HOLDING
順豐控股

順豐控股股份有限公司

S.F. Holding Co., Ltd.

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

Stock Code: 002352.SZ 6936.HK

2024
Annual Report

UNITED FOR SHARED GOALS
PIONEER WITH STEADFAST DRIVE

Company Vision

To be the well-respected and the world's leading digital intelligence logistics solution provider

Important Notice

The Company's Board of Directors, Board of Supervisors, Directors, Supervisors and senior management hereby guarantee that the contents of this annual report (the "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.

The Financial Report is prepared in accordance with the International Financial Reporting Standards and audited by PricewaterhouseCoopers, which has expressed a standard unqualified opinion thereon.

The Report has been considered and approved at the 19th meeting of the sixth session of the Board of Directors of the Company (the "Board Meeting") with all Directors present and voting in favor.

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.

Investors are advised to pay attention to the major risks currently faced by the Group and the countermeasures, the details of which are set out in the "Risk Management and Internal Controls" of the "Corporate Governance Report."

The profit distribution plan considered and approved at the Board Meeting is as follows: based on the total number of Shares at the record date in respect of the implementation of 2024 final dividend distribution plan, less the Shares in repurchase securities account of the Company, a final cash dividend of RMB4.4 (tax inclusive) per 10 Shares will be distributed to all Shareholders. The Company will not carry out bonus issue or conversion of capital reserve into share capital for the year of 2024. Upon preliminary calculation using the Company's total number of Shares as of the date of this Report and excluding the Shares in the repurchase securities account on the even date, the amount of the final cash dividend distribution is expected to be RMB2.185 billion. Coupled with the 2024 interim cash dividend of approximately RMB1.918 billion disbursed, the estimated aggregate amount of cash dividends for 2024 is RMB4.104 billion (excluding the one-off special cash dividend disbursed for returning shareholders, which amounted to approximately RMB4.795 billion), accounting for 40% of the profit attributable to owners of the Company in 2024. The cash dividend payout ratio has increased steadily from 35% in 2023. The 2024 final dividend distribution plan is subject to consideration and approval at the 2024 annual general meeting of the Company.

The Report is prepared in both Chinese and English versions. If there is any ambiguity in understanding the Financial Report, the English version shall prevail. If there is any ambiguity in understanding of other contents other than the Financial Report, the Chinese version shall prevail.

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Wang Wei *(Chairman)*

Mr. Ho Chit

Ms. Wang Xin

Mr. Xu Bensong

Independent Non-executive Directors

Mr. Chan Charles Sheung Wai

Mr. Lee Carmelo Ka Sze

Dr. Ding Yi

Audit Committee

Mr. Chan Charles Sheung Wai *(Chairman)*

Mr. Lee Carmelo Ka Sze

Dr. Ding Yi

Nomination Committee

Mr. Lee Carmelo Ka Sze *(Chairman)*

Dr. Ding Yi

Mr. Wang Wei

Remuneration and Appraisal Committee

Dr. Ding Yi *(Chairlady)*

Mr. Chan Charles Sheung Wai

Mr. Lee Carmelo Ka Sze

Risk Management Committee

Mr. Ho Chit *(Chairman)*

Mr. Chan Charles Sheung Wai

Mr. Lee Carmelo Ka Sze

Strategy Committee

Mr. Chan Charles Sheung Wai *(Chairman)*

Dr. Ding Yi

Mr. Wang Wei

H Share Registrar

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

Legal Advisers

As to Hong Kong laws:

Herbert Smith Freehills

23rd Floor, Gloucester Tower

15 Queen's Road Central

Hong Kong

Auditor

PricewaterhouseCoopers

Certified Public Accountants and

Registered Public Interest Entity Auditor

22/F, Prince's Building

Central, Hong Kong

Compliance Adviser

Caitong International Capital Co., Limited

Unit 2401-05, 24th Floor

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

Registered Address in the PRC

3/F, Complex Building

SF South China Transit Center, No. 1111, Hangzhan 4th Road

Shenzhen Airport, Caowei Community

Hangcheng Sub-district, Bao'an District, Shenzhen

Guangdong Province, the PRC

Corporate Information

Principal Place of Business in the PRC

TK Chuangzhi Tiandi Building

Keji South 1st Road

Nanshan District, Shenzhen

Guangdong Province, the PRC

Principal Place of Business in Hong Kong

9/F, Asia Logistics Hub - SF Centre

36 Hong Wan Road, Tsing Yi

New Territories, Hong Kong

Joint Company Secretaries

Ms. Gan Ling

Ms. So Ka Man *(FCG, HKFCG (PE))*

Authorized Representatives

Mr. Ho Chit

Ms. Gan Ling

Company's Website

www.sf-express.com

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

Focusing on its logistics ecosystem, SF has continually enhanced its portfolio of product and service capabilities, and has expanded to cover time-definite express, economy express, freight, cold chain and pharmaceutical logistics, intra-city on-demand delivery, international express, international cargo and freight forwarding, and supply chain, to provide customers with domestic and international end-to-end one-stop integrated logistics services. Meanwhile, leveraging its leading technology and research and development capabilities, the Company is committed in building a digitalized supply chain ecosystem, empowering clients with technology to create secure and efficient digital supply chain systems. SF aspires to be the well-respected and the world's leading digital intelligence logistics solution provider.

The Company has adhered to sustainable and healthy development through visionary and forward-looking strategic planning. For the past 32 years, the Company has accurately seized opportunities to expand its scale, maintain industry leadership, and has become the leading logistics company in China and Asia. The Company was ranked 415th on the Fortune Global 500. The Company's flagship product, time-definite express, has dominant market leadership in China, and through leveraging the network resources and capabilities for its time-definite express, the Company has rapidly and efficiently expanded into new logistics service sub-segments, covering from small parcels to bulk and heavy cargoes, from standardized express delivery to customized supply chain services, and from China to Asia and further to the world. The Company is the market leader in China[1] across five logistics sub-segments including express, freight, cold chain, intra-city on-demand delivery[2] and supply chain[3], and the market leader in Asia[1] across four logistics sub-segments including express, freight, intra-city on-demand delivery[2] and international business[4] in Asia.

Looking ahead, the Company is committed to becoming the leading global logistics company connecting Asia and the world. While continuously solidifying its leadership position in the Chinese market, the Company continues to expand its market influence across Asia and globally, rapidly replicate its proven domestic know-how to overseas networks. Leveraging its well-recognized brand, leading cost advantages and integrated logistics service capabilities, the Company expands the international market, drives the sustainable and healthy growth of business, so as to become the go-to logistics partner of global business customers and retail customers to foster shared-growth and create enduring value together.

Extensive Scale

Largest in Asia

4th Largest Globally

Integrated logistics service provider[1]

Leadership[1]

No. 1 in Asia

Express, LTL Freight, Intra-city On-demand Delivery[2], International Business[4]

No. 1 in China

Express, LTL Freight, Cold Chain, Intra-city On-demand Delivery[2], Supply Chain[3]

Premium Brand

No. 1

Customer satisfaction for express services in China

15 years in a row

[1] According to Frost & Sullivan Report, in terms of revenue in 2023
[2] Among third-party intra-city on-demand delivery service providers
[3] Among non-state-owned independent third-party supply chain solution providers
[4] Among the integrated logistics service providers in Asia

Business Segments

Express Logistics

Time-definite Express

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

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

Economy Express

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

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

Freight

Provide one-stop comprehensive logistics transportation distribution and to-door extended service of large parcel mainly for enterprise production and commercial distribution, and personal life scenarios

- Provide large parcels B2C delivery, B2B batch shipments, less-than-truck-load freight transport and full-truck-load transport;
- Large parcel warehousing and distribution, moving, store distribution, integrated delivery and installation, and other scenarios;
- SF Freight carried out through directly-operated network to serve mid- to high-end customers while SX Freight carried out through franchising network to serve lower-tier markets.

Cold Chain and Pharmaceutical Logistics

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

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

Intra-City On-demand Delivery

Point-to-point instant delivery service mainly for merchants and customers within the city

- Provide customized and standardized product system for business merchants, service integrating features of 'Fetch for Me, Deliver for Me, Purchase for Me, Solve for Me' for consumer-end users and city-wide on-demand delivery services within average 1 hour.

Supply Chain and International

International Express

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

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

International Cargo and Freight Forwarding

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

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

Supply Chain

Provide customers in various industries with one-stop domestic and international digital supply chain solutions

- Empowering customers with technology, leveraging SF's big data, IoT technology and software and hardware system integration capabilities to help customers establish a global smart supply chain system.

Key Accounting Data and Financial Indicators

Financial Summary

Results Overview for 2024

Revenue

RMB**284.4** billion ↑10.1%

Total assets

RMB**213.8** billion ↓3.5%

Gross profit

RMB**38.9** billion ↑19.2%

Equity attributable to owners of the Company

RMB**92.0** billion ↓0.9%

EBITDA

RMB**32.7** billion ↑11.0%

Basic earnings per share

RMB**2.11** per Share ↑24.1%

Profit attributable to owners of the Company

RMB**10.2** billion ↑23.5%

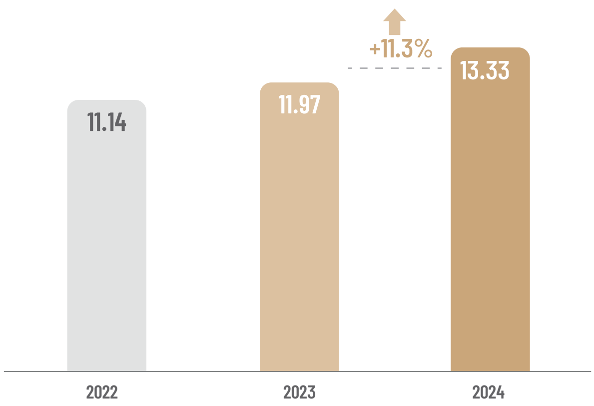
Weighted average return on net assets

11.2% +2.0%

Key Accounting Data and Financial Indicators

Total Volume

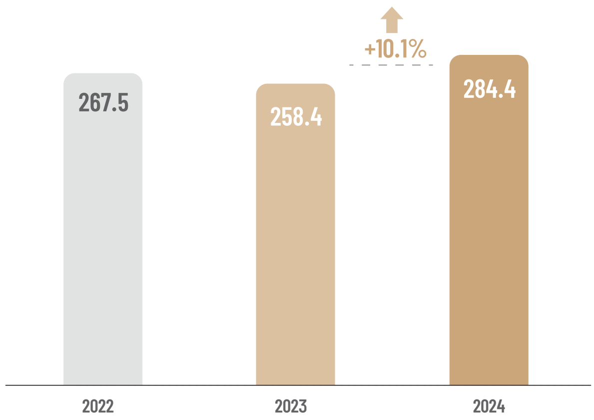
Unit: 1 billion parcels



The total volume includes the volume of express logistics business and international express business (exclude oversea local express business). Excluding Fengwang business, the volume of parcels increased by 15.3% year-on-year.

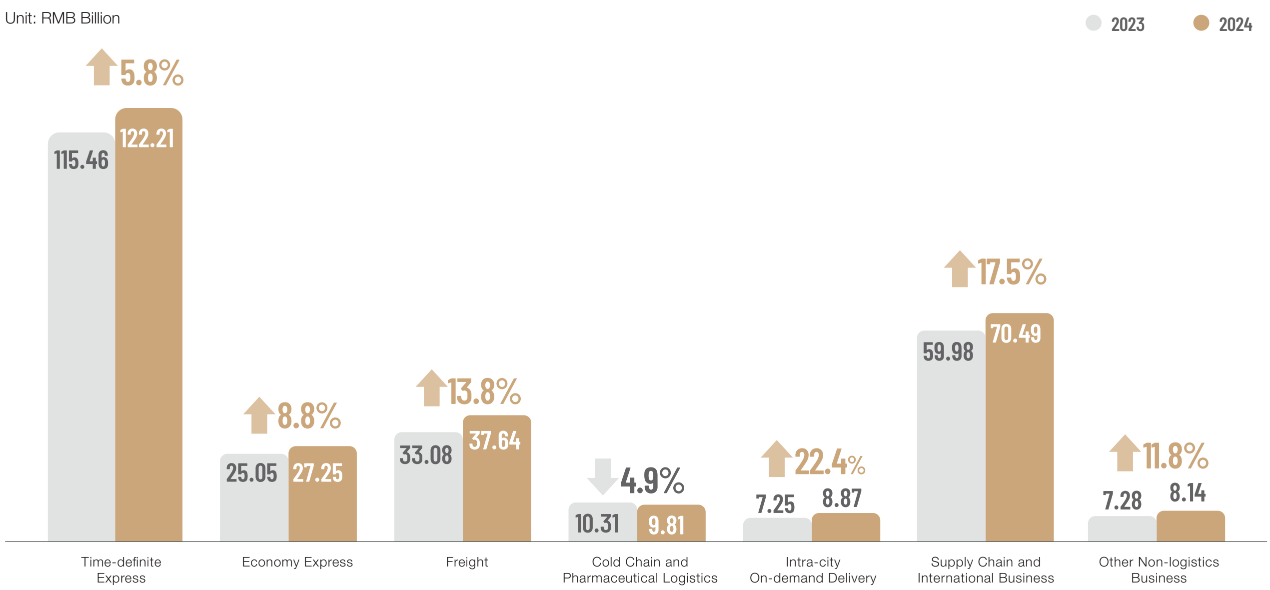
Total Revenue

Unit: RMB Billion



Revenue Breakdown by Segment

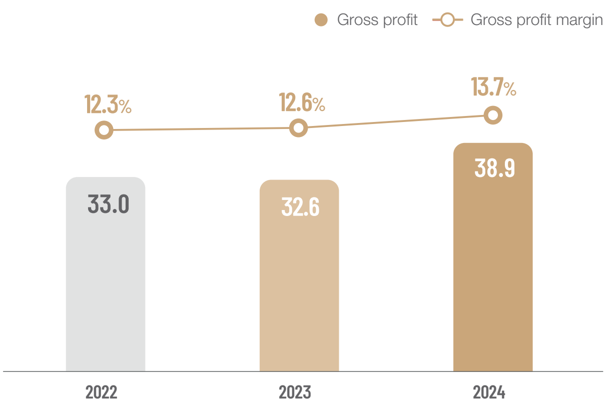
Unit: RMB Billion



Key Accounting Data and Financial Indicators

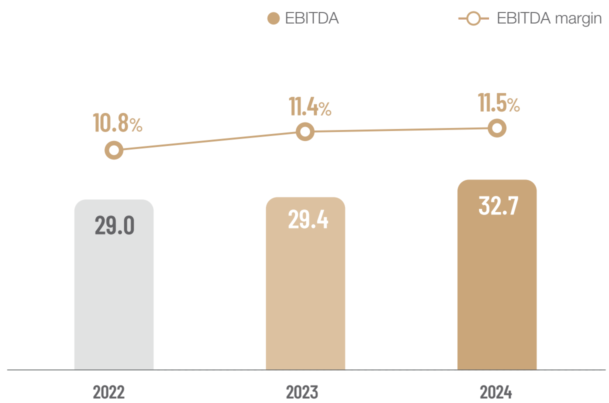
Gross profit

Unit: RMB Billion



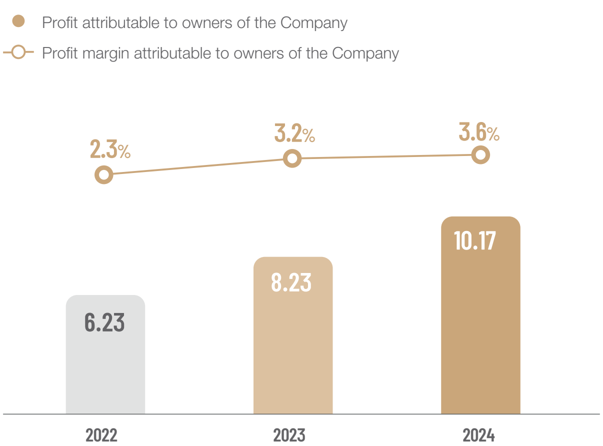
EBITDA

Unit: RMB Billion



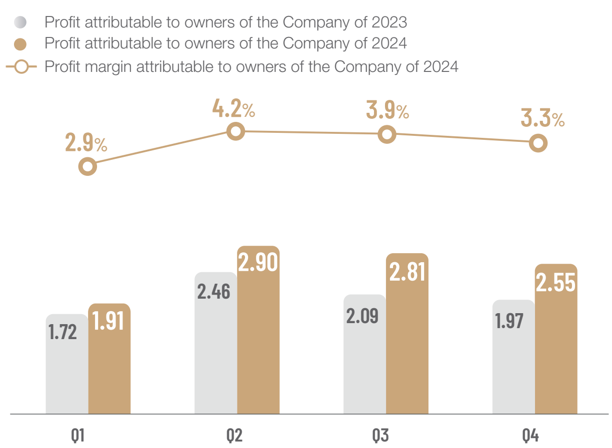
Profit attributable to owners of the Company

Unit: RMB Billion



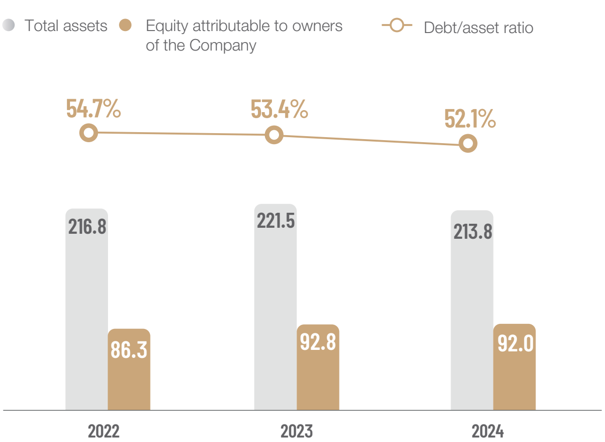
Quarterly profit attributable to owners of the Company

Unit: RMB Billion



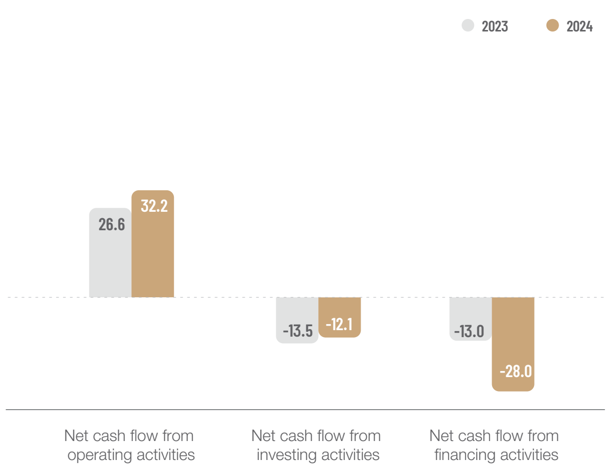
Assets

Unit: RMB Billion



Net cash flow

Unit: RMB Billion



Key Accounting Data and Financial Indicators

Income Statement Items	Year ended December 31, 2024 RMB'000	Year ended December 31, 2023 RMB'000	Changes in this year over the previous year	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Revenue	284,420,059	258,409,403	10.07%	267,490,414	207,186,647
Gross profit	38,895,947	32,633,725	19.19%	33,012,406	25,777,544
EBITDA[(1)] (Non-IFRS measure)	32,695,124	29,441,939	11.05%	28,987,966	21,780,927
Profit for the year	10,218,845	7,911,609	29.16%	7,056,914	4,382,094
Profit attributable to owners of the Company	10,170,427	8,234,493	23.51%	6,227,058	4,731,979

Note:

(1) EBITDA = profit for the year + depreciation and amortization + finance costs, net + income tax expense. For further details, please refer to page 38 of the "Non-IFRS measures" section.

Balance Sheet Items	As of December 31, 2024 RMB'000	As of December 31, 2023 RMB'000	Changes in this year over the previous year	As of December 31, 2022 RMB'000	As of December 31, 2021 RMB'000
Current assets	88,686,806	90,990,680	-2.53%	90,673,493	94,112,124
Non-current assets	125,137,407	130,499,975	-4.11%	126,169,214	115,734,564
Total assets	213,824,213	221,490,655	-3.46%	216,842,707	209,846,688
Current liabilities	72,193,368	73,989,641	-2.43%	77,676,909	76,021,629
Non-current liabilities	39,295,624	44,217,354	-11.13%	40,879,749	35,963,106
Total liabilities	111,488,992	118,206,995	-5.68%	118,556,658	111,984,735
Total equity	102,335,221	103,283,660	-0.92%	98,286,049	97,861,953
Equity attributable to owners of the Company	91,993,286	92,790,344	-0.86%	86,263,741	82,889,932

Cash Flows Statement Items	Year ended December 31, 2024 RMB'000	Year ended December 31, 2023 RMB'000	Changes in this year over the previous year	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Net cash generated from operating activities	32,186,373	26,569,819	21.14%	32,702,947	16,078,955
Net cash used in investing activities	-12,054,744	-13,505,617	10.74%	-12,091,458	-17,131,227
Net cash (used in)/generated from financing activities	-27,979,113	-12,994,685	-115.31%	-16,016,950	20,498,576

Key Accounting Data and Financial Indicators

Key Financial Indicators	Year ended December 31, 2024	Year ended December 31, 2023	Changes in this year over the previous year	Year ended December 31, 2022	Year ended December 31, 2021
Gross profit margin	13.68%	12.63%	Up by 1.05 percentage points	12.34%	12.44%
EBITDA margin	11.50%	11.39%	Up by 0.11 percentage point	10.84%	10.51%
Profit margin attributable to owners of the Company	3.58%	3.19%	Up by 0.39 percentage point	2.33%	2.28%
Basic earnings per share *(RMB)*	2.11	1.70	24.12%	1.28	1.03
Diluted earnings per share *(RMB)*	2.11	1.70	24.12%	1.28	1.03
Weighted average return on net assets	11.16%	9.19%	Up by 1.97 percentage points	7.41%	7.58%
Asset-liability ratio	52.14%	53.37%	Down by 1.23 percentage points	54.67%	53.37%

Differences in net profit and net assets in the financial reports disclosed in accordance with the International Accounting Standards and the Chinese Accounting Standards are as follows:

	Profit attributable to owners of the Company		Equity attributable to owners of the Company	
	Year ended December 31,		As of December 31,	
	2024 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*	2023 *RMB'000*
In accordance with the International Accounting Standards	10,170,427	8,234,493	91,993,286	92,790,344
In accordance with the Chinese Accounting Standards	10,170,427	8,234,493	91,993,286	92,790,344
Items and amounts adjusted in accordance with the International Accounting Standards:				
In accordance with the International Accounting Standards	–	–	–	–
Difference description	No difference			

Chairman's Statement

Dear Shareholders,

In 2024, China's economy made steady progress in a complex and ever-changing global environment, demonstrating resilience. The Chinese express logistics industry, supported by government policies, technological innovations, and market demands, continued to grow at a stable pace, with volume and revenue reaching new historical highs. The express logistics industry in 2024 saw two major innovations: First, the application of new technologies and models, such as AI algorithms, autonomous vehicles, and logistics drones, enhanced the industry's level of intelligence and supported its digital transformation; Second, the demand for comprehensive logistics solutions has set higher standards, with noticeable growth in lower-tier markets and the manufacturing sector. The global expansion of Chinese brands and production capacities has become a new driving force for cross-border logistics growth, continuously promoting the high-quality development of the industry.

In 2024, SF successfully listed on the Hong Kong Stock Exchange, becoming the first A+H company in the domestic logistics industry. This marks another significant milestone in SF's 32-year history. This listing serves as a new starting point for SF to build an international capital platform, continuously deepen its globalization strategy, and develop an elite team with shared values, vision, and mission. SF is committed to becoming a culturally inclusive and diverse international enterprise, striving to be a globally leading provider of intelligent logistics solutions, trusted and respected by customers, employees, and partners.

In the first year of this pivotal milestone, the Company embraced the theme "United for Shared Goals, Pioneer with Steadfast Drive" by fully invigorating operational dynamism and keenly capturing new opportunities in both domestic and international markets and achieved healthy growth in overall businesses. In 2024, the Group achieved revenue of RMB284.4 billion, representing a year-on-year increase of 10.1%, among which, the express logistics business achieved revenue of RMB205.8 billion, representing a year-on-year increase of 7.7%; the supply chain and international business achieved revenue of RMB70.5 billion, representing a year-on-year increase of 17.5%, effectively securing the Company's second growing curve. Alongside business expansion, continuous improvements in backbone logistics network efficiency and operational model reforms have driven cost reductions and efficiency enhancements, leading to sustained profitability growth. The profit attributable to owners of the Company in 2024 was RMB10.2 billion, representing a year-on-year increase of 23.5%, and the profit margin was 3.6%, representing a year-on-year increase of 40 basis points, delivering solid results and demonstrating notable developmental resilience.

Operational Revitalization: More Authorization and Support to Business Frontlines

In 2024, the Company implemented the "Activating Operations" strategy, focusing on the core business principles of "customer-first, competitive leadership, market orientation, and employee satisfaction," and initiating a series of organizational and mechanism reforms. The headquarter upgraded from a traditional management model to a service-oriented operational model, emphasizing service support for business frontlines. The Company increased authorization to regional business teams, enhancing decision-making agility at the frontline and unleashing market expansion dynamics for local branches and thousands of service outlets. Gradually, an incentive mechanism driven by business results, multiple motivators, and shared outcomes was implemented, upgrading the Group into a more cohesive community of shared interests, igniting the entrepreneurship within, and fostering symbiotic development between the enterprise and employees.

Accelerating Penetration Into the Supply Chain of Customers Across Major Industries

Market competition and business innovation have increasingly driven diverse customer demands. Corporate clients do not only focus on the cost-effectiveness of logistics services but also prioritize the optimal layout of diversified business models across the entire supply chain, as well as the efficient implementation of digitalization, intelligence, and eco-friendliness. Perceiving the everlasting market changes, and leveraging SF's unique full spectrum of logistics services, in 2024, the Company has hastened the strategic shift from selling "standardized products" to selling "industry solutions". By building comprehensive logistics solutions and standardized portfolio service that fit various industries and scenarios, the Company rapidly expands supply chains solutions across all sectors, enhancing its market share in logistics. Simultaneously, the Company focuses on building long-term strategic capabilities

Chairman's Statement

in the industry, constructing long-term competitive edge in various sectors through technology empowerment, operational innovation, and external collaborations.

In 2024, the Company achieved business growth by penetrating customer's upstream and downstream supply chain scenarios across multiple industries. Logistics revenue in the e-commerce, high-tech, automotive, and industrial manufacturing sectors all grew by over 20% year-on-year. Additionally, the Company launched dozens of standardized product packages tailored to eight major industries, facilitating rapid market replication and enhancing business expansion efficiency.

Expanding Global Reach: Driving Business Growth Through Globalization

The globalization of Chinese enterprises, including product exports, production capacity expansion, and brand globalization, has fueled robust demand for cross-border logistics. Furthermore, The Asia-Pacific region continued to lead in logistics growth globally. In response to this trend, the Company has reinforced its "The One in Asia" strategy and focused on improving the self-operated networks in Southeast Asia and Asian countries including Japan and Korea based on the integration of KLN's overseas capabilities and resources, strengthening its international express delivery and supply chain service capabilities. Additionally, the Company continues to densify its international air network, improve customs clearance capabilities, and construct overseas warehouses, flexibly expanding into the cross-border logistics markets toward Europe and America. With a full range of international express, supply chain, cross-border e-commerce logistics, and freight forwarding services, SF is dedicated to becoming the go-to logistics partner for Chinese companies going global.

In 2024, the Company customized integrated cross-border end-to-end logistics solutions with both cost-efficiency and high-quality services for customers, and achieved the 0-to-1 – to-N breakthroughs in international supply chain projects across countries, industries and business scenarios. In 2024, the Company won bids for an aggregate of 100 overseas supply chain projects, and over 45% of Fortune China 500 companies are using SF's international logistics services.

