial statements of the Group and the Company.

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 VAT input 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 of 16.5%, 12%, 17%, 23.2%, 25%, 21% and 20%, respectively in the reporting period.

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 7 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 27 subsidiaries as below 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 *Article 2 of the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (Cai Shui [2019] No. 13) jointly issued by the Ministry of Finance and the State Taxation Administration, during the period from 1 January 2019 to 31 December 2021, the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be recognised at 25% of income and be subject to the enterprise income tax rate of 20%; In accordance with the *Announcement on Implementing the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households* (Cai Shui [2021] No. 12) issued by the Ministry of Finance and the State Taxation Administration, during the period from 1 January 2021 to 31 December 2022, the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be subject to one-half reduced enterprise income tax on the basis of the above preferential policies.

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, during the period from 1 January 2022 to 31 December 2024, the annual taxable income of a small low-profit enterprise that is more than RMB1 million but less than RMB3 million shall be recognised at 25% of income and be subject to the enterprise income tax rate of 20%.

Therefore, the portion of annual taxable income of Ningbo Shuncheng Logistics Co., Ltd. and other 50 subsidiaries as below not exceeding RMB1 million is recognised at 12.5%, and they are subject to enterprise income tax at the rate of 20%; the portion of annual taxable income of the Group's subsidiaries exceeding RMB1 million but not exceeding RMB3 million is recognised at 25%, and they are subject to the enterprise income tax rate of 20%.

(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 5 subsidiaries as below 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 as below are subject to a tax rate of 15% in the reporting period (2021: 15%).

In addition, pursuant to the provisions of the *Announcement on Increasing Support of Pre-tax Deductions for Scientific and Technological Innovation* (announcement of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology [2022] No. 28) issued by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology, during the period from 1 October 2022 to 31 December 2022, the newly purchased equipment of the above companies could be fully deducted in 2022 against taxable profit, and the additional deduction of 100% was approved before tax. The pre-tax deduction ratio of R&D expenses of the above companies is 75% from 1 January 2022 to 31 September 2022; the proportion of additional pre-tax deduction will be increased to 100% from 1 October 2022 to 31 December 2022.

(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 (i), Property leases	9%
Logistics supporting service (i)(ii), Research and development and technical service, Information technology service	6%

(i) Pursuant to the *Announcement on Policies for Deepening the Value-Added Tax Reform* (Cai Shui [2019] No. 39), the *Announcement on Clarifying the Additional Value-Added Tax Credit Policy for the Life Service Industry* (Cai Shui [2019] No. 87) and the *Announcement on the Value-Added Tax Policies for Promoting the Poverty-relief Development of Service Industries* (Cai Shui [2022] No. 11), the enterprises in taxpayers of productive and consumer service industry qualify for additional 10% or 15% deduction of input VAT from output VAT from 1 April 2019 to 31 December 2022, respectively.

(ii) Pursuant to the *Announcement on the Exemption of Value-Added Tax of Express Delivery Service*, revenue from express delivery service of essential living materials for residents shall be exempted from VAT from 1 May 2022 to 31 December 2022.

4. Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2022	31 December 2021
Cash on hand	18,437	48,513
Cash at bank (c)	16,629,310	16,067,702
Balances with central bank from Group Finance Company	848,392	548,204
Including: – statutory reserve (a)	837,242	540,300
– excess reserve (b)	11,150	7,904
Balances with other banks from Group Finance Company	23,378,727	18,569,253
Other cash balances (c)	165,126	76,182
Interest receivable	22,758	5,197
	41,062,750	35,315,051
Including: Overseas deposits	9,471,675	9,330,693

(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 2022, the bank deposits of RMB11,086,000 (31 December 2021: RMB9,600,000) were deposits in commercial banks to guarantee general bank credit (Note 4(23)(c)). Other cash balances of RMB1,832,000 (31 December 2021: RMB1,832,000) is the security deposit for the Group to apply for a letter of guarantee from the bank; RMB24,759,000 (31 December 2021: RMB25,194,000) is the security deposit received by the Group from a third party. According to the contract, the security deposit needs to be returned after the cooperation is completed. These funds are all restricted funds.

(2) Financial assets held for trading

	31 December 2022	31 December 2021
Structured deposits	7,351,158	9,730,665
Fund investments	34,221	653,828
	7,385,379	10,384,493

(3) Accounts receivable

	31 December 2022	31 December 2021
Accounts receivable	27,120,677	31,476,627
Less: Provision for bad debts	(1,560,244)	(1,034,869)
	25,560,433	30,441,758

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 2022	31 December 2021
Within 1 year (inclusive)	26,162,778	31,027,603
1 to 2 years (inclusive)	653,524	236,070
Over 2 years	304,375	212,954
	27,120,677	31,476,627

(b) As at 31 December 2022, the five largest accounts receivable aggregated by debtor were summarised and analysed as follows:

	31 December 2022		
	Book balance	Provision for bad debts	% of total balance
Sum of the five largest accounts receivable	2,281,021	(3,937)	8.41%

(c) Provision for bad debts

For accounts receivable, the Group recognises the lifetime expected credit loss provision.

As at 31 December 2022, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts	Reason
Receivables from related parties	–	–	–	
Receivables from non-related parties	719,588	100.00%	(719,588)	The debtor encountered financial distress, etc.
	719,588		(719,588)	

As at 31 December 2021, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts	Reason
Receivables from related parties	–	–	–	
Receivables from non-related parties	559,591	100.00%	(559,591)	The debtor encountered financial distress, etc.
	559,591		(559,591)	

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 grouping	237,028	–	–
Non-related party grouping	26,164,061	3.21%	(840,656)
	26,401,089		(840,656)

As at 31 December 2021, 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 grouping	278,423	–	–
Non-related party grouping	30,638,613	1.55%	(475,278)
	30,917,036		(475,278)

(d) In 2022, the Group's provision for bad debts amounted to RMB760,520,000 (2021: RMB605,865,000), and the Group's provision for bad debts reversed amounted to RMB90,559,000 (2021: Nil) (Note 4(22)).

(e) In 2022, the provision for bad debts of accounts receivable that were written off amounted to RMB169,984,000 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 2022		31 December 2021	
	Amount	% of total balance	Amount	% of total balance
Within 1 year (inclusive)	3,339,817	96.39%	2,826,165	96.25%
1 to 2 years (inclusive)	94,873	2.74%	73,490	2.50%
Over 2 years	30,221	0.87%	36,591	1.25%
	3,464,911	100.00%	2,936,246	100.00%

As at 31 December 2022, advances to suppliers with ageing over one year were mainly prepaid materials, transportation expenses, etc. That is because relevant business transactions were still being performed.

(b) As at 31 December 2022, the five largest advances to suppliers aggregated by debtor were summarised and analysed as follows:

	31 December 2022	
	Amount	% of total balance
Sum of the five largest advances to suppliers	798,742	23.05%

(5) Other receivables

	31 December 2022	31 December 2021
Receivables from related parties (Note 8(4)(d))	521,494	492,057
Guarantees and deposits	1,532,034	1,413,769
Cash to collect on behalf of customers	330,427	689,476
Tax paid on behalf of others	208,441	154,965
Employee borrowings and advances	106,828	95,564
Receivables from airlines subsidies and financial rebates	99,389	105,652
Receivables from equity transfer	77,455	344,662
Prepaid social insurance premium	33,519	23,515
Entrusted loan principal receivables	27,000	27,000
Others	643,773	999,967
	3,580,360	4,346,627
Less: Provision for bad debts	(239,123)	(108,109)
	3,341,237	4,238,518

(a) The ageing of other receivables based on the point of occurrence is analysed as follows:

	31 December 2022	31 December 2021
Within 1 year (inclusive)	2,572,195	3,638,859
1 to 2 years (inclusive)	385,523	297,337
Over 2 years	622,642	410,431
	3,580,360	4,346,627

As at 31 December 2022, other receivables with ageing over 1 year mainly represented deposits and guarantees, entrusted loans receivable and receivables from equity transfer.

(b) Provision for bad debts and changes in balance statements

(i) 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 statement of changes in provisions for bad debts is as follows:

	Stage 1	Stage 3 Total	Total
	Expected credit losses in the following 12 months (grouping)	Lifetime expected credit losses (credit impaired)	
31 December 2021	14,454	93,655	108,109
Provision in the current year	5,481	152,554	158,035
Write-off in the current year	–	(18,814)	(18,814)
Transfer to Stage 3	(730)	730	–
Disposal and other reductions	(8,207)	–	(8,207)
31 December 2022	10,998	228,125	239,123

The book balance of other receivables transferred to Stage 3 is RMB145,958,000. (2021: Nil)

As at 31 December 2022 and 31 December 2021, 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.

(ii) As at 31 December 2022, 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 grouping	521,494	–	–	Expected credit loss method
Non-related party grouping	2,808,453	0.39%	(10,998)	
	3,329,947		(10,998)	

(iii) As at 31 December 2021, 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 grouping	492,057	–	–	Expected credit loss method
Non-related party grouping	3,750,115	0.39%	(14,454)	
	4,242,172		(14,454)	

As at 31 December 2022 and 31 December 2021, the Group did not have any other receivables at Stage 2.

(iv) 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)	

As at 31 December 2021, 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:				
Entrusted loans receivable	27,000	60.00%	(16,200)	The debtor encountered financial distress
Receivables from equity transfer	77,455	100.00%	(77,455)	The debtor encountered financial distress
	104,455		(93,655)	

As at 31 December 2022 and 31 December 2021, 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.

(c) In 2022, the Group's provision for bad debts amounted to RMB158,035,000 (2021: RMB7,472,000), and no provision for bad debts was reversed (2021: RMB15,000,000) (Note 4(22)).

(d) In 2022, the provision for bad debts of other receivables that were written off amounted to RMB18,814,000 (2021: RMB12,154,000) (Note 4(22)) and no other receivables with amounts that were individually significant were written off (2021: Nil).

(e) As at 31 December 2022, the five largest other receivables aggregated by debtor were summarised and analysed as follows:

	Nature of business	Ageing	31 December 2022		
			Book balance	Provision for bad debts	% of total balance
Shenzhen Hive Box Technology Co., Ltd. ("Hive Box Technology") and its subsidiaries	Agency collection and payment	Within 1 year	405,621	–	11.33%
Goodear Development Co., Ltd.	Guarantees and deposits	1 to 3 years	51,607	–	1.44%
Wuhan TianHe International Airport	Airline subsidies and financial rebates	Within 1 year	45,041	–	1.26%
Hangzhou International Airport	Airline subsidies and financial rebates	Within 1 year、1 to 3 years	41,412	–	1.16%
Suzhou Lake District Development Co., Ltd.	Guarantees and deposits	2 to 3 years	40,000	–	1.12%
			583,681	–	16.31%

(6) Inventories

Inventories are summarised by category as follows:

	31 December 2022		
	Book balance	Provision for decline in the value of inventories and impairment of contract liabilities	Carrying amount
Finished goods	706,779	(2,425)	704,354
Raw materials in stock	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

	31 December 2021		
	Book balance	Provision for decline in the value of inventories and impairment of costs to fulfil a contract	Carrying amount
Raw materials in stock	588,354	(1,108)	587,246
Finished goods	497,617	(6,777)	490,840
Aviation consumables	268,985	–	268,985
Turnover materials	166,153	–	166,153
Costs to fulfil a contract	33,597	–	33,597
	1,554,706	(7,885)	1,546,821

(7) Contract assets

	31 December 2022	31 December 2021
Contract assets	1,526,396	1,041,152
Less: Provision for impairment loss	(3,400)	(2,905)
	1,522,996	1,038,247

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 2022 and 31 December 2021, the Group's contract assets are not overdue. After evaluation, the Group believes that there is no need to make individual provision for impairment.