Network Optimization: Structural Cost Reduction and Efficiency Enhancements

The Company remains committed to lean operations, implementing operational model transformations and optimizing network layout to drive structural cost reductions. Integrated resource management and cost efficiencies were achieved across the entire logistics chain, enhancing product competitiveness.

In 2024, the Company's average operating cost per parcel continued to decline. In terms of sorting, large-scale multifunctional sorting and warehousing centers were built to reduce the number of sorting centers and improve capacity utilization. Meanwhile, the Company adhered to technological innovation, created the first unmanned container sorting center in the industry, and partially implemented fully automatic operations. In terms of transportation, the Company continuously refined transfer modes and route planning to maximize delivery consolidation and streamline routes to achieve network streamline and reduced costs. In terms of last-mile delivery, the Company strengthened the operational model transformation to reduce processes at the outlets and improve the couriers' collection and delivery efficiency for better service. Additionally, by fully utilizing idle capacity and flexibly integrating external resources, the Company expanded into more industrial or niche markets with competitive services and pricing, leveraging network scale economy to foster a virtuous cycle of volume growth and cost optimization.

Technology-Driven Smart Supply Chain Innovation

The Company has integrated cutting-edge technology with industry-specific applications to enhance logistics network efficiency and digital customer services. In 2024, the Company won multiple international awards and national recognitions in the field of logistics technology, and has been selected as a finalist for the 2025 Franz Edelman Award, the highest honor in the world for operations research and management science, becoming the only representative from China into this year's final round.

The Company leveraged cutting-edge large-scale modeling technology to build the SF Logistics Decision-Making Large Model and SF Large Language Model. SF Logistics Decision-Making Large Model can intelligently analyze and optimize volume demand forecasting, route planning, and operational decisions, while SF Large Language Model has been widely applied in over 20 scenarios including company operations, international custom clearance affairs and customer services, contributing to improved employee efficiency and customer service experience. Meanwhile, through the implementation of unmanned technologies, including AGV, unmanned vehicles, intelligent driving assistance systems, and automated warehouses, the Company comprehensively improved its operation efficiency. Moreover, the Company widely applied RPA (Robotic Process Automation technology) during the collection, transit, and delivery process to assist in automatically generating various data reports and analysis, monitoring various processes and providing automatic warning, comprehensively optimizing business operations and improving the network efficiency.

Meanwhile, the Company adopted leading logistics technologies to empower customers across the industries to build the best practices of digital logistics and supply chains. The logistics technologies have been widely applied in various industries such as high-end manufacturing, cosmetics, automobile accessories, home appliances and consumer goods, and the Company has successfully accumulated nearly a hundred cases of industry-leading customers, empowering over 4,000 industry customers in dozens of fields. For small and medium-sized customers, the Company penetrated into their logistics services through light-version SaaS products to enhance the added value of the Company's express and logistics services, contributing to the business expansion and customer loyalty.

Chairman's Statement

Cultivating a Green, Sustainable, and Ethical Logistics Ecosystem

The Company has always upheld sustainable and healthy development and is committed to fulfilling social responsibilities as well as integrating corporate value with social value while delivering financial results. The Company always implements its customer-centric service philosophy and provides customers with premium services for their value creation. Simultaneously, the Company continues to promote the construction of a green logistics system, and contribute to the establishment of a green and low-carbon supply chain ecosystem. Additionally, the Company continuously improves employee benefits and care, remains true to its original aspiration, and actively participates in public welfare to contribute to the society. The Company's ESG practices have achieved constant recognition in China and overseas. The Company's MSCI ESG rating is BBB, being the first in China's express delivery logistics industry, and it is rated as low risk by the Sustainalytics ESG rating, which is the best rating in the global express delivery logistics industry. The Company has been honorably selected into the list of ESG influence in China issued by Fortune for three consecutive years (2022-2024), making it the only selected express delivery logistics company in China. The Company has also continued to innovate in green solutions, providing green and low-carbon solutions for over 60 customers in 2024, and achieving the first commercial flight of sustainable aviation fuel for full-cargo aircraft in China. In the future, the Company will depend on its own resource advantages to provide more customers with end-to-end green solutions.

The Company also has a strong emphasis on shareholder return. In March 2024, the Company issued the "Shareholder Return Plan for the Following Five Years (2024-2028)", specifying a steady increase in the cash dividend payout ratio based on that in 2023. The Company has fully paid an interim dividend for 2024 of approximately RMB1.9 billion, representing a dividend payout ratio of approximately 40%, and a special dividend of approximately RMB4.8 billion distributed before its listing on the Hong Kong Stock Exchange, demonstrating SF's commitment to its shareholders in return for their long-standing support. In addition, the Board of Directors proposed to distribute a final dividend for 2024 of RMB4.4 per 10 shares (tax inclusive).

Looking ahead, in 2025, SF will continue to focus on the logistics industry, starting from the original aspiration of serving the real economy, empower the operation upgrade across industries and support the development of new productive boosters by providing digital logistics solutions, to achieve increased revenue and cost control with an improved supply chain efficiency.

Last but not least, I would like to convey my sincere gratitude to each of our customers for their trust, each of our employees for their diligent work, and each of our shareholders for their support. We still have a long journey to conquer ahead and we must be acutely aware that the market and customer demands are changing. The only way to achieve sustainable, long-term and healthy development is to be customer-centered, honesty-based and love-oriented. We shall work together closely to embrace the challenges and create excellence and a brighter future.

WANG Wei

Chairman and General Manager

March 28, 2025

Management Discussion and Analysis

Industry Review in 2024

Domestic Market

China's economy has achieved steady development with an accelerated transition from old to new dynamics. According to the data from National Bureau of Statistics, China's GDP reached RMB134.9 trillion in 2024, representing an increase of 5.0% over the previous year, and continuing to be a significant engine for global economic growth. Large enterprises and strategic emerging industries significantly boosted economic growth, with major companies' value-added industrial output growing by 5.8%, driven by sectors such as intelligent equipment and new energy. High-tech manufacturing was particularly strong, increasing by 8.9%, as the impact of strategic emerging industries on the economy continued to expand. The total retail sales of consumer goods were RMB48.8 trillion, among which, the online retail sales of physical goods reached RMB13.1 trillion, representing a year-on-year increase of 6.5%, showing a stabilization in e-commerce penetration. At the policy level, the state focused on propelling domestic demand and industrial upgradation. The Action Plan for Promoting Large-Scale Equipment Renewals and Consumer Goods Trade-ins issued by the State Council proposed equipment renewal, consumer goods trade-in, recycling and reuse, standard improvement, and other critical actions aiming to stimulate economic vitality through market mechanisms and promote both quantitative and qualitative improvements in economic activities along with structural optimization.

In 2024, China's logistics industry demonstrated enhanced quality and efficiency, supported by advancements in intelligent technologies and strategic depth, contributing to industrial upgrading. According to the data from China Federation of Logistics & Purchasing, the total cost of social logistics in 2024 was approximately RMB19.0 trillion, representing an increase of 4.1% over the previous year and accounting for 14.1% of the GDP, which decreased by 0.3 percentage point over the previous year. In particular, the express industry continuously adhered to the strategy of "go to the countryside, go to factories and go global" to improve people's life quality, promote the industrial supply chain upgrade, and pave the way for the international trade. According to the data from State Post Bureau, express deliveries volume in China in 2024 exceeded 175.08 billion, representing an increase of 21.5% over the previous year. The revenue of China's express delivery business in 2024 was RMB1.4 trillion, representing an increase of 13.8% over the previous year. Moreover, consumers' focus on value-for-money will motivate companies and merchants to seek for efficiency enhancement and cost reduction for the supply chain. The reduced logistics cost and improved timeliness supported the consumer market and the real economy. In the future, logistics companies with capabilities in digital integration and global supply chain optimization are poised for significant growth in emerging industries.

Overseas Market

Amid global economic challenges, policy stimuli and regional cooperation drive resilient growth. The international market environment remains complex and dynamic, with geopolitical conflicts and intertwined uncertainties in international trade creating multiple constraints on economic recovery. However, global inflation rates have moderated, and major economies have shifted towards interest rate cuts in an effort to stimulate economic recovery. According to the International Monetary Fund (IMF), the global economic growth forecast for 2024 was 3.2%. Emerging markets and developing economies in Asia sustained robust growing headwinds, with a forecasted economic growth rate of 5.2%, continuously outpacing the global economy. Global trade demonstrates resilience under pressure. According to the data from the United Nations Conference on Trade and Development (UNCTAD), trade in goods has gradually rebounded, driven by further regional cooperation, with strong performance in information and communications technology sector and a mild growth in automobile trade.

China's foreign trade realized paralleled growth in overall volume, incremental volume, and quality. According to the data from General Administration of Customs of the PRC, the total value of China's imports and exports in 2024 amounted to RMB43.9 trillion, increased by 5.0% over the previous year. Among them, the total value of exports was RMB25.5 trillion, increased by 7.1% over the previous year. In terms of product categories, the export value of mechanical and electrical products increased by 8.7%, accounting for 59.4% of the total value of exports, with exports of high-end equipment increasing by over 40%. High-tech products gained favorable growth, with new high-tech products increasingly venturing overseas. The exports of self-owned brands in China hit a record high, booming cross-border e-commerce and other

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emerging business. In terms of business partners, China's exports to over 160 countries and regions increased, including an increase of 9.6% in exports to countries involved in the Belt and Road Initiative and an increase of 13.4% in exports to ASEAN countries.

The international logistics market continued to rebound pillared by increased trade and cross-border e-commerce activities. According to the data from International Air Transport Association (IATA), the global overall demand for air freight in 2024 increased by approximately 11.3% over the previous year, outpacing the growth of air transport capacity over the same period, thereby driving continuous increase in the price of air freight throughout the year. In particular, the annual demand for air freight in Asia-Pacific experienced the fastest increase of 14.5% among all regions. Additionally, the price for sea freight from Asia-Pacific to Europe and to the Americas substantially increased, where the sea freight price for China exports hit its peak in the middle of 2024 and remained stable till the end of the year. Furthermore, along with the in-depth trade cooperation between China and ASEAN, RCEP member countries and countries involved in the Belt and Road Initiative, the industrial chain and supply chain were deeply interconnected with a smoother customs clearance of goods, spurring the growth of demand for international logistics and supply chain.

The globalization of Chinese enterprises in production capacity and brand expansion accelerating the globalization of China's logistics sector. Driven by the restructuring of global industrial chains and China's industrial upgrading, Chinese enterprises are accelerating in globalization and evolving into a new dual-track model that combines "production capacity globalization" and "brand globalization". In production capacity globalization, industries such as 3C electronics, automotive manufacturing, garment OEM, lithium batteries, and photovoltaics have emerged as the main drivers. Enterprises have been actively setting up overseas production facilities, particularly as uncertainties in international trade and tariff policies intensify. This trend is further accelerating industrial chain restructuring and relocation, creating urgent demand among Chinese enterprises to establish comprehensive and efficient overseas supply chain systems. Regarding brand globalization, sectors including coffee/tea beverages, food & catering, and beauty/personal care have seen rapid growth. These industries are accelerating the establishment of overseas direct-operated stores and sales channels to actively expand in global consumer markets. This dual-track expansion is fundamentally supported by Chinese logistics providers' competitive advantages in efficient supply chain management and cost-effectiveness. Through digital system integration, flexible supply chain network deployment, and large-scale operational capabilities, these enterprises are successfully translating domestic supply chain expertise into international market competitiveness. The continuous enhancement of China's industrial chain capabilities and brand competitiveness, coupled with the global expansion of cross-border e-commerce marketplace and independent e-commerce websites, has created exceptionally favorable conditions and opportunities for Chinese comprehensive logistics service providers to expand globally alongside their clients.

Positioning and Competitive Strengths of the Company in the Logistics Industry

As the largest integrated logistics service provider in China and Asia, and the fourth largest player globally, the Company adheres to long-term sustainable and healthy development as well as foresight strategy. Amidst the ever-changing market, the Company is capable of promptly seizing development opportunities, pursuing continuous innovation and reform, reinforcing service capabilities, and navigating through business cycles together with its clients.

Diversified Logistics Network Connecting Asia and the World. Through organic growth and strategic mergers & acquisitions, the Company has built a one-stop integrated logistics service landscape with a more complete product portfolio, a more comprehensive network, and more diversified service scenarios, covering the end-to-end supply chain from production to sales and from domestic to abroad. The Company's efficient and reliable logistics infrastructure network covered all cities in China and a number of countries and regions around the world, and it owns the largest air cargo fleet in Asia and the Ezhou cargo hub, enabling "reaching nationwide overnight and connecting the world the third day". Meanwhile, the Company leverages extensive maritime, ground, and rail transportation resources and routes to provide clients with multi-modal solutions for domestic and cross-border transportation of LTL and bulk cargo. The acquisition and integration of KLN have further strengthened the Company's local logistics capabilities in Southeast Asia and its international freight forwarding capacity of connecting Asia with the world. Amidst the complex and volatile trade environment and the accelerated restructuring of the global industry chain, the Company is capable of adapting swiftly and flexibly to market shifts with integrated logistics expertise and the solid network coverage overseas, especially in Asia, and reshaping the supply chain structure in China and overseas together with its customers across industries to withstand market risks for a successful international expansion.

Leading Position in Multiple Logistics Sub-Segments in China and Asia. Leveraging the time-definite and high-density network, with the "1-to-n" expansion strategy, the Company has quickly transformed from China's leading time-definite express service provider into a leading global integrated logistics service provider. The Company enjoys an unrivaled leading position in China in terms of time-definite express services and is also a market leader in China in terms of logistics sub-segments including LTL freight, cold chain logistics, third-party intra-city on-demand delivery, and non-state-owned independent third-party supply chain solutions. In particular, SF Freight ranked first in terms of revenue from LTL transportation for five consecutive years (2020-2024) in the List of LTL Transport Enterprises in China* (中國零擔企業排行榜) issued by Wetuc Think Tank* (運聯智庫), and SF Cold Chain ranked first for six consecutive years (2019-2024) in the "China Top 100 Cold Chain Logistics List"* (中國冷鏈物流百強企業榜) issued by the Cold Chain Logistics Committee of China Federation of Logistics & Purchasing. According to Frost & Sullivan, the Company was also Asia's largest provider of overall express delivery, LTL freight delivery and third-party intra-city on-demand delivery, and had the largest international operation among Asia-based integrated logistics service providers.

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Unique Business Model – Directly-Operated, Integrated, and Independent Third-Party. Direct operation ensures highly unified top-down strategic alignment and rapid business execution for swift adaptation to market changes and successful incubation of more new business formats within a short period of time, with the strong operational control backing the Company's unrivaled leading position of delivery timeliness and overall customer satisfaction over the years. Second, the Company offers comprehensive logistics solutions, standardized or customized, to address a full range of customers' logistics demand, capture greater share in the customers' supply chain service across industries for better customer stickiness and business growth. Third, the Company is independent of e-commerce platforms, allowing for its impartial services to customers, with over 2.3 million customers with active credit accounts and over 730 million retail customers as of the end of 2024, and is capable of grasping emerging opportunities more quickly and building long-term sustainable relationships with customers under the evolving market of new retail platforms and businesses.

Advanced Technology Empowering a Highly Efficient and Intelligent Supply Chain. Amid the trend of "express-style logistics" and growing customer demand for intelligent, high-efficiency supply chains, technology has become an indispensable driver in building digital, automated, and smart supply chain systems. The Company remains committed to innovative R&D and technological advancement, continuously spearheading internal and external digital-intelligent supply chain transformation. Through its self-developed SF Smart Brain, the Company ensures efficient network operations despite its extensive logistics network, diverse service ecosystem, and global business reach. Furthermore, leveraging its cutting-edge technological solutions, the Company collaborates deeply with cross-industry clients to empower holistic supply chain decision-making, operational efficiency gains, and cost reduction. Notably, the Company has been named a finalist for the 2025 Franz Edelman Award – the highest global accolade in operations research and management science – making it the sole Chinese representative in this year's finals.

Premium Services Forging Unparalleled Brand Value. "Let me SF this to you" has become synonymous with "Let me express mail this to you." In China, our household brand name has become a commonly used verb for time-definite express. SF brand means premium services. Many business customers actively advertise their use of SF delivery for consumers' impression and trust on their product quality. As published by the State Post Bureau, the Company has been ranked first for 15 consecutive years (2009 to 2023) and the first three quarters of 2024 (annual results not yet released) for overall customer satisfaction. Attributable to the peer-leading track record and reputation in providing premium services, the Company has accumulated the most extensive customer base across varied industry sub-segments, with high customer loyalty and stickiness, and served as a highly reliable logistics partner for customers.

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

Business Development of the Company

Accelerating penetration into the supply chains of customers across major industries

In 2024, the Company formulated business strategies aimed at accelerating transformation to industry logistics solutions, shifting from traditional selling standardized products (such as standardized express or freight delivery services) to selling industry logistics solutions. It is committed to providing industry-specific and customized integrated logistics solutions and standardized portfolio service to industry leaders, mid-market enterprises, and SMEs across sectors. Through in-depth analysis of industrial trends and identification of logistics scenario opportunities, the Company enhanced capabilities in developing core scenario-specific logistics solutions and standardized portfolio service. By expanding presence across clients' upstream and downstream supply chain ecosystems, it achieved scalable business growth. Due to deepened penetration into customers' supply chains, in 2024, the Company's logistics revenue saw a year-on-year increase of 20% or above in e-commerce and circulation, telecommunication and high-tech, automobiles, and industrial manufacturing sectors.

E-commerce and Circulation: The Company actively expanded its cooperation with emerging e-commerce platforms in China across various business scenarios and models. By enhancing international air freight, express, and warehousing capabilities, the Company penetrated into more overseas business scenarios of major cross-border e-commerce platforms and secured more customers with self-built overseas e-commerce websites; furthermore, leveraging its robust logistics network and professional cold chain capabilities, the Company swiftly expanded into the thriving online shops on platforms and provided comprehensive O2O services to large-scale supermarkets, continuously solidifying its market share in the e-commerce and circulation industry.

Telecommunication and High-tech: The Company maintained a leading position in the distribution supply chain for consumer electronics, communication equipment, telecom operators and other segments. Additionally, through B2B bulk cargo transportation and cross-border logistics services, the Company extended services to the production supply chain. In particular, the Company developed end-to-end service capabilities in the import of high-end equipment and partnered with a number of leading high-end equipment manufacturers in the world for the successful completion of multiple import projects, covering the entire process of overseas pickup, export customs clearance, import customs clearance, and delivery.

Automobiles: The Company explored new supply chain scenarios, strengthened cooperation with benchmark brands by leveraging full-scenario service capabilities and boosted the rapid growth of upstream and downstream logistics businesses. In the automobile aftermarket, the Company's integrated warehousing and distribution service for automobile parts has been successfully promoted

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to a number of automobile brands. Additionally, the Company cooperated with 70% of the Top 20 passenger vehicles brands and established full-scenario collaboration with 11 of these customers in the inbound, in-plant, finished product and after-sales scenarios.

Industrial Manufacturing: The Company built a cost-effective bulk cargo transportation network for the manufacturing industry and integrated the internal supply chain service capabilities, achieving breakthroughs in segments including industrial raw materials, industrial equipment, light manufacturing, energy and chemicals. Penetrating further into the cooperation with key customer groups across segments, the Company gained rapid growth in its business and successfully seized more shares of logistics services.

Meanwhile, the Company designed and optimized dozens of standardized portfolio service solutions for eight major industries to swiftly expand logistics services for customers across industries. The solutions in high-end equipment spare parts warehousing and distribution, cross-border transportation and allocation of consumer electronics raw materials, beauty and cosmetic warehousing and distribution, furniture delivery and assembly, and new energy battery materials logistics and other scenarios have been rapidly promoted, driving rapid revenue growth and significantly improved delivery efficiency. The average time from cooperation to project implementation has been reduced by 20 days, thereby improving the Company's sales efficiency and conversion rate of industry customer business opportunities.

Time-definite Express

In 2024, the Company's time-definite express achieved tax-exclusive revenue of RMB122.21 billion, representing a year-on-year increase of 5.8%, with the year-on-year increase of 11.8% in business volume. The business mix of time-definite parcel steadily expanded from business documents to consumption and industrial manufacturing, with consumption and industrial manufacturing-related delivery became major growth driver for time-definite express.

Continuous Improvement in Competitive Edges: Through leveraging the competitive edges of the Ezhou cargo hub and all-cargo fleet, as well as optimizing the integration between air and ground networks, the delivery time of SF speedy express has been continuously shortened, which strengthened its core competitiveness. Meanwhile, the Company focused on critical urban routes, the optimization of transportation pattern and the reduction in the number of transits, continuously upgrading the next morning delivery of SF standard express. Additionally, the Company utilized the remaining production capacity, and strategically expanded its presence in low-tier cities to increase network density in lower-tier markets in order to expand the business scale.

Accelerated Expansion of Air Freight Market: The Company's time-definite service offerings expanded from small-parcel express to freight logistics, providing customers with large item air freight services between provinces in as fast as seven hours. In terms of capabilities, the Company leveraged abundant dedicated and chartered aircraft resources and established 24 exclusive intelligent sorting centers. The number of cities with direct pick-up or delivery services between customers and airports has increased to 164 and the next-day timeliness completion rate for large item air freight increased by 7.3 percentage points over the previous year. In terms of business development, the Company dedicated to scenario-customized solutions, offering value-added services such as dedicated personnel and vehicles, as well as nighttime pickup and delivery, and efficiently addressed urgent demands within 24 hours from response to delivery to production line. The Company also customized air freight solutions for oversized and overweight goods or goods with magnetic or electric properties. In 2024, the volume of large item air freight business increased by over 20%.

Strengthening the Efficient Fulfilment of Intra-city Express Delivery: The Company's half-day express delivery service, with an average fulfillment time of 4-6 hours for intra-city and cross-city within economic regions, has been expanded to 291 cities. Meanwhile, the Company has implemented the "upper-layer warehouse, lower-layer sorting" pattern in 104 locations, seamlessly integrating warehouse operations with sorting schedules. Leveraging frequent sorting and transportation schedules to complete rapid distribution, the Company achieved an intra-city express fulfillment time of 4-6 hours, as well as the same-day or next-morning delivery within provinces and for economic regions, enabling efficient order fulfillment for a wide range of businesses. Additionally, leveraging its technological and operational capabilities and integrating external resources, the Company has steadily penetrated the urban freight market, achieving breakthroughs in urban store distribution scenarios such as wholesale snacks, tea beverages, and supermarkets, and established an efficient urban distribution network to enlarge the scale of intra-city logistics services.

Securing Market Share in E-commerce Return Parcels: By leveraging its efficient door-to-door pickup and end-to-end delivery, the Company continuously strengthened its partnership with major e-commerce platforms for return parcel services. Meanwhile, the Company featured a dedicated "Online Shopping Returns" section on SF App and mini-program to address customers' self-service return needs. The Company's e-commerce return parcel services experienced rapid growth and maintained a leading market share.

Strengthening Competitive Edges with the Ezhou cargo hub: Leveraging Ezhou cargo hub's nationwide and global connectivity, the Company offered integrated warehousing and transit services to support customers in establishing efficient supply chains with its utmost efficiency of "delivery in the evening with arrival in the next morning". By the end of 2024, the Company has operated 55 domestic routes and 15 international routes through the Ezhou cargo hub. Many customers in various industries have already established their presence in relevant warehousing facilities, encompassing high-end industries including 3C high-tech, FMCG, pharmaceuticals, automobiles and engineering machinery. Additionally, the Company actively solicited investment around the Ezhou cargo hub with successful investment projects worth of billions, enriching the hub's supply chain ecosystem and expecting to generate significant growth in air cargo services in the future.

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Economy Express

In 2024, the Company's economy express business achieved tax-exclusive revenue of RMB27.25 billion, representing a year-on-year increase of 8.8%. Committed to high-quality business development, the Company completed the sale of Fengwang Express, which operated under the franchise model, in June 2023. Excluding Fengwang Express, the economy express revenue in 2024 increased by 11.8% year-on-year, while the business volume increased by 17.5% compared to the previous year.

Expanding the Scale of Economy Express Business: The Company maintained robust growth in its economy express services, which are pivotal in the e-commerce market for their timely, stable, and high-quality door-to-door services. Leveraging its improvement of digital and intelligent capabilities, the precise matching of resources and the transformation of the operation mode, the Company adopted appropriate business strategies for goods of different weight ranges and further expanded the market for economy express delivery.

Expanding Warehousing and Distribution Integration Services to More Industry Scenarios: Leveraging its nationwide warehouse network, standardized integrated warehousing and distribution products and solutions, professional operational team, and end-to-end system deployment capabilities, the Company provides customers with cost-effective integrated warehousing and distribution services. Compared to its competitors, the Company's self-developed warehousing system and integrated services offer greater flexibility. In B2B2C scenarios across various production and consumption industries, as well as in the optimal deployment of online and offline inventory, the Company has accumulated a wealth of benchmark cases and mature experience. This enables the Company to offer customized solutions tailored to the specific characteristics and diverse needs of different industries. In 2024, the revenue from integrated warehousing and distribution services for the SKA, KA, and SME customers witnessed a year-on-year increase of over 20%.

Leveraging its unique competitive edge as an independent third-party, the Company deepened cooperation with e-commerce platforms and successfully undertook several integrated warehousing and distribution projects for online supermarkets in 2024. By adopting consolidated transportation models and supporting in-warehouse operations, the Company expanded delivery to remote areas and cross-border first-mile collection scenarios. Moreover, by closely tracking consumer trends, the Company established innovative quality inspection centers within its warehouses for high-value items in cooperation with e-commerce platforms and merchants. Products undergo quality inspections directly in the warehouse before delivery, ensuring product quality and improving fulfillment efficiency. The Company also achieved significant breakthroughs in integrated warehousing and distribution services across multiple sectors, including in-plant logistics for the industrial manufacturing, inventory replenishment for wholesale snack chains, and B2C fulfillment for traditional Chinese medicine and tea beverages. The Company continued to seize new market opportunities for additional business growth.

Freight

In 2024, the Company's freight business achieved a tax-exclusive revenue of RMB37.64 billion, representing a year-on-year increase of 13.8%, with cargo volume increasing by over 20% compared to the previous year.

Under China's industrial upgrading initiatives and the "Large-Scale Equipment Renewals and Trade-ins of Consumer Goods" policy, industries including communication equipment, industrial manufacturing, new energy vehicles/parts, home appliances, and furniture have experienced growing demand, alongside rising consumer spending. Simultaneously, customers have raised higher expectations for freight services, emphasizing fast and precise delivery timelines, stable and reliable service quality, and strict cost control. Adhering to its customer-centric business philosophy, SF Freight provide high-quality products and services, achieving a peak daily LTL volume of over 69,000 tons in its direct operation network and over 32,000 tons in its franchise network, maintaining a leading position in terms of business scale in the industry.

Creating Competitive Edges in the Mid- to High-end Ground Large Parcel Delivery Market: The Company has established a tiered timeliness guarantee system to ensure fast and accurate delivery, speeding up the timeliness for over 400 core routes, enhanced last-mile collection and delivery capabilities and adjusted the standard weight limit for single parcel to one ton. Furthermore, the Company developed differentiated packaging and delivery capabilities, accumulating professional logistics solutions across various industries such as home appliances and automobiles. Meanwhile, the Company focused on core business production areas, by optimizing operations through dedicated direct routes, customer self-delivery to sorting centers, network integration with SX Freight, and integrated loading/shipping mode, to enhance efficiency, reduce costs and secure the Company's market share.

Building a High-quality LTL Logistics Network Tailored for Industrial Manufacturing: The Company has been continuously optimizing its operational model and resource allocation to establish a high-quality LTL logistics network that better aligns with the manufacturing sector's demand – LTL shipment, minimal transfers, and cost control – while rapidly expanding into the industrial freight market. By optimizing its network structure and establishing over 300 direct dispatch routes, the Company significantly enhanced delivery timeliness while reducing operational costs. A dedicated sales team of several hundred professionals was deployed to provide personalized "concierge-style" services, strengthening the Company's differentiated service advantages. Furthermore, the Company has integrated diversified resources, strengthened collaboration with external specialized transport providers, coordinated small and large parcel couriers, and added over 3,400 large vehicles to enhance its lean logistics capabilities. In 2024, SF Freight deepened its presence in over 20,000 industrial parks, covering more than 300 cities. The cargo volume for industrial large item weighing above 100kg increased by more than 30% over the previous year.

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Accelerating Expansion into Lower-tier Markets through Franchise Networks: In 2024, the SX Freight franchise network accelerated its expansion into lower-tier markets. The total number of network outlets exceeded 20,000, with a coverage rate of 85.3% for township deliveries. Its market share remained firmly among the top three in the franchised freight delivery market. SX Freight also introduced products such as light freight and bulk freight, offering a cost-effective network to meet the demands of lower-tier market customers. In terms of core networks, SX Freight continuously optimized operations by reducing distribution nodes and streamlining routes, cutting the average delivery time by 6.5 hours. These measures, combined with route structure optimization and enhanced capacity procurement, have driven a reduction in parcels' per-kilogram operating costs. By investing in technological tools such as sorting equipment and unmanned forklifts, SX Freight enhanced operational efficiency and customer satisfaction. The synergies between SX Freight franchise network and SF Freight direct operation network steadily expanded the cargo volume, continuously improved operational efficiency, and delivered high-quality services to achieve a win-win outcome for its franchisees and customers.

Cold Chain and Pharmaceutical Logistics

In 2024, the Company's cold chain and pharmaceutical logistics business achieved a tax-exclusive revenue of RMB9.81 billion, representing a year-on-year decrease of 4.9%. This decrease was mainly due to the climatic factors, which caused a significant reduction in certain seasonal fresh agricultural products, thereby hampering the growth of fresh produce logistics services.

In 2024, China's overall cold chain logistics market experienced stable growth. The e-commerce of fresh and seasonal food remained active, while catering chain brands accelerated their expansion into lower-tier cities and counties, driving rising demand for cost-effective cold chain services. Additionally, the expansion of large supermarket chains and the rising demand for central warehouse and city warehouse distribution created new opportunities for LTL cold chain logistics. In response to these industry developments and market trends, the Company optimized its cold chain network with a more cost-efficient model, continuously providing customers with intelligent and digitalized cold chain solutions.

Fresh and Seasonal Food Logistics Services

The Company has played a crucial role in enabling fresh agricultural products to reach consumers directly from their place of origin, with services covering over 2,800 county-level cities and more than 5,500 categories of fresh agricultural products nationwide. It is projected to increase farmers' income by over RMB100 billion, thereby driving local agricultural modernization and quality upgrading, while providing robust support for enhancing rural prosperity.

Through close collaboration with local governments, industry associations and leading brands, the Company launched over 50 new regional agricultural brands in 2024. It also organized brand promotion events such as harvest festivals, picking festivals, fishing season opening ceremonies, and trade fairs, implementing various initiatives to enhance the reach and visibility of agricultural brands. Guided by the principle of "Quality-Driven Agriculture and Brand Empowerment", the Company focuses on three strategic dimensions – value enhancement, branding, and standardization – to facilitate the shift of China's agriculture from "volume-driven expansion" to "quality-oriented development". Additionally, the Company has continuously improved packaging solutions by incorporating features such as extended freshness, improved recognizability, cultural attributes, and environmentally friendly materials. More than 40 customized packaging designs have been developed for dozens of fresh produce categories, enhancing the competitiveness of regional specialty agricultural products. The Company has also leveraged multiple resources to explore new e-commerce models such as livestream-assisted agricultural sales, providing one-stop marketing solutions for local specialty products and contributing to the sustainable growth of the agricultural industry.

Food Cold Chain Logistics Services

In 2024, the Company prioritized five core cold chain logistics scenarios – integrated warehousing and distribution, large item, B2C delivery, store delivery, and cross-border cold chain. By optimizing operational processes and developing innovative tools, the Company enhanced its service capabilities and provide high-quality end-to-end cold chain logistics services for customers across the entire supply chain from production to consumption.

Leveraging its full-scenario capabilities in warehousing, LTL, B2B and B2C delivery, the Company penetrated more cold chain segments and scenarios for existing customers, increasing its market share in the cold chain logistics services. The Company leverages its self-operated cold storage facilities and outsourced warehouse resources, utilizing warehousing services as the cornerstone to expand customer distribution operations and scale up integrated warehousing-delivery business. Additionally, by developing new temperature-controlled containers and leveraging its express delivery network, the Company rapidly expanded its presence in China in the cold chain freight logistics services, launching pickup services in 85 cities and delivery services in 131 cities in 2024 to obtain new growth potential. Furthermore, the Company incubated urban cold chain delivery networks in selected cities to provide centralized warehousing and shared distribution services for catering stores, upgraded urban cold chain distribution from local to regional networks, and focused on food cross-border air freight, Southeast Asian cold chain ground transportation, and fresh and seasonal food imports via the Ezhou cargo hub, achieving more breakthroughs in cross-border cold chain logistics services.

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Pharmaceutical Logistics Services

The rapid evolution of China's pharmaceutical regulations has had a profound impact on the pharmaceutical logistics industry, requiring logistics providers to accelerate transformation to meet both quality compliance and cost-effectiveness demands. Leveraging its extensive logistics network and specialized service capabilities, the Company delivered high-quality, cost-effective pharmaceutical logistics solutions, achieving growth that outpaced the industry average.

The Company focused on expanding end-to-end supply chain services in ten core scenarios within four major segments of biopharmaceuticals, vaccines, IVD, and samples. It has achieved significant breakthroughs in various aspects, such as from production warehouse to distribution warehouse, from medical institution to testing institution, and vaccine reverse logistics services. In particular, the Company experienced rapid growth in biopharmaceuticals, driven by collaborations with leading pharmaceutical distribution companies and expansions into high-growth scenarios including traditional Chinese medicine and pharmaceutical e-commerce platforms. The Company continued to improve the quality and cost-effectiveness of its self-operated pharmaceutical warehouses. In 2024, The Company's Chengdu warehouse, for example, obtained the Modern Logistics Acceptance Certificate from the National Medical Products Administration. This recognition validated the modern logistics capabilities of the Company's pharmaceutical warehousing and earned it the prestigious supplier and quality awards from leading global pharmaceutical clients. Moreover, the Company also expanded into outsourced warehousing services, offering comprehensive solutions that combine warehouse operations, logistics distribution, and technology systems, deepening the Company's partnership with its customers.

Intra-city On-demand Delivery

In 2024, the Company's intra-city on-demand delivery business achieved a tax-exclusive revenue of RMB8.87 billion, representing a year-on-year increase of 22.4%. Sustained revenue growth in the intra-city on-demand delivery segment, combined with technology and lean management-driven operational enhancements, has led to a doubling of its net profit.

Deepened Cooperation and Service Upgrading, Expanding the Merchant and Consumer Base: In terms of merchant collaboration, it reinforced and deepened its relationships with KA customers by leveraging its stable fulfillment service quality. This enabled the Company to maintain its leading market share while continuing to expand its network of partnered chain brands. In 2024, the Company added more than 7,500 new KA client stores to its network. Additionally, by expanding customer acquisition channels and optimizing collaboration processes, it increased the number of small and medium-sized merchants using its services. Moreover, leveraging its neutral and open market positioning, the Company further deepened cooperation with leading digital platforms to meet the on-demand delivery needs across diversified business verticals. In 2024, the scale of annual active merchants of SF Intra-city reached 650,000, representing a year-on-year increase of 39%. For consumer services, SF Intra-city is committed to providing industry-leading and professional fulfilment services, strengthening the brand image of "SF Intra-city, the first choice for urgent delivery", and improving consumers' satisfaction by providing high quality services. Through the upgrading of one-on-one "Exclusive Delivery" product and the capability of medium – and long-distance "delivery within an hour" services, the Company addressed the delivery needs for high-value, time-sensitive, and items with high safety requirements products. Meanwhile, the Company optimized its brand promotion and channel marketing strategies, which contributed to the rapid growth of order volume and revenue from proprietary channels, including SF Intra-city's WeChat mini program and App, and an increased user activity. In 2024, the scale of annual active consumers in SF Intra-city exceeded 23.41 million.

Accelerating the Nationwide Network Coverage and Achieving Rapid Market Expansion with Full-scenario Delivery Capabilities: For service scenarios, SF Intra-city optimised products and services around key categories. In 2024, intra-city on-demand delivery achieved high-double-digit growth in industries including tea beverages, supermarkets and convenience stores, cosmetics, pharmaceuticals, and maternity and baby products, especially with a year-on-year increase of 73% for tea beverages delivery revenue, as well as breakthroughs in cooperation with national and regional supermarket chain customers. For regional expansion, SF Intra-city has covered over 2,300 cities and counties in China, including over 1,300 counties. Revenue from counties achieved a year-on-year increase of 121%, highlighting the effective expansion in lower-tier markets. For commercial districts operation, both the number of served business districts and order density continue to grow, with a growing proportion of these areas achieving profitability. Additionally, through resource coordination with other business segments within the Group, the Company developed an integrated supply chain solution that combines warehousing, sortation, and intra-city on-demand delivery. This strategic synergy expanded the Company's customer base while enhancing customer retention.

Full-chain Technology Improving Network Timeliness and Rider Efficiency: SF Intra-city's City Logistics System (CLS) established a full-chain cooperation network to optimally match orders and riders across industries and under multi-scenarios. By leveraging advanced AI-powered models, the system significantly enhanced both service experience and operational efficiency across the entire workflow – from customer demand analysis, merchant operations strategies, intelligent customer service responses to capacity allocation and delivery execution. In terms of rider management, CLS utilized smart algorithms to optimize route planning and dispatch logic, taking into account factors such as rider experience, workload, weather conditions, and peak/off-peak hours. This approach improved rider productivity and income while maintaining stable delivery timeliness through dynamic adjustments.

Management Discussion and Analysis

Supply Chain and International Business

In 2024, the Company's supply chain and international business achieved a tax-exclusive revenue of RMB70.49 billion, representing a year-on-year increase of 17.5%. This business benefited from stable international air and ocean freight demand, rising freight rates, and the Company's strategic focus on capturing growth opportunities in China's production capacity expansion, brand globalization, and cross-border e-commerce. By deepening its business integration and expanding in both supply chain and international markets, the Company achieved strong growth. The Company is committed to becoming the go-to logistics partner for customers venturing into international markets and "The One in Asia" with global coverage.

Enhancing End-to-end International Network Infrastructure: The Company continued to strengthen its air cargo network, operating over 9,100 all-cargo international flights in 2024, representing a year-on-year increase of 19%. The Company established a global air network centered on the Ezhou cargo hub connecting Europe and Americas, with the Shenzhen Hub as the auxiliary connecting Southeast Asia, Japan and Korea. The number of flights from China to South Asia and certain destinations in Europe and Americas doubled in 2024. Meanwhile, the Company's all-cargo flight routes have expanded to reach 10 international terminals in Asia and 8 in Europe and Americas. With an airside facility in Singapore, the Company enhanced its cross-border next-day delivery capabilities between China and Singapore, as well as China and Southeast Asia. Furthermore, the Company provided cargo customs clearance services across 78 ports worldwide through both self-operated models and partnerships with agents. This includes 10 AEO Advanced Certifications in China and 14 overseas ports with self-operated customs clearance capabilities, further enhancing the clearance efficiency of the Company's parcels. In addition, the Company increased the investment in self-operated overseas warehouses in Asia, Europe and Americas, serving B2B supply chains and B2C cross-border e-commerce businesses. Besides, the Company also continued to collaborate with local express logistics companies in Europe and Americas, establishing stable local pick-up, delivery, and fulfillment capabilities. Through the above-mentioned network capacity building, the Company fulfills the efficiency requirements of cross-border e-commerce and multinational production and distribution supply chains.

Expanding Supply Chain and International Markets: The Company continuously developed cost-effective and high-quality international express and cross-border e-commerce logistics products. Leveraging deep understanding of various industries and integrating the supply chain service capabilities of Fenghao Supply Chain, SXH China Logistics, and KLN, the Company provided domestic and international integrated supply chain solutions tailored to various industries' characteristics and needs. Meanwhile, guided by the keynote of energizing organizational vitality, the Company optimized the incentive mechanisms for international business teams, in order to effectively promote the development and growth of international business.

International Express and Cross-border E-commerce Delivery Services

Outbound logistics demand from China remained robust throughout 2024. Despite challenges such as shifts in e-commerce platforms from full-entrusted to semi-entrusted logistics models and increasing pressure for cost-effective delivery solutions, the Company leveraged its extensive global network and integrated service capabilities to strengthen partnerships with major e-commerce platforms. It expanded its customer base to include more cross-border independent sellers and merchants, leading to a 24% year-on-year increase in cross-border e-commerce clients. Leveraging improved door-to-door next-day fulfillment capabilities from China to Southeast Asia, the Company provided efficient cross-border B2C services to emerging platforms and brand customers, addressing the pain points of lengthy fulfillment chains, slow delivery, and high damage rates. These efforts empowered customers to rapidly penetrate the Southeast Asian consumer market. Additionally, for the delivery flows to Europe and Americas, the Company quickly established overseas warehouses to provide customers with one-stop solutions that integrate first-mile parcel consolidation and overseas warehousing, focusing on cost-effectiveness and enhancing customer loyalty. For return shipments to China, the Company proactively expanded its import services for fresh and seasonal food specialties and local products from Southeast Asia, Europe and the Americas. This improved the loading rates of all-cargo aircraft on return flights and improved the overall operational efficiency of international business. In 2024, the Company's revenue from international express products increased by over 20% year-on-year.

International Cargo and Freight Forwarding Business

The global economy revived slowly in 2024, where inflation gradually eased, and merchandise trade showed signs of recovery. However, geopolitical instability, rising trade protectionism, and supply chain restructuring introduced new uncertainties. The global freight market faced supply shortages starting in May 2024 due to geopolitical conflicts, driving up ocean and air freight rates, with ocean freight demand exceeding supply in the third quarter. Meanwhile, air freight remained in high demand, particularly for China's thriving cross-border e-commerce sector. The Company flexibly adjusted its strategies to capture market opportunities, leveraging its extensive resources to offer stable and high-quality international freight forwarding services while continuously improving operational efficiency. Benefiting from sustained high freight rates on key trade lanes from China to Southeast Asia, Europe and Americas, as well as stable air cargo volume growth, the Company's international cargo and freight forwarding business recorded over 30% year-on-year revenue growth in 2024.

Management Discussion and Analysis

Supply Chain Services

The Company has capitalized on the growing trend of Chinese enterprises expanding their production capacity and brands overseas, building efficient and reliable international supply chains for clients. It achieved breakthroughs from 0 to 1 to scale across multiple countries, industries, and service scenarios. In 2024, the Company secured contracts for over 100 overseas supply chain projects, with more than 50 successfully implemented. These projects serve leading clients across diverse sectors, including e-commerce and circulation, industrial manufacturing, high-tech, apparel and footwear, home appliances and furniture, automotive, and coffee and tea beverage chains. The services span key markets such as Singapore, Malaysia, Vietnam, Thailand, South Korea, Philippines, Netherlands, Germany, and France.

In the coffee and tea beverage industry, the Company has supported a number of emerging Chinese coffee and tea brands in their overseas expansion, including assisting a coffee brand client in the quick opening and operation of more than 50 stores in Singapore, and as the exclusive supply chain partner of a tea brand client for overseas expansion, supporting it to open 110 stores in eight countries. **In the automotive industry**, the Company not only provided cross-border air and sea transportation services for new energy materials, batteries and high-end equipment, but also successfully undertook the integrated warehousing and distribution logistics services for overseas auto spare parts of a leading automotive enterprise. This includes integrated supply chain services covering customs clearance of auto spare parts, port-to-warehouse transfer, warehousing and local store distribution. **In the consumer goods sector**, the Company provided efficient air and ground transportation services for the export of raw materials and components in the multinational production supply chain of 3C electronic products. In the consumer goods sector, beyond its existing role in managing cross-border supply chains for 3C electronics, the Company capitalized on the growing trend of Chinese cultural IP brands expanding internationally. It served a top-tier domestic designer toy brand with comprehensive international logistics solutions, including express delivery, cross-border ground transportation, and overseas warehousing. The services covered both online direct-to-consumer channels and offline retail stores, facilitating the brand's entry into the Southeast Asian market. **In the engineering logistics sector**, the Company leveraged its extensive logistics network and integrated capabilities with KLN to successfully execute multiple overseas infrastructure projects for Chinese enterprises. These projects spanned renewable energy sectors such as wind power, photovoltaics, and energy storage, showcasing the Company's leading expertise in complex cross-border logistics solutions.

Operation Optimization

Sorting process

Establishing Efficient Sorting Networks: The Company continues to enhance the efficiency of its network by streamlining its backbone network operations and consolidating multifunctional large-scale sorting centers, reducing the number of sorting centers by 22. Technology has been leveraged to improve sorting center management and efficiency, including the use of software robotics for automated data analysis and process monitoring, simulation models, intelligent warning systems and other tools to assist on-site management and minimize human intervention. The Company deployed hundreds of AGVs and approximately 300 sets of automated equipment to improve sorting efficiency. In 2024, the sorting efficiency of small parcel increased by 13% and the sorting efficiency of large parcel improved by 8.5%.

Improving the Operational Efficiency of Sorting Centers: The Company has been transforming sorting centers into operational centers, enhancing their autonomy and awareness to maximize resource utilization. Initiatives included adding collection function, direct parcel delivery to sorting centers to skip the consolidation at outlets; warehousing functions have been added to achieve "upper-layer warehouse, lower-layer sorting" operations, maximizing the utilization of storage space. Management structures have been streamlined, and performance-driven incentive programs were introduced to enhance employee motivation. The Company streamlined processes, integrated resources, and optimized staffing scheduling to enhance staff efficiency in different functional areas, maximizing operational efficiency.

Establishing the Industry's First Unmanned Sorting Center with Cage Trolleys: The Company established the industry's first unmanned intelligent sorting center, enabling parcels to be loaded and transferred using cage trolleys. This innovative unmanned sorting mode reduced human labor, and partially implemented fully automatic operations. With a processing capacity of over 1,200 cage trolleys per hour, the sorting center achieved a daily peak sorting efficiency that amounts to four times of the network average, while reducing container handling time by 45% compared to normal parcel handling. The Company has begun collaborating with certain customers to consolidate parcels into cage trolleys at the warehouse level and deliver directly to the destination, reducing the number of sorting. This approach reduced sorting costs per parcel, improved delivery timeliness, and significantly reduced parcel damage rates and customer complaint rates.

Management Discussion and Analysis

Transportation

Optimizing Route Planning for Ground Transportation: With the integration of sorting centers, as well as the consolidated transportation for small and large parcels, the Company continuously refined sorting modes and route planning to streamline the process. In 2024, the Company added nearly 440 direct routes between places of departure and destination cities, increasing city connectivity and reducing the average number of sorting. Additionally, the Company fully leveraged the capacity of the Ezhou cargo hub to create a ground transportation hub. By adopting an optimal planning approach that allowed parcels between north and south China to be consolidated and sorted at the Ezhou cargo hub, the Company maximized direct routes from the Ezhou cargo hub to the destinations on the basis of the guaranteed loading rate, thus reducing transit frequency while improving delivery timeliness.

Optimizing Transportation Resource Allocation: Transportation capacity has also been strategically restructured. In terms of line-haul transportation, the Company prioritized long-term contracts with stable pricing, ensuring that over 95% of transportation needs are fulfilled by self-owned or long-term outsourced fleets, securing cost stability. Fleet upgrades were also a key focus, with more than 1,000 line-haul routes shifting to high-capacity vehicle models, adding over 140,000 long-haul trips in 2024, lowered per-unit transport costs. Additionally, round-trip optimized routes increased by 11 percentage points, and the use of self-owned vehicles was expanded, significantly reducing outsourced transportation costs. For short-haul transportation, the Company reduced costs by implementing standardized pricing for routes and deploying large-capacity vehicles on multi-stop routes to handle small-parcel transport tasks.

Last-Mile Delivery

Enhancing Outlets Efficiency: The Company launched the operational transition of “direct sorting and delivery from sorting centers using cage trolleys to the service outlets” model. Instead of traditional model which requires sorting twice at sorting center and service outlet, this new model only requires one-time sorting at the sorting center with direct delivery to the couriers, effectively enhancing the operational efficiency. This model has been implemented in over 3,400 service outlets and over 9,600 terminal stations by the end of 2024. Through continuous optimization of outlet layouts, integration of nearby areas for consolidated shipping, outlet transportation, and the deployment of unmanned vehicles in the short-haul and last mile delivery, the Company has achieved continuous cost reduction for the transformation. In the fourth quarter of 2024, the average cost savings per parcel under the transformation areas exceeded the incremental investment, achieving positive operational results. This operational transformation reduced the procedures at the outlets, lowering the labor costs of warehouse management at outlets and branch transfers, and shortened the average distance by 38% for parcel handovers by couriers, thus improving the network efficiency.

Incentivizing Couriers for Revenue Growth: The Company established a performance evaluation system tailored for couriers. Through regional rankings and incentive mechanisms, cash rewards were provided to top-performing couriers who demonstrated exceptional business development. The Company also identified and incentivized couriers who showed significant sales progress and potential. Additionally, the Company provided training and growth opportunities for lower-performing employees to enhance their competitiveness. Furthermore, the Company continued to build a system of team leaders by nominating couriers with strong sales capabilities and outstanding leadership skills as team leaders in specific regions, with respective titles as well as clear responsibilities and rights. Under this system, team members in the region could work collaboratively and grow their income with increasing business volume.

Enhancing Courier Efficiency: The Company continuously innovated and iterated on tools for courier collection and delivery efficiency and reduce labor intensity. In 2024, the small parcel collection and delivery efficiency increased by 7.8% over the previous year, and the freight collection and delivery efficiency increased by 9.1% over the previous year. With the help of intelligent robots built on a large language model, the Company provided instant answers to various inquiries, accumulating over 5 million inquiries resolved and assisting couriers in standardizing operations and improving customer experiences. By setting up WeCom accounts and integrating them with the courier collection and delivery system, the Company enabled automatic notification of delivery information to customers, improving communication convenience between couriers and customers. Moreover, the Company’s marketing strategies could be quickly and efficiently sent to customers through WeChat, empowering couriers in business development and enhancing customer retention. By the end of 2024, the Company’s WeCom accounts had engaged over 12 million customers.

Management Discussion and Analysis

Core competitiveness

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

Note: The data below are all as of December 31, 2024

Global service network coverage

Domestic

Prefecture-level divisions covered in China
339

County-level divisions covered in China
2,813

Prefecture-level divisions coverage
100%

County-level divisions coverage
98.9%

Overseas

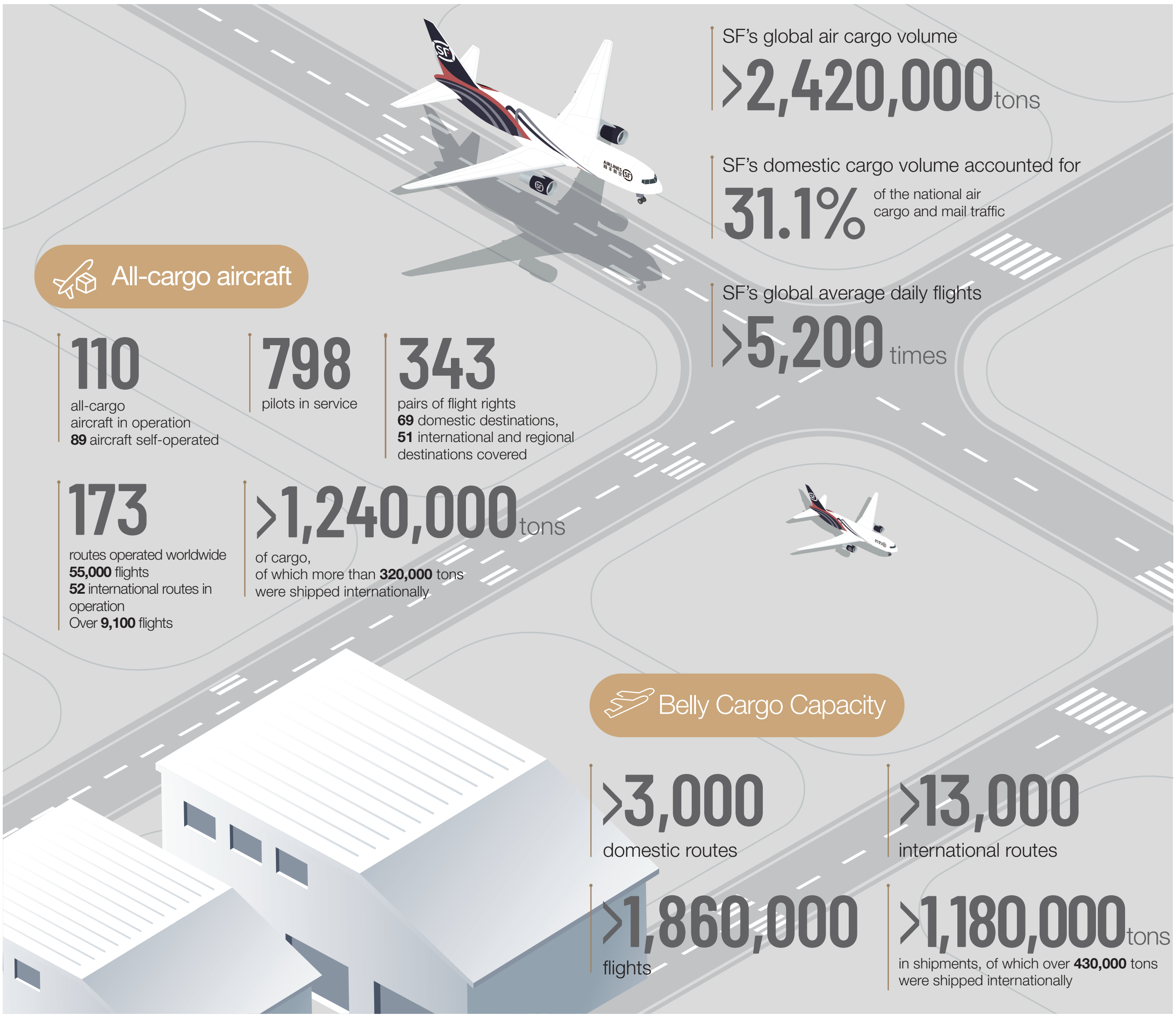
International express delivery, freight forwarding and supply chain business
100 countries and regions covered

International small parcels business
206 countries and regions covered

Management Discussion and Analysis

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, 2024, and the periods are all from January 1, 2024 to December 31, 2024.