(8) Other current assets

	31 December 2022	31 December 2021
Input VAT to be offset	4,840,499	7,299,204
Prepaid enterprise income tax	768,131	236,852
Others	4,298	3,557
	5,612,928	7,539,613

(9) Long-term receivables and current portion of non-current assets

	31 December 2022	31 December 2021
Finance lease receivables (a)	692,204	726,349
Deposits for house purchase	277,904	277,904
Employees loans	112,662	237,255
Others	8,860	8,328
Less: Provision for bad debts	(19,613)	(21,984)
Current portion of long-term receivables	(440,739)	(351,489)
	631,278	876,363

(a) Finance lease receivables

	31 December 2022	31 December 2021
Finance lease receivables	755,431	811,886
Less: Unrealised finance gains	(63,227)	(85,537)
Amortised cost of finance lease receivables	692,204	726,349
Less: Provision for bad debts	(18,980)	(20,686)
Current portion of finance lease receivables	(376,512)	(249,416)
	296,712	456,247

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 2022	31 December 2021
Within 1 year (inclusive)	437,214	311,050
1 to 2 years (inclusive)	244,134	288,158
2 to 3 years (inclusive)	65,863	177,484
Over 3 years	8,220	35,194
	755,431	811,886

(10) Long-term equity investments

	Joint ventures	Associates	Total
31 December 2021	2,593,932	4,666,155	7,260,087
Increase/(Decrease) in investments	1,088,841	(545,494)	543,347
Investment (loss)/income recognised under the equity method	(41,579)	49,128	7,549
Other comprehensive income and changes in equity recognised under the equity method	490	99,206	99,696
Cash dividends/profits distributed	(254)	(168,706)	(168,960)
Net increase in provision for impairment loss	(4,472)	(65,673)	(70,145)
Effect of translation of foreign currency financial statements	11,418	175,008	186,426
31 December 2022	3,648,376	4,209,624	7,858,000
Including: Balance of provision for impairment loss at the end of the period	4,472	243,545	248,017

(a) Joint ventures

	31 December 2021	Movements in the current year						31 December 2022	Balance of provision for impairment loss at the end of the year
		Increase/(Decrease) in investments	Share of net profit/(loss) under the equity method	Other changes in equity (i)	Cash dividends/profits distributed	Net increase in provision for impairment loss	Exchange differences on translation of foreign currency financial statements		
Hubei International Logistics Airport Co., Ltd.	1,356,612	920,000	(48,665)	–	–	–	–	2,227,947	–
Gem-shunxin Industrial Technology Co., Ltd.	500,443	–	(3,259)	13	–	–	–	497,197	–
Jinfeng Borun (Xiamen) Equity Investment Partnership (Limited Partnership)	143,174	150,000	23,855	–	–	–	–	317,029	–
ZBHA Group Co., Ltd. (Limited Partnership)	238,020	–	(1,810)	–	–	–	–	236,210	–
CC SF China Logistics Properties Investment Fund, L.P.	93,568	6,582	(1,352)	–	–	–	9,308	108,106	–
Others	262,115	12,259	(10,348)	477	(254)	(4,472)	2,110	261,887	(4,472)
	2,593,932	1,088,841	(41,579)	490	(254)	(4,472)	11,418	3,648,376	(4,472)

(b) Associates

	Carrying amount as at 31 December 2021	Movements in the current year							Carrying amount as at 31 December 2022	Balance of provision for impairment loss at the end of the year
		Increase/(Decrease) in investments	Share of net profit/(loss) under the equity method	Share of other comprehensive income	Other changes in equity (i)	Cash dividends/profits distributed	Net increase in provision for impairment loss	Exchange differences on translation of foreign currency financial statements		
SF Real Estate Investment Trust ("SF REITs")	1,151,506	–	15,679	(18,103)	–	(74,673)	–	109,258	1,183,667	–
Chiwan Container Terminal Co., Ltd.	919,872	–	73,797	–	–	(82,832)	–	53,481	964,318	–
Giao Hang Tiet Kiem Joint Stock Company	335,895	–	53,830	–	–	–	–	18,885	408,610	–
Amass Freight International Co. Ltd.	239,532	–	29,882	–	–	(5,888)	–	–	263,526	–
PT. Puninar Saranaraya	255,281	–	(1,789)	–	–	–	–	(19,879)	233,613	–
Zhejiang Galaxis Technology Group Co., Ltd. ("Galaxis Technology")	188,420	–	(271)	–	22,817	–	–	–	210,966	–
Others	1,575,649	(545,494)	(122,000)	(1,489)	95,981	(5,313)	(65,673)	13,263	944,924	(243,545)
	4,666,155	(545,494)	49,128	(19,592)	118,798	(168,706)	(65,673)	175,008	4,209,624	(243,545)

(i) Those represent changes in equity resulting from capital injections by investors other than the Group.

(11) Investments in other equity instruments

	31 December 2022	31 December 2021
Equity of listed companies	158,936	241,936
Equity of unlisted companies	7,206,748	6,568,835
	7,365,684	6,810,771

	31 December 2022	31 December 2021
Equity of listed companies:		
– Costs	187,763	272,354
– Accumulated changes in fair value	(28,827)	(30,418)
	158,936	241,936
Equity of unlisted companies:		
– Costs	3,885,789	3,502,503
– Accumulated changes in fair value	3,320,959	3,066,332
	7,206,748	6,568,835

Including: the changes in cost and accumulated fair value of RMB306,739,000 and RMB277,209,000 respectively in the current year were due to differences in translation of foreign currency statements.

(12) Other non-current financial assets

	31 December 2022	31 December 2021
Financial assets held for trading (over 1 year):		
Industry fund investments	770,637	552,130
Special Scheme equity-class securities	116,286	235,821
Others	125,286	90,072
	1,012,209	878,023

(13) Investment properties

	Buildings	Land use rights	Total
Cost:			
31 December 2021	3,893,230	1,126,698	5,019,928
Reclassification with other long-term assets in the current year (Note 4(14), Note 4(15), Note 4(17))	(120,371)	22,491	(97,880)
Addition in the current year	318,174	31,256	349,430
Decrease due to disposal of subsidiaries in the current year	(189,906)	(29,129)	(219,035)
Effect of translation of foreign currency financial statements	25,154	10,876	36,030
31 December 2022	3,926,281	1,162,192	5,088,473
Accumulated depreciation:			
31 December 2021	113,386	56,309	169,695
Reclassification with other long-term assets in the current year (Note 4(14), Note 4(15), Note 4(17))	(34,242)	(7,538)	(41,780)
Provision in the current year	64,919	27,649	92,568
Decrease due to disposal of subsidiaries in the current year	(7,083)	(2,944)	(10,027)
Effect of translation of foreign currency financial statements	1,523	1,128	2,651
31 December 2022	138,503	74,604	213,107
Carrying amount:			
31 December 2022	3,787,778	1,087,588	4,875,366
31 December 2021	3,779,844	1,070,389	4,850,233

(i) As at 31 December 2022, the Group was still in the process of applying for certificates of ownership for certain buildings and land use rights with carrying amount of RMB815,717,000 (cost of RMB833,551,000) (31 December 2021: carrying amount of RMB2,129,546,000 (cost of RMB2,158,274,000)).

(ii) As at 31 December 2022, investment properties with carrying amount of RMB104,571,000 (31 December 2021: RMB224,440,000) were pledged as collateral for long-term borrowings (Note 4(31)(c)).

(iii) As at 31 December 2022 and 31 December 2021, the Group assessed that no impairment loss should be provided 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 2021	15,086,397	7,011,193	4,918,214	11,194,035	8,908,878	10,217,775	57,336,492
Transfer from construction in progress (Note 4(15))	3,278,682	16,253	12,538	2,079,544	1,746,892	816,237	7,950,146
Transfer from investment properties in the current year (Note 4(13))	1,668,838	–	–	–	–	–	1,668,838
Addition in the current year	1,127,848	1,050,894	805,552	140,452	482,359	397,571	4,004,676
Business combinations involving enterprises not under common control increased	11,082	2,230	8,200	–	6,134	8,764	36,410
Transfer to investment properties in the current year (Note 4(13))	(522,488)	–	–	–	–	–	(522,488)
Decrease due to disposal of subsidiaries in the current year	(279,448)	(172)	(339)	–	(883)	(2,561)	(283,403)
Other decreases in the current year	(13)	(797,371)	(638,286)	(70,253)	(245,140)	(529,045)	(2,280,108)
Effect of translation of foreign currency financial statements	366,757	77,786	39,939	–	152,266	56,137	692,885
31 December 2022	20,737,655	7,360,813	5,145,818	13,343,778	11,050,506	10,964,878	68,603,448
Accumulated depreciation:							
31 December 2021	1,627,826	4,434,592	3,285,335	4,439,275	2,412,679	4,210,795	20,410,502
Transfer from investment properties in the current year (Note 4(13))	58,541	–	–	–	–	–	58,541
Provision in the current year	505,898	1,074,432	705,541	1,170,795	850,448	1,637,702	5,944,816
Business combinations involving enterprises not under common control increased	–	663	4,895	–	6,067	7,525	19,150
Transfer to investment properties in the current year (Note 4(13))	(24,299)	–	–	–	–	–	(24,299)
Decrease due to disposal of subsidiaries in the current year	(14,313)	(146)	(157)	–	(196)	(916)	(15,728)
Other decreases in the current year	(13)	(708,837)	(428,779)	(33,028)	(141,927)	(411,367)	(1,723,951)
Effect of translation of foreign currency financial statements	54,818	43,274	28,836	–	83,407	36,311	246,646
31 December 2022	2,208,458	4,843,978	3,595,671	5,577,042	3,210,478	5,480,050	24,915,677
Provision for impairment loss:							
31 December 2021	–	–	–	–	–	–	–
Increase in the current year	–	–	–	–	1,633	28,734	30,367
31 December 2022	–	–	–	–	1,633	28,734	30,367
Carrying amount:							
31 December 2022	18,529,197	2,516,835	1,550,147	7,766,736	7,838,395	5,456,094	43,657,404
31 December 2021	13,458,571	2,576,601	1,632,879	6,754,760	6,496,199	6,006,980	36,925,990

(i) As at 31 December 2022, carrying amount of the freehold land with no depreciation required, which was included in the buildings disclosed above, was RMB1,438,410,000 (31 December 2021: RMB932,242,000).

(ii) As at 30 August 2022, the Group exercised the right of first refusal to purchase the asset-backed special plan of Huatai Jiayue-SF Industrial Park Phase I No. 2 to acquire Shenzhen Jiafeng Industrial Park Management Co., Ltd. ("Shenzhen Jiafeng"), Shenzhen Shunjie Industrial Park Management Co., Ltd. ("Shenzhen Shunjie") and Shenzhen Runheng Industrial Park Management Co., Ltd. ("Shenzhen Runheng") 100% equity ("the subject of exercise"). The exercise price is about RMB1,456,130,000 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 RMB391,000,000. The total transfer price of the equity in this transaction is approximately RMB1,065,130,000. The transaction was completed on 2 September 2022 (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 RMB1,456,130,000.

(iii) In 2022, the aggregate amount of depreciation expenses charged to cost of revenue, selling and distribution expenses, general and administrative expenses and research and development expenses was RMB5,859,984,000 (2021: RMB4,588,519,000).

(iv) As at 31 December 2022, fixed assets with carrying amount of RMB486,847,000 (31 December 2021: RMB1,688,091,000) were pledged as collateral for short-term and long-term borrowings (Note 4(23)(b) and Note 4(31)(c)).

(v) Fixed assets with pending certificates of ownership

	31 December 2022			
	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Buildings	4,147,265	(93,939)	–	4,053,326

	31 December 2021			
	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Buildings	1,882,361	(59,224)	–	1,823,137

In addition, as at 31 December 2022, buildings with carrying amount of RMB19,562,000 and cost of RMB29,844,000 (31 December 2021: carrying amount of RMB20,968,000 and cost of RMB29,844,000) represented public rental houses with restricted property rights purchased by the Group for enterprise talents.

(vi) Disposal of aircraft engines, rotables and high-value aircraft maintenance tools

	2022				
	Reason for disposal	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Aircraft rotables	Scrapped	18,191	(3,835)	–	14,356
Aircraft rotables	Sold	205	(54)	–	151
High-value maintenance tools	Scrapped	257	(244)	–	13
		18,653	(4,133)	–	14,520

	2021				
	Reason for disposal	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Aircraft rotables	Scrapped	2,665	(1,166)	–	1,499
Aircraft rotables	Sold	102	(7)	–	95
High-value maintenance tools	Scrapped	52	(35)	–	17
		2,819	(1,208)	–	1,611

(15) Construction in progress

	31 December 2022	31 December 2021
Industrial Park Projects	7,055,896	5,004,254
Project of Distribution Hubs	2,082,661	1,472,333
Aircraft import and refit	1,106,470	1,051,191
Qianhai S.F. Headquarters Office	158,959	484,092
Others	745,874	559,333
	11,149,860	8,571,203
Including: Balance of provision for impairment loss at the end of the period	1,145	–

Name of projects	Budget	31 December 2021	Increase in the current year	Transfer to other long-term assets in the current year (iv)	Provision for impairment loss in the current year	Other decreases in the current year	31 December 2022	% of project investment in budget (ii)	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	20,888,446	5,004,254	5,694,321	(3,642,679)	-	-	7,055,896	72.08%	72.08%	118,507	118,507	2.23%	Self-owned funds and loans from financial institutions
Project of Distribution Hubs	15,337,579	1,472,333	3,724,682	(3,112,841)	-	(1,513)	2,082,661	84.35%	84.35%	-	-	-	Self-owned funds
Aircraft import and refit	3,056,379	1,051,191	2,155,328	(2,100,049)	-	-	1,106,470	70.52%	70.52%	-	-	-	Self-owned funds
Qianhai S.F. Headquarters Office	1,072,639	484,092	148,440	(473,573)	-	-	158,959	97.07%	97.07%	91,777	7,078	2.52%	Self-owned funds and loans from financial institutions
Others		559,333	687,063	(455,108)	(1,145)	(44,269)	745,874			-	-	-	Self-owned funds
		8,571,203	12,409,834	(9,784,250)	(1,145)	(45,782)	11,149,860			210,284	125,585		

(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 RMB9,784,250,000, including RMB7,950,146,000 transferred to fixed assets, RMB1,025,979,000 transferred to investment properties and RMB808,125,000 transferred to long-term prepaid expenses.

(16) Right-of-use assets

	Buildings	Motor vehicles	Machinery and equipment and others	Total
Cost:				
31 December 2021	22,836,379	989,612	45,494	23,871,485
Increase in the current year	5,989,953	119,666	16,990	6,126,609
Decrease in the current year	(1,912,153)	(477,048)	(6,846)	(2,396,047)
Effect of translation of foreign currency financial statements	154,020	39,414	7,479	200,913
31 December 2022	27,068,199	671,644	63,117	27,802,960
Accumulated depreciation:				
31 December 2021	6,189,945	367,573	16,882	6,574,400
Provision in the current year	6,995,888	165,813	12,709	7,174,410
Decrease in the current year	(1,140,287)	(294,489)	(6,379)	(1,441,155)
Effect of translation of foreign currency financial statements	48,083	16,485	962	65,530
31 December 2022	12,093,629	255,382	24,174	12,373,185
Carrying amount:				
31 December 2022	14,974,570	416,262	38,943	15,429,775
31 December 2021	16,646,434	622,039	28,612	17,297,085

As at 31 December 2022 and 31 December 2021, the Group considered 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 2021	7,054,173	636,746	5,220,062	4,461,848	4,976,772	302,094	22,651,695
Transfer from other long-term assets in the current year (Note 4(13), Note 4(18))	313,241	–	1,256,904	–	–	–	1,570,145
Business combinations involving enterprises not under common control increased	–	219	–	–	422,854	23,414	446,487
Addition in the current year	396,913	329,427	–	934	–	5,607	732,881
Transfer to other long-term assets in the current year (Note 4(13))	(335,732)	–	–	–	–	–	(335,732)
Decrease due to disposal of subsidiaries in the current year	(66,211)	–	–	–	–	–	(66,211)
Other disposal in the current year	–	(113,857)	(164,717)	(224)	–	(3,494)	(282,292)
Effect of translation of foreign currency financial statements	81,421	17,557	–	424,792	455,441	9,534	988,745
31 December 2022	7,443,805	870,092	6,312,249	4,887,350	5,855,067	337,155	25,705,718
Accumulated amortisation:							
31 December 2021	500,533	479,399	2,394,508	310,396	447,031	141,454	4,273,321
Transfer from other long-term assets in the current year (Note 4(13))	25,404	–	–	–	–	–	25,404
Provision in the current year	188,008	183,769	1,288,469	235,963	307,767	31,139	2,235,115
Transfer to other long-term assets in the current year (Note 4(13))	(17,866)	–	–	–	–	–	(17,866)
Decrease due to disposal of subsidiaries in the current year	(6,693)	–	–	–	–	–	(6,693)
Other disposal in the current year	–	(52,664)	(89,043)	(22)	–	(487)	(142,216)
Effect of translation of foreign currency financial statements	4,846	9,934	–	38,028	38,640	5,916	97,364
31 December 2022	694,232	620,438	3,593,934	584,365	793,438	178,022	6,464,429
Provision for impairment loss:							
31 December 2021	–	–	54,186	–	–	–	54,186
Increase in the current year	–	–	21,476	4	–	6	21,486
Decrease in the current year	–	–	(11,067)	–	–	–	(11,067)
31 December 2022	–	–	64,595	4	–	6	64,605
Carrying amount:							
31 December 2022	6,749,573	249,654	2,653,720	4,302,981	5,061,629	159,127	19,176,684
31 December 2021	6,553,640	157,347	2,771,368	4,151,452	4,529,741	160,640	18,324,188

(a) In 2022, the aggregate amount of amortisation expenses charged to cost of revenue, selling and distribution expenses, general and administrative expenses and research and development expenses was RMB2, 086,019,000 (2021: RMB1,487,797,000).

(b) As at 31 December 2022, intangible assets with carrying amount of RMB247,556,000 (31 December 2021: RMB232,730,000) 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 2022, the Group was still in the process of applying for certificates of ownership for land use rights with carrying amount of RMB51,120,000 (cost of RMB61,250,000) (31 December 2021: carrying amount of RMB227,698,000 and cost of RMB239,669,000).

(d) As at 31 December 2022, the intangible assets developed by the Group accounted for 13.84% (31 December 2021: 15.12%) of the carrying amount of intangible assets.

(18) Capitalised development expenditures

	31 December 2021	Increase in the current year	Transfer to intangible assets in the current year (Note 4(17))	Other decreases in the current year	31 December 2022
System development	343,236	1,266,410	(1,256,904)	(40,985)	311,757

As at 31 December 2022 and 31 December 2021, the Group assessed that no impairment loss should be recognised for capitalised development expenditures.

(19) Goodwill

	31 December 2021	Increase in the current year(a)	Effect of translation of foreign currency financial statements	31 December 2022
Cost:				
Kerry Logistics business (b)	4,071,759	1,193,154	443,537	5,708,450
SF Supply Chain Business	2,768,759	–	264,921	3,033,680
SF/HAVI China Logistics (Cayman Islands)	330,462	–	31,655	362,117
Guangdong Shunxin Freight Co., Ltd.	149,587	–	–	149,587
Others	53,698	39,125	1,522	94,345
	7,374,265	1,232,279	741,635	9,348,179
Less: Provision for impairment loss				
Others	(2,435)	–	–	(2,435)
	7,371,830	1,232,279	741,635	9,345,744

(a) Goodwill increased in the current year arose from acquisition of the equity interests in Topocean (Note 5(1)(a)).

(b) All the goodwill has been allocated by the Group to the relevant asset groups or sets of asset groups at the acquisition date.

As stated in Note 5(1)(a), The group has a business combinations involving enterprises not under common control, acquisition of Topocean and Pro-Med Technology Limited ("Pro-Med") in 2022. After the completion of the acquisition, Topocean's and Pro-Med business has been gradually integrated with the Kerry Logistics. Therefore, the Group has merged the Kerry Logistics business and Topocean and Pro-Med's business into one asset group ("Kerry Logistics Business"), And conduct impairment tests.

(c) 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.

SF supply chain business and Kerry logistics business the recoverable amounts of relevant sets of asset groups are calculated based on the eight-year and five-year forecast approved by management, respectively. together with a long-term growth rate in the remaining forecast period, determined by the present value of the future cash flows.

The Group determines revenue growth rate and profit margin based on historical experience and forecast of market development. The perpetual annual growth rate used in the cash flow forecast after the period is used as the revenue growth rate in the stable period; The Group comprehensively assessments and determines the sustainable annual growth rate based on the long-term inflation rate of mainland China, Hong Kong, Thailand and Southeast Asia, the United States, etc. The Group uses a pre-tax interest rate that reflects the specific risks of the underlying asset group and asset group portfolio as the discount rate.

The major assumptions applied in cash flows projections are presented as follows:

	31 December 2022	31 December 2021
Revenue growth rates in the first six-year forecast period	-16.50%~17.00%	-1.90%~14.20%
Long-term growth rate	2.00%~3.00%	3.00%
Earnings before interest and tax	-0.47%~7.16%	2.00% ~ 6.22%
Pre-tax discount rate	11.71%~14.10%	14.10%

(i) As at 31 December 2021, the Group's assessment of the recoverable amount of the asset group portfolio related to Kerry Logistics business is determined by reference to the market price of Kerry Logistics shares held by the Group on the Hong Kong Stock Exchange.the main assumption of the future cash flow discount method for 2021 is only applicable to SF supply chain business.

(20) Long-term prepaid expenses

	31 December 2021	Increase in the current year	Amortisation in the current year	Other decreases in the current year	31 December 2022
Improvements to right-of-use assets	2,153,116	958,039	(994,873)	(19,879)	2,096,403
Settling-in allowance and introduction fee for pilots	632,486	302,680	(96,477)	(1,733)	836,956
Others	125,492	92,505	(43,782)	(9,953)	164,262
	2,911,094	1,353,224	(1,135,132)	(31,565)	3,097,621

(21) Other non-current assets

	31 December 2022	31 December 2021
Advances for engineering equipment	617,191	1,651,326
Prepayment for land use right acquisitions and Others	7,677	149,715
	624,868	1,801,041

(22) Asset/Credit impairment and provision for losses

	31 December 2021	Increase in the current year		Decrease in the current year			Exchange differences on translation of foreign currency financial statements	31 December 2022
		Business combinations involving enterprises not under common control	Provision	Reversal	Write-off	Disposal and other reductions		
Provision for bad debts	1,164,962	10,272	918,555	(92,931)	(188,798)	(8,207)	15,127	1,818,980
Including: Provision for bad debts of accounts receivable (Note 4(3))	1,034,869	10,272	760,520	(90,559)	(169,984)	–	15,126	1,560,244
Provision for bad debts of other receivables (Note 4(5))	108,109	–	158,035	–	(18,814)	(8,207)	–	239,123
Provision for bad debts of long-term receivables (Note 4(9))	21,984	–	–	(2,372)	–	–	1	19,613
Provision for bad debts of factoring receivables	123,815	–	–	–	–	–	–	123,815
Provision for bad debts of loans and advances	65,748	–	847	(5,371)	(31,018)	–	6,245	36,451
Sub-total	1,354,525	10,272	919,402	(98,302)	(219,816)	(8,207)	21,372	1,979,246
Provision for impairment of long-term equity investments (Note 4(10))	177,872	–	72,474	–	–	(2,329)	–	248,017
Provision for impairment of fixed assets (Note 4(14))	–	–	30,367	–	–	–	–	30,367
Provision for impairment of intangible assets (Note 4(17))	54,186	–	21,486	–	–	(11,067)	–	64,605
Provision for decline in the value of inventories (Note 4(6))	7,885	–	2,214	–	–	(6,734)	174	3,539
Provision for impairment of contract assets (Note 4(7))	2,905	–	4,070	–	–	(3,575)	–	3,400
Provision for impairment of goodwill (Note 4(19))	2,435	–	–	–	–	–	–	2,435
Provision for impairment of construction in progress (Note 4(15))	–	–	1,145	–	–	–	–	1,145
Sub-total	245,283	–	131,756	–	–	(23,705)	174	353,508
	1,599,808	10,272	1,051,158	(98,302)	(219,816)	(31,912)	21,546	2,332,754

(23) Short-term borrowings

	31 December 2022	31 December 2021
Unsecured borrowings	8,512,438	9,811,391
Guaranteed borrowings (a)	4,224,863	8,388,798
Secured borrowings (b)	82,496	159,598
Pledged borrowings (c)	18,073	37,417
	12,837,870	18,397,204

(a) As at 31 December 2022, guaranteed borrowings of RMB4,224,863,000 (31 December 2021: RMB8,388,798,000) were guaranteed by SF Holdings or subsidiaries within the Group.

(b) As at 31 December 2022, secured borrowings of RMB82,496,000 was secured by the following assets respectively:

	Carrying amount of secured assets	Including: also secured for long-term borrowings
Fixed assets	486,847	486,847
Intangible assets	113,059	113,059
	599,906	599,906

As at 31 December 2021, secured borrowings of RMB159,598,000 was secured by the following assets respectively:

	Carrying amount of secured assets	Including: also secured for long-term borrowings
Fixed assets	1,550,383	268,982
Investment properties	91,282	91,282
Intangible assets	70,222	70,222
	1,711,887	430,486

(c) As at 31 December 2022, secured bank overdrafts of RMB18,073,000 (31 December 2021: RMB37,417,000) was secured by bank deposits of RMB11,086,000 (31 December 2021: RMB9,600,000) (Note 4(1)(c)).

(d) As at 31 December 2022, the range of annual interest rate of major short-term borrowings was 2.20% to 5.39% (31 December 2021: 0.66% to 3.81%).

(24) Accounts payable

	31 December 2022	31 December 2021
Payables to related parties (Note 8(4)(h))	505,241	415,824
Payables for services and purchases	24,210,111	23,051,851
	24,715,352	23,467,675

As at 31 December 2022, accounts payable with ageing over 1 year amounted to RMB93,260,000 (31 December 2021: RMB113,362,000), 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 2022	31 December 2021
Advances from related parties (Note 8(4)(i))	7,010	5,273
Advances of freight charges and others	1,237,408	1,670,563
	1,244,418	1,675,836

Contract liabilities of RMB1,675,836,000 included in the carrying amount as at 31 December 2021 were transferred to revenue for the year ended 31 December 2022. (2021: RMB1,537,441,000),

(26) Employee benefits payable

	31 December 2022	31 December 2021
Short-term employee benefits payable (a)	6,093,655	5,512,603
Defined contribution plans payable (b)	182,896	62,860
	6,276,551	5,575,463

(a) Short-term employee benefits

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Wages or salaries, bonus, allowances and subsidies	4,996,455	27,125,898	(26,639,301)	5,483,052
Employee welfare	17,765	295,340	(260,308)	52,797
Social security contributions	27,950	774,657	(726,483)	76,124
Including: Medical insurance	25,996	690,462	(647,570)	68,888
Work injury insurance	1,400	67,439	(62,067)	6,772
Maternity insurance	554	16,756	(16,846)	464
Housing funds	16,223	420,191	(426,947)	9,467
Labour union funds and employee education funds	386,499	459,901	(436,707)	409,693
Non-monetary benefits	46,071	1,349,866	(1,347,075)	48,862
Others	21,640	536,344	(544,324)	13,660
	5,512,603	30,962,197	(30,381,145)	6,093,655

Non-monetary welfare provided by the Group for employees primarily were non-monetary subsidies in various forms which were measured at fair value.