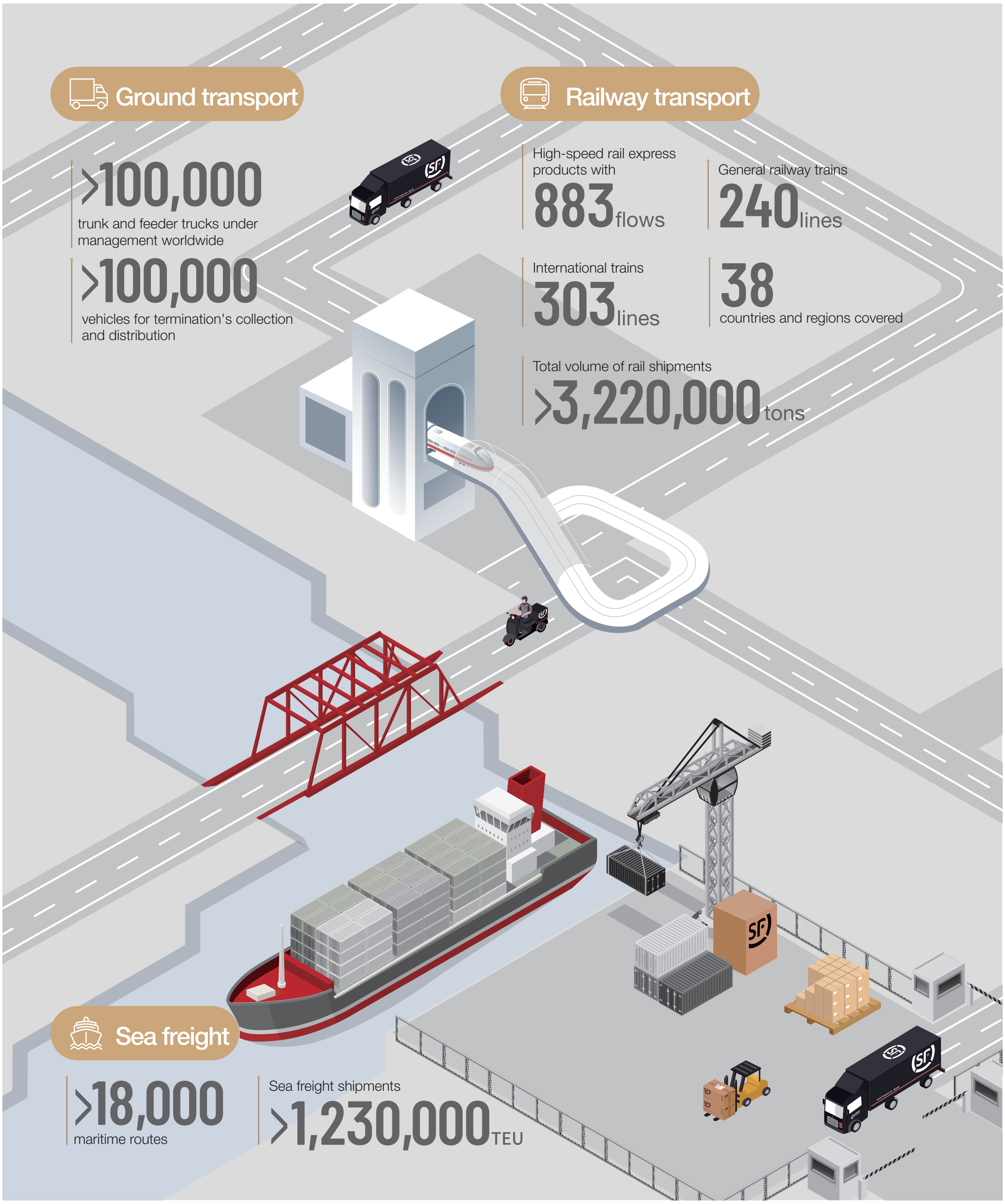
The Ezhou cargo hub is the first dedicated air cargo hub in Asia, and fourth in the world, which is of strategic value and scarce position. The Company officially commenced operation of its logistics complex in the Ezhou cargo hub in September 2023. By the end of 2024, 55 domestic and 15 international cargo routes had been launched at the Ezhou cargo hub. The Ezhou cargo hub features an extensive 52-kilometer intelligent sorting line that can process up to 280,000 parcels per hour at its peak capacity. Additionally, 14 intelligent customs inspection lines featured with a fully automated sorting system ensure efficient customs clearance, pickup and delivery of international parcels. In 2024, the international cargo volume at the Ezhou cargo hub witnessed over 200% growth as compared to 2023.

The strategic vision for the Ezhou cargo hub is not only to become the center of global supply chain, but also as a high-end processing and distribution hub. Top-tier customers from various industries including 3C electronics, cosmetics, and cold-chain pharmaceuticals have established their presence in the Ezhou cargo hub. The hub-and-spoke mode of the Ezhou cargo hub enables the Company to enhance its aviation network to seamlessly integrate domestic and international routes, thus gradually achieving "overnight nationwide delivery and the third day global connectivity."

Management Discussion and Analysis

Our extensive transportation resources 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, 2024 and the periods are all from January 1, 2024 to December 31, 2024.



Management Discussion and Analysis

The globally-spread outlets pillaring our international and localized operations

Note: The data below are all as of December 31, 2024

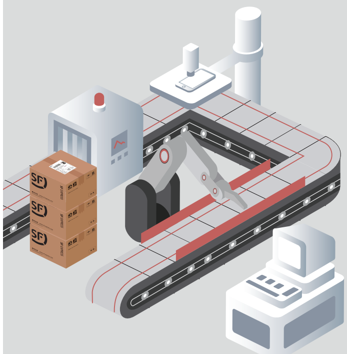
Service outlets

>36,000
domestic service outlets and other service stations

>14,000
overseas self-operated & joint-operated outlets

>440,000
network-wide couriers

>160,000
cooperative service points
(including city stations and rural distribution shops)



Sorting Hubs

Express Hubs
221
sorting hubs in operation

Freight Hubs
152
sorting hubs in operation

Warehouses

operational warehouses
>1,700

covering
>9.9 million sqm

137
food cold-warehouses covering
>0.80
million sqm

12
pharmaceutical warehouses covering
>0.10
million sqm

>950
overseas warehouses covering
>2.5
million sqm

franchised warehouses
59

covering
0.99 million sqm

Management Discussion and Analysis

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

Note: The data below are all as of December 31, 2024

Total land area

12.11 million sqm

Total building area

11.08 million sqm

Completed operational projects

Land area

9.56 million sqm

Building area

8.79 million sqm

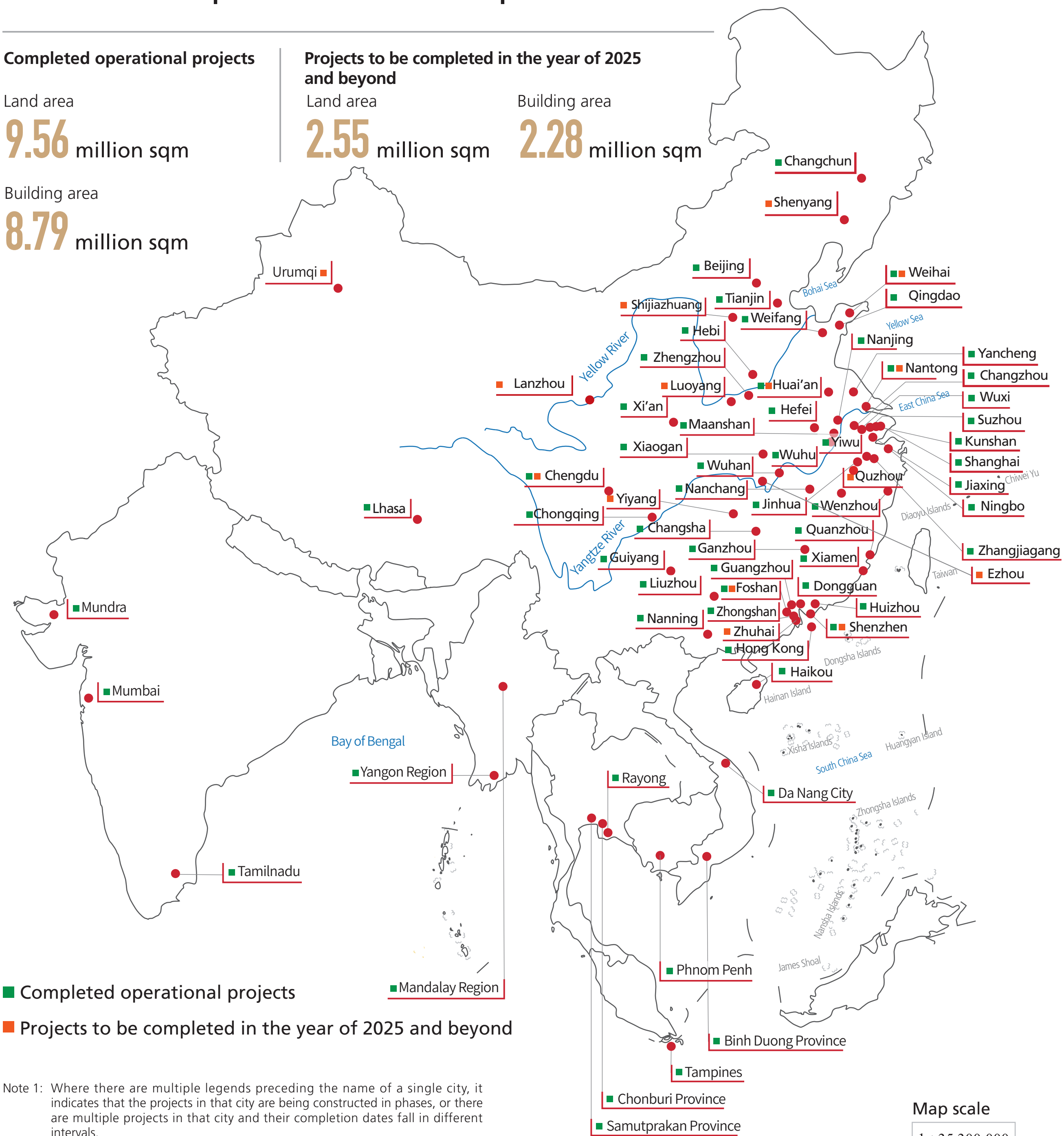
Projects to be completed in the year of 2025 and beyond

Land area

2.55 million sqm

Building area

2.28 million sqm



■ Completed operational projects

■ Projects to be completed in the year of 2025 and beyond

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

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

Management Discussion and Analysis

Industry-leading Logistics Technology and Application Facilitating Intelligent Supply Chain

The Company is committed to building an intelligent supply chain ecosystem in the digital era and aims to become the leader in the intelligent supply chain sector. By leveraging deep insights into supply chain scenarios and extensive experience serving top-tier industry clients, along with continuous exploration and application of cutting-edge technologies, the Company enhances the efficiency of its internal logistics network while providing customers with best-in-class digitalized logistics and supply chain solutions.

By the end of the Reporting Period, the Company had 4,180 patents and patent applications with invention patents accounting for 61.5% of the total, and 2,505 software copyrights. The Company actively collaborated with logistics and supply chain organizations, universities, and other social institutions to enhance the social impact of its technological advancements. Meanwhile, the Company was named as one of the top six finalists in the global competition of the prestigious Franz Edelman Award for Operations Research and Management Science for 2025. It was also selected as one of the first batch of benchmark cases for Digital China initiative by the National Data Administration and received recognition in the relevant category of the IDC China Future Enterprise Award. Additionally, the Company was honored with the Science and Technology Award by the China Federation of Logistics & Purchasing in 2024.

The Application of Large Models

SF has developed logistics decision-making models and large language models, tailored to the logistics and supply chain industry. These innovations significantly enhance supply chain decision-making and daily operational efficiency, accelerating the industry's transition to intelligent logistics.

SF Logistics Decision-Making Model: Leveraging years of industry expertise and underlying data, the Company's AI-driven logistics decision-making model overcomes traditional algorithm limitations, significantly enhancing intelligent decision-making in logistics. This model has been successfully implemented in several industries such as cosmetics, 3C, food, and automotive parts. The model is mainly used in the following areas: ① **Volume demand forecasting:** By integrating multi-modal AI technology, the model extracts deep insights from product images and textual information, building multi-scale, multi-channel forecasting models that improve prediction accuracy while reducing resource consumption. In one case study, the model reduced server resource usage by 80%, increased computational efficiency by 120 times, and improved prediction accuracy by 5%. ② **Decision optimization:** The decision-making large model significantly improved computational efficiency in supply chain route planning and packing optimization. For example, in terms of transportation route optimization, the model can quickly respond to complex scenarios involving inbound logistics, store delivery, and short-haul network planning, eliminating tedious customized development processes and responding flexibly to business requirements. ③ **Operational analysis:** By building an intelligent supply chain system and combining professional algorithms and operational data analysis, the Company provided accurate supply chain solutions. For instance, in addressing out-of-stock scenarios, the AI model identifies root causes and suggests corrective actions to help customers respond to market fluctuations efficiently, enhancing decision-making speed and accuracy.

SF Large Language Model: SF's proprietary large language model is widely applied across over 20 business scenarios, including customs clearance, customer service, pickup and delivery, and marketing, empowering employees with industry knowledge and improving operational efficiency while delivering superior customer experiences. The applications include: ① **Operational optimization:** In sorting process, the AI-driven smart security screening system, combined with full-chain monitoring, automatically detects risks and ensures parcel security. In pickup and delivery operations, AI-powered digital assistants provide real-time training and Q&A support to new couriers, enabling them to quickly learn parcel handling standards and product information. The system achieves a 99% accuracy rate in understanding inquiries. ② **Customs clearance optimization:** During the order placement process, the large language model automatically analyzes customs regulations from multiple countries, ensuring precise clearance procedures. During document verification, the model automatically reviews shipment details, achieving a 97% auto-review rate at selected customs ports. In customs inspection, the multi-modal AI model analyzes product images and determines clearance eligibility, achieving an 83% human-machine match rate, significantly improving customs clearance efficiency. ③ **Enhancing customer experience:** In the parcel ordering process, customers can complete orders using a single voice command. In return logistics, users can upload a product image to automatically generate a return request, with the large language model extracting order details in just nine seconds. In customer service, AI-powered assistants extract key information from conversations and generate real-time summaries, reducing customer service response time by 30%.

The Company will continue to explore the application of large model technology in logistics services across more industries and scenarios, driving the intelligent transformation and upgrades of the logistics and supply chain industry.

The Application of Unmanned Technologies

The Company has extensively explored and implemented automation and unmanned technology across various logistics scenarios, driving transformation in operational models and enhancing network efficiency.

Unmanned Sorting Centers: Through the transformation of transit model, the Company utilized AGV equipment for short-distance automated handling and sorting operations at the sorting centers. The Company's self-developed Xinghe Dispatch Management Platform has been integrated into over 60 large SF sorting centers, managing nearly a thousand AGVs and completing over 5.2 million automated container transits.

Management Discussion and Analysis

Unmanned Vehicles: The Company deployed over 800 customized unmanned vehicles for short-haul transportation between sorting centers and service outlets, the connection between service outlets and couriers' collection and delivery areas, and pickup and delivery within enclosed areas such as industrial parks and campuses. This automation of short-haul transportation and collection and delivery has improved efficiency and reduced costs. By building a unified platform for unmanned vehicle integration and simplifying loading and unloading operations, the Company effectively reduced the operational costs for future new scenarios and vehicle types.

Unmanned Warehouses: The Company has developed automated warehousing systems that integrate robotic storage and retrieval solutions, offering customized end-to-end automation for various industries. For example, for the cosmetics industry, where SKU complexity, small item handling, and expiration management are critical, the Company's automated warehouses feature high-density storage solutions that optimize space and labor efficiency. These facilities include shuttle-based warehousing systems for accurate pallet and item-level handling, AGVs, lifting mechanisms, and sorting machines, ensuring seamless inventory control and the ability to process over 100,000 daily outbound orders. The system is already implemented in pharmaceuticals, high-tech, home appliances, and other industries.

The Application of Robot Process Automation Technologies

RPA technology simulates human operations to automate repetitive and rule-based business processes across logistics operations, significantly improving efficiency and optimizing workflows. The Company extensively utilized RPA robots, covering various stages of collection, sorting, transportation, and delivery, to improve operational efficiency and optimize business processes. This technology assisted employees in automatically generating daily, weekly, and monthly reports, reducing the burden of repetitive report preparation. It also helped employees monitor performance metrics such as timeliness and delivery efficiency, providing data for analysis and reporting. Currently, these robots are deployed at the Company's various scenarios such as sorting centers and service outlets. In customer-facing processes, RPA applications expanded self-service capabilities for customers, significantly improving response timeliness. In the delivery process, the Company utilized RPA robots to automatically monitor the status of parcels at different time periods and promptly remind couriers at each stage, enhancing on-time delivery rates and overall customer service quality.

Intelligent Supply Chain Solutions

SF provides comprehensive digital supply chain solutions for top-tier industry clients across high-end manufacturing, cosmetics, auto parts, home appliances, and consumer goods industries. The Company has successfully developed hundreds of industry use cases, empowering over 4,000 customers with smart supply chain management.

Energy industry case: The Company partnered with a well-known petrochemical company to provide an end-to-end data-driven supply chain solution. The energy industry supply chain was characterized by high uncertainty and complex processes. Given the customer's relatively independent business management and absence of data communication, the Company built a digital and visualized logistics management platform that integrates marketing, warehousing, transportation, and settlement processes. This platform made the entire supply chain transparent, reducing information barriers and management costs. In addition, the energy industry often involves bulk commodity trading, and customers tend to use multimodal transportation. The Company intelligently identified rational delivery outlets, return vehicle routes, and orders with the same delivery direction, while smartly dispatching resources such as vehicles and ships to reduce costs and improve transportation efficiency. In terms of warehousing, the Company accurately analyzed inventory level and outputs logistics demand plans to help the company improve its level of intelligent management.

New energy vehicle industry case: The Company cooperated with a leading new energy vehicle brand to create an integrated after-sale solution for auto parts circulation that includes transportation, warehousing and distribution services, based on its self-developed supply chain system. By structured integration of express, FTL, LTL, and store delivery transportation modes, the Company improved transportation flexibility, and intelligently and dynamically distributed transportation resources based on the weight, volume, and flow direction of the shipments, reducing transportation costs. The Company also provided various efficient system access methods and, in conjunction with the transportation execution monitoring module, allowing customers to transparently control logistics performance quality. In addition, with years of experience in self-operated warehousing services, the Company provided standard warehousing and distribution services for the customer's own online store, ultimately forming a comprehensive supply chain technology solution from warehousing to distribution, which currently serves multiple well-known automobile companies.

Consumer goods industry case: The Company cooperated with a top-tier condiment brand to build an all-channel intelligent order center, achieving intelligent distribution ordering and order processing. When distributors place orders, the system can automatically provide ordering suggestions, improving the accuracy of dealer orders and increasing the sales of brand merchants. The intelligent order center aggregates all-channel inventory information, providing real-time scheduling of available inventory resources for each sales channel, achieving all-channel "one inventory" management. At the same time, it manages the order fulfillment status of each channel, realizing automatic order review, allocation, and shipping, improving order processing efficiency and customer experience. Currently, this solution has been replicated and promoted among multiple customers in the food industry.

Intelligent Logistics Products

For small and medium-sized customers, the Company utilized light-version SaaS products to enhance the value-added services in various aspects of its express delivery and logistics services. The Company has successfully deployed dozens of technology-powered SaaS products, enabling SMEs to streamline supply chain operations, reduce costs, and optimize last-mile delivery performance.

Management Discussion and Analysis

Premium service establishing an unparalleled brand value

In China, SF is a household name and has become a synonym for high-timeliness express delivery service. “Let me SF this to you” has been equivalent with “express delivery to you”. The Company has built a strong brand reputation centered around “fast”, “reliable” and “premium service”, setting the industry benchmark for superior customer experiences. As a result, many corporate customers actively advertise their use of SF as a symbol of premium service and brand trustworthiness. By associating their products with SF’s premium services, corporate customers are able to enhance consumer perception of their product quality, foster greater trust and improve sales performance.

SF’s commitment to excellence has led to unparalleled brand value. The Company has built a loyal and highly engaged customer base across various industries, becoming the go-to logistics partner for many top-tier customers. This dedication to premium service has earned SF wide recognition from customers, industry peers, and the public alike.

In the ranking released by the State Post Bureau, SF has been ranked first in public satisfaction with express delivery services for 15 consecutive years (2009-2023) and the first three quarters of 2024 as well. The Company ranked 415th in the Fortune Global 500 list for 2024 released by Fortune magazine. It has been on this list for three consecutive years, and it is also the first and only Chinese private express delivery enterprise among the Fortune Global 500.

State Post Bureau

No.1

in Overall Customer Satisfaction
in the first three quarters of 2024
(As of the disclosure date of the annual report, the data of express satisfaction survey for 2024 has not been released)

for **15** consecutive years

No.1

in Overall Customer Satisfaction in 2023

Fortune

415th selected for **3** consecutive years

among “2024 Global 500 Companies”

2nd selected for **8** consecutive years

among “Most Admired Chinese Companies” in 2024

selected for **3** consecutive years

China ESG Impact List

Brand Finance

396th selected for **5** consecutive years

among “World’s Top 500 Most Valuable Brands” in 2024

7th selected for **6** consecutive years

among “World’s Top 10 Most Valuable Logistics Brands” in 2024

7th

among “World’s Top 10 Logistics Brands by Sustainability Perceptions Value” in 2024

Management Discussion and Analysis

Financial Review

Revenue

In 2024, the Company adhered to sustainable and healthy development and achieved high-quality business growth. The total revenue of the Group reached RMB284.42 billion, representing an increase of 10.07% as compared to the same period in 2023 (excluding Fengwang business, the total revenue increased by 10.35% year-on-year). The breakdown of the revenue categorized by industry, by operating segment and by geographical region is set out below. For details of the development of each major business, please refer to "Business Development of the Company" in this section.

	Year ended December 31,				Amount change over the previous year
	2024		2023		
	Amount *RMB'000*	Percentage of revenue	Amount *RMB'000*	Percentage of revenue	
Total revenue	**284,420,059**	**100.00%**	**258,409,403**	**100.00%**	**10.07%**
Categorized by industry:					
Logistics and freight forwarding	276,275,771	97.14%	251,127,665	97.18%	10.01%
Other non-logistics business(1)	8,144,288	2.86%	7,281,738	2.82%	11.85%
Categorized by operating segment:					
Express and freight delivery segment	**200,162,392**	**70.38%**	**186,890,137**	**72.32%**	**7.10%**
Time-definite express	122,205,976	42.97%	115,456,067	44.68%	5.85%
Economy express	27,251,227	9.58%	25,051,548	9.69%	8.78%
Freight	37,641,125	13.23%	33,078,821	12.80%	13.79%
Cold chain and pharmaceutical logistics	9,812,161	3.45%	10,312,988	3.99%	-4.86%
Others(2)	3,251,903	1.14%	2,990,713	1.16%	8.73%
Intra-city on-demand delivery segment	**9,010,521**	**3.17%**	**7,371,250**	**2.85%**	**22.24%**
Intra-city on-demand delivery	8,872,800	3.12%	7,249,500	2.81%	22.39%
Others(2)	137,721	0.05%	121,750	0.05%	13.12%
Supply chain and international segment	**74,000,342**	**26.02%**	**62,859,302**	**24.33%**	**17.72%**
Supply chain and international business	70,492,482	24.78%	59,978,741	23.21%	17.53%
Others(2)	3,507,860	1.23%	2,880,561	1.11%	21.78%
Undistributed units(3)	**1,246,804**	**0.44%**	**1,288,714**	**0.50%**	**-3.25%**
Categorized by region:					
Mainland China	242,796,156	85.37%	223,510,607	86.49%	8.63%
Hong Kong, Macao, and Taiwan, China	9,467,291	3.33%	9,134,850	3.54%	3.64%
Other international	32,156,612	11.31%	25,763,946	9.97%	24.81%

Management Discussion and Analysis

Notes:

(1) "Other non-logistics business" categorized by industry mainly represents the ancillary non-logistics services provided by the Company, including the purchase and sales of goods involved in the process of providing end-to-end supply chain services for customers, leasing services and provision of technical services.

(2) "Others" categorized by operating segment mainly comprise the purchase and sale of goods involved in the process of providing end-to-end supply chain services for customers.

(3) "Undistributed units" mainly comprise leasing services and provision of technical services.

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

Cost of Revenue

The cost of revenue of the Group in 2024 amounted to RMB245.52 billion, representing an increase of 8.75% as compared to the same period in 2023, which was in line with the growth trend of revenue during the Reporting Period. The breakdown of the cost categorized by industry is set out below:

	Year ended December 31,				
	2024		2023		
	Amount *RMB'000*	Percentage of cost of revenue	Amount *RMB'000*	Percentage of cost of revenue	Amount change over the previous year
Total cost of revenue	**245,524,112**	**100.00%**	**225,775,678**	**100.00%**	**8.75%**
Categorized by industry:					
Logistics and freight forwarding	238,694,175	97.22%	219,622,449	97.27%	8.68%
Labor cost[(1)]	112,117,267	45.66%	102,785,140	45.53%	9.08%
Transportation cost[(1)]	93,294,058	38.00%	82,930,208	36.73%	12.50%
Other operating costs	33,282,850	13.56%	33,907,101	15.02%	-1.84%
Other non-logistics business	6,829,937	2.78%	6,153,229	2.73%	11.00%

Note:

(1) 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 note 8 to the consolidated 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, the Company mainly divided its outsourcing costs into labor outsourcing cost and transportation outsourcing cost, which were aggregated with the employee benefit expenses and transportation expenses as labor cost and transportation cost, respectively.

Among which, the cost of revenue of logistics and freight forwarding business was RMB238.69 billion, representing an increase of 8.68% compared to the same period in 2023. It was mainly affected by changes in the following three major cost items:

The labor cost was RMB112.12 billion, representing an increase of 9.08% compared to the same period in 2023, mainly because the Company has always attached great importance to the salary competitiveness of couriers and other frontline employees, and introduced comprehensive incentive mechanism to encourage the couriers to actively engaging in business development. The growth in business volume further increased the remuneration of employees.

The transportation cost was RMB93.29 billion, representing an increase of 12.50% compared to the same period in 2023, mainly due to the rapid growth of the Company's international cargo and freight forwarding business, as well as the expansion of express logistics business in China, which led to more investment in transportation resources.

The other operating costs was RMB33.28 billion, representing a decrease of 1.84% compared to the same period in 2023. Other operating costs mainly include depreciation and amortization expenses, depreciation charge of right-of-use assets, venue usage expenses, and taxes and surcharges. The Company further developed the centralized construction of sorting centers and continued to invest in automated sorting and smart warehousing equipment to fully utilize the benefits of venues and improve operating efficiency, resulting in the slight decrease in other operating costs as compared to the previous year.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

The overall gross profit of the Group in 2024 amounted RMB38.90 billion, representing an increase of 19.19% as compared to the same period in 2023. The breakdown of the gross profit categorized by industry is set out below:

	Year ended December 31,					
	2024		2023		Year-on-year change	
	Amount *RMB'000*	Gross profit margin	Amount *RMB'000*	Gross profit margin	Change in amount	Change in gross profit margin
Total gross profit	**38,895,947**	**13.68%**	**32,633,725**	**12.63%**	**19.19%**	**Up by 1.05 percentage points**
Categorized by industry:						
Logistics and freight forwarding	37,581,596	13.60%	31,505,216	12.55%	19.29%	Up by 1.05 percentage points
Other non-logistics business	1,314,351	16.14%	1,128,509	15.50%	16.47%	Up by 0.64 percentage point

Among which, in 2024, the gross profit of logistics and freight forwarding business was RMB37.58 billion, representing an increase of 19.29% as compared to the same period in 2023, and the gross profit margin was 13.60%, representing an increase of 1.05 percentage points as compared to the same period in 2023, reflecting the continuous improvement in profitability. The change in gross profit margin was mainly affected by changes in the percentage of the following three major cost items to revenue:

	Year ended December 31,		
	2024	2023	Year-on-year change
Percentage of labor cost to revenue	40.58%	40.93%	Decreased by 0.35 percentage point
Percentage of transportation cost to revenue	33.77%	33.02%	Up by 0.75 percentage point
Percentage of other operating costs to revenue	12.05%	13.50%	Decreased by 1.45 percentage points

Labor cost-to-revenue ratio decreased by 0.35 percentage point from the same period in 2023, and increased by 0.77 percentage point from the same period in 2023 if KLN[1] being excluded. While enhancing the competitiveness of employees' salaries, the Company also improved its operational efficiency and managed to control the rise in labor costs by reforming its operating model and investing in automated and unmanned equipment.