(b) Defined contribution plans

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Basic pensions	61,246	1,305,345	(1,189,126)	177,465
Unemployment insurance	1,614	38,659	(34,842)	5,431
	62,860	1,344,004	(1,223,968)	182,896

(27) Taxes payable

	31 December 2022	31 December 2021
Enterprise income tax payable	1,630,863	2,066,730
Unpaid VAT	928,371	626,827
Others	201,912	179,994
	2,761,146	2,873,551

(28) Other payables

	31 December 2022	31 December 2021
Accounts payable to related parties (Note 8(4)(j))	220,322	476,990
Engineering equipment payable	5,557,664	5,177,670
Deposits payable	1,933,887	1,361,142
Payables of cash collected on delivery service on behalf of other parties	1,200,321	1,619,423
Payable for equity acquisition	1,045,334	83,002
Bank supply chain financial products/re-factoring	992,178	868,330
Warranty deposits payable	441,138	228,822
Recharge payable	405,579	329,306
Dividends payable	165,014	–
Management fees payable	137,748	138,941
Professional service fees payable	78,339	93,864
Others	1,169,071	1,142,792
	13,346,595	11,520,282

As at 31 December 2022, other payables with ageing over 1 year amounted to RMB991,380,000 (31 December 2021: RMB657,392,000), mainly the undue deposits of continuing business and the unsettled engineering equipment funds.

(29) Current portion of non-current liabilities

	31 December 2022	31 December 2021
Current portion of lease liabilities (Note 4(33))	6,596,956	5,989,616
Current portion of debentures payable (a)	3,661,225	830,321
Current portion of long-term borrowings (Note 4(31))	600,680	1,458,374
Current portion of cash-settled share-based payments	296,703	34,855
Current portion of long-term payables	18,086	22,637
	11,173,650	8,335,803

(a) Current portion of debentures payable

	31 December 2021	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 2022
Overseas debentures denominated in USD of 2018	57,260	–	–	3,623,328	(134,816)	1,971	3,547,743
Overseas debentures denominated in USD of 2020	46,735	–	–	135,224	(131,902)	1,120	51,177
Other debentures payable	726,326	22,531	78	331,794	(1,033,474)	15,050	62,305
	830,321	22,531	78	4,090,346	(1,300,192)	18,141	3,661,225

(30) Other current liabilities

	31 December 2022	31 December 2021
Extra-short term commercial notes (a)	4,041,584	1,999,312
Short-term corporate debentures (b)	1,020,773	2,030,624
Output VAT to be recognised arising from contract liabilities	59,919	97,113
	5,122,276	4,127,049

(a) The Extra-short term commercial notes are detailed as follows:

	Par value (RMB'000)	Date of issue	Term	Interest rate
The Third Phase of 2022	1,000,000	13 May 2022	270 days	2.40%
The Fourth Phase of 2022	500,000	30 May 2022	270 days	2.35%
The Fifth Phase of 2022	500,000	17 June 2022	270 days	2.10%
The Sixth Phase of 2022	500,000	15 July 2022	270 days	2.10%
The Eighth Phase of 2022	1,000,000	11 August 2022	270 days	1.78%
The Ninth Phase of 2022	500,000	18 August 2022	180 days	1.65%

(b)The short-term corporate debentures are detailed as follows:

	Par value (RMB'000)	Date of issue	Term	Interest rate
The First Phase of 2022	500,000	11 March 2022	1 year	2.82%
The Second Phase of 2022	500,000	15 April 2022	1 year	2.73%

(31)Long-term borrowings

	31 December 2022	31 December 2021
Guaranteed borrowings (a)	5,901,392	2,974,052
Pledged borrowings (b)	1,487,597	1,343,378
Unsecured borrowings	553,843	526,365
Secured borrowings (c)	129,858	125,408
	8,072,690	4,969,203
Less: Current portion of long-term borrowings (Note 4(29)):		
Guaranteed borrowings	(50,087)	(1,080,395)
Pledged borrowings	(461,929)	(343,484)
Unsecured borrowings	(52,249)	(490)
Secured borrowings	(36,415)	(34,005)
	(600,680)	(1,458,374)
	7,472,010	3,510,829

(a) As at 31 December 2022, the Group's guaranteed borrowings of RMB5,865,597,000 (31 December 2021: RMB2,927,467,000) were guaranteed by subsidiaries within the Group and guaranteed borrowings of RMB35,795,000 (31 December 2021: RMB46,585,000) were guaranteed by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd. ("Taisen Holdings") and Havi Group LP (U.S.).

(b) As at 31 December 2022, 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 RMB1,487,597,000 (31 December 2021: RMB1,343,378,000). As at 31 December 2022, balance of receivables pledged was RMB1,670,516,000 (31 December 2021: RMB1,519,672,000). All funds receivable from subsidiaries of the group.

(c) As at 31 December 2022, secured borrowings of RMB129,858,000 were secured by the following assets respectively:

	Carrying amount of secured assets	Including: 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

As at 31 December 2021, secured borrowings of RMB125,408,000 were secured by the following assets respectively:

	Carrying amount of secured assets	Including: also secured for short-term borrowings
Fixed assets	406,690	268,982
Intangible assets	232,730	70,222
Investment properties	224,440	91,282
Construction in progress	47,010	–
	910,870	430,486

Besides, as at 31 December 2022, Taisen Holdings provided a full joint and several liability guarantee for RMB3,000,000 of the above secured borrowings (31 December 2021: RMB86,395,000).

(d) As at 31 December 2022, the range of annual interest rates of major long-term borrowings was 3.02% to 5.77% (31 December 2021: 0.84% to 4.90%).

(32) Debentures payable

	31 December 2021	Issued in the current year	Issuance expenses	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 2022
Overseas debentures denominated in USD of 2018	3,175,745	–	–	138,570	7,194	301,819	(3,623,328)	–
Overseas debentures denominated in USD of 2020	4,404,130	–	–	135,224	6,620	418,826	(135,224)	4,829,576
Overseas debentures denominated in USD of 2021	7,577,052	–	–	229,137	8,972	720,480	(229,137)	8,306,504
Green Corporate Debentures of 2021 (1st instalment)	499,443	–	–	18,950	234	–	(18,950)	499,677
Overseas debentures denominated in USD of 2022	–	4,461,170	(99,114)	79,847	14,267	415,866	(79,847)	4,792,189
Smooth Freight Logistics Debentures (1st instalment)	–	500,000	(481)	3,860	43	–	(3,860)	499,562
	15,656,370	4,961,170	(99,595)	605,588	37,330	1,856,991	(4,090,346)	18,927,508

	Issuer	Currency	Par value (thousand yuan)	Date of issue	Term	Amount (equivalent to RMB)	Nominal interest rate
Overseas debentures denominated in USD of 2018	SF Holding Investment Limited	USD	500,000	27 July 2018	5 years	3,482,300	4.13%
Overseas debentures denominated in USD of 2020	SF Holding Investment Limited	USD	700,000	20 February 2020	10 years	4,875,220	2.88%
Overseas debentures denominated in USD of 2021	SF Holding Investment 2021 Limited	USD	400,000	17 November 2021	5 years	2,785,840	2.38%
Overseas debentures denominated in USD of 2021	SF Holding Investment 2021 Limited	USD	300,000	17 November 2021	7 years	2,089,380	3.00%
Overseas debentures denominated in USD of 2021	SF Holding Investment 2021 Limited	USD	500,000	17 November 2021	10 years	3,482,300	3.13%
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%
Overseas debentures denominated in USD of 2022	SF Holding Investment 2021 Limited	USD	400,000	28 January 2022	5 years	2,785,840	2.38%
Overseas debentures denominated in USD of 2022	SF Holding Investment 2021 Limited	USD	300,000	28 January 2022	10 years	2,089,380	3.13%
Smooth Freight Logistics Debentures (1st instalment)	Taisen Holdings	RMB	500,000	22 September 2022	3 years	500,000	2.79%

(33) Lease liabilities

	31 December 2022	31 December 2021
Lease liabilities	15,179,328	16,931,554
Less: Current portion of lease liabilities (Note 4(29))	(6,596,956)	(5,989,616)
	8,582,372	10,941,938

As at 31 December 2022, payments for leases not yet commenced to which the Group was committed amounted to RMB1,638,701,000 (31 December 2021: RMB1,311,912,000) (Note 15(3)(b)).

(34) Deferred income

Government grants	31 December 2021	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 2022	Related to assets/ income
Huanggang Baitan Lake Organising Committee Project	328,385	91,193	–	–	419,578	Related to assets
Government support funds for industrial park	210,214	157,155	(4,198)	(4,049)	359,122	Related to assets
Grant for maintenance of aircraft engines	42,989	50	(2,738)	(32,970)	7,331	Related to assets
Others	108,654	37,587	(30,479)	(41,002)	74,760	Related to assets
	690,242	285,985	(37,415)	(78,021)	860,791	

(35) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	31 December 2022		31 December 2021	
	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Deductible tax losses	3,090,230	699,863	3,796,937	908,150
Depreciation and amortisation differences	2,175,284	502,343	1,705,396	387,524
Accrued expenses	2,288,228	551,443	1,019,634	230,956
Unrealised profits from internal transactions	579,524	144,881	591,359	147,840
Provision for asset impairment	700,865	167,412	483,455	114,729
The new lease standard	611,881	143,562	405,855	97,700
Others	301,226	70,426	278,911	66,397
	9,747,238	2,279,930	8,281,547	1,953,296
Including:				
Expected to be recovered within one year (inclusive)		834,809		475,005
Expected to be recovered after one year		1,445,121		1,478,291
		2,279,930		1,953,296

(b) Deductible tax losses and deductible temporary differences that are not recognised as deferred tax assets are analysed as follows:

	31 December 2022	31 December 2021
Deductible tax losses (c)	20,086,770	14,124,575
Deductible temporary differences	1,133,829	658,298
	21,220,599	14,782,873

(c) The following table shows unrecognised deductible tax losses based on its expiration date:

	31 December 2022	31 December 2021
2022	–	310,912
2023	793,083	716,966
2024	1,568,941	1,847,817
2025	4,764,110	3,696,061
2026	5,702,895	5,364,397
2027 and subsequent years	7,257,741	2,188,422
	20,086,770	14,124,575

(d) Deferred tax liabilities before offsetting

	31 December 2022		31 December 2021	
	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	12,956,677	3,137,944	11,575,663	2,789,802
Depreciation and amortisation differences	7,153,559	1,691,289	5,960,715	1,429,624
Changes in fair value of financial assets	978,191	244,548	833,810	208,452
Income from equity restructuring	–	–	584,857	146,214
Changes in fair value upon reclassification of remaining equity of Hive Box Technology	446,796	111,699	446,796	111,699
Others	588,869	119,440	505,726	102,951
	22,124,092	5,304,920	19,907,567	4,788,742
Including:				
Expected to be recovered within one year (inclusive)		746,908		419,244
Expected to be recovered after one year		4,558,012		4,369,498
		5,304,920		4,788,742

(e) The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:

	31 December 2022	31 December 2021
Deferred tax assets, net	1,632,964	1,566,714
Deferred tax liabilities, net	4,657,954	4,402,160

(36) Share capital

	31 December 2021	Increase in the current year	Decrease in the current year Note 4(38(i))	31 December 2022
Ordinary shares denominated in RMB	4,906,213		(11,011)	4,895,202

	31 December 2020	Increase in the current year (i)	Decrease in the current year	31 December 2021
Ordinary shares denominated in RMB	4,556,440	349,773	–	4,906,213

(i) The Company issued 349,772,647 ordinary shares (A shares) with A par value of RMB1 each to specific subjects in A non-public offering in October 2021, increasing the share capital by RMB349,772,647 and the capital reserve by RMB19,562,789,000.

(37) Capital reserve

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Share premium				
– Capital contribution by shareholders (i)	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 (ii)	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

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Share premium				
– Capital contribution by shareholders (Note 4(36))	15,799,913	19,562,789	–	35,362,702
– Transfer of convertible corporate debentures to share capital	5,758,688	–	–	5,758,688
– Capital reserve from transactions with minority shareholders	325,673	1,954,186	–	2,279,859
– Transfer of convertible corporate debentures issued by subsidiaries to share capital	1,980,870	–	–	1,980,870
– Business combinations involving enterprises under common control	(76,633)	–	–	(76,633)
Other capital reserve				
– Share-based payments included in capital reserve	264,637	287,553	–	552,190
– Others	352,069	–	(9,147)	342,922
	24,405,217	21,804,528	(9,147)	46,200,598

(i) The decrease in the current year is due to the cancellation of repurchased shares 4(38)(i).

(ii) 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 2021	Increase in the current year	Decrease in the current year	31 December 2022
Treasury stock	394,993	2,040,377	(394,993)	2,040,377

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Treasury stock	394,993	–	–	394,993

(i) In accordance with the *Proposal of Repurchasing Shares by Centralised Price Bidding* approved in the 19th session of the fourth Board of Directors on 31 January 2019, the Company used its own funds to repurchase 11,010,729 shares through centralized bidding. The company's shares were used for employee stock ownership plan or equity incentive, and a total of RMB394,993,000 of Treasury shares were recognized.

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 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, 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.