Transportation cost-to-revenue ratio increased by 0.75 percentage point from the same period in 2023, and decreased by 0.78 percentage point from the same period in 2023 if KLN[1] being excluded. This was mainly because the Company continued to streamline its network structure, promote consolidated deliveries and streamline routes and reduce transit process, as well as effective control over transportation capacity procurement, which contributed to the continuous optimization of the transportation cost.

Other operating costs-to-revenue ratio decreased by 1.45 percentage points from the same period in 2023, and decreased by 1.15 percentage points from the same period in 2023 if KLN[1] being excluded. This was mainly because the Company adhered to lean operations, strengthened the management of resources, effectively controlled the increase in capital expenditure, maintained a healthy ratio of capital expenditure to revenue, thus ultimately achieving better economies of scale along with the growth in parcel volume.

Note 1: There are significant differences between the cost structure of KLN (in which transportation costs of international freight forwarding business account for a large proportion) and that of the Company's express & other logistics business. In order to provide a clearer picture of the changes in the breakdown of the Company's costs, cost analysis above also presents data excluding KLN business.

Management Discussion and Analysis

Selling and marketing expenses

The selling and marketing expenses of the Group in 2024 amounted to RMB3.10 billion, representing a year-on-year increase of 3.50% compared with RMB2.99 billion in 2023, and the selling and marketing expenses ratio was 1.09% in 2024, representing a year-on-year decrease of 0.07 percentage point compared with 1.16% in 2023. This was mainly because the Company's continuous effort to lean operations, resulting in the selling and marketing expenses remained stable.

General and administrative expenses

The general and administrative expenses of the Group in 2024 amounted to RMB18.73 billion, representing a year-on-year increase of 5.44% compared with RMB17.77 billion in 2023, and the general and administrative expenses ratio was 6.59% in 2024, representing a year-on-year decrease of 0.29 percentage point compared with 6.88% in 2023. This was mainly due to the Company's adherence to lean operations, technology empowerment to digitalized and intelligent management, streamlined organizational structure and improved management efficiency.

Research and development expenses

The research and development expenses of the Group in 2024 amounted to RMB2.53 billion, representing a year-on-year increase of 10.86% compared with RMB2.29 billion in 2023, and the research and development expenses ratio was 0.89% in 2024, representing a year-on-year increase of 0.01 percentage point compared with 0.88% in 2023. The overall investment in research and development of the Company remained stable, as detailed in the section "Investment in research and development" under "Investments".

Other income

Other income of the Group in 2024 amounted to RMB0.99 billion, representing a year-on-year decrease of RMB1.29 billion compared with RMB2.28 billion in 2023, which was mainly because the preferential tax policy on VAT (according to the Announcement No. 1 [2023] of the Ministry of Finance and the State Taxation Administration) has expired in December 2023, and the amount of government grants decreased accordingly.

Finance costs, net

The finance costs, net of the Group in 2024 amounted to RMB1.76 billion, representing a year-on-year increase of 7.29% compared with RMB1.64 billion in 2023, mainly due to an increase in interest expenses on borrowings.

Income tax expense

The income tax expense of the Group in 2024 amounted to RMB3.39 billion, representing an increase of 31.59% as compared with the corresponding period in 2023, which was mainly due to the increase in the profit for the year of the Company, and the effective income tax rate remained stable.

Profit

The Group achieved profit of RMB10.22 billion in 2024, representing an increase of 29.16% as compared to the same period in 2023. Of which, profit attributable to owners of the Company amounted to RMB10.17 billion, representing an increase of 23.51% as compared to the same period in 2023, and profit margin attributable to owners of the Company was 3.58%, representing an increase of 0.39 percentage point as compared to the same period in 2023, which was mainly attributable to the Company's continuous improvement on the economies of scale and the pursuit of lean management to constantly lower various expense ratios, thereby enhancing the Company's efficiency.

	Year ended December 31,		
	2024	2023	Change over the previous year
Profit for the year *(RMB'000)*	10,218,845	7,911,609	29.16%
Profit margin for the year	3.59%	3.06%	Up by 0.53 percentage point
Profit attributable to owners of the Company *(RMB'000)*	10,170,427	8,234,493	23.51%
Profit margin attributable to owners of the Company	3.58%	3.19%	Up by 0.39 percentage point

The net profit or loss for each of the Company's operating segments is set forth below:

	Year ended December 31,		
	2024 *RMB'000*	2023 *RMB'000*	Change over the previous year
Express and freight delivery segment	10,981,266	8,452,862	29.91%
Intra-city on-demand delivery segment	132,460	50,595	161.80%
Supply chain and international segment	-1,324,413	-534,501	-147.78%
Undistributed units	395,920	-86,037	560.17%

Management Discussion and Analysis

Net profit of the express and freight delivery segment for 2024 amounted to approximately RMB10.98 billion, representing an increase of 29.91% as compared to the same period in 2023, mainly driven by (1) a steadfast commitment to sustainable and healthy development, focusing on high-quality business growth; (2) continuous efforts to strengthen network integration, optimize lean resource management, and streamline operations to achieve structural cost reductions; and (3) fully leveraging the network's economies of scale to enhance profitability.

Net profit of the intra-city on-demand delivery segment for 2024 amounted to approximately RMB0.13 billion, representing an increase of 161.80% as compared to the same period in 2023 and recording a doubled increase in net profit, mainly attributable to (1) accelerated growth in the revenue scale and order volume, and sustained expansion of the network's economies of scale; (2) optimization of business structure and continued increase in revenue contribution of high-quality customers; and (3) the improvement in operation quality and efficiency driven by technological empowerment and lean management, promoting the continuous enhancement of gross profit margins and expense ratios.

Net loss of the supply chain and international segment for 2024 amounted to approximately RMB1.32 billion, primarily due to increased short-term losses resulting from business adjustments following the organizational restructuring of the Group's subsidiary, KEX.

Net profit of the undistributed units for 2024 amounted to approximately RMB0.40 billion, mainly including segments of non-principal logistics and freight forwarding, such as industrial parks, investment and other functional segments.

Non-IFRS Measures

To supplement the consolidated financial statements which are presented by the Company in accordance with IFRS, the Company also uses certain additional non-IFRS measures, namely, EBITDA and EBITDA margin, as additional financial metrics. These non-IFRS measures are not required by or presented in accordance with IFRS.

The Company believes that these non-IFRS measures facilitate evaluation of its operating performance by eliminating potential impacts of certain items listed below. The Company also believes that such non-IFRS measures present useful information to investors in understanding and evaluating its consolidated results of operations in the same manner as they presented to its management. However, its presentation of such non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider it on an isolated basis, or as substitute for analysis of, the results of operations or financial condition of the Company as reported under IFRS.

The following table reconciles profit for the year of the Company, calculated and presented in accordance with IFRS, to EBITDA (non-IFRS measure) for the years indicated:

	Year ended December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Profit for the year	**10,218,845**	**7,911,609**
Add:		
Depreciation and amortization	17,332,257	17,319,107
– Depreciation of right-of-use assets	6,798,783	7,213,063
– Depreciation and amortization (excluding right-of-use assets)	10,533,474	10,106,044
Finance costs, net	1,755,606	1,636,327
Income tax expense	3,388,416	2,574,896
EBITDA	**32,695,124**	**29,441,939**
EBITDA margin	**11.50%**	**11.39%**

Management Discussion and Analysis

Cash Flow

	Year ended December 31,		
	2024 RMB'000	2023 RMB'000	Change over the previous year
Net cash generated from operating activities	32,186,373	26,569,819	21.14%
Net cash used in investing activities	-12,054,744	-13,505,617	10.74%
Net cash used in financing activities	-27,979,113	-12,994,685	-115.31%
Net decrease/increase in cash and cash equivalents	-7,847,484	69,517	-11,388.58%
Exchange gains on cash and cash equivalents	45,231	98,844	-54.24%
Cash and cash equivalents at the beginning of the year	40,448,308	40,279,947	0.42%
Cash and cash equivalents at the end of the year	32,646,055	40,448,308	-19.29%

Net cash generated from operating activities: In 2024, net cash generated from operating activities of the Group was RMB32.19 billion, representing an increase of 21.14% as compared to the same period in 2023, mainly due to the combined effect of the Group's profit growth and optimized operating cash flow management. Please refer to note 34(a) to the consolidated financial statements for a detailed explanation of the difference between the Group's net cash generated from operating activities and net profit in 2024.

Net cash used in investing activities: In 2024, net cash used in investing activities of the Group was RMB12.05 billion, representing a decrease of 10.74% as compared to the same period in 2023, mainly attributable to the combined effect of the decrease in the Group's net cash outflow from purchasing property, plant and equipment, the decrease in net cash outflow from acquiring subsidiaries and other investments, and the increase in net cash outflow from purchasing structured deposits.

Net cash used in financing activities: In 2024, net cash used in financing activities of the Group was RMB27.98 billion, representing an increase of 115.31% as compared to the same period in 2023, mainly attributable to the combined effect of the increase in net cash outflow from borrowings, the increase in net cash outflow from dividend distribution, and net cash inflow from the proceeds from the Listing on the Hong Kong Stock Exchange.

Management Discussion and Analysis

Assets and Liabilities

Changes in major items of assets and liabilities

	As of December 31,				Amount change over the previous year	Year-on-year changes in the percentage of total assets
	2024		2023			
	Amount *RMB'000*	Percentage of total assets	Amount *RMB'000*	Percentage of total assets		
Non-current assets						
Property, plant and equipment	59,174,305	27.67%	60,104,416	27.14%	-1.55%	0.53%
Right-of-use assets	19,625,629	9.18%	20,890,047	9.43%	-6.05%	-0.25%
Investment properties	7,241,199	3.39%	6,418,720	2.90%	12.81%	0.49%
Investments in associates and joint ventures	6,203,642	2.90%	7,378,831	3.33%	-15.93%	-0.43%
Current assets						
Inventories	2,432,383	1.14%	2,440,425	1.10%	-0.33%	0.04%
Contract assets	2,740,820	1.28%	1,632,592	0.74%	67.88%	0.54%
Trade and note receivables	27,981,633	13.09%	25,360,433	11.45%	10.34%	1.64%
Financial assets at fair value through profit or loss	11,246,156	5.26%	6,809,742	3.07%	65.15%	2.19%
Cash and cash equivalents	32,646,055	15.27%	40,448,308	18.26%	-19.29%	-2.99%
Non-current liabilities						
Borrowings	26,319,260	12.31%	30,396,912	13.72%	-13.41%	-1.41%
Lease liabilities	7,094,483	3.32%	8,038,495	3.63%	-11.74%	-0.31%
Current liabilities						
Trade and note payables	27,395,524	12.81%	24,914,300	11.25%	9.96%	1.56%
Contract liabilities	2,039,198	0.95%	1,832,018	0.83%	11.31%	0.12%
Borrowings	18,365,122	8.59%	22,309,103	10.07%	-17.68%	-1.48%
Lease liabilities	5,501,314	2.57%	5,769,965	2.61%	-4.66%	-0.04%
Equity						
Treasury shares	758,081	0.35%	2,575,532	1.16%	-70.57%	-0.81%

Contract assets: As of December 31, 2024, the Group's contract assets amounted to RMB2.74 billion, representing an increase of 67.88% as compared with the end of 2023, mainly due to the business growth of the Group.

Financial assets at fair value through profit or loss: As of December 31, 2024, the Group's financial assets at fair value through profit or loss amounted to RMB11.25 billion, representing an increase of 65.15% as compared with the end of 2023, mainly due to the increase in structured deposits.

Borrowings: As of December 31, 2024, the Group's borrowings under non-current liabilities amounted to RMB26.32 billion, representing a decrease of 13.41% as compared with the end of 2023; the borrowings under current liabilities amounted to RMB18.37 billion, representing a decrease of 17.68% as compared with the end of 2023, mainly due to the repayment of borrowings.

Treasury shares: As of December 31, 2024, the treasury shares of the Group amounted to RMB758 million, representing a decrease of 70.57% as compared with the end of 2023, mainly due to the cancellation of the Company's repurchased shares.

Management Discussion and Analysis

Liquidity and Capital Structure

Sources and uses of funds

In 2024, the Group primarily raised funds required for its development through cash generated from operating activities, issuance of shares and bonds, proceeds from external debts and other financing activities. The Group's cash requirements are mainly used for daily operations, repayment of maturing liabilities, capital expenditures, payment of interest and dividends, and other unexpected cash needs. The Group has always adopted a prudent financial management policy, maintaining sufficient and appropriate funds to meet the repayment of matured debts, capital expenditures and normal operations.

As of December 31, 2024, the total amount of cash and cash equivalents and wealth management products in the Group's other financial assets was RMB43.66 billion. For details of the Group's cash flow data during the Reporting Period, please refer to "Cash Flow" in "Financial Review" in this section and note 34 to the consolidated financial statements in the Report.

	As of December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Cash and cash equivalents	32,646,055	40,448,308
Financial assets at fair value through profit or loss		
– Structured deposits	11,015,904	6,542,881
Total	**43,661,959**	**46,991,189**

The free cash inflow of the Group in 2024 was RMB22.30 billion, which was derived from net cash generated from operating activities of RMB32.19 billion less capital expenditures (excluding equity investments) of RMB9.89 billion, representing a year-on-year increase of 70.14% as compared with the free cash inflow in 2023 of RMB13.11 billion. Looking forward, the Group believes that it will be able to meet the liquidity requirements of the Company by using the existing cash and cash equivalents, cash generated from operating activities and financing activities.

As of December 31, 2024, the Group's debt to asset ratio was 52.14%, representing a decrease of 1.23 percentage points from 53.37% at the end of 2023, and the overall capital structure remained stable. (Note: Debt to asset ratio is calculated by total liabilities dividing total assets on the corresponding date)

Management Discussion and Analysis

Borrowings

As of December 31, 2024, the Group's short-term borrowings, long-term borrowings, corporate bonds, short-term bonds and loans from non-controlling interests amounted to RMB44.68 billion in aggregate, which were mainly denominated in RMB, HKD and USD with no significant seasonal demand. Among which, the aggregate amount of non-current corporate bonds with fixed interest rates amounted to approximately RMB19.94 billion, and the rest were carried at floating interest rates. Most of the bank borrowings are unsecured, and the assets involved in some of the secured borrowings are set out in "Limitation of asset rights" under "Assets and Liabilities" in "Financial Review" in this section. The Group did not have any borrowings that were past due during the Reporting Period. Please refer to note 26 to the consolidated financial statements in the Report for details of the bank borrowings and other borrowings of the Group. The details are as follows:

	As of December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Non-current:	**26,319,260**	**30,396,912**
Long-term bank borrowings	6,186,386	11,355,241
Corporate bonds	19,941,935	18,794,782
Loans from non-controlling interests	190,939	246,889
Current:	**18,365,122**	**22,309,103**
Current portion of long-term bank borrowings	1,677,715	2,813,385
Short-term bank borrowings	15,118,534	18,765,366
Short-term debentures	807,787	–
Corporate bonds	627,779	615,295
Loans from non-controlling interests	133,307	115,057
Total	**44,684,382**	**52,706,015**

Limitation of asset rights

As of December 31, 2024, the Group's assets subject to restricted rights are mainly statutory reserve placed at the Central Bank and the bank borrowing mortgage, as set out below:

	Closing book value *RMB'000*	Reasons for limitation
Restricted cash	1,354,303	Mainly statutory reserves in the Central Bank
Property, plant and equipment	490,886	Bank borrowing mortgage
Right-of-use assets	203,922	Bank borrowing mortgage
Investment properties	111,847	Bank borrowing mortgage
Total	**2,160,958**	

External guarantees

As of December 31, 2024, the Group provided guarantees of RMB951 million to investee companies (such amount was RMB946 million as of December 31, 2023).

Contingent liabilities

As of December 31, 2024, the Group did not have any material contingent liabilities.

Management Discussion and Analysis

Investments

Capital expenditures

	Year ended December 31,		
	2024 *RMB'000*	2023 *RMB'000*	Year-on-year change
Total investment amount	**10,714,792**	**17,524,710**	**-38.86%**

The amounts of the Group's capital expenditure items during the Reporting Period are set out below:

	Year ended December 31, 2024 *RMB'000*
Office and buildings	463,150
Land	262,306
Warehouse	1,024,636
Sorting center	3,489,292
Aircraft	2,411,185
Vehicle	801,230
Information technology equipment	455,857
Equity investments	826,633
Others	980,503
Total	**10,714,792**

The Company adhered to lean resource planning and better control over its investment efficiency, which led to a year-on-year decrease in the amounts of capital expenditure in 2024. In 2024, investments in fixed assets (i.e. investments other than equity investments) amounted to RMB9.89 billion in aggregate, representing a decrease of 26.56% compared to the same period in 2023, and accounted for 3.48% of the revenue, representing a decrease of 1.73 percentage points compared to the same period in 2023.

Capital commitments

The Group's capital commitments represent capital commitments contracted but not yet provided for that arise from established contractual relationships, the amounts of which are set out below:

	As of December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Contracted, but not provided for purchases of property, plant and equipment	1,515,674	1,858,672
Investment to be paid	121,043	131,895
Others	–	944
Total	**1,636,717**	**1,991,511**

Management Discussion and Analysis

Investments in financial assets

Assets and liabilities measured at fair value

Item	Opening balance *RMB'000*	Gains and losses from changes in fair value in the Reporting Period *RMB'000*	Accumulated fair value changes included in equity *RMB'000*	Provision for impairment in the Reporting Period *RMB'000*	Amount of purchase in the Reporting Period *RMB'000*	Decreased amount in the Reporting Period *RMB'000*	Other changes[(2)] *RMB'000*	Closing balance *RMB'000*
Financial assets	**16,889,273**	**-82,984**	**-1,553,885**	**–**	**4,121,474**	**-265,393**	**847,081**	**19,955,566**
Current financial assets at fair value through profit or loss (excluding derivative financial assets)[(1)]	6,809,742	16,492	–	–	4,050,575	-194,624	563,971	11,246,156
Other non-current financial assets at fair value through profit or loss	589,996	-99,476	–	–	21,114	-42,595	8,377	477,416
Investments in other equity instruments	9,489,535	–	-1,553,885	–	49,785	-28,174	274,733	8,231,994
Financial liabilities	**92,120**	**6,927**	**3,185**	**–**	**–**	**–**	**3,232**	**105,464**

Notes:

(1) This item includes structured deposits that do not meet the principal-plus-interest contractual cash flow characteristics. These structured deposits, characterized by short maturities and high liquidity, are presented on a net basis for the current period's purchase and sale amounts. Except for structured deposits, all other items are presented separately with their respective purchase and sale amounts for the current period.

(2) Other changes in current financial assets at fair value through profit or loss are mainly income realized from 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.

Investments in securities

Security type	Stock code	Abbreviation of security	Initial investment cost *RMB'000*	Book value at the beginning of the Reporting Period *RMB'000*	Gains and losses from changes in fair value during the Reporting Period *RMB'000*	Accumulated fair value changes included in equity *RMB'000*	Purchase amount during the Reporting Period *RMB'000*	Decreased amount during the Reporting Period *RMB'000*	Other changes *RMB'000*	Book value at the end of the Reporting Period *RMB'000*
Stocks	1519.HK	J&T Express	1,892,944	2,345,581	–	-1,454,140	–	–	47,690	939,131
Stocks	300771.SZ	Zhilai Sci And Tech	13,670	72,394	–	-720	–	-26,872	1	44,803
Stocks	GB00BLH1QT30	Samarkand	28,847	867	–	-136	–	–	22	753
Funds	180302.SZ	China AMC-Shenzhen International REIT	49,750	–	–	-1,219	49,750	–	–	48,531
Total			**1,985,211**	**2,418,842**	**–**	**-1,456,215**	**49,750**	**-26,872**	**47,713**	**1,033,218**

Management Discussion and Analysis

Investments in derivatives

The amounts of the Group's derivatives investments for hedging purpose during the Reporting Period are set out below:

Type of derivatives investment	Initial Investment amount *RMB'000*	Amount at the beginning of the period *RMB'000*	Gains and losses from changes in fair value during the Reporting Period *RMB'000*	Accumulated fair value changes included in equity *RMB'000*	Amount of purchase during the Reporting Period *RMB'000*	Amount of sales during the Reporting Period *RMB'000*	Amount at the end of the Reporting Period *RMB'000*	Percentage of investment amount at the end of the period to net assets of the Company at the end of the Reporting Period
Forward foreign exchange	5,839,480	–	8,991	8,644	N/A	N/A	5,839,480	6.35%
Total	**5,839,480**	**–**	**8,991**	**8,644**	**N/A**	**N/A**	**5,839,480**	**6.35%**

During the Reporting Period, there were no significant changes in the accounting policies and accounting principles of hedging of the Company compared with the previous reporting period.

Actual gains/losses during the Reporting Period: The actual gains/losses of derivatives investments refers to the change in fair value of derivative financial instruments, and the actual losses for the Reporting Period amounted to approximately RMB3.19 million.

Hedging effects: The Company's derivative investment business mainly consists of forward contracts purchased in this year, with the underlying asset being the exchange rate and the currency involving USD and HKD. The main elements are: operation of forward forex hedging for the Company's US dollar bonds, which generates exchange losses on the US dollar bonds and gains on changes in the fair value of the forward exchange contracts when the USD strengthens against the HKD. By utilizing the derivative transactions to lock in costs, the impact of exchange rate fluctuations on the Company's profit was effectively reduced.

Source of fund for the Company's derivatives investment is mainly self-owned funds.

Risk analysis and control measures for derivatives positions during the Reporting Period:

(I) Risk analysis

The foreign exchange hedging business is carried out by the Company based on the principles of legality, prudence, safety and effectiveness, and not for speculative purposes. All foreign exchange hedging transactions are derived from actual foreign currency 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 holding subsidiaries mainly involves daily international express, international cargo and freight forwarding business 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 holding subsidiaries conduct foreign exchange hedging business mainly based on cash flow rolling forecasts for risk management. We are subject to the risk that the actual cash flow deviates from forecast, resulting in failure to fulfil obligations under relevant hedging contracts when due.

4. Operational risks: In the course of business, if the corresponding personnel 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. 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 operational risks and transaction losses as a result.

Management Discussion and Analysis

(II) Risk control measures

1. Clarify the criteria of initiating transaction of foreign exchange hedging product: All foreign exchange hedging businesses are derived from actual foreign currency 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 manageable 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 in research and development

The Group's total research and development investment (including research and development expenses and development expenditures) in 2024 amounted to RMB3.09 billion, representing a decrease of 8.02% as compared with the corresponding period in 2023, and its proportion to revenue was 1.09%, representing a decrease of 0.21 percentage point as compared with that of the corresponding period in 2023. The Company's research and development investment mainly focused on digitalized and intelligent upgrading of logistic networks internally and promoting the implementation of intelligent supply chain technology externally, empowering the digitalized and intelligent improvement in customers' supply chains through technology, and ultimately achieving lowering costs, generating revenue, and enhancing operating profits for the Company. For details, please refer to "Industry-leading Logistics Technology and Application Facilitating Intelligent Supply Chain" of "Core Competitiveness" of this section.

	Year ended December 31,		
	2024	2023	Change over the previous year
Research and development investment amount *(RMB'000)*	3,093,713	3,363,294	-8.02%
Research and development investment as a percentage of revenue	1.09%	1.30%	Decreased by 0.21 percentage point
Amount of capitalized research and development investment *(RMB'000)*	560,106	1,077,980	-48.04%
Capitalized research and development investment as a percentage of research and development investment	18.10%	32.05%	Decreased by 13.95 percentage points

Management Discussion and Analysis

Use of Proceeds

The Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on November 27, 2024. A total of 170,000,000 ordinary Shares with a par value of RMB1 per Share were successfully placed and issued at a price of HKD34.3 per share in the global offering, with an aggregate par value of RMB170,000,000. After deducting the underwriting commissions and other estimated expenses related to the global offering, the net proceeds from the share issuance in the global offering for the Company were approximately HKD5,662 million, equivalent to approximately RMB5,299 million at the exchange rate of HKD1.00 to RMB0.9358.

For the year ended December 31, 2024, the proceeds from the global offering were utilized in accordance with the planned uses and proportions as stated in the prospectus. The details are as follows:

	Planned use of proceeds		As of December 31, 2024		Expected timeline for the utilization of the unutilized amount
	Percentage	Amount *RMB'000*	Utilized amount *RMB'000*	Unutilized amount *RMB'000*	
Strengthening international and cross-border logistics capabilities	45%	2,384,395	–	2,384,395	On or before the end of 2026
Strengthening and optimizing logistics network and service offerings in China	35%	1,854,529	324,410	1,530,119	On or before the end of 2026
Research and development of advanced technologies and digital solutions to upgrade supply chain and logistics services and implement ESG-related initiatives	10%	529,866	1,572	528,294	On or before the end of 2026
Working capital and general corporate purposes	10%	529,866	529,866	–	On or before the end of 2026
Total	**100%**	**5,298,656**	**855,848**	**4,442,808**	

Significant Investments, Acquisitions and Disposals

The Group did not make any significant investments, acquisitions and disposals of equity interests in subsidiaries or investee companies, or any significant investments and disposals of non-equity assets for the year ended December 31, 2024.

Future Plans for Significant Investments and Capital Assets

As of December 31, 2024, the Group did not have any significant investment and capital asset plans.

Management Discussion and Analysis

ESG

SF is committed to integrating corporate value with social value, ensuring a balance between business growth and social responsibility. As a company with a strong sense of social responsibilities, SF adheres to a sustainable and healthy development strategy, continuously advancing smart, efficient, and eco-friendly supply chains to enhance the efficiency and cost-effectiveness of logistics. At the same time, the Company actively supports customer empowerment, environmental protection, employee well-being, and philanthropic initiatives, fulfilling its corporate social responsibilities and demonstrating a strong commitment to social responsibility and leadership.

In response to natural disasters in Hainan in 2024, SF quickly mobilized resources, launching emergency cargo flights to the affected areas. Leveraging its extensive logistics network and rapid-response capabilities, the Company swiftly delivered relief supplies to disaster-stricken regions, providing essential life-supporting assistance to affected communities.

For environment protection, the Company incorporated climate change responses into its business management practices. The Company achieved low-carbon management covering the entire logistics chain through measures including the promotion of low-carbon transportation, construction of green industrial parks, development of sustainable packaging, and application of green technologies. As of the end of the Reporting Period, the Company has utilized over 40,000 new energy vehicles for transportation, covering 253 cities; completed construction of roof photovoltaic power stations in 24 industrial parks, with an annual renewable energy generation exceeding 70 million kWh and a clean energy utilization exceeding 42 million kWh; reduced the use of raw paper by approximately 42 thousand tons and plastic by approximately 155 thousand tons through the implementation of green and minimum packaging; innovatively developed recyclable packaging containers to provide customer with recyclable packaging solutions, and deployed total of 19.18 million recyclable packaging containers with an aggregate reuse exceeding 1 billion times and reducing the greenhouse gas emissions exceeding 472 thousand tons.

SF also continues to refine carbon data standardization and precision management. The company has independently developed the Fenghe Sustainability Platform, an end-to-end logistics carbon footprint management system, which has obtained ISO 14064 certification and, in 2024, received the ISO 14083 global logistics carbon accounting standard certification. As the first digital carbon management platform in the industry to achieve shipment-level carbon footprint tracking, the platform enables precise calculation of greenhouse gas emissions and reductions across the entire logistics process – including collection, transfer, transportation, and delivery. This transparency in data not only helps clients reduce compliance costs and climate risks but also significantly enhances green, low-carbon supply chain operations. As of the end of the Reporting Period, over 60 globally renowned clients have utilized the Fenghe Sustainability Platform for carbon emission monitoring.

The Company's ESG practices achieved constant recognition by the industry. The Company's MSCI ESG rating is BBB, being the first in China's express delivery logistics industry, and is rated as low risk by the Sustainalytics ESG rating, which is the best rating in the global express delivery logistics industry. The Company has been honorably selected into the list of ESG influence in China issued by Fortune for three consecutive years (2022-2024), making it the only selected express delivery logistics company in China.

Looking ahead, the Company will continuously adhere to long-termism as well as the sustainable and healthy development, contribute to the establishment of a green and low-carbon supply chain ecosystem, improve employee benefits and care, fulfil its social responsibilities, and is committed to becoming the benchmark enterprise that consistently generates outstanding social value and delivers enduring impulses for the sustainable development around the world.

For details of the environmental, social and corporate governance content, please refer to the 2024 SF Holding Sustainability Report published by the Company on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on March 28, 2025.

Management Discussion and Analysis

Prospects for Future Development

Industry Trends

The global economic landscape remains complex and volatile, yet China's economy is expected to maintain high-quality and steady growth. According to the latest forecast by the International Monetary Fund (IMF), the global economic growth is forecasted at 3.2% in 2025, a slight downward adjustment from earlier estimates. While advanced economies are expected to lag behind the global average, China and several emerging economies in Asia will continue to exhibit strong development momentum. As a pivotal driver of global economic growth, China's GDP target for 2025 is projected to grow around 5%, demonstrating its economic resilience. In response to the challenging global landscape, China's fiscal policies are expected to be more proactive, focusing on expanding domestic demand, unlocking market potential, advancing technological innovation, strengthening self-sufficiency, and upgrading industries. Additionally, the government will advance high-level opening-up policies to deepen international economic cooperation and trade. Entering a new phase of high-quality development, China will continue to serve as the world's foremost engine of economic growth.

China's Structural Growth Opportunities in Logistics: The stimulation of domestic demand and industrial upgrades in China will create structural growth opportunities in the logistics sector. In 2025, the government is expected to broaden and intensify subsidy policies, covering more industries and product categories while raising subsidy ratios. These measures will effectively stimulate consumer demand, drive industrial development, and consequently accelerate growth in e-commerce logistics, urban delivery, large-item logistics, and reverse logistics. According to projections from the State Post Bureau, China's express delivery industry is expected to handle 190 billion parcels in 2025, with express delivery revenue surpassing RMB1.5 trillion, representing an annual growth rate of approximately 8%. Meanwhile, policy support and logistics infrastructure improvements are fueling the expansion of rural e-commerce, leading to increased demand for cold chain logistics, warehousing, and distribution services as agricultural products are shipped to urban markets. Additionally, the inflow of industrial goods into rural areas is driving rapid growth in last-mile logistics for lower-tier markets. As China's industrial landscape upgrades, high-end manufacturing sectors such as electronic information, biopharmaceuticals, and new energy will experience a surge in logistics demand, particularly for high-precision and time-sensitive services. The shift towards personalized and customized production models will also require logistics providers to offer more flexible and tailored solutions to meet the diverse needs of different industries.

Acceleration of International Expansion for Chinese Logistics Enterprises: Chinese companies are rapidly expanding their international presence, moving beyond traditional markets in Europe and North America and actively exploring Southeast Asia, Africa, and Latin America to unlock new growth opportunities. Many manufacturers are relocating production facilities to lower-cost countries, while brands are establishing overseas sales channels to tap emerging consumer markets. At the same time, the rise of cross-border e-commerce is propelling Chinese products onto the global stage, with leading e-commerce platforms and numerous SMEs leveraging cross-border e-commerce channels to penetrate international markets. In the face of volatile international trade policies and rising tariff barriers, global supply chain restructuring will accelerate. The ongoing wave of Chinese companies expanding abroad is driving increased demand for cross-border logistics and supply chain services, requiring logistics enterprises to provide international transportation, warehousing, customs clearance, and integrated supply chain solutions. To support global expansion, Chinese logistics companies are accelerating the development of global logistics networks, establishing overseas warehouses and distribution centers, integrating multiple transportation modes (including sea, air, and rail), and enhancing customs clearance capabilities. These efforts are crucial in enhancing service quality and securing a competitive position in the international market.

Technological Advancements Driving Logistics Efficiency: The rapid advancement of smart technologies is set to revolutionize the logistics industry, ushering in a new era of automation and intelligence. As technological development accelerates and deployment costs decrease, the industry will shift from labor-intensive operations to technology-driven efficiencies. Logistics infrastructure will undergo a complete transformation, with fully automated warehouses, autonomous driving, unmanned sorting centers, and robotic last-mile delivery solutions becoming increasingly widespread. The traditional logistics platform is evolving from a standalone operational hub into a real-time digital command center, powered by advanced algorithms that offer full visibility and control across the entire supply chain. With the integration of big data, machine learning, and AI-driven decision-making, logistics service providers can achieve accurate volume demand forecasting, dynamic route planning, optimized warehouse networks, and intelligent inventory management. These technological innovations will fundamentally reshape the logistics industry, significantly enhancing efficiency, reducing costs, and improving customer experience. The sector is moving toward a future defined by intelligence, high efficiency, and sustainability, where automation and data-driven operations will become the new standard.

Management Discussion and Analysis

The Company's Strategic Vision

The Company is accelerating its penetration into the supply chains of customers across major industries, and expanding its market share to drive scaled growth. As industries undergo upgrades and transformation amid increasingly complex market competition, customer demands are becoming more diverse and comprehensive. Rather than focusing solely on cost reduction for single logistics processes, an increasing number of customers are prioritizing holistic supply chain optimization, efficient omnichannel fulfillment, and the digitalization, intelligence, and sustainability of supply chains. For express logistics companies, homogeneous products and price competition alone are not viable for long-term sustainable growth. With a comprehensive product and service portfolio, leading logistics technology capabilities, and extensive expertise in deploying supply chains for top-tier industry clients, the Company continues to refine standardized service capabilities tailored to specific industries and business scenarios. This enables the development of customized, scalable logistics solutions that can be rapidly implemented and replicated across mid-sized enterprises in different sectors. In the future, the Company will continue to expand its presence in various industry verticals, identify new supply chain scenarios, and convert emerging business opportunities. By deepening its penetration from top-tier to mid-sized industry customers, the Company aims to expand its logistics market share across different industries, driving sustained business growth at scale.

Further developing globalization, enhancing the connection between Asia and the world, and offering one-stop solutions. The Company is committed to becoming "The One in Asia" and connecting the world with end-to-end integrated logistics service across diversified scenarios. It strives to be the go-to logistics partner for the global expansion of China's enterprises, meeting the diverse needs of cross-border supply chains and cross-border e-commerce. In key Asian markets, the Company will build comprehensive service capabilities, covering international express delivery, freight forwarding, supply chain management, and last-mile logistics, to achieve its strategic goal of being "The One In Asia". Concurrently, it will enhance the density of its logistics network within Asia and between Asia and the rest of the world, leveraging the Ezhou cargo hub and domestic and international infrastructure to increase resource allocation flexibility and improve global and cross-border service capabilities. To strengthen its international competitiveness, the Company will pursue a diversified strategy that includes mergers and acquisitions, strategic investments, and partnerships to fill key resource gaps and enhance capabilities. As global trade uncertainties rise and supply chain restructuring accelerates, the Company will leverage its comprehensive logistics solutions, international network integration, and robust risk management capabilities to help customers build resilient and efficient global supply chains, enabling them to navigate challenges in international business operations.

Building a Digitalized Supply Chain Ecosystem through Technological Leadership: With its cutting-edge technological capabilities and continuous innovation, the Company is committed to establishing a digital supply chain ecosystems. The Company's efforts will focus on end-to-end digital transformation across logistics networks, improving automation levels and operational efficiency. Leveraging SF Smart Brain, the Company will promote digital transformation among the whole chain of collection, transit and delivery, and comprehensively enhance the intelligence of the Company's logistics network. Supported by the Company's rich supply chain service experience and domain-specific insights in multiple industries, combined with advanced data prediction algorithms, application of visualization monitoring and early warning systems, the Company will strive in achieving intelligent route planning and scheduling in the whole field, as well as the dynamic and optimal allocation of resources and facilities. Furthermore, the Company is intensifying its investment in emerging technologies such as IoT, blockchain, cloud computing, AI-driven models, and automation technologies to deliver comprehensive solutions for complex logistics scenarios. By continuously enhancing its technological edge, the Company will not only strengthen its competitive positioning but also advance the digital transformation of the entire logistics and supply chain industry.

Management Discussion and Analysis

Business Plan in 2025

Industry-Specific Strategy: To rapidly expand logistics market share across various industries, the Company will implement three key initiatives: organizational upgrades, strategy iteration, and capability enhancement. In terms of organizational upgrades, the Company will establish industry business units to strengthen organizational capacity, with each region formulating and executing development paths tailored to its local market. For strategy iteration, the Company will focus on deepening engagement with key industry clients, enhancing core service capabilities, and iterating logistics service packages, accelerating adoption among mid-sized enterprises to achieve a multi-dimensional strategy upgrade. In capability enhancement, the Company will strengthen warehousing infrastructure, flexible resource allocation, operational security measures, and talent development programs, ensuring the Company's long-term competitive edge.

Time-Definite Express Strategy: The Company will position SF Express as the flagship high-end express service, solidifying its reputation for premium time-definite delivery. By expanding high-speed rail and same-day air freight routes, the Company will densify its same-day delivery network coverage. The Company will also secure priority access to high-quality air cargo capacity, expand its sales force and intensify sales incentives, and continuously enhance operational capabilities and regulatory compliance to widen the range of air-transportable goods. The expansion of large-item air freight will remain a key focus area. The Company will also deepen penetration across multiple sales channels, leveraging differentiated resource allocation and evolving business models to enhance market competitiveness. Additionally, by increasing investments in lower-tier cities and adopting flexible external collaboration models, the Company aims to accelerate network expansion and gain market share in lower-tier markets.

Economy Express Strategy: The Company will focus on structural cost reduction in its economy express service by innovating operational processes, optimizing transportation models, and enhancing last-mile delivery methods. Through cost efficiencies and an incentivized sales model, the Company will stimulate frontline sales engagement and market competitiveness, exploring growth potential in lower-tier markets and capturing additional economy express market share.

Freight Strategy: For B2B production scenarios, the Company will expand its sales force, strengthen customer relationship management, and implement incentive mechanisms to drive lead generation and business conversion. Additionally, by straightening out the routes, optimizing freight consolidation models, and expanding air freight utilization, the Company will enhance service efficiency and pricing competitiveness for industrial freight solutions. For B2C life scenarios, the Company will build integrated warehouse and distribution capabilities, optimize line-haul routes and last-mile delivery models, and enhance delivery, installation, and reverse logistics services (including returns and recycling solutions). By deepening service capabilities and improving cost efficiency, the Company aims to enhance its competitive positioning in the B2C logistics market.

Cold Chain and Pharmaceutical Logistics Strategy: In terms of fresh and seasonal food delivery, the Company will adopt a multi-pronged approach by building regional agricultural brands, developing customized packaging, leveraging technology for efficiency, investing in automation, and utilizing livestreaming to expand sales and marketing efforts, all aimed at accelerating growth in fresh and seasonal food delivery business. In terms of food cold chain, the Company will focus on developing its service capabilities in integrated warehousing and distribution, oversized items, B2C delivery, store delivery, and cross-border cold chain. In terms of pharmaceutical logistics, the Company will continue to build a compliant, lean, and professional service network in the field of precise temperature control, benchmark against peers to continuously optimize internal resources and costs, and expand business scale. In terms of warehousing, it will innovate and expand various modes of flexible warehousing resources, including external cooperation warehouses and warehousing operations, to develop pharmaceutical warehousing and distribution business.

Intra-city On-demand Delivery Strategy: Adhering to "high-quality and sustainable growth", the Company embraces the continuous penetration of third-party on-demand delivery services under opportunities including traffic diversification, local retail development and accelerated intra-city logistics, and continuously dedicates to scaling up, full-scenario coverage, premium services and strengthened network. Additionally, the Company will extend the boundaries of real-time logistics fulfillment, accelerate the deployment of automation and AI-driven innovations, and collaborate with more strategic partners to support the growth of

Management Discussion and Analysis

new consumption models. By doing so, the Company will enhance its ability to provide seamless urban logistics solutions, contributing to a more convenient and efficient lifestyle for consumers.

Supply Chain and International Business Strategy: The Company will seize opportunities presented by China's expanding global presence, actively focusing on cross-border supply chain solutions and international e-commerce logistics. The goal is to strengthen end-to-end integrated solutions and enhance competitiveness in international express, overseas warehousing, and integrated warehousing and distribution services. In Asia, the Company will align with each country's key industries and major Chinese enterprises expanding overseas by reinforcing self-operated resources and capabilities in both cross-border and localized logistics. The Company will develop customized supply chain solutions tailored to client needs, driving the successful implementation of more overseas supply chain projects. In Europe and North America, with a focus on cross-border e-commerce, the Company will expand its overseas warehouse network and optimize partnerships with external service providers. By developing a diverse portfolio of products, the Company aims to meet customer expectations for service quality and cost-effectiveness, further enhancing its market competitiveness.

Network Development Strategy: The Company will continue its customer-centric approach, optimizing the logistics network by implementing lean operations, including network restructuring, node simplification, process optimization, and model diversification. These initiatives will enhance end-to-end network efficiency, lower operational costs, and improve business competitiveness.

In terms of the transit, the Company will accelerate the integration of sorting centers to enhance scale effect; build unmanned container sorting centers to meet the needs of parcel flow between economic circles; adhere to the customer-centered approach, deepen the independent operation of transfer stations, and through technological innovations, workflow improvements, and operational refinements, fully expand the functions of sorting centers and enhance transit benefits. In terms of the transportation, the Company will continue to refine transfer models and route planning, increase direct shipping routes, improve city-to-city connectivity, and deploy larger transport vehicles. It will also strategically open new routes and optimize spare-cabin sales, increase round-trip route utilization, and expand self-operated fleet deployments. Additionally, the Company will scale up the adoption of the Ezhou cargo hub's ground-network transfer model, enabling northward shipment consolidation, which will boost efficiency and reduce costs in the ground transportation network. In terms of last-mile delivery, the Company will continue to streamline operations through workforce model optimization, smart technology adoption, and direct dispatch between sorting centers and final delivery zones. This will reduce costs while improving operational efficiency; furthermore, the Company will enhance courier satisfaction and engagement by taking measures in seven key dimensions: income growth, operational efficiency, workload reduction, fairness, recognition, emotional well-being, and career development. By improving employee satisfaction, the Company will ultimately enhance service quality and customer satisfaction.

Directors, Supervisors and Senior Management

Executive Directors

Mr. Wang Wei

Mr. Wang Wei, aged 54, is the founder, de facto controller of the Company, and was appointed as chairman of the board, executive Director, general manager and chief executive officer of the Company. Mr. Wang has also been the chairman of the board of directors and a non-executive director of KLN (0636.HK) since October 2021.

Mr. Ho Chit

Mr. Ho Chit, aged 50, graduated from the University of Hong Kong and Tsinghua University. He is a certified public accountant of Hong Kong and an American certified public accountant, with extensive experience in financial management, corporate finance, auditing and business management. Mr. Ho was a senior manager in the auditing and advisory division of Arthur Andersen and PricewaterhouseCoopers from 1997 to 2005, the senior financial director of Sohu.com Limited (SOHU.US) from 2005 to 2008, the chief financial officer of Changyou.com Limited (CYOU.US) from 2009 to 2014, the chief executive officer of Fox Financial Technology Group Limited from 2014 to 2021. He has been a deputy general manager and the head of finance of the Company since September 2021. Mr. Ho was appointed as a Director of the Company in November 2021 and was re-designated as an executive Director in August 2023. Mr. Ho served as a non-executive director of KLN (0636.HK) from October 2021 to August 2024, and as an executive director and chief strategy officer since September 2024. Mr. Ho has been a non-executive director and the chairman of the board of directors of SF REIT Asset Management Limited (the manager of SF REIT (2191.HK)) respectively since April 2022 and August 2023.

Ms. Wang Xin

Ms. Wang Xin, aged 52, obtained a master's degree in Business Administration from China Europe International Business School (CEIBS). Ms. Wang was the senior project manager and the associate partner of Mercer Management Consulting (now named Oliver Wyman) from 2000 to 2008, a director of A.T. Kearney (Shanghai) Management Consulting Co., Ltd. from 2008 to 2011, and a senior partner of Roland Berger Enterprise Management from 2011 to 2021. Ms. Wang served as the assistant chief executive officer and chief human resources officer of the Company from January 2022 to January 2024, and has been the assistant chief executive officer and chief strategy officer of the Company since January 2024. She was appointed as a Director since December 2022 and was re-designated as an executive Director in August 2023. Ms. Wang has also been a director and the chairman of the board of directors of KEX (KEX.BK) since May 2024.

Mr. Xu Bensong

Mr. Xu Bensong, aged 39, obtained a master's degree in Business Administration from Sichuan University and an executive master of Business Administration (EMBA) degree from Peking University. Mr. Xu joined the Group in 2007 and successively held various positions, including the operation manager of Yunnan district, senior operation manager of Sichuan district, general manager of Chongqing district, head of Group sales center, general manager of Beijing district, and assistant chief operating officer. He has been chief marketing officer of the Company since May 2024. Mr. Xu serves as an executive Director of the Company since October 2024.

Independent Non-Executive Directors

Mr. Chan Charles Sheung Wai

Mr. Chan Charles Sheung Wai, aged 71, graduated from the University of Manitoba, Canada. Mr Chan is a member of both the Chartered Professional Accountants of Canada and the Hong Kong Institute of Certified Public Accountants. Mr. Chan has various experience in auditing, finance and risk management. He was an audit partner of Mainland China & Hong Kong office of Arthur Andersen, a managing partner of audit department of Mainland China & Hong Kong office of PricewaterhouseCoopers, and a senior managing director of Protiviti (a risk management and consulting firm). Mr. Chan was also a member of the Listing Committee of the Hong Kong Stock Exchange and a member of the Election Committee for the first Legislative Council of Hong Kong. He was an independent non-executive director of CITIC SEC (600030.SH, 6030.HK) and Bio-heart (2185.HK). Mr. Chan is currently serving as an independent non-executive director of Maoyan Entertainment (1896.HK), Hansoh PHARMA (3692.HK), and Sun Art Retail (6808.HK). Mr. Chan was appointed as an independent non-executive Director in December 2022.

Directors, Supervisors and Senior Management

Mr. Lee Carmelo Ka Sze

Mr. Lee Carmelo Ka Sze, aged 64, obtained a bachelor's degree and master's degree in Laws from the University of Hong Kong. Mr. Lee is qualified as a solicitor in Hong Kong, England and Wales, Singapore and the Australian Capital Territory. Mr. Lee has rich legal experience, and has been a partner and senior partner of Woo Kwan Lee & Lo since 1989, and its Managing Partner since 2022. Mr. Lee is also a member of the Campaign Committee of the Community Chest of Hong Kong and the co-chairman of the Community Chest Corporate Challenge Half Marathon Organising Committee. Mr. Lee had been a committee member of HKSAR InnoHK Steering Committee of the Innovation and Technology Commission of Hong Kong, the chairman of the Appeal Tribunal Panel (Buildings), one of the members of chairmen pool of the Listing Review Committee of the Hong Kong Stock Exchange, chairman of the Listing Committee of the Hong Kong Stock Exchange, and an independent non-executive director of KWG Group (1813.HK). Mr. Lee is currently serving as an independent non-executive director of China Mobile (600941.SH, 0941.HK) and a non-executive director of Safety Godown (0237.HK) and Playmates (0635.HK). Mr. Lee serves as an independent non-executive Director of the Company since December 2022.

Dr. Ding Yi

Dr. Ding Yi, aged 60, Ph.D. in Economics of Renmin University of China 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 the investment management department of PICC Group (601319.SH, 1339.HK), a director and the assistant general manager of PICC Asset Management Company Limited* (中國人保資產管理有限公司), the general manager and chairwoman of Huaneng Capital Services Corporation Ltd. (華能資本服務有限公司), the chairwoman of Invesco Great Wall Fund Management Company Limited* (景順長城基金管理有限公司). Dr. Ding has been a director of Tongwei Co., Ltd. (通威股份有限公司) (600438.SH) and independent director of Hua Xia Bank Co., Limited* (華夏銀行股份有限公司) (600015.SH) and Huatai Asset Management Company Limited* (華泰資產管理有限公司). Dr. Ding serves as an independent non-executive Director of the Company since December 2022.

Supervisors

Ms. Li Juhua

Ms. Li Juhua, aged 45, obtained a bachelor's degree in Management from Tongji University, is a Senior Certified Public Accountant in Australia, a Fellow of the Chartered Management Accountants and the Chartered Global Management Accountant. Ms. Li was an accountant and finance manager of Shanghai Totole Flavoring Food Co., Ltd. under Nestlé from 2002 to 2004, an assistant accountant and an assistant finance manager of Wal-Mart China's headquarter from 2004 to 2008, a finance manager of B&Q Shenzhen from 2008 to 2010, and the financial director of Maoye International (0848.HK) from 2011 to 2012. Ms. Li successively held various key positions within the Group from May 2012 to December 2023, including the head of accounting department, head of tax department, head of financial shared service center and head of CFO office. She has also been assistant CFO of the Company since January 2024. She has been a non-executive director of SF REIT Asset Management Limited (the manager of SF REIT (2191.HK)) from August 2023 to April 2024. She is also a non-executive director of SF Intra-city (9699.HK) since November 2023. Ms. Li is an employee representative Supervisor of the Company since December 2019.

Mr. Liu Jilu

Mr. Liu Jilu, aged 78, graduated from Anhui University and specialized his studies in Economics and Management. Mr. Liu was the person in charge of Ma'anshan Dingtai Metal Products Co., Ltd.* (馬鞍山市鼎泰金屬製品公司), the chairman and general manager of Ma'anshan Dingtai Technology Co., Ltd.* (馬鞍山市鼎泰科技有限責任公司) and Ma'anshan Dingtai Rare Earth New Materials Co., Ltd.* (馬鞍山鼎泰稀土新材料股份有限公司) from 1994 to 2016. Mr. Liu is a Supervisor of the Company since December 2016.

Ms. Wang Jia

Ms. Wang Jia, aged 45, graduated from Shenzhen University with a bachelor's degree in Economics. She worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP Shenzhen Branch from 2002 to 2006. She also worked at Ernst & Young (China) Advisory Limited Shenzhen Branch from 2007 to 2014. Ms. Wang joined the Group in 2014 and she successively held various positions within the Group, including the financial planning expert and the head of internal control, and is now the head of risk control and compliance. Ms. Wang is a Supervisor of the Company since April 2021.

Directors, Supervisors and Senior Management

Mr. Zhang Shun

Mr. Zhang Shun, aged 33, obtained his master's degree in Economics from Sun Yat-sen University. He joined the Group in 2015 and successively held various positions, including procurement management senior coordinator, operation management senior coordinator, the head of culture and employee relations division and the assistant head of S.F. Express business region, and is now the head of government affairs section of the public affairs department of the Group. Mr. Zhang is an employee representative Supervisor of the Company since December 2022.

Senior Management

Mr. Wang Wei is the chairman of the Board, our executive Director and general manager. For details of the biography of Mr. Wang Wei, please refer to the section headed "Executive Directors".

Mr. Ho Chit is our executive Director, deputy general manager and head of finance. For details of the biography of Mr. Ho Chit, please refer to the section headed "Executive Directors".

Mr. Li Sheng

Mr. Li Sheng, aged 58, obtained his bachelor of laws from Sichuan Normal University. He served as a senior regional manager from 1998 to 2005 at Wal-Mart China. He joined the Group in 2005 and successively held various positions, including general manager of Hubei region, general manager of Sichuan region, vice president of the Group, president of Central China operation and president of West China operation, and is currently president and chairman of SF Airlines Company Limited. Mr. Li has been a director of the SF Foundation since October 2016 and an assistant chief executive officer of the Company since May 2024. He has been a deputy general manager of the Company since December 2016.

Mr. Zhou Haiqiang

Mr. Zhou Haiqiang, aged 47, joined the Group in 2001 and successively held various positions, including senior manager of general affairs department of East China region operation headquarter, general manager of Hangzhou region, deputy president of e-commerce logistics business unit, assistant chief human resources officer and head of Shanghai operations. Mr. Zhou has been an assistant chief executive officer of the Company since November 2020, the chief human resources officer of the Company since November 2024 and a deputy general manager of the Company since December 2022.

Mr. Geng Yankun

Mr. Geng Yankun, aged 39, graduated from Harbin Institute of Technology and Peking University with a master's degree in Engineering. 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 the chief technology officer of Beijing Xiaodu Information and Technology Co., Ltd.* (北京小度信息科技有限公司) from 2015 to 2017. He joined the Group in 2017, and currently holds various positions within Group, including the chief information and technology officer of the Company, the chairman and chief executive officer of SF Technology Co., Ltd. and Beijing S.F. Intra-city Technology Co., Ltd., and is responsible for the technology R&D and relevant management. He has been served as the deputy general manager of the Company since December 2022 and as a non-executive director of SF Intra-city (9699.HK) since September 2023.

Ms. Gan Ling

Ms. Gan Ling, aged 50, obtained a master's degree in Business Administration from The University of Texas at Austin in the United States of America and an executive master of Business Administration (EMBA) degree from PBCSF Tsinghua University. She has extensive experience in equity investment, public listing and corporate finance. Ms. Gan was an analyst at Coatue Management, LLC, one of the Tiger cub funds in New York, from 2006 to 2010, the deputy general manager of Maoye International (0848.HK) from 2010 to 2015. She has been a member of the Appeal Review Committee of the Shenzhen Stock Exchange. She joined the Group in 2015, and serves as a deputy general manager and the secretary of the board of directors of the Company since 2016, a joint company secretary of the Company since October 2024, and a non-executive director of SF REIT Asset Management Limited (the manager of SF REIT (2191.HK)) since 2022.

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report contained in the Company's annual report for the year ended December 31, 2024.

Corporate Governance Practices

The Board recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to formulating and implementing corporate governance practices appropriate to the Company's needs. The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices.

As the Company has only been listed on the Hong Kong Stock Exchange since November 27, 2024, the CG Code was not applicable to the Company during the period preceding such date. During the Relevant Period and up to the date of this report, the Company has complied with all applicable principles of good corporate governance and code provisions of the CG Code, save and except in respect of code provision C.2.1 of Part 2 of the CG Code, which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Chairman and General Manager

Mr. Wang Wei is the chairman of the Board and the general manager (same nature as chief executive) of the Company. Since Mr. Wang has been operating and managing the main operating subsidiary of the Company since incorporation of the Group, the Board is of the view that it is in the best interest of the Group to have Mr. Wang taking up both roles for effective management and business development of the Group and Mr. Wang will provide a strong and consistent leadership to the Group. This arrangement ensures a more effective and efficient overall strategic planning of the Group as this structure enables the Company to make and implement decisions promptly and effectively. Further, the Company has put in place an appropriate check-and-balance mechanism through the Board including three independent non-executive Directors. Therefore, the Board considers that the balance of power and authority of the present arrangement will not be impaired because such arrangement would not result in excessive concentration of power in one individual which could adversely affect the interest of minority Shareholders.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code. Key corporate governance principles and practices of the Company are summarized below.

Responsibilities, Accountabilities and Contributions of the Board

The Board established the Company's purpose, values and strategy, and ensures they are consistent with the Company's culture. The Board is responsible for performing corporate governance duties, including formulating and reviewing corporate governance policies and practices, reviewing and monitoring the training and continuous professional development of directors and senior management, reviewing the Company's policies and practices for compliance with legal and regulatory requirements, formulating, reviewing and monitoring the implementation of code of conduct and compliance manual applicable to employees and directors, and monitoring the Company's compliance with the CG Code and reviewing the Corporate Governance Report.