(ii) In addition, 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 2022, the Company repurchased a total of 39,632,255 shares, and recognised treasury stock of RMB2,040,377,000.

(39) Special reserve

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Safety reserve	–	32,214	(32,214)	–

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Safety reserve	–	28,370	(28,370)	–

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 2021	Increase in the current year (Note 4(41))	Decrease in the current year	31 December 2022
Statutory surplus reserve	947,775	62,478	–	1,010,253

	31 December 2020	Increase in the current year (Note 4(41))	Decrease in the current year	31 December 2021
Statutory surplus reserve	745,043	202,732	–	947,775

(41) Retained earnings

	2022	2021
Retained earnings at the beginning of the year	28,245,764	25,708,230
Add: Net profit attributable to shareholders of the parent company for the current year	6,173,764	4,269,098
Transfer from other comprehensive income to retained earnings	(38,771)	112,656
Less: Ordinary share dividends payable (a)	(874,518)	(1,499,992)
Appropriation to statutory surplus reserve	(62,478)	(202,732)
Appropriation to general risk reserve	(72,410)	(141,496)
Retained earnings at the end of the year	33,371,351	28,245,764

(a) The Company held a shareholders' meeting on 29 April 2022. On the basis of the total share capital at the registration date on which the 2021 profit distribution plan was implemented less the special shares repurchased by the Company, a total of RMB874,518,000 of cash dividends were distributed to all shareholders at RMB1.8 (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

	2022	2021
Revenue from main operations (a)	267,122,766	206,828,368
Revenue from other operations (a)	367,648	358,279
Total revenue	267,490,414	207,186,647
Cost of revenue from main operations	233,822,858	181,365,449
Cost of revenue from other operations	249,502	183,058
Total cost of revenue	234,072,360	181,548,507

(a) The Group's revenue is disaggregated as follows:

	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

	2021			
	Logistics and freight forwarding services	Sales of goods	Others	Total
Revenue from main operations				
Including: At a point in time	–	1,764,253	363,090	2,127,343
Over time	203,690,237	–	887,645	204,577,882
Lease income	–	–	123,143	123,143
	203,690,237	1,764,253	1,373,878	206,828,368
Revenue from other operations				
Including: At a point in time	–	–	62,830	62,830
Over time	–	–	130,881	130,881
Lease income	–	–	164,568	164,568
	–	–	358,279	358,279

As at 31 December 2022, 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

	2022	2021	Payment criteria
Property tax	146,993	61,716	
Stamp tax	108,638	130,747	
City maintenance and construction tax	91,686	149,822	Refer to Note 3
Educational surcharge	66,425	112,184	Refer to Note 3
Others	62,964	24,257	
	476,706	478,726	

(44) Selling and distribution expenses

	2022	2021
Outsourcing staff expenses	977,788	991,102
Employee benefits	833,962	931,847
Depreciation and amortisation expenses	342,872	203,153
Others	629,492	711,797
	2,784,114	2,837,899

(45) General and administrative expenses

	2022	2021
Employee benefits	14,163,667	12,116,458
Depreciation and amortisation expenses	624,073	567,536
Others	2,786,750	2,345,669
	17,574,490	15,029,663

(46) Research and development expenses

	2022	2021
Employee benefits	1,225,926	1,159,940
Depreciation and amortisation expenses	710,291	524,202
Others	286,648	470,697
	2,222,865	2,154,839

(47) Financial costs

	2022	2021
Interest on borrowings	1,570,293	1,015,357
Add: Interest expenses on lease liabilities	609,652	552,658
Less: Capitalised interest (Note 4(15))	(125,585)	(6,007)
Interest expenses	2,054,360	1,562,008
Less: Interest income	(345,662)	(187,794)
Net gains or losses on exchange	(117,314)	103,533
Commission expenses and others	120,229	85,612
	1,711,613	1,563,359

(48) Expenses by nature

The cost of revenue, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

	2022	2021
Outsourcing staff expenses	77,832,877	71,489,843
Outsourcing transportation costs	38,204,742	35,965,273
Transportation costs	68,640,219	34,888,921
Including: Aircraft maintenance costs	431,618	412,517
Employee benefits	31,445,636	27,830,922
Depreciation and amortisation expenses	9,138,080	7,024,360
Depreciation expenses of right-of-use assets	7,174,410	5,527,322
Rent and Venue usage expenses (b)	6,481,654	5,194,836
Others	17,736,211	13,649,431
	256,653,829	201,570,908

(a) In 2022, the Group's government grants which were offset against costs and expenses amounted to RMB214,306,000 (2021: RMB401,821,000). Therein, the amount that was recognised in non-recurring profit or loss amounted to RMB138,620,000 (2021: RMB215,386,000).

(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 2022, the amount was RMB3,620,688,000 (2021: RMB2,737,492,000).

(49) Other income

	2022	2021	Related to assets/income
Tax preference	1,778,617	1,222,839	Related to income
Fiscal appropriation and subsidies	433,329	508,820	Related to income
Amortisation of deferred income (Note 4(34))	37,415	36,480	Related to assets
	2,249,361	1,768,139	

In 2022, the Group was other income that was recognised in non-recurring profit or loss amounted to RMB 681,625,000 (2021: RMB622,710,000).

(50) Investment income

	2022	2021
Investment income from financial assets held for trading	664,145	410,291
Investment income from disposal of other investments	307,566	113,093
Investment income from disposal of subsidiaries	32,314	1,808,638
Investment income from dividends of financial assets not held for trading	13,811	31,853
Investment income from dividends of financial assets not held for trading (Note 4(10))	7,549	42,660
	1,025,385	2,406,535

There is no significant restriction on recovery of investment income of the Group.

(51) Credit impairment losses

	2022	2021
Losses on bad debts of accounts receivable	669,961	605,865
Losses on/(Reversal of) bad debts of other receivables	158,035	(7,528)
(Reversal of)/Losses on impairment of long-term receivables	(2,372)	7,069
Reversal of impairment of loans and advances	(4,524)	(27,688)
Losses on impairment of factoring receivables	–	1,233
	821,100	578,951

(52) Non-operating income and expenses

(a) Non-operating income

	2022	Amount recognised in non-recurring profit or loss in 2022	2021	Amount recognised in non-recurring profit or loss in 2021
Compensation income	39,913	39,913	65,643	65,643
Income from penalty	10,281	10,281	5,784	5,784
Government grants	6,202	6,202	19,362	19,362
Others	175,091	175,091	198,753	198,753
	231,487	231,487	289,542	289,542

(b) Non-operating expenses

	2022	Amount recognised in non-recurring profit or loss in 2022	2021	Amount recognised in non-recurring profit or loss in 2021
Losses on scrapping of long-term assets	143,994	143,994	236,302	236,302
Compensation expenses	78,391	78,391	82,100	82,100
Donation expenses	13,770	13,770	46,444	46,444
Others	62,461	62,461	39,412	39,412
	298,616	298,616	404,258	404,258

(53) Income tax expenses

	2022	2021
Current income tax	3,948,002	2,848,895
Deferred income tax	15,156	365,573
	3,963,158	3,214,468

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the income statement to the income tax expenses is listed below:

	2022	2021
Total profit	10,966,778	7,133,681
Income tax expenses calculated at the standard tax rate of 25%	2,741,695	1,783,420
Income not subject to tax	(215,471)	(228,428)
Costs, expenses and losses not deductible for tax purposes	246,471	217,891
Effect of last-year tax filing differences	(38,780)	(28,965)
Effect of different tax rates among subsidiaries and branches on income tax expenses	(190,484)	(161,640)
Effect of tax preference	(322,841)	(185,747)
Deductible tax losses and deductible temporary differences for which no deferred tax asset was recognised in the current year	1,353,001	1,472,000
Reversal of previously recognised deductible tax losses for which deferred tax asset was recognised	518,108	429,211
Utilisation of deductible tax losses and other deductible temporary differences for which no deferred tax asset was recognised in prior periods	(85,016)	(60,088)
Recognition of deductible tax losses and other deductible temporary differences for which no deferred tax asset was recognised in prior periods	(43,525)	(23,186)
Income tax expenses	3,963,158	3,214,468

(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:

	2022	2021
Consolidated net profit attributable to ordinary shareholders of the parent company	6,173,764	4,269,098
Weighted average number of outstanding ordinary shares of the Company	4,868,677	4,603,725
Basic earnings per share (Yuan/share)	1.27	0.93
Including:		
– Basic earnings per share from continuing operations (Yuan/share)	1.27	0.93

(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 2022, the Company had dilutive potential ordinary shares due to the implementation of the share option incentive plan (2021: the Company had no dilutive potential ordinary shares).

	2022	2021
Consolidated net profit attributable to ordinary shareholders of the parent company	6,173,764	4,269,098
Adjusted consolidated net profit attributable to ordinary shareholders of the parent company for calculation of earnings per share	6,173,764	4,269,098
Weighted average number of outstanding ordinary shares of the Company	4,868,677	4,603,725
Add: Effect of the Group’s share-based payments plan	5,063	–
Weighted average number of outstanding diluted ordinary shares	4,873,740	4,603,725
Diluted earnings per share (Yuan/share)	1.27	0.93

(55) Other comprehensive income

Other comprehensive income, the related income tax effect and the reclassifications to profit or loss in 2022 and 2021:

	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	Attributable to the parent company – net of tax	Attributable to minority shareholders – net of tax
Other comprehensive income items 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 items 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 items 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 items 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)

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2021			
	31 December 2020	Attributable to the parent company in the current year – net of tax	Other comprehensive income transferred into retained earnings	31 December 2021	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 items which will not be reclassified subsequently to profit or loss:								
Changes in fair value of investments in other equity instruments	1,213,254	1,873,959	(112,656)	2,974,557	1,870,952	9,857	1,873,959	6,850
Other comprehensive income items which will not be transferred to profit or loss under the equity method	(1,187)	(91)	–	(1,278)	(91)	–	(91)	–
Other comprehensive income items which will be reclassified subsequently to profit or loss:								
Cash flow hedge reserve	(22,858)	(4,536)	–	(27,394)	(4,536)	–	(4,536)	–
Exchange differences on translation of foreign currency financial statements	(45,240)	(283,414)	–	(328,654)	(133,261)	–	(283,414)	150,153
	1,143,969	1,585,918	(112,656)	2,617,231	1,733,064	9,857	1,585,918	157,003

(56) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	2022	2021
Inflows from cash collected on delivery service on behalf of other parties	77,286,558	82,642,080
Others	3,792,101	7,828,720
	81,078,659	90,470,800

(b) Cash paid relating to other operating activities

	2022	2021
Outflows from cash collected on delivery service on behalf of other parties	77,323,122	83,113,338
Others	16,902,212	14,375,055
	94,225,334	97,488,393

(c) Net cash received from disposal of subsidiaries

	2022	2021
Consideration arising from disposal of subsidiaries	233,639	4,135,481
Add: Cash received in the current year for the disposal of subsidiaries in previous years	99,751	15,000
Less: Cash and cash equivalents held by subsidiaries on the day of loss of control	(19,671)	(559,868)
Less: Cash and cash equivalents received in the subsequent periods for the disposal of subsidiaries	–	(100,534)
Less: Shares of SF REITs acquired	–	(1,152,527)
	313,719	2,337,552

(d) Net cash paid to acquire subsidiaries

	2022	2021
Consideration from acquisition of subsidiaries by way of business combinations	1,952,915	14,775,405
Add: Cash paid in the current year for acquisition of subsidiaries in prior periods	108,797	30,299
Less: Consideration to be paid in subsequent years (i)	(745,718)	(10,100)
Consideration to be paid in advance	–	(30,300)
Translation impact of foreign currency	–	(5,821)
Cash held by subsidiaries on the day of purchase and cash equivalents	(125,369)	(7,024,242)
Net cash paid from acquisition of subsidiaries by way of business combinations	1,190,625	7,735,241
Consideration of acquisition as assets	1,099,465	1,389,990
Less: Cash held by subsidiaries on the day of purchase and cash equivalents	(72,609)	(81,653)
Net cash paid of acquisition as assets	1,026,856	1,308,337
Total net cash paid to acquire subsidiaries	2,217,481	9,043,578

As at 31 December 2022, Consideration to paid in future periods are mainly the purchase price payables of the Topocean's equity, which will be paid within one year.

(e) Cash received/paid relating to other investing activities

Cash received/paid relating to other investing activities by the Group represents cash mainly inflows and outflows from redemption/purchase of bank wealth management products and structural deposits.

(f) Cash paid relating to other financing activities

	2022	2021
Repayments of lease liabilities(i)	7,813,330	6,266,239
Acquisition of minority interests	3,914,671	109,576
Repurchase of shares	2,040,377	–
Long-term asset purchases paid for by bank supply chain financial products/ refactoring	868,330	–
Cash dividends paid in the current year declared by subsidiary before the acquisition	–	10,819,033
Others	6,789	227,896
	14,643,497	17,422,744

(i) In 2022, the total cash outflows relating to leases paid by the Group amounted to RMB11,687,763,000 (2021: RMB9,226,746,000), except for the repayments of lease liabilities classified as cash paid relating to financing activities, the remaining was classified as cash paid relating to operating activities.