The Board places a strong emphasis on corporate governance and compliance as integral components of the Company's corporate values and culture. The Board is committed to maintaining integrity, transparency, and accountability in the Group's daily business operation and governance. By fostering a culture of ethical conduct and regulatory adherence, the Company ensures that its business practices not only meet but exceed industry standards, thereby reinforcing the trust and confidence of its stakeholders.

Direction and control of Company business are vested in the Board. The Board establishes policies, strategies and plans for the development of the Company's business, and provides leadership in the creation of value for Shareholders. All Directors have carried out their duties in good faith, have been in compliance with applicable laws and regulations, have taken decisions objectively and have acted in the interests of the Company and its shareholders at all times. The Directors shall disclose to the Company details of other offices held by them.

The Board takes responsibility for all major matters of the Company, including approval and monitoring of all policy matters, overall strategies, material transactions, appointment of general manager, board secretary and other senior management members and other significant financial and operational matters.

Corporate Governance Report

The day-to-day management, administration and operation of the Company are led by the Board and senior management of the Company. The Board has delegated a schedule of responsibilities to the management for implementing Board decisions and directing and coordinating the daily operation and management of the Company. The Board reviews the delegated functions and work tasks regularly. The management has to obtain Board approval prior to entering into any significant transactions.

If a Director, Supervisor, general manager or other senior management member has a potential material conflict of interest in a matter to be considered by the Board (other than their appointments), the nature and extent of such conflict shall be reported to the Board as soon as possible. Where a director is required to abstain from voting, a Board meeting can be held with the attendance of more than half of the non-related Directors. A resolution must be passed by a majority of the non-related Directors. If less than three non-related Directors attend the meeting, the proposal cannot be voted on and must be submitted to the shareholders' meeting for consideration.

The Company has arranged appropriate insurance coverage on Directors' liabilities in respect of any legal actions taken against Directors arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Board Composition

Executive Directors	Mr. Wang Wei *(chairman)*
	Mr. Ho Chit
	Ms. Wang Xin
	Mr. Xu Bensong
Independent Non-executive Directors	Mr. Chan Charles Sheung Wai
	Mr. Lee Carmelo Ka Sze
	Dr. Ding Yi

To the best knowledge of the Company, there is no other financial, business, family or other material/relevant relationship among the members of the Board.

During the period from the H Shares Listing Date and up to the date of the Report, the Board at all times met the requirement of the Listing Rules of SEHK of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The composition of the Board reflects the necessary balance of skills and experience appropriate for the business requirement and objectives of the Group and for the exercise of independent judgement.

The Company has received a written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules of SEHK and the Regulations on Independent Directors of Listed Companies (《上市公司獨立董事管理辦法》) for A share listed companies. To the best of the Company's knowledge, the Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules of SEHK.

The Company has feasible and effective mechanisms to ensure independent views and input are available to the Board. All Directors have timely access to all relevant information as well as the advice and services of the joint company secretaries and senior management of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Any Director may seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board. During the period from the H Shares Listing Date and up to the date of the Report, the Board has reviewed the board independence mechanisms and considered that the implementation of the mechanisms was effective.

The Company also recognizes and embraces the benefits of having a diverse Board to enhance its performance and has adopted a Policy of Director Nomination and Board Diversity aiming to set out the approach to nominate directors and achieve diversity on the Board. All Board members shall be appointed on the basis of merit, and the benefits of diversity (including gender diversity) of the Board shall be fully taken into account in the consideration of candidates on appropriate terms. In designing the Board's composition, board diversity has been considered from a number of measurable objectives, including but not limited to a balance of skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender.

The Policy of Director Nomination and Board Diversity sets out the factors in evaluating, selecting and recommending to the Board one or more candidates for appointment or re-election as a director, including but not limited to: (a) diversity of views, including but not limited to gender, age, cultural and educational background, professional experience, skills, regional and industry experience, ethnicity, knowledge and years of service; (b) qualifications, including achievements and experience in the relevant industries in which the Company's business is carried out and other professional qualifications; (c) commitment to the responsibilities of the Board in terms of available time investment; (d) reputation for integrity; (e) the contribution that the candidate can bring to the Board; and (f) one or more plans for the orderly implementation of Board succession. In addition, the Board and the Nomination Committee will assess and recommend one or more candidates for the post of independent non-executive director of the Company having due regard to a number of factors, including but not limited to the independence and appointment requirements of independent non-executive directors under the regulatory rules of the place where the Company's shares are listed.

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to the Directors in advance. For regular Board meeting and other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep Directors apprised of the latest development and financial position of the Company and to enable them to make decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

Corporate Governance Report

The senior management normally will attend regular Board meetings and where necessary, other Board and committee meetings, to advise on business development, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. Minutes of Board meetings and committee meetings record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed.

Board Meetings and General Meetings

During the year of 2024, the Company scheduled and held 8 Board meetings and 2 general meetings. The attendance of individual Directors at the Board meetings and general meetings is set out below:

Members of the Board	Board Meetings	Annual General Meeting	First Extraordinary General Meeting of 2024
Executive Directors			
Mr. Wang Wei	8/8	1/1	1/1
Mr. Ho Chit	8/8	1/1	1/1
Ms. Wang Xin	8/8	1/1	1/1
Mr. Zhang Dong(1)	3/3	1/1	–
Mr. Xu Bensong(2)	1/1	–	–
Independent Non-executive Directors			
Mr. Chan Charles Sheung Wai	8/8	1/1	1/1
Mr. Lee Carmelo Ka Sze	8/8	1/1	1/1
Dr. Ding Yi	8/8	1/1	1/1

Notes:

(1) Mr. Zhang Dong resigned from his position as a Director of the Company on June 25, 2024.

(2) Mr. Xu Bensong has served as a Director of the Company since October 29, 2024.

From January 1, 2025 onwards, the Board will meet regularly and schedule to meet at least four times every year as when appropriate in accordance with the CG Code, either in person or through electronic means of communication, and the Board committees will schedule to meet in accordance with the CG Code and their respective terms of reference.

Apart from regular Board meetings, the Chairman will also hold one meeting annually with the independent non-executive Directors without the presence of other Directors.

Board Committees

The Board has established five Board committees in accordance with the relevant laws and regulations, the Articles of Association, and the code of corporate governance practices under the Listing Rules of SEHK, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Risk Management Committee and the Strategy Committee. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The Board committees have sufficient resources to perform their necessary duties. All Board committees must report their decisions or recommendations to the Board. The terms of reference for Board committees are published on the websites of the Hong Kong Stock Exchange and the Company and are available for shareholders to review.

Audit Committee

As at the date of the Report, the Audit Committee of the Company consists of three independent non-executive Directors, namely, Mr. Chan Charles Sheung Wai, Mr. Lee Carmelo Ka Sze and Dr. Ding Yi. Mr. Chan Charles Sheung Wai serves as the chairman of the committee and has the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules of SEHK. The primary duties of the Audit Committee of the Company include (but are not limited to):

1. supervising the annual audit work, making judgment on the authenticity, accuracy and completeness of the information in the audited financial reports before submitting to the Board for review;
2. providing recommendations on engaging or changing external auditors, and supervising the performance of external auditors;
3. supervising and evaluating the internal audit work;
4. reviewing the financial reports of the Company and expressing opinions thereon;
5. supervising and evaluating the Company's financial reporting system and internal control system;
6. supervising and coordinating the communication between the management, internal auditors and external auditors; and
7. handling other matters required by laws, rules and regulations of the jurisdictions where the Shares are listed, the Articles of Association, or as authorized by the Board.

The Audit committee held 6 meetings during the year of 2024, reviewed and approved, among others, summary of audit work for the year of 2023, financial report and internal control report for the first quarter of 2024, financial report and reviewed report for the first

Corporate Governance Report

half of 2024, financial report and internal control report for the third quarter of 2024, audit work plan for the year of 2024, and relevant work for foreign exchange hedging transactions. The attendance of its members is set out as follows:

Members of the Audit Committee	Number of Committee Meetings Attended	Attendance Rate
Mr. Chan Charles Sheung Wai	6	100%
Mr. Lee Carmelo Ka Sze	6	100%
Dr. Ding Yi	6	100%

Remuneration and Appraisal Committee

As at the date of the Report, the Remuneration and Appraisal Committee of the Company consists of three independent non-executive Directors, namely Dr. Ding Yi, Mr. Chan Charles Sheung Wai and Mr. Lee Carmelo Ka Sze. Dr. Ding Yi serves as the chairlady of the committee. The primary duties of the Remuneration and Appraisal Committee of the Company include (but not limited to):

1. reviewing and making recommendations to the Board on the remuneration structure and policies for Directors and senior management;
2. recommending to the Board the remuneration packages of Directors and senior management (i.e. the model described in the code provision E.1.2(c)(ii) of the CG Code is adopted);
3. reviewing and making recommendations on the assessment and remuneration for senior management, and evaluating performance of senior management;
4. managing the stock incentive plan of the Company, including reviewing the granting conditions, exercise conditions under the plan and other matters required by the rules; and
5. handling other matters required by laws, rules and regulations of the jurisdictions where the Shares are listed, the Articles of Association, or as authorized by the Board.

The Remuneration and Appraisal Committee held 4 meetings during the year of 2024, reviewed and approved, among others, remuneration for the Company's senior management for the year of 2023, cancellation of options, adjustment of exercise price and exercise of options under the 2022 Stock Option Incentive Plan. The attendance of its members is set out as follows:

Members of the Remuneration and Appraisal Committee	Number of Committee Meetings Attended	Attendance Rate
Dr. Ding Yi	4	100%
Mr. Chan Charles Sheung Wai	4	100%
Mr. Lee Carmelo Ka Sze	4	100%

Nomination Committee

As at the date of the Report, the Nomination Committee of the Company consists of three Directors, including two independent non-executive Directors, namely Mr. Lee Carmelo Ka Sze and Dr. Ding Yi, and one executive Director, namely Mr. Wang Wei. Mr. Lee Carmelo Ka Sze serves as the chairman of the committee. The primary duties of the Nomination Committee of the Company include (but not limited to):

1. formulating the criteria (including skill, expertise, diversity policy and experience) and procedures for the selection of Directors and senior management members, reviewing the structure, size and composition of the Board at least once annually and making recommendations on any proposed changes to the Board to complement the Company's strategy;
2. making recommendations to the Board on the nomination of candidates for Directors and general manager;
3. preliminarily examining the eligibility of candidates for Directors, general manager and secretary to the Board;
4. making recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees;
5. assessing the independence of the independent non-executive Directors when appointing them and reviewing their independence periodically; and
6. handling other matters required by laws, rules and regulations of the jurisdictions where our Shares are listed, the Articles of Association, or as authorized by the Board.

The Nomination Committee held one meeting during the year of 2024, reviewed and approved, among others, appointment of one executive director and board diversity policy. The attendance of its members is set out as follows:

Members of the Nomination Committee	Number of Committee Meeting Attended	Attendance Rate
Mr. Lee Carmelo Ka Sze	1	100%
Dr. Ding Yi	1	100%
Mr. Wang Wei	1	100%

Risk Management Committee

As at the date of the Report, the Risk Management Committee of the Company consists of three Directors, including one executive Directors, namely Mr. Ho Chit, and two independent non-executive Directors, namely, Mr. Chan Charles Sheung Wai and Mr. Lee Carmelo Ka Sze. Mr. Ho Chit serves as the chairman of the committee. The primary duties of the Risk Management Committee of the Company include (but not limited to):

1. providing guidance to the Company's overall risk management and providing support for the Board to perform risk management functions;
2. evaluating the improvement and effectiveness of the risk management system and issuing opinions; and
3. handling other matters required by laws, rules and regulations of the jurisdictions where the Shares are listed, the Articles of Association or as authorized by the Board.

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The Risk Management Committee held one meeting during the year of 2024, reviewed and approved the risk management work summary for year of 2023 and risk management work plan for the year of 2024. The attendance of its members is set out as follows:

Members of the Risk Management Committee	Number of Committee Meeting Attended	Attendance Rate
Mr. Ho Chit	1	100%
Mr. Chan Charles Sheung Wai	1	100%
Mr. Lee Carmelo Ka Sze	1	100%

Strategy Committee

As at the date of the Report, the Strategy Committee of the Company consists of three Directors, including two independent non-executive Directors, namely, Mr. Chan Charles Sheung Wai and Dr. Ding Yi, and one executive Director, namely Mr. Wang Wei. Mr. Chan Charles Sheung Wai serves as the chairman of the committee. The primary duties of the Strategy Committee of the Company include (but not limited to):

1. reviewing the overall development strategy plan of the Company, including our ESG development strategy, and advising the Board accordingly;
2. evaluating the overall development of each business unit of the Company and making recommendations to the Board regarding any adjustments;
3. reviewing the Company's business investment and financing plans, and making recommendations to the Board;
4. reviewing the annual financial budget and final accounts plan, and making recommendations to the Board; and
5. handling other matters required by laws, rules and regulations of the jurisdictions where the Shares are listed, the Articles of Association, or as authorized by the Board.

The Strategy Committee held one meeting during the year of 2024, reviewed and approved, among others, the Company's strategy and operation plan for 2024, sustainability report and financial report for the year of 2023 and financial budget report for the year of 2024. The attendance of its members is set out as follows:

Members of the Strategy Committee	Number of Committee Meeting Attended	Attendance Rate
Mr. Chan Charles Sheung Wai	1	100%
Dr. Ding Yi	1	100%
Mr. Wang Wei	1	100%

Appointment and Re-Election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term starting from the date of the Company's third extraordinary general meeting in 2022 till the election of the next Board (for Mr. Wang Wei, Mr. Ho Chit and Ms. Wang Xin) or starting from the date of the first extraordinary general meeting in 2024 till the election of the next Board (for Mr. Xu Bensong). The Company has also issued a letter of appointment to each of the independent non-executive Directors for a term starting from the date of the third extraordinary general meeting in 2022 till the election of the next Board, with each term not exceeding three years. Under the Articles of Association, Directors (including non-executive Directors) shall be elected at the general meeting with a term of three years. A Director may serve consecutive terms if re-elected upon the expiry of his/her term. A Director shall continue to perform his duties in accordance with the laws, administrative regulations and Articles of Association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Board Diversity Policy

To enhance effectiveness of the Board and maintain high standard of corporate governance, the Company has adopted the Board diversity policy, which sets out the objective and approach to achieve and maintain the diversity of the Board. Pursuant to the Board diversity policy, the Company seeks to achieve Board diversity by taking into consideration of various factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and regional experience, and length of service. The implementation of the policy is monitored by the Nomination Committee. The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives will be reviewed from time to time and at least on an annual basis to ensure their appropriateness in determining the optimum composition of the Board.

As at December 31, 2024, the Board has a balanced mix of experiences and industry background. The Directors have a diverse education background including economics, law, accounting, business administration and management, as well as different industry backgrounds and professional qualifications. The Company has three independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of the Board. Furthermore, the Board has two female Directors, and has a wide age range comprising members from their 30s to 70s. The Company assessed its business model and the backgrounds and abilities of the Directors and concluded that the composition of the Board satisfies the Board Diversity Policy. The Company is committed to maintaining gender diversity on the Board and at the working level, including senior management. In particular, the Company will strive to maintain that the Board and senior management have at least one member who is not of the same gender as the other members. As at December 31, 2024, the Board has two female Directors out of seven Directors, representing 28.57% of the Board; and one out four of the senior management of the Group (other than Directors) is female, representing 25% of the senior management.

Corporate Governance Report

During the period from the H Shares Listing Date and up to the date of the Report, the Board has reviewed the Policy of Director Nomination and Board Diversity and considered that the implementation of the policy was effective.

Training and Continuing Professional Development of Directors

The Directors keep abreast of regulatory developments and changes and of the conduct, business activities and development of the Company in order to effectively perform their responsibilities.

Each of the Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules of SEHK in either August 2023 or October 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules of SEHK.

The Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Continuing briefings and professional development trainings for the Directors are arranged whenever necessary. In addition, reading materials relating to the Company's business or Directors' duties and responsibilities, updates on applicable laws, corporate governance, regulations applicable to the Group are provided to the Directors from time to time for their studying and reference. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. Prior to the H Shares Listing Date and during the year ended December 31, 2024, each of the Directors have attended training sessions conducted by the legal adviser of the Company on duties of directors and on-going obligations of listed companies. In addition, relevant reading materials have been provided to the Directors for their studying and reference.

Model Code for Securities Transactions

The Company has adopted the Model Code regarding Directors' and Supervisors' dealings in the securities of the Company. Having made specific enquiry of all the Directors and Supervisors, all Directors and Supervisors confirmed that they have complied with the provisions of the Model Code during the period from the H Shares Listing Date and up to the date of the Report.

The Company has also established written guidelines for securities transactions by employees who are likely to be in possession of inside information of the Company on terms no less exacting than the Model Code. No incident of non-compliance of the written guidelines by the employees has been noted by the Company.

In case the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors, Supervisors and relevant employees in advance.

Remuneration Policy for Directors, Supervisors and Senior Management

With a view to further improving the remuneration management system for the Directors, Supervisors and senior management, H Shares establishing an incentive and restraint mechanism compatible with modern enterprise system which helps match responsibilities with rights, and fully incentivizing the Directors, Supervisors and senior management, the Company formulated the Management System of Remuneration of Directors, Supervisors, and Senior Management 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 Shareholders.

According to the Management System of Remuneration of Directors, Supervisors, and Senior Management, the Company pays allowances to independent non-executive directors each year. The amount of the allowances is determined at the Company's general meeting. The allowances for independent non-executive 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 management or other positions concurrently held by them and appraisal management approach.

The remuneration determination mechanism of the Company's senior management is as follows: 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.

Corporate Governance Report

Details of the remuneration (excluding equity-based remuneration) of the Directors, Supervisors and senior management of the Company are as follows:

		The pre-tax compensation obtained from the Company in 2024[1]			
Name	Title	Salaries, wages and bonus etc. *RMB'000*	Director's emoluments *RMB'000*	Other benefits *RMB'000*	Total *RMB'000*
Mr. Wang Wei	Executive Director, CEO	1,239	–	70	1,309
Mr. Ho Chit	Executive Director, CFO	7,412	305	131	7,848[2]
Ms. Wang Xin	Executive Director	3,334	133	130	3,597[3]
Mr. Xu Bensong	Executive Director	371	–	32	403[4]
Mr. Chan Charles Sheung Wai	Independent non-executive Director	680	–	–	680
Mr. Lee Carmelo Ka Sze	Independent non-executive Director	680	–	–	680
Dr. Ding Yi	Independent non-executive Director	680	–	–	680
Ms. Wang Jia	Supervisor	1,357	–	93	1,450
Mr. Liu Jilu	Supervisor	–	–	–	–
Ms. Li Juhua	Supervisor	1,629	–	213	1,842
Mr. Zhang Shun	Supervisor	847	–	93	940
Mr. Li Sheng	Deputy general manager	4,913	–	143	5,056
Mr. Zhou Haiqiang	Deputy general manager	2,536	–	214	2,750
Mr. Geng Yankun	Deputy general manager	3,022	–	141	3,163
Ms. Gan Ling	Deputy general manager, secretary of the Board and joint company secretary	2,267	–	111	2,378
Mr. Zhang Dong	Former Director	1,599	–	86	1,685[5]
Mr. Shum Tze Leung	Former Supervisor	285	–	30	315[6]
Total		**32,851**	**438**	**1,487**	**34,776**

Notes:

(1) The emoluments set out in the above table are all pre-tax emoluments earned during their tenure of office as Directors and/or senior management of the Company or its listed subsidiaries.

(2) Mr. Ho Chit was redesignated from a non-executive director to an executive director and chief strategy officer of KLN (0636.HK) with effect from September 1, 2024, and received the director's fee and salary of approximately RMB1.245 million in aggregate.

(3) Ms. Wang Xin has served as chairman of board of directors of KEX (KEX.BK) since May 10, 2024, and received the director's fee of approximately RMB133,000.

(4) Mr. Xu Bensong has served as a Director of the Company since October 29, 2024.

(5) Mr. Zhang Dong resigned from his position as a Director of the Company on June 25, 2024.

(6) Mr. Shum Tze Leung resigned from his positions as a Supervisor and chairman of the Board of Supervisors of the Company on May 6, 2024.

(7) The above discrepancy between the sum of the sub-items and the total figure is due to rounding.

For further details of the remuneration, please refer to note 9(b) to the consolidated financial statements contained in the Report.

Corporate Governance Report

Board of Supervisors

The Company strictly follows the relevant laws and regulations, such as the Company Law, Articles of Association, and Rules of Procedure for Shareholders' Meetings of Listed Companies, to elect supervisors. The number and composition of the Board of Supervisors comply with legal requirements. The Board of Supervisors convenes meetings in strict accordance with the Articles of Association and Rules of Procedure for Supervisory Board Meetings. Each supervisor diligently attends the meetings, performs their duties conscientiously, supervises major company matters, related transactions, and financial conditions, and provides their opinions.

During the year of 2024, the Company scheduled and held six meetings for the Board of Supervisors, with full attendance from the Supervisors, and mainly reviewed and approved, among others, (i) the Company's annual report, financial report and profit distribution plan for the year of 2023, the work report of the Board of Supervisors for the year of 2023, Shareholder Return Plan for the Following Five Years (2024 - 2028), (ii) the Company's first quarter report and the Company's interim report for the year of 2024, (iii) adjustment of exercise price and exercise and cancellation of options under the 2022 Stock Option Incentive Plan, (iv) 2024 interim dividend plan and the special shareholder return dividend plan, and (v) other matters that require Supervisors' review and approval.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the Company's financial statements for the year ended December 31, 2024 is set out in the section headed "Independent Auditor's Report" in the Report.

The external auditor of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

During the year ended December 31, 2024, the remuneration paid/payable to the Group's external auditors, PricewaterhouseCoopers[1], is set out below:

Nature of Services	Remuneration *RMB'000*
Audit services	50,458
Non-audit services [2]	12,059
Total	**62,517**

Notes:

(1) Including any entity that is under common control, ownership or management with PricewaterhouseCoopers.

(2) The non-audit services mainly included taxation services and other services.

Joint Company Secretaries

The Company has appointed Ms. Gan Ling, the deputy general manager and secretary of the Board, and Ms. So Ka Man, a director of the company secretarial division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services, as the Company's joint company secretaries. Ms. Gan is Ms. So's primary contact person at the Company.

Ms. Gan Ling and Ms. So Ka Man have taken not less than 15 hours of relevant professional training and comply with the requirement under Rule 3.29 of the Listing Rules of SEHK for the year ended December 31, 2024.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and fully recognizes the value and importance of sufficient risk management and internal control systems. The Company has established the risk management system and internal control system, which are designed to manage rather than eliminate the risk of failure to achieve the Company's strategic objectives, and can only provide reasonable instead of absolute assurance against material misstatement or loss.

The Risk Management Committee of the Board is responsible for the overall management and control of risks at the group level, and reviews the risk management system of the Group at least once every year. Its main responsibilities include deliberation and decision-making of risk management system and policies, preventing major risks and responding to major crises. In 2024, the Company completed the ISO37301 compliance management system certification. The following measures were adopted and implemented by the Company in 2024 in response to relevant risks identified:

1. in response to market risks resulting from the slow growth of macro economy and the increased market competition, the Company has been closely monitoring the macro economy and has been adjusting its business strategy in a timely manner, continuing to diversify its business and to increase its service quality with new technology;

2. in response to policy risks resulting from new regulatory requirements for the logistics industry, especially higher requirements for improving the welfare of couriers, customer experience, and ESG, the Company has established policy research teams for all business units to closely monitor policy updates and to continuously improve its business operation;

3. in response to operational risks resulting from higher cost in labour, infrastructure facilities, and transportation, and uncertainties in international logistics market, the Company has been improving its operational sufficiency with new technology and reducing its reliance on fuel by promoting the use of new energy vehicles. At the same time, the Company has been closely monitoring international trade market and expanding its international logistics resources to ensure steady and sufficient international services;

Corporate Governance Report

4. in response to foreign exchange risks resulting from the Company's expansion of overseas business, the Company has established the Foreign Exchange Risk Management Regulation; and
5. in response to data and information risks, the Company has established sufficient measures for potential information system risks, including continuously implementing and optimizing its current ISO27001 information security management system and ISO27701 private information management system, enhancing relevant training for employees, carrying out information system security ranking assessment, GDPR compliance assessment and mobile-app-collected information compliance assessment.

The Audit Committee of the Board is responsible for supervising and evaluating the Company's financial reporting system and internal control system, and regularly reviewing the Company's financial reports and external reports issued by the auditors to ensure the effectiveness and adequacy of the internal control system. The Company has established an internal control system, including 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, to standardize the Company's daily operation and management and realize the Company's internal control objectives. In terms of the implementation and supervision of the internal control management system, the Company sets up independent supervisory departments for internal audit and risk compliance, which are responsible for inspecting and evaluating the integrity, reasonableness, and implementation effectiveness of the internal control systems of the Company's internal institutions, holding subsidiaries, and joint-stock companies that have significant impacts on the Company, evaluating the legality, compliance, authenticity, and completeness of accounting information and other core business process information, as well as financial income and expenditure activities and other relevant economic activities. The internal audit and risk compliance departments report quarterly to the Audit Committee on the findings of internal control and internal audit, promoting timely optimization and improvement of internal management issues.

The Board, as supported by the Risk Management Committee and the Audit Committee, considered that the risk management and internal control systems of the Company for the year ended December 31, 2024 were effective and adequate.

Anti-Corruption Policy and Whistleblowing Mechanism

The Company has implemented comprehensive policies and mechanisms to uphold integrity and ethical standards, ensuring a transparent and secure working environment.

Anti-corruption Policies: the Company integrates anti-corruption management into its daily operations through anti-corruption risk assessments, audits, and educational initiatives. These efforts continuously strengthen the Company's capacity to control business ethics related to anti-corruption and anti-bribery. To prevent and combat corruption, safeguard the legal interests of our Group, employees, clients, and partners, and promote sustainable and healthy corporate development, the Company actively encourages all employees to sign the Anti-corruption Undertaking.

Whistleblowing Mechanisms: the Company provides several 24/7 reporting channels for both internal and external stakeholders, including email, hotline, and the company website, encouraging employees and suppliers to report any misconduct. Upon receiving a report, a response will be provided to the whistleblower within one business day, and a decision to whether to initiate an investigation is made within one week. If an investigation is warranted, it shall be completed along with a response to the findings within one month. Following the verification of any misconduct, we impose penalties based on the severity of the infraction, and in cases suspected of violating the law, we hand over them to legal authorities.

Communications with Shareholders and Investors

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company maintains a website at www.sf-express.com as a communication platform with shareholders and investors, where information and updates on the Group's business operations, developments and financial information are available for public access.

In line with the paperless listing regime, the Company will disseminate its corporate communications in English and Chinese on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sf-express.com) without disseminating printed form. If any shareholder would like to receive printed copies, please refer to the notification letter dated March 4, 2025, and the "Corporation Communications Arrangements" under section "Investor Relations – IR Contact" of the Company's website for the requesting procedure.

The general meetings of the Company provide an opportunity for communication between the Board and the Shareholders. A notice to Shareholders is sent by the Company at least 21 days before the annual general meeting and at least 15 days before all other general meetings.

Corporate Governance Report

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments.

The Company has in place Investors' Relations Management Policy to ensure that Shareholders' views and concerns are appropriately addressed. During the period from the H Shares Listing Date and up to the date of the Report, the Company has reviewed the Investors' Relations Management Policy and considered that the policy was effectively implemented with the measures as disclosed above.

Shareholder Rights

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings for each substantially separate issue, including the election of individual Directors, for Shareholders' consideration and voting. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules of SEHK and the poll voting results will be posted on the websites of the Hong Kong Stock Exchange and the Company immediately after the relevant general meetings.

Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings

Pursuant to the Articles of Association, Shareholders holding individually or collectively certain percentage or more of the shares of the Company, can (i) require the Board of Directors to convene an extraordinary general meeting, (ii) make a proposal to the Company at a shareholders' general meeting of the Company. For more details, please refer to the Company's Articles of Association.

Putting Forward Enquiries to the Board

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

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

Email: sfir@sf-express.com

We will respond promptly to shareholders' enquiries and concerns.

Dividend Policy

Principles for profit distribution

The Company's profit distribution shall emphasize a reasonable return to public shareholders, with the purpose of sustainable development and safeguarding shareholders' rights and interests, maintain the continuity and stability of profit distribution policies, and comply with the relevant provisions of laws and regulations.

Way of profit distribution

Dividends can be distributed in the form of cash, shares or a combination of both, and distribution of profits by way of cash dividends should be given priority.

Conditions for cash dividends

For distribution of cash dividends, the following conditions shall be satisfied:

1. The distributable profit (i.e. the after-tax profit remaining after making up for the losses and making contributions to the common reserve fund) realized by the Company in a year is positive;
2. The auditor issues a standard unqualified audit report on the annual financial report of the Company;
3. The Company has no material investment plans or significant cash expenditures (except for fundraising investment projects) within the next 12 months.

Material investment plans or significant cash expenditures refer to the total accumulative expenditures for external investment, acquisition of assets or purchase of equipment by the Company within the next 12 months reaching or exceeding 20% of the latest audited net assets of the Company, and exceeding RMB50 million.

Cash dividend payout ratio and time

Subject to the compliance of the profit distribution principles, the maintenance of the normal operation and the long-term development of the Company, where cash distribution conditions are met, the Company, in principle, makes the cash dividend payment once a year. Cash dividend for each year shall not be less than 10% of the distributable profit realized for that same year, the aggregate cash dividend for any three consecutive years shall not be less than 30% of the average distributable profits realized during such three years. Under certain conditions, the Company may distribute interim dividends according to its actual operating conditions.

Corporate Governance Report

When the Company convenes an annual general meeting to consider the annual profit distribution plan, it may consider and approve the conditions, maximum proportion and maximum amount of cash dividends for the interim period of the next year. The maximum amount of interim dividend for the next year considered at the annual general meeting shall not exceed the net profit attributable to shareholders of the listed company for the corresponding period. The Board of Directors shall formulate a specific interim dividend plan in accordance with the resolutions of the shareholders' general meeting, subject to the conditions of profit distribution.

The Board has formulated the Shareholders' Return Plan for 2024-2028 according to which the total amount of cash dividends of the Company in 2023 accounted for about 35% of the profit attributable to owners of the Company in that year, and the proportion of cash dividends of the Company from 2024 to 2028 will increase steadily on the basis of that in 2023. Decisions to declare or to pay any dividends in the future, will depend on, among other things, the Company's profitability, operations and development plans, external financing environment, costs of capital, the Company's cash flows and other factors that the Directors may consider relevant.

Reduction and Exemption of Dividend Tax

For Holders of A shares

In accordance with the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101)* (《財政部、國家稅務總局、中國證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for shares of listed companies acquired by individuals from public offerings or transfer of shares in the market, where the holding period exceeds one year, the dividends shall be temporarily exempted from individual income tax; where the holding period is more than one month and less than one year (inclusive), the dividends shall be subject to individual income tax at the rate of 10% and where the holding period is less than one month (inclusive), the dividends shall be subject to individual income tax at the rate of 20%. For dividends distributed by listed companies, where the period of individual shareholding is within one year (inclusive), the listed companies shall not withhold the individual income tax temporarily. The tax payable, subject to individual transfer of shares, shall be calculated by China Securities Depository and Clearing Corporation Limited in accordance with the duration of its holding period. Custodian of shares including securities companies will withhold the amount from individual accounts and transfer the tax to China Securities Depository and Clearing Corporation Limited. China Securities Depository and Clearing Corporation Limited shall transfer the tax to the listed companies within 5 working days of the next month, and the listed companies shall declare the tax to the competent tax authorities upon receiving the tax amount within the statutory Reporting Period of that month.

Resident enterprise shareholders of A shares shall report and pay for the enterprise income tax of dividends by themselves.

For the shareholders who are Qualified Foreign Institutional Investor (QFII), the listed companies shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice of the State Administration of Taxation Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47)* (《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函2009[47]號)). QFII shareholders entitled to preferential tax treatment under tax treaties (arrangements) shall apply to the competent taxation authority for tax rebates according to the relevant rules and regulations after they receive the dividends, and tax rebates will be executed under tax treaties upon verification carried out by competent tax authorities.

For non-PRC resident enterprise shareholders of A shares except the above-mentioned QFII, listed companies shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Tentative Measures for Administration of Withholding at the Source of Income Tax of non-PRC Resident Enterprises (Guo Shui Fa [2009] No. 3)* (《非居民企業所得稅源泉扣繳管理暫行辦法》(國稅發[2009]3號)) and the Response of the State Administration of Taxation Concerning Questions on Enterprise Income Tax over Dividend of B-Shares and Other Shares Received by non-PRC Resident Enterprises (Guo Shui Han [2009] No. 394)* (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(國稅函[2009]394號)). non-PRC resident enterprise shareholders entitled to preferential tax treatment shall make registration in accordance with the relevant provisions of the tax treaties.

Pursuant to the requirements of the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) *(《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), listed companies shall withhold an income tax at the rate of 10% on dividends from the A shares of the company invested by Hong Kong investors (including enterprises and individuals) through the Shenzhen Stock Exchange, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

For Holders of H shares

Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348)* (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》 (國稅函[2011]348號)), overseas resident individual holders of H Shares may enjoy relevant tax incentives on dividends in accordance with the tax treaties signed between the PRC and their jurisdiction, as well as the tax arrangement between the PRC and Hong Kong. For the purpose of simplifying tax administration, dividends paid to overseas resident individual holders of H Shares are generally subject to individual income tax at the withholding tax rate of 10%. Overseas resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to individual income tax at the withholding rate of 20%.

Pursuant to the requirements of the Notice of the State Administration of Taxation on Matters Concerning Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividends to Foreign non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897)* (《國家稅務總局關於中國居民企業向境外 H 股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), distributing dividends to foreign non-resident enterprise shareholders of H shares for 2008 and for the years onwards shall be subject to the enterprise income tax withheld at a uniform rate of 10%. Upon receipt of such dividends, an overseas non-PRC resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

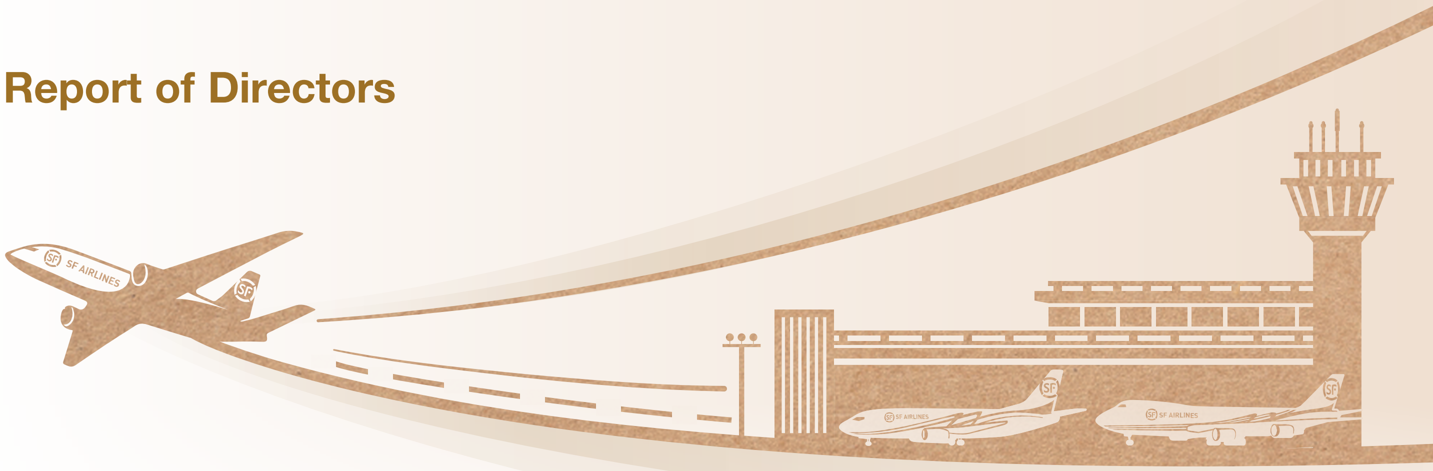
According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), listed companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law.

Save as disclosed above, Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

Constitutional Documents

During the Relevant Period, the Company has not made any changes to its constitutional documents.

Report of Directors



The Board is pleased to present this Report and the audited financial statements of the Group for the year ended December 31, 2024.

Principal Business

The Group is the largest integrated logistics service provider in the PRC and Asia, and the fourth largest in the world. Focusing on the logistics ecosystem, the Group has consistently built on its service capabilities, and has diversified its business to 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 cargo and freight forwarding, and supply chain), which can provide customers with domestic and international end-to-end one-stop supply chain services.

During the year ended December 31, 2024, there was no material change in the nature of the principal activities of the Group.

An analysis of the Group's revenue and operating profit for the year ended December 31, 2024 by principal activities is set out in the section headed "Management Discussion and Analysis" on pages 16 to 52 in this annual report.

Results and Dividend Distribution

The results of the Group for the year ended December 31, 2024 are set out in the consolidated statement of profit or loss and the consolidated statement of other comprehensive income on pages 88 to 89. Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in the section headed "Management Discussion and Analysis" on pages 16 to 52 in the Report.

In November 2024, the Company distributed the 2024 interim cash dividend and the special cash dividend for returning shareholders to all shareholders, i.e. the holders of A Shares, both of which were deliberated and approved at the first extraordinary general meeting for 2024, respectively with a cash dividend of RMB4 (tax inclusive) and RMB10 (tax inclusive) for every 10 Shares. Based on 4,795,415,625 Shares (excluding the A Shares in the repurchase securities account), the total cash dividend amount for both distributions was RMB6.71 billion (tax inclusive).

The Board recommended the final dividend distribution plan for the year ended December 31, 2024, with details as follows:

Based on the total number of Shares registered on the record date for the equity distribution of 2024 final dividend distribution plan (the "Record Date"), the Company proposes to distribute cash dividends to all shareholders whose names appear on the register of members on the Record Date, with a cash dividend of RMB4.4 (tax inclusive) per 10 Shares. The Company will not carry out bonus issue and conversion of capital reserve into share capital. Upon preliminary calculation using the Company's total number of Shares as of the date of the Report and excluding the Shares in the repurchase securities account on the even date, the amount of the final cash dividend distribution is expected to be RMB2.185 billion. The exact amount distributed therefor is subject to the announcement to be made by the Company in relation to the implementation of distribution. Cash dividends distributed by the Company are denominated and declared in RMB and payable in RMB to holders of A Shares, and in HKD to holders of H Shares. The exchange rate for the dividend to be paid in HKD will be the average central parity rate of HKD against RMB as announced by the People's Bank of China during the five Business Days prior to the date on which the dividend distribution plan to be resolved at the 2024 annual general meeting.

Coupled with the 2024 interim cash dividend of approximately RMB1.918 billion disbursed, the estimated aggregate amount of cash dividends for 2024 is RMB4.104 billion (excluding the one-off special cash dividend disbursed for returning shareholders, which amounted to approximately RMB4.795 billion), accounting for 40% of the profit attributable to owners of the Company in 2024. The cash dividend payout ratio has increased steadily from 35% in 2023. The 2024 final dividend distribution plan is subject to deliberation and approval at the 2024 annual general meeting of the Company.

As at the date of the Report, the Board is not aware of any shareholders who have waived or agreed to waive any dividends.

For the Company's dividend policy, please refer to the section headed "Corporate Governance Report" on pages 56 to 67 in the Report.

Customers and Suppliers

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

Report of Directors

The Group strives to build and maintain long term and strong relationships with customers, and provides one-stop solutions to multinationals, large corporations, small and medium enterprises and retail customers, to address a full range of customers' logistics needs. The Group always adheres to the customer-centric approach to provide them warm services. In terms of supplier, the Group makes every effort to build a mutually beneficial and win-win partnership with all suppliers. At the same time, the Group regularly evaluates the performance of its suppliers.

During the year ended December 31, 2024, the amount and percentage of the five largest customers and suppliers of the Group are as follows:

	Amount *RMB'000*	Percentage
Revenue generated from the largest customer	8,232,942	2.89%
Revenue generated from the five major customers	25,944,189	9.11%
Expenditure on purchases from the largest supplier	22,844,550	8.27%
Expenditure on purchases from the five major suppliers	53,844,926	19.49%

None of the Directors, their respective close associates, or any Shareholder (which to the best of the Directors' knowledge owns more than 5% of the number of issued Shares) had any interest in any of five largest customers or suppliers of the Group during the Reporting Period.

Main Risk Factors

An analysis of the main risk factors affecting the Company's principal activities is set out in the section headed "Corporate Governance Report" on pages 56 to 67 in the Report.

Issued Shares

As at December 31, 2024, the Company issued a total of 4,986,186,983 ordinary Shares. Details of movements in the share capital of the Company during the year ended December 31, 2024 are as follows:

		Changes in the year of 2024			
	Number of Shares as at January 1, 2024	Cancellation of repurchased Shares	Issuance of new Shares	Total	Number of Shares as at December 31, 2024
A Shares	4,895,202,373	(79,291,153)	275,763	(79,015,390)	4,816,186,983[1]
H Shares	–	–	170,000,000	170,000,000	170,000,000
Total	**4,895,202,373**	**(79,291,153)**	**170,275,763**	**90,984,610**	**4,986,186,983**

Note:

(1) Including 20,771,358 A Shares, which are treasury shares of the Company placed in the Company's repurchase securities account.

Purchase, Sale and Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities (including sale of treasury shares) listed on the Hong Kong Stock Exchange during the Relevant Period.

Report of Directors

Sufficient Public Float

The Hong Kong Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1) of the Listing Rules of SEHK, so that the minimum percentage of the H Shares from time to time held by the public shall be the higher of (a) 3.41% and (b) such percentage of H Shares to be held by the public after the exercise of the Over-allotment Option (as defined in the Prospectus), of the enlarged issued share capital of the Company. As disclosed in the Company's announcement dated December 23, 2024, the Over-allotment Option was not exercised and lapsed on December 22, 2024. Under Rules 8.08(1)(b) and 19A.13A of the Listing Rules of SEHK, the denominator for the calculation of minimum H Shares public float percentage shall not include any treasury shares of the Company.

As at the date of the Report, the Company held 20,771,358 treasury A Shares (the "Treasury A Shares"), which were the A Shares repurchased by the Company and placed in the Company's repurchase securities account, and did not hold any treasury H Shares. On the basis of the aforementioned, as at the date of the Report, the number of H Shares held by the public represented 3.42% of the total issued share capital of the Company (excluding the Treasury A Shares), and the Directors confirmed that the Company has maintained the minimum public float as required by the Hong Kong Stock Exchange under Rules 8.08 and 19A.13A of the Listing Rules of SEHK since the Listing.

2022 Stock Option Incentive Plan (A Shares)

The Company has adopted the 2022 Stock Option Incentive Plan as approved by the second extraordinary general meeting of 2022 on May 17, 2022. The source of shares of the 2022 Stock Option Incentive Plan shall be the A Shares repurchased by the Company and placed in the Company's repurchase securities account and/or the A Shares issued to participants. As at the date of the Report, all the options under the 2022 Stock Option Incentive Plan have been granted and no option will be further granted.

Purpose and administration of the 2022 Stock Option Incentive Plan

The purpose of the 2022 Stock Option Incentive Plan is to establish and improve the corporate governance structure and operation mechanism of the Company, to establish and improve the incentive mechanism of the Company, to connect the interests of Shareholders and the Company together with the individual interests of the core talents of the Company and to promote all parties to focus on the long-term development of the Company, and to attract and retain outstanding core talents. The 2022 Stock Option Incentive Plan shall be subject to the administration of the Board and the supervision of the Board of Supervisors.

Selected participants

Selected participants under the 2022 Stock Option Incentive Plan are core talents who are important for the Company's future operation and development, including Directors and members of senior management team, key management members and key staff, excluding independent directors, supervisors and shareholders who individually or collectively hold 5% or more of the share equity of the Company or actual controller and their spouses, parents, children and any person prohibited by article 8 of the Measures for the Administration of Equity Incentives of Listed Companies to be eligible participants. The selected participants shall be employed by the Company or its subsidiaries at the time the relevant options are granted and during the assessment period of the 2022 Stock Option Incentive Plan and have not participated in any other share related incentive scheme currently in force. The maximum entitlement of each selected participant under the 2022 Stock Option Incentive Plan shall not exceed 1% of the Company's total issued share capital at the time the terms of the 2022 Stock Option Incentive Plan was published.

Total number of outstanding options and maximum entitlement of each participant

As at December 31, 2024, the number of underlying A Shares pursuant to the outstanding options under the 2022 Stock Option Incentive Plan amounted to 27,295,395, representing approximately 0.55% of the total issued Shares of the Company as at the date of the Report (excluding 20,771,358 A Shares in the Company's repurchase account), with the number of Shares to be issued upon exercise of the relevant options ranging from 5,000 A Shares to 366,000 A Shares for each grantee.

Option period

Option period runs from the first trading day after the 12-month anniversary from the date of grant to the last trading day before the 60-month anniversary from the date of grant. The exercise schedule of the options granted are as follows:

Exercise schedule	Exercise period	Exercise percentage
The first period of exercise	From the first trading day after the 12-month anniversary from the date of grant to the last trading day before the 24-month anniversary from the date of grant	25%
The second period of exercise	From the first trading day after the 24-month anniversary from the date of grant to the last trading day before the 36-month anniversary from the date of grant	25%
The third period of exercise	From the first trading day after the 36-month anniversary from the date of grant to the last trading day before the 48-month anniversary from the date of grant	25%
The fourth period of exercise	From the first trading day after the 48-month anniversary from the date of grant to the last trading day before the 60-month anniversary from the date of grant	25%

Plan period

The 2022 Stock Option Incentive Plan will be valid from the first grant of options till all the options granted are exercised or canceled and shall in any event not exceed 67 months.

Performance targets

Company's performance targets

The annual performance assessment targets of the Company are as follows:

Period of exercise	Performance assessment target
The first period of exercise	The revenue income of 2022 is not less than RMB270 billion or the net profit margin attributable to parent company in 2022 is not less than 2.1%
The second period of exercise	The revenue income of 2023 is not less than RMB315 billion or the net profit margin attributable to parent company in 2023 is not less than 2.6%
The third period of exercise	The revenue income of 2024 is not less than RMB370 billion or the net profit margin attributable to parent company in 2024 is not less than 2.9%
The fourth period of exercise	The revenue income of 2025 is not less than RMB435 billion or the net profit margin attributable to parent company in 2025 is not less than 3.3%

Grantee's performance appraisal requirements

The performance appraisal requirements for grantees under the 2022 Stock Option Incentive Plan are as follows:

For Directors, members of the senior management team and key management members:

<table>
<tr><td>Appraisal results</td><td>A1</td><td>A2</td><td>B1</td><td>B2</td><td>B3</td><td>C1</td><td>C2 and below</td></tr>
<tr><td>Percentage of exercise</td><td colspan="3">100%</td><td>50%</td><td colspan="3">0%</td></tr>
</table>

For key staff:

<table>
<tr><td>Appraisal results</td><td>A1</td><td>A2</td><td>B1</td><td>B2</td><td>B3</td><td>C1</td><td>C2 and below</td></tr>
<tr><td>Percentage of exercise</td><td colspan="4">100%</td><td>50%</td><td colspan="2">0%</td></tr>
</table>

Report of Directors

The basis of determination of the exercise price of options

The second extraordinary general meeting of the Company in 2022 authorized the Board to determine the exercise price of the 2022 Stock Option Incentive Plan. The initial exercise price is RMB42.61, which is 90% of the average trading price of the A Shares on the last trading day before the announcement of the draft 2022 Stock Option Incentive Plan (the "Previous Trading Day") (total trading amount of the A Shares on the Previous Trading Day/total trading volume of the A Shares on the Previous Trading Day). The exercise price shall be further adjusted accordingly if the Company undergoes events such as capital reserve to increase share capital, stock dividends, stock splits or reverse splits, rights issues, or dividend distributions. As of the date of this Report, the exercise price of the 2022 Stock Option Incentive Plan has been adjusted to RMB40.199.

Details of the options granted, and movements during the year ended December 31, 2024 are as follows[1]:

	Number of Options						
Name or category of participants	Date of grant	Exercise price	Outstanding as at January 1, 2024	Exercised during the Relevant Period	Cancelled during the Relevant Period[2]	Outstanding as at December 31, 2024	Weighted average closing price immediately before the date of exercise of options during the year
Directors (on individual named basis)							
Ho Chit	May 30, 2022	RMB40.199	366,000	0	0	366,000	–
Wang Xin	May 30, 2022	RMB40.199	366,000	0	0	305,000	–
Xu Bensong	May 30, 2022	RMB40.199	204,000	0	0	204,000	–
The four highest paid individuals during the financial year (other than Directors)[3]							
In aggregate	May 30, 2022	RMB40.199	627,000	0	0	627,000	–
Other Eligible Participants							
In aggregate	Between May 30, 2022 to October 28, 2022 (both days inclusive)	RMB40.199	32,840,695	275,763	6,832,537	25,793,395	42.93
Total			**34,403,695**	**275,763**	**6,832,537**	**27,295,395**	

Notes:

(1) Please refer to the section headed "Option period" for the exercise period of the options.

(2) Including (i) options that cannot be exercised as individual performance targets were not achieved, (ii) options that cannot be exercised as the holding participant is no longer an employee of the Group, and (iii) options exercisable but not exercised during the respective exercise period and lapsed, with exercise prices being RMB42.183 and RMB41.593.

(3) The five highest paid individuals during the financial year included an executive Director, Mr. Ho Chit, whose option information has been disclosed individually.

(4) During the year ended December 31, 2024, there was no options granted. Therefore, the number of shares that may be issued in respect of options granted under the 2022 Stock Option Incentive Plan during the Reporting Period divided by the weighted average number of shares of the relevant class in issue (excluding treasury shares) is nil.

Convertible Bonds, Options, Warrants, and Other Convertible Equity-Linked Agreements

The 2022 Stock Option Incentive Plan constitutes an equity-linked agreement within the meaning of regulation 6 of Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong). Details of the 2022 Stock Option Incentive Plan are set out in the "2022 Stock Option Incentive Plan (A Shares)" section above.

Save as disclosed above, the Company did not enter into any equity-linked agreement during the year ended December 31, 2024.

Pre-Emptive Rights

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

Reserves

Details of movements in the reserves of the Group during the year ended December 31, 2024 are set out in the note 32 to the consolidated financial statements.

Principal Subsidiaries

Details of the principal activities of the principal subsidiaries of the Company are set out in note 42 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements during the year ended December 31, 2024 in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

Working Capital, Financial Resources and Capital Structure

For details of the working capital, financial resources and capital structure of the Group, please refer to the section headed "Management Discussion and Analysis" on pages 16 to 52 in the Report.

Loan and Guarantee Provided to Directors, Supervisors, Senior Management, Controlling Shareholders of the Company or their Respective Connected Persons

The Company has adopted the 2019 Employee Welfare Loan Management Policy, under which the Company provided entrusted interest-free loan to selected employees through banks for a term of five years. Other than outstanding loans under the 2019 Employee Welfare Loan Management Policy, there is no outstanding loan or guarantee provided to Directors, Supervisors, senior management, Controlling Shareholders of the Company or their respective connected persons.

During the Reporting Period, the Company had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company, the Controlling Shareholders of the Company or their respective connected persons.

Use of Proceeds from the Global Offering

For details of the use of proceeds from the global offering of H Shares, please refer to the section headed "Management Discussion and Analysis" on pages 16 to 52 in the Report.

Report of Directors

Compliance with Laws and Regulations and Legal Proceedings

The Group recognizes the importance of compliance with regulatory requirements and the risks and consequences of non-compliance with such requirements. The Group has allocated abundant resources to ensure ongoing compliance with laws and regulations and to maintain healthy relationships with regulators through effective communications. For the year ended December 31, 2024, the aggregate amount involved in ongoing litigations and arbitrations where the listed company and its subsidiaries were defendants or respondents was RMB960 million, accounting for 1.05% of the equity attributable to owners of the Company audited as at the end of 2024. Most of these litigations and arbitrations are independent individual cases, and the amount involved in each single case is not significant. Therefore, they will not have a material adverse impact on the Company's financial situation and its ability to continue operation. During the Relevant Period, the Group has complied, to the best of the Directors' knowledge, with all relevant rules and regulations that have a significant impact on the Company.

Management Contract

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

Contracts and Relationship with Controlling Shareholders

Save for Mr. Wang Wei's service contract as an Executive-Director and save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below in this annual report, no contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended December 31, 2024.

Controlling Shareholders' Non-Compete Undertaking

Each of Mingde Holding and Mr. Wang Wei has provided a non-compete undertaking to our Company on May 22, 2016. For details of the non-compete undertaking, please refer to our Prospectus dated November 19, 2024.

Report of Directors

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at December 31, 2024, so far as is known to the Directors, the following persons (not being Directors, Supervisors or chief executive of the Company) had, or were deemed to have, interests or shorts positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name of substantial Shareholder	Class of Shares	Nature of interest	Number of Shares interested[1]	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total issued Shares of the Company
Wang Wei[2]	A Shares	Interest of controlled corporation	2,661,927,139 (L)	55.27%	53.39%
Mingde Holding[2]	A Shares	Beneficial owner[3]	2,561,927,139 (L)	53.19%	51.38%
	A Shares	Interest of controlled corporation	100,000,000 (L)	2.08%	2.01%
Morgan Stanley[4]	H Shares	Interest of controlled corporation	11,750,083 (L) 2,664,973 (S)	6.91% 1.57%	0.24% 0.05%
Morgan Stanley International Holdings Inc.[4]	H Shares	Interest of controlled corporation	11,636,083 (L) 1,931,329 (S)	6.84% 1.14%	0.23% 0.04%
Morgan Stanley International Limited[4]	H Shares	Interest of controlled corporation	11,636,083 (L) 1,931,329 (S)	6.84% 1.14%	0.23% 0.04%
Morgan Stanley Investments (UK)[4]	H Shares	Interest of controlled corporation	11,636,083 (L) 1,931,329 (S)	6.84% 1.14%	0.23% 0.04%
Morgan Stanley & Co. International plc[4]	H Shares	Beneficial owner	11,636,083 (L) 1,931,329 (S)	6.84% 1.14%	0.23% 0.04%
RWC Asset Advisors (US) LLC	H Shares	Investment manager	10,186,000 (L)	5.99%	0.20%

Notes:

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

(2) Mr. Wang Wei held the A Shares of the Company through Mingde Holding. Mingde Holding directly held 2,561,927,139 A Shares of the Company and indirectly held 100,000,000 A Shares of the Company through Shenzhen Weishun, its wholly-owned subsidiary. Mr. Wang held 99.90% of the equity interest in Mingde Holding. Accordingly, Mr. Wang shall be deemed to be interested in the A Shares of the Company held by Mingde Holding under Part XV of the SFO.

(3) As at December 31, 2024, Mingde Holding held a total of 2,561,927,139 A Shares in the capacity of beneficial owner. Among them, an aggregate of another 895,600,000 A Shares held by Mingde Holding were subject to pledges granted under certain loan and credit facilities in favor of certain PRC financial institutions regulated by NAFR and/or CSRC.

(4) As at December 31, 2024, (i) Morgan Stanley & Co. International plc is a wholly-owned subsidiary of Morgan Stanley Investments (UK), and Morgan Stanley Investments (UK) is wholly owned by Morgan Stanley International Limited. Morgan Stanley International Limited is a wholly-owned subsidiary of Morgan Stanley International Holdings Inc., and Morgan Stanley International Holdings Inc. is wholly owned by Morgan