(57) Supplementary information to the cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	2022	2021
Net profit	7,003,620	3,919,213
Add: Asset impairment losses	131,756	60,390
Credit impairment losses	821,100	578,951
Depreciation of right-of-use assets	7,174,410	5,527,322
Depreciation of fixed assets	5,859,984	4,588,519
Depreciation of investment properties	92,568	60,382
Amortisation of intangible assets	2,086,019	1,487,797
Amortisation of long-term prepaid expenses	1,135,132	907,585
Losses on disposal of long-term assets	52,305	195,841
Losses/(Gains) arising from changes in fair value	27,938	(98,949)
Financial costs	1,929,262	1,590,849
Investment income	(1,025,385)	(2,406,535)
Recognised expenses on equity-settled share-based payments	109,573	349,308
(Increase)/Decrease in deferred tax assets	(245,603)	72,641
Increase in deferred tax liabilities	260,759	292,932
Amortisation of deferred income	(37,415)	(36,480)
Increase in inventories	(397,187)	(370,579)
Decrease/(Increase) in operating receivables	8,816,879	(6,196,150)
(Increase)/Decrease in operating payables	(1,092,768)	4,834,568
Net cash flows from operating activities	32,702,947	15,357,605

(b) Cash and cash equivalents

	31 December 2022	31 December 2021
Cash on hand	18,437	48,513
Cash at bank that can be readily drawn on demand	40,008,101	34,633,427
Other cash balances that can be readily drawn on demand	138,535	50,988
Other balances that can be readily drawn on demand	114,874	80,840
	40,279,947	34,813,768

(c) Significant operating, investment and financing activities that do not involve cash receipts and payments

	2022	2021
Long-term asset purchases paid for by bank supply chain financial products/ refactoring	992,178	868,330

(58) Monetary items denominated in foreign currency

(a) As at 31 December 2022 and 31 December 2021, the Group's companies whose recording currency is RMB held financial assets and liabilities denominated in non-recording currencies (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 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

	31 December 2021		
	Amount in the original currency	Exchange rate to RMB	Equivalent to RMB
Cash at bank and on hand –			
USD	59,886	6.3757	381,815
HKD	7,202	0.8176	5,889
EUR	100	7.2197	720
Receivables –			
USD	101,020	6.3757	644,070
HKD	46,533	0.8176	38,046
EUR	472	7.2197	3,408
Payables –			
USD	26,740	6.3757	170,486
HKD	10,266	0.8176	8,393
EUR	784	7.2197	5,663
SGD	409	4.3553	1,780

(b) As at 31 December 2022 and 31 December 2021, the Group's overseas subsidiaries, except for those operating in Hong Kong, 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 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

	31 December 2021			
	Amount in the original currency	Exchange rate to HKD	Equivalent to HKD	Equivalent to RMB
Cash at bank and on hand –				
RMB	13,958	1.2231	17,072	13,958
USD	11,428	7.7981	89,113	72,858
EUR	1,170	8.8304	10,327	8,444
Accounts receivable –				
RMB	5,452	1.2231	6,668	5,452
USD	7,013	7.7981	54,686	44,711
Accounts payable –				
RMB	14,745	1.2231	18,034	14,745
USD	8,441	7.7981	65,827	53,820
EUR	2,014	8.8304	17,785	14,541

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 2022:

Acquiree	Timing of acquisition	Acquisition cost	% of interest acquired	Method of acquisition	Acquisition date	Basis for determining the acquisition date
Topocean (a)	19 April 2022	1,676,951	100.00%	By cash	19 April 2022	Completion of equity delivery
Pro-Med	31 January 2022	45,040	51.00%	By cash	31 January 2022	Completion of equity delivery
Suzhou Industrial Park Customs Declaration Co., Ltd.	1 January 2022	89,485	66.00%	By cash	1 January 2022	Completion of equity delivery

The total operating income, net profit, operating activities generated net cash flow of the above company from the purchase date to the end of the year are RMB6,664,752,000, RMB298,456,000, RMB102,765,000 and RMB92,511,000, respectively.

(a) In April 2022, the group's subsidiary Kerry Logistics completed the acquisition of 100% equity of Topocean, obtained the control of Topocean, and included Topocean in the scope of consolidation. Under the acquisition agreement, the Group has paid 80% of the equity payment and will pay the remaining 20% in installments within one year. The Group has recognized this Consideration not yet paid as payable. Topocean is headquartered in the United States and its main is international freight forwarding business.

Details of the consideration of acquisition and goodwill recognised are as follows:

	Topocean
Consideration of acquisition	
– Cash	1,676,951
Less: Fair value of the identifiable net assets acquired	(519,644)
Goodwill	1,157,307

As at the acquisition date, the Group recognised Topocean's identifiable net assets at fair value. The fair value of identifiable net assets exceeded the carrying amount by RMB 287,643,000, The recognition of intangible assets (mainly is customer relationships) and corresponding deferred tax liabilities. The Group has engaged an independent valuer to assist in the identification of assets of Topocean, And evaluate the fair value of intangible assets.

The valuation method used for customer relationships is multi-period excess earnings method,the key assumptions applied in the valuation include revenue growth rate, gross profit rate and discount rate.

(b) The assets and liabilities of Topocean as at the acquisition date and 31 December 2021 are as follows:

	Acquisition date Fair value	Acquisition date Carrying amount	31 December 2021 Carrying amount
Cash at bank and on hand	129,230	129,230	956,435
Receivables	1,837,033	1,837,033	1,734,390
Intangible assets	435,006	219	219
Other assets	266,299	255,770	264,124
Less: Payables	(1,902,645)	(1,902,645)	(1,929,907)
Deferred tax liabilities	(143,199)	(54,384)	(163,638)
Other liabilities	(8,248)	(8,248)	(20,392)
Net assets	613,476	256,975	841,231
Less: Minority interests	(34,777)		
Fair value of the identifiable net assets acquired	578,699		

(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
Changsha Industrial Park and its subsidiaries	232,939	100.00%	Sales of equity	24 June 2022	Transfer of control right	31,654
Yingyun Aolong Logistics (Zhanjiang) Co., Ltd.	700	60.00%	Sales of equity	30 June 2022	Transfer of control right	660
	233,639					32,314

(3) Other changes in the consolidation scope

(a) In 2022, the Group set up the following major subsidiaries by cash:

Tianjin Fengpai Technology Co., Ltd.

Chongqing Fonair UAV Research Institution Co., Ltd.

Sichuan Tianfu Aviation Co., Ltd.

Beijing Shunlu Logistics Co., Ltd.

Beijing Shunheng Logistics Co., Ltd.

Dongguan Shunlu Logistics Co., Ltd.

SF Yingyun Supply Chain Management (Huizhou) Co., Ltd.

Hangzhou S.F. Smart Supply Chain Co., Ltd.

Shenzhen Fengwang Information Technology Co., Ltd.

Jiangsu Fengsu Logistics Co., Ltd.

Fujian Fengwang Express Co., Ltd.

Liaoning Fengwang Express Co., Ltd.

Fengyi Technology (Hangzhou) Co., Ltd.

SF INTERNATIONAL VIETNAM COMPANY LIMITED

Guangzhou Nansha Kerry Freight Co., Ltd

Beijing Kerry Huanjie Supply Chain Management Co., Ltd

(b) In 2022, the Group cancelled the following major subsidiaries:

Xuzhou Fengtai Industrial Park Management Co., Ltd.

Dalian Fengtai Industrial Park Operation and Management Co., Ltd.

Jinan Hongtai Industrial Park Management Co., Ltd.

Luohe Fengtai Industrial Park Management Co., Ltd.

Yangzhou Fengyutai Enterprise Management Co., Ltd.

Huai'an Shunheng Express Co., Ltd.

SF INTERNATIONAL DEVELOPMENT PTE. 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	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
Taisen Holdings	Shenzhen	Shenzhen	Investment holding	100.00%	–	Reverse acquisitions
S.F. Express Co., Ltd.	Shenzhen	Shenzhen	International freight forwarding, domestic and international express service, etc.	–	100.00%	Business combinations involving enterprises under common control
SF Technology	Shenzhen	Shenzhen	Technical maintenance and development service	–	100.00%	By new establishment
Shenzhen Shunlu Logistics Co., Ltd.	Shenzhen	Shenzhen	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	Value-added telecommunication service	–	100.00%	By new establishment
Shenzhen Yuhui Management Consulting Co., Ltd.	Shenzhen	Shenzhen	Consulting service	–	100.00%	Business combinations involving enterprises under common control
Shenzhen S.F. Supply Chain Co., Ltd.	Shenzhen	Shenzhen	Supply chain management and other services	–	100.00%	By new establishment
SF Airlines	Shenzhen	Shenzhen	Transport service of aviation cargo	–	100.00%	Business combinations involving enterprises under common control
Fengtai Asset	Shenzhen	Shenzhen	E-commerce industrial park management	–	100.00%	Business combinations involving enterprises under common control
Shenzhen Fengtai Industrial Park Investment Ltd.	Shenzhen	Shenzhen	Management consulting	–	100.00%	By new establishment
Shenzhen S. F. Airport Investment Co., Ltd.	Shenzhen	Shenzhen	Industrial investment	–	100.00%	By new establishment
SF Holding Limited	Hong Kong SAR	Hong Kong SAR	Investment holding	–	100.00%	Business combinations involving enterprises under common control
Group Finance Company	Shenzhen	Shenzhen	Financing, wealth management and consulting services	–	100.00%	By new establishment
Shenzhen SF Chuangxing Investment Co., Ltd.	Shenzhen	Shenzhen	Industrial investment	–	100.00%	By new establishment
Shenzhen Fengnong Technology Co., Ltd.	Shenzhen	Shenzhen	Retail	–	100.00%	By new establishment
Shenzhen Fenglang Supply Chain Co., Ltd.	Shenzhen	Shenzhen	Supply chain management and other services	–	100.00%	By new establishment
Shenzhen Shunfeng Runtai Management Consulting Co., Ltd.	Shenzhen	Shenzhen	Consulting service	–	100.00%	By new establishment
Shunyuan Financial Leasing	Tianjin	Tianjin	Leasing business	–	100.00%	By new establishment
SF Multimodal Co., Ltd.	Shenzhen	Shenzhen	Goods delivery and other services	–	100.00%	By new establishment
Shenzhen Shunxi Management Consulting Co., Ltd.	Shenzhen	Shenzhen	Management consulting	–	100.00%	By new establishment
S.F. Insurance Broker (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Insurance business	–	100.00%	By new establishment
S.F. Duolian Technology Co., Ltd.	Dongguan	Dongguan	Technology development	–	100.00%	By new establishment
Dongguan SF Taisen Enterprise Management Co., Ltd.	Dongguan	Dongguan	Property management	–	100.00%	By new establishment
SF Innovative Technology Co., Ltd.	Dongguan	Dongguan	Information technology service	–	100.00%	By new establishment
Shenzhen Shunheng Rongfeng Supply Chain Technology Co., Ltd.	Shenzhen	Shenzhen	Consulting service	–	100.00%	Business combinations involving enterprises under common control
Shenzhen Hengyi Logistics Service Co., Ltd.	Shenzhen	Shenzhen	Freight forwarding service	–	100.00%	Business combinations involving enterprises under common control
Shenzhen Lefeng Commercial Co., Ltd.	Shenzhen	Shenzhen	Factoring	–	100.00%	Business combinations involving enterprises under common control
Hangzhou SF Intra-city Industrial Co., Ltd.	Hangzhou	Hangzhou	Supply chain management and other services	–	56.76%	By new establishment
Shenzhen SF Express Zhongyuan Network Technology Co., Ltd.	Shenzhen	Shenzhen	Technology development and consulting services	–	100.00%	By new establishment
SF Sharing Precision Information Technology (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Information technology service	–	100.00%	By new establishment
Hangzhou Shuangjie Supply Chain Co., Ltd.	Hangzhou	Hangzhou	Supply chain management and other services	–	100.00%	By new establishment
Shenzhen S.F. Express Co., Ltd.	Shenzhen	Shenzhen	Business and supply chain management	–	87.80%	By new establishment
Huanggang Xiufeng Education Investment Co., Ltd.	Huanggang	Huanggang	Consulting services regarding business information and business management	–	100.00%	By new establishment
Junhe Information Technology (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Information technology and development services	–	100.00%	By new establishment
S.F. Digital Technology (Shenzhen) Services Co., Ltd.	Shenzhen	Shenzhen	Technology and consulting services	–	100.00%	By new establishment
Shenzhen S.F. International Industry Co., Ltd.	Shenzhen	Shenzhen	Information technology and consulting services	–	100.00%	By new establishment
Shenzhen S.F. Investment Co., Ltd.	Shenzhen	Shenzhen	Investment holding	–	100.00%	By new establishment
SF Cold Chain Logistics Co., Ltd.	Shenzhen	Shenzhen	Cargo transportation and freight forwarding	–	100.00%	By new establishment

(b) Subsidiaries in which the Group has significant minority interests

	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	48.50%	1,476,236	(1,524,826)	11,587,420

	Proportion of ownership interest held by minority shareholders	Profit or loss attributable to minority shareholders for the period from 28 September 2021 to 31 December 2021	Dividends paid to minority shareholders for the period from 28 September 2021 to 31 December 2021	Minority interests as at 31 December 2021
Kerry Logistics and its subsidiaries	48.50%	512,119	(46,607)	13,714,750

The significant financial information of the significant non-fully-owned subsidiaries of the Group is listed below:

	31 December 2022	31 December 2021
Current assets	21,821,593	22,058,645
Non-current assets	25,615,187	23,566,766
Total assets	47,436,780	45,625,411
Current liabilities	14,196,749	14,795,606
Non-current liabilities	10,240,832	6,645,860
Total liabilities	24,437,581	21,441,466

	2022	For the period from 28 September 2021 to 31 December 2021
Revenue	74,261,942	20,260,964
Net profit (i)	2,838,971	883,124
Total comprehensive income (i)	3,040,177	921,320
Cash flows from operating activities	4,918,473	2,123,547

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.

(a) In 2022, for Kerry Logistics and its subsidiaries, the net profit attributable to shareholders of the Company was RMB1,362,735,000 (for the period from 29 September 2021 to 31 December 2021: RMB371,005,000), and the total comprehensive income attributable to shareholders of the Company was RMB2,182,133,000 (for the period from 29 September 2021 to 31 December 2021: RMB252,516,000).

(b) In 2022 and 2021, minority interests of the Group's subsidiaries except Kerry Logistics, had no significant influence on the Group.

(2) Interests in joint ventures and associates

(a) The Group's joint ventures and associates have no significant influence on the Group (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 2022 and 2021, the Group mainly had four reportable segments, including:

- Express segment, which provides time-define express and economy express except for large-size delivery service, as well as medical product and cold chain delivery service;
- Freight segment, which provides large-size delivery service and freight service;
- Intra-city segment, which provides intra-city on-demand delivery service;
- Supply chain and international business segment, which provides international express service, international freight transport and forwarding service, as well as supply chain service.

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 2022 is as follows:

	Express segment	Freight segment	Intra-city segment	Supply chain and international segment	Undistributed units	Inter-segment elimination	Total
Revenue from external customers	138,410,580	31,354,280	6,567,057	89,916,599	1,241,898	–	267,490,414
Inter-segment revenue	16,577,930	1,593,213	3,698,616	700,298	12,070,206	(34,640,263)	–
Cost of revenue	131,907,950	31,083,855	9,851,834	82,148,435	11,623,492	(32,543,206)	234,072,360
Total profit/(loss)	7,739,581	644,525	(288,847)	2,938,917	(47,669)	(19,729)	10,966,778
Income tax expenses/(credits)	2,280,435	616,848	(1,944)	993,055	75,068	(304)	3,963,158
Net profit/(loss)	5,459,146	27,677	(286,903)	1,945,862	(122,737)	(19,425)	7,003,620
Total assets	90,082,034	10,026,508	3,956,639	66,235,754	148,072,567	(101,530,795)	216,842,707
Total liabilities	61,547,088	10,394,188	1,086,136	53,540,703	79,713,800	(87,725,257)	118,556,658
Depreciation and amortisation expenses	6,544,545	287,222	78,662	1,551,214	688,395	(11,958)	9,138,080
Credit impairment losses	250,367	77,219	1,968	384,491	107,231	(176)	821,100

In 2022, no 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 2021 is as follows:

	Express segment	Freight segment	Intra-city segment	Supply chain and international segment	Undistributed units	Inter-segment elimination	Total
Revenue from external customers	132,319,106	28,356,404	5,117,905	39,979,632	1,413,600	–	207,186,647
Inter-segment revenue	12,515,607	2,812,134	3,056,509	474,522	9,465,837	(28,324,609)	–
Cost of revenue	124,054,968	29,990,841	8,079,144	36,164,215	9,337,828	(26,078,489)	181,548,507
Total profit/(loss)	5,969,116	(417,142)	(902,586)	1,075,223	1,427,145	(18,075)	7,133,681
Income tax expenses/(credits)	2,136,929	165,166	(3,735)	459,971	461,683	(5,546)	3,214,468
Net profit/(loss)	3,832,187	(582,308)	(898,851)	615,252	965,462	(12,529)	3,919,213
Total assets	81,086,911	9,544,584	4,064,825	60,901,366	135,934,182	(81,631,886)	209,899,982
Total liabilities	56,362,138	9,171,525	899,472	34,391,955	67,699,241	(56,539,596)	111,984,735
Depreciation and amortisation expenses	5,180,097	253,747	55,420	753,735	792,605	(11,244)	7,024,360
Credit impairment losses	310,456	110,648	4,477	190,763	(24,457)	(12,936)	578,951

In 2021, no 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 2021	Increase in the current year	Decrease in the current year	31 December 2022
Mingde Holdings	113,406	–	–	113,406

(c) The percentages of shareholding and voting rights in the Company held by the controlling shareholder

	31 December 2022		31 December 2021	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Mingde Holdings	54.95%	54.95%	55.07%	55.07%

(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	Held by the ultimate controlling person
Guangdong Fengxing Zhitu Technology Co., Ltd ("Fengxing Zhitu Technology")	Controlled by the ultimate controlling person of the Company
Shenzhen Fengxiang Information Technology Co., Ltd. ("Fengxiang Information Technology")	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 ("Fengyi Technology")	Controlling shareholder's associate
Yihai Shunfeng (Shanghai) Supply Chain Technology Co., Ltd.	The Group's associate from December 2021
Shanghai Jiaxing Logistics Co., Ltd.	The Group's associate
SF Real Estate Investment Trust ("SF REITs and its subsidiaries")	The Group's associate
Shenzhen Shunjie Fengda and its subsidiaries ("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. ("KENGIC Intelligent") and its subsidiaries	The Group's associate
Galaxis Technology and its subsidiaries	The Group's associate
Giao Hang Tiet Kiem Joint Stock Company	The Group's associate
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd. ("DHL Weiheng Supply")	The Group's associate
Shanghai Tingdi Logistics Service Co., Ltd.	The Group's associate
Shenzhen Fenglian Technology Co., Ltd.	The Group's associate
CR-SF International Express Co., Ltd.	The Group's joint venture
Beijing Wulian Shuntong Technology Co., Ltd. ("Wulian Shuntong") 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. ("Shenghai Information")	The Group's joint venture
Golden Arches (China) Co., Ltd. ("Golden Arches") and its subsidiaries	Significantly influenced by the key management of the Company
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

(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.

(b) Rendering of services/Sales of goods

	Nature of the transaction	2022	2021
Golden Arches and its subsidiaries	Rendering of services	1,718,005	1,620,689
Fengxing Zhitu Technology	Rendering of services	68,165	16,284
Hive Box Technology and its subsidiaries	Rendering of services	28,970	36,847
Fengyi Technology	Rendering of services	18,868	84,227
Others	Rendering of services	111,965	253,460
		1,945,973	2,011,507

	Nature of the transaction	2022	2021
Fengxiang Information Technology	Sales of goods	9,754	–
Others	Sales of goods	11,601	9,804
		21,355	9,804

(c) Receipt of services/Purchase of goods

	Nature of the transaction	2022	2021
CR-SF International Express Co., Ltd.	Receipt of services	531,495	613,849
Fengxing Zhitu Technology	Receipt of services	420,324	99,637
Wulian Shuntong and its subsidiaries	Receipt of services	381,791	399,038
Shunjie Fengda and its subsidiaries	Receipt of services	253,852	282,889
Shanghai Jiaxing Logistics Co., Ltd.	Receipt of services	238,554	260,351
Hive Box Technology and its subsidiaries	Receipt of services	158,518	181,717
ZBHA and its subsidiaries	Receipt of services	117,301	152,160
Giao Hang Tiet Kiem Joint Stock Company	Receipt of services	79,203	–
SF REITS and its subsidiaries	Receipt of services	61,624	29,672
Shenghai Information	Receipt of services	25,619	27,912
Others	Receipt of services	120,948	268,138
		2,389,229	2,315,363

	Nature of the transaction	2022	2021
KENGIC Intelligent and its subsidiaries	Purchase of goods	377,659	826,844
Fengxiang Information Technology	Purchase of goods	255,349	121,006
Others	Purchase of goods	50,863	624,052
		683,871	1,571,902

(d) Interest income/Interest expenses

	Nature of the transaction	2022	2021
Wuhan Shunluo Supply Chain Management Co., Ltd.	Interest income	–	2,116
Others	Interest income	743	871
		743	2,987

	Nature of the transaction	2022	2021
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	Interest expenses	165	57
Others	Interest expenses	196	168
		361	225

(e) Leases

(i) Lease income recognised in the current year with the Group as the lessor

	Type of the leased asset	2022	2021
Fengyi Technology	Buildings	2,530	1,745
Others	Buildings	4,553	1,479
		7,083	3,224

(ii) Right-of-use assets increased in the current year with the Group as the lessee

	Type of the leased asset	2022	2021
SF REITS and its subsidiaries	Buildings	103,867	974,664
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	Buildings	43,082	13,116
Shenzhen Shunshang Investment Co., Ltd.	Buildings	–	15,214
		146,949	1,002,994

(iii) Depreciation and interest expenses borne in the current year by the Group as the lessee

	Type of the leased asset	2022	2021
SF REITS and its subsidiaries	Buildings	225,826	142,703
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	Buildings	8,512	926
Shenzhen Shunshang Investment Co., Ltd.	Buildings	3,821	11,751
		238,159	155,380

(f) The Group as the guarantor

Guaranteed party	Guaranteed amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
DHL Weiheng Supply	113,374	15 January 2021	23 December 2030	No
Hubei International Logistics Airport Co., Ltd. (Note)	782,000	29 September 2021	29 April 2055	No
	895,374			

Note: The guarantee amount of Hubei International Logistics Airport Co., Ltd. is the total guarantee amount formed by the aggregation of multiple guarantee amounts. The earliest date of guarantee is 29 September 2021, and the latest is 29 April 2055.

(g) Sales of equity

	2022	2021
SF REITS and its subsidiaries	232,939	–
Others	–	1,071,130
	232,939	1,071,130

In 2022, the Group earned a total of RMB31,654,000 in investment income from related parties from the above equity transactions.

(h) Donation expenses

	2022	2021
SF Foundation	2,028	31,851

(i) Remuneration of key management

	2022	2021
Remuneration of key management	29,214	28,414

(4) Receivables from and payables to related parties

(a) Accounts receivable

	31 December 2022	31 December 2021
Golden Arches and its subsidiaries	175,258	206,275
Fengxing Zhitu Technology	18,854	20,628
Yihai Shunfeng (Shanghai) Supply Chain Technology Co., Ltd.	8,077	–
Fengyi Technology	6,367	23,464
Others	28,472	28,056
	237,028	278,423

(b) Advances to suppliers

	31 December 2022	31 December 2021
Hive Box Technology and its subsidiaries	10,337	22,679
Galaxis Technology and its subsidiaries	8,200	–
Others	7,463	4,612
	26,000	27,291

(c) Loans and advances

	31 December 2022	31 December 2021
DHL Weiheng Supply	32,920	–

(d) Other receivables

	31 December 2022	31 December 2021
Hive Box Technology and its subsidiaries	405,621	371,433
SF REITS and its subsidiaries	51,726	48,898
Golden Arches and its subsidiaries	51,873	40,229
Others	12,274	31,497
	521,494	492,057

(e) Other non-current assets – Advances for engineering equipment

	31 December 2022	31 December 2021
KENGIC Intelligent and its subsidiaries	1,497	27,455
Others	608	26,828
	2,105	54,283

(f) Long-term receivables (including current portion of long-term receivables)

	31 December 2022	31 December 2021
Shanghai Tingdi Logistics Service Co., Ltd.	65,408	–
Others	3,281	5,442
	68,689	5,442

(g) Deposits from customers

	31 December 2022	31 December 2021
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	11,531	6,509
Shenzhen Fenglian Technology Co., Ltd.	8,884	–
Others	172	1
	20,587	6,510

(h) Accounts payable

	31 December 2022	31 December 2021
Fengxing Zhitu Technology	111,218	72,497
CR-SF International Express Co., Ltd.	85,092	50,439
Giao Hang Tiet Kiem Joint Stock Company	80,134	–
Wulian Shuntong and its subsidiaries	52,320	98,917
Shanghai Jiaxing Logistics Co., Ltd.	43,410	58,979
Fengxiang Information Technology	37,055	25,256
Shunjie Fengda and its subsidiaries	34,554	41,184
Hive Box Technology and its subsidiaries	16,318	9,936
Galaxis Technology and its subsidiaries	13,272	15,561
ZBHA and its subsidiaries	10,061	8,146
Others	21,807	34,909
	505,241	415,824

(i) Contract liabilities

	31 December 2022	31 December 2021
Fengyi Technology	4,137	2,689
Others	2,873	2,584
	7,010	5,273

(j) Other payables

	31 December 2022	31 December 2021
KENGIC Intelligent and its subsidiaries	187,008	240,661
Golden Arches and its subsidiaries	20,667	24,087
Others	12,647	212,242
	220,322	476,990

(k) Lease liabilities (including current portion of lease liabilities)

	31 December 2022	31 December 2021
SF REITS and its subsidiaries	784,767	816,579
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	45,379	9,330
Shenzhen Shunshang Investment Co., Ltd.	–	3,936
	830,146	829,845

(5) Commitments in relation to related parties

(a) As at 31 December 2022, the Group had no significant lease-out commitments in relation to related parties (31 December 2021: Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.: RMB49,970,000).

(b) Provide guarantee

	31 December 2022	31 December 2021
Hubei International Logistics Airport Co., Ltd.	2,384,180	2,890,180

The above-mentioned related party commitments are committed but have not yet provided the balance of guarantees 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:

	2022	2021
Equity-settled share-based payments	109,573	349,308
Cash-settled share-based payments	48,111	199,021
	157,684	548,329

(2) Information on equity-settled share-based payments

(a) Information on share-based payments 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.

As at 30 May 2022, the Company granted 47,892,100 stock options to 1,449 eligible incentive recipients for the first time at the exercise price of RMB42.61 per share.

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.

As at 28 October 2022, the Company granted 1,608,000 reserved stock options to 44 eligible incentive recipients at an exercise price of RMB42.431 per share.

As at 31 December 2022, the Company has 49,500,000 stock options outstanding.

The key parameters for determining the fair value of the share options at the grant date are as follows:

Valuation method	Black-Scholes Model
The exercise price of the option on the grant date	RMB 42.61 and RMB42.431
The validity period of the option	The duration from the grant date to the first exercise date of each period
The current price of the underlying shares (Closing price on grant date)	RMB 51.57 and RMB49.88
Historical share price volatility	35.77%~40.39%
Estimated dividend rate	0.51%~0.55%
The risk-free interest rate within the validity period of the option	1.50%~2.75%

At each balance sheet date during the vesting period of the incentive plan, the number of share options expected to be exercised will be revised based on subsequent information such as changes in the number of employees who can exercise their share options and the completion of vesting conditions, and the services obtained in the current period will be included in relevant costs and capital reserve based on the fair value of share options at the grant date.

As at 31 December 2022, the equity-settled share-based payments recognised by the Company accumulated to RMB244,485,000 (31 December 2021: RMB23,633,000), including accumulated amounts attributable to shareholders of the parent company of RMB243,869,000 (31 December 2021: RMB23,633,000) In 2022, the amount of expenses recognised by the Company for the equity-settled share-based payments was RMB220,852,000 (2021: Nil).

(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 2022, the equity-settled share-based payments of these companies recognised by the Group accumulated to RMB508,035,000 (31 December 2021: RMB619,314,000), including accumulated amounts attributable to shareholders of the parent company of RMB431,320,000 (31 December 2021: RMB528,557,000). In 2022, expenses which were offset against the reversal of equity-settled share-based payments amounted to RMB111,279,000 (2021: RMB349,308,000). The fair value at the grant date was recognised based on the discount 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 2022, liabilities arising from the cash-settled share-based payments accumulated to RMB334,757,000 (31 December 2021: RMB328,607,000). In 2022, the Group's expenses confirmed for cash-settled share-based payments amounted to RMB48,111,000 (2021: RMB199,021,000). The fair value at the balance sheet date was recognised based on the discount cash flow model and the binomial tree model.

10. Commitments

(1) Capital commitments

(a) 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 2022	31 December 2021
Buildings, machinery and equipment	3,571,632	10,432,197
Investment contracts that have been signed but not fulfilled or not absolutely fulfilled	1,811,611	2,525,587
Acquisition of minority shareholders' interests	–	609,252
Others	–	11,067
	5,383,243	13,578,103

(2) Other commitments

(i) In November 2020, the Group issued asset-backed securities through the Special Scheme set up by Huatai Securities (Shanghai) Asset Management Co., Ltd. by using five logistics industrial parks held by it as underlying assets. Yiwu Fengyutai Enterprise Management Co., Ltd., Quanzhou Fengyutai Enterprise Management Co., Ltd., Wuxi Jietai Enterprise Management Co., Ltd. and Huai'an Fengtai Enterprise Management Co., Ltd. (collectively "Property Operators"), wholly-owned subsidiaries of the Group, worked as the property operators of the Special Scheme. In case that the actual operating income of the property assets does not reach 90% but is not lower than 80% of the target amount, the Property Operators were committed to compensate the insufficient part of the target amount with Taisen Holdings providing guarantee for the compensation obligation.

At the end of each three years, the manager of the above Special Scheme accepts open-ended withdrawal and subscription of preferred securities within the withdrawal registering period. If the preferred securities shares that have not completed open-ended withdrawal are less than 20% of total undistributed principal of the preferred securities of RMB788 million at the extension operation announcement date. Taisen Holdings will purchase such preferred securities.

11. Contingency

As stated in Note 8(3)(g), subsidiaries of the Group provide loan guarantees to related parties. On 31 December 2022, the total guarantee amount was RMB895,374,000 (31 December 2021: RMB402,420,000).

12. Events after the balance sheet date

(1) Profit distribution after the balance sheet date

On 28 March 2023, the Board of Directors of the Company agreed that the Company would pay a cash dividend of RMB2.5 (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 2022 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.

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 2022	31 December 2021
Within 1 year (inclusive)	228,038	206,427
1 to 2 years (inclusive)	185,848	157,562
2 to 3 years (inclusive)	134,539	104,871
3 to 4 years (inclusive)	179,036	46,772
4 to 5 years (inclusive)	60,581	32,972
Over 5 years	246,444	15,104
	1,034,486	563,708

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 the Chinese mainland and a majority 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 2022 and 31 December 2021, the Group's companies whose recording currency is RMB held financial assets and liabilities denominated in non-recording currencies held by companies, of which the equivalent amounts in RMB Foreign exchange exposure such as (Note 4(58)(a)), mainly from USD, HKD and EUR.

As at 31 December 2022, for the above various US dollar financial assets and US dollar financial liabilities, if the RMB appreciates or depreciates by 5% against the US dollar and other factors remain unchanged, the Group will reduce or increase its pre-tax profit by approximately RMB74,507,000 (31 December 2020:RMB35,628,000). Other foreign currencies of changes have no significant impact on foreign exchange risk.

(ii) Foreign exchange risk of companies with HKD as recording currency

As at 31 December 2022 and 31 December 2021, 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 2022 and 31 December 2021, 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 2022 and 31 December 2021, such foreign exchange risks are 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 2022, 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 RMB7,472,010,000 (31 December 2021: RMB3,510,829,000); the contract amount of fixed rate debentures payable denominated in RMB was RMB1,000,000,000 (31 December 2021: RMB500,000,000), and the contract amount of fixed rate debentures payable denominated in USD was USD2,600,000,000, equivalent to RMB18,107,960,000 (31 December 2021: USD2,400,000,000, equivalent to RMB15,301,680,000).

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 2022, 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 RMB37,360,000 (31 December 2021: RMB17,554,000).

(c) Other price risk

The Group's other price risk arises mainly 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 2022, 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 RMB101,221,000 (31 December 2021: approximately RMB87,802,000) and RMB736,568,000 (31 December 2021: approximately RMB681,077,000) 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, cash on delivery service, 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.

As at 31 December 2022, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2021: 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 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

	31 December 2021				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Deposits from customers	13,723	–	–	–	13,723
Accounts payable	23,467,675	–	–	–	23,467,675
Other payables	11,520,282	–	–	–	11,520,282
Short-term borrowings	18,754,425	–	–	–	18,754,425
Other current liabilities	4,069,757	–	–	–	4,069,757
Current portion of non-current liabilities	9,018,284	–	–	–	9,018,284
Long-term borrowings	66,341	1,143,643	2,524,231	4,472	3,738,687
Debentures payable	500,343	3,674,510	4,098,421	10,640,242	18,913,516
Long-term payables	2,464	302,162	85,412	31,890	421,928
Lease liabilities	–	4,374,170	5,158,881	2,590,999	12,124,050
	67,413,294	9,494,485	11,866,945	13,267,603	102,042,327

(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 2022	31 December 2021
Within 1 year (inclusive)	986,197	888,382
1 to 2 years (inclusive)	259,841	182,883
2 to 3 years (inclusive)	200,248	131,357
Over 3 years	192,415	109,290
	1,638,701	1,311,912

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 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 2021, 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	–	–	9,730,665	9,730,665
Fund investments	76	653,752	–	653,828
Other non-current financial assets:				
Industry fund investments	–	–	552,130	552,130
Special Scheme equity-class securities	–	–	235,821	235,821
Others	–	–	90,072	90,072
Investments in other equity instruments:				
Equity instruments available for sale	241,936	401,726	6,167,109	6,810,771
Total financial assets	242,012	1,055,478	16,775,797	18,073,287

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

As at 31 December 2021, 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	–	7,658	–	7,658

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 were no transfers between different levels 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 risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier and liquidity discount.

The changes in Level 3 assets are analysed below:

	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 or losses recognised in profit for the current year	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

	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 2020	6,276,848	390,391	441,135	–	4,136,330
Business combination involving enterprises not under common control	–	–	–	4,854	244,045
Increase in the current year	117,935,200	–	28,943	85,242	–
Decrease in the current year	(114,905,490)	(167,705)	(25,572)	–	(208,230)
Gains recognised in profit or loss for the current year	424,107	13,135	108,635	–	–
Gains recognised in other comprehensive income	–	–	–	–	2,101,185
Exchange differences on translation of foreign currency financial statements	–	–	(1,011)	(24)	(106,221)
31 December 2021	9,730,665	235,821	552,130	90,072	6,167,109

(2) Financial assets and liabilities not measured at fair value but 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 2022 and 31 December 2021, the Group's gearing ratio was as follows:

	31 December 2022	31 December 2021
Gearing ratio	54.67%	53.35%

18. Notes to the Company's financial statements

(1) Cash at bank and on hand

	31 December 2022	31 December 2021
Cash at bank	812,181	226,112

(2) Financial assets held for trading

	31 December 2022	31 December 2021
Structural deposits	2,335,319	9,200,219

(3) Other receivables

	31 December 2022	31 December 2021
Dividends receivable from Taisen Holdings	500,000	2,000,000
Funds raised by convertible corporate debentures granted to subsidiaries	3,899,337	5,460,859
Funds raised by a non-public offering of shares granted to subsidiaries	10,790,492	10,814,434
Others	1,643	200
	15,191,472	18,275,493
Less: Provision for bad debts	(8)	(1)
	15,191,464	18,275,492

The ageing of other receivables is analysed as follows:

	31 December 2022	31 December 2021
Within 1 year (inclusive)	2,753,246	12,814,634
1 to 2 years (inclusive)	10,764,477	3,284,121
Over 2 years	1,673,749	2,176,738
	15,191,472	18,275,493

(4) Long-term equity investments

	31 December 2022	31 December 2021
Subsidiaries (a)	58,217,914	50,997,088
Less: Provision for impairment loss of long-term equity investments	–	–
	58,217,914	50,997,088

There is no significant restriction on sales of the long-term equity investments held by the Company.

(a) Subsidiaries

	Accounting method	31 December 2021	Movements in the current year	31 December 2022	Shareholding (%)	Voting rights (%)	Explanation of disparity between percentages of shareholding and voting rights	Provision for impairment	Cash dividends declared in the current year
Taisen Holdings	Cost method	50,997,088	7,220,826	58,217,914	100.00%	100.00%	Not applicable	–	500,000

(5) Investment income

	2022	2021
Income from long-term equity investments under the cost method	500,000	2,000,000
Investment income from financial assets held for trading	186,398	22,132
	686,398	2,022,132

1. Statement of non-recurring profit or loss

	2022	2021
Investment income from disposal of subsidiaries	32,314	1,808,638
Gains on disposal of other non-current assets	374,595	105,502
Government grants recognised in profit or loss for the current period (government grants recognised in non-operating income, other income and deducted against related costs and expenses)	826,447	857,458
Gains arising from changes in fair value of financial assets and liabilities held for trading and investment income arising from disposal of financial assets and liabilities held for trading	47,500	151,606
Income generated where investment cost of enterprises' acquisition of subsidiaries is less than the share of the fair value of the investee's identifiable net assets at the time of acquisition of investment	–	2,375
Reversal of impairment provision for receivables individually assessed for impairment	94,297	46,264
Net amount of other non-operating income and expenses	(73,330)	(136,453)
Sub-total	1,301,823	2,835,390
Less: Income tax effect	(235,481)	(381,549)
Less: Non-recurring profit or loss attributable to minority shareholders	(229,502)	(18,942)
Non-recurring profit or loss attributable to shareholders of the parent company	836,840	2,434,899
Including: Non-recurring profit or loss from continuing operations	836,840	2,434,899

Basis for preparation of statement of non-recurring profit or loss

Pursuant to the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No.1 – Non-recurring Profit or Loss (2008)* issued by China Securities Regulatory Commission, 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. Return on net assets and earnings per share

	Weighted average		Earnings per share			
	Return on net assets (%)		Basic earnings per share (Yuan/share)		Diluted earnings per share (Yuan/share)	
	2022	2021	2022	2021	2022	2021
Net profit attributable to ordinary shareholders of the Company	7.34%	6.81%	1.27	0.93	1.27	0.93
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	6.35%	2.93%	1.10	0.40	1.10	0.40
Including: – Continuing operations Net profit attributable to ordinary shareholders of the Company	7.34%	6.81%	1.27	0.93	1.27	0.93
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	6.35%	2.93%	1.10	0.40	1.10	0.40

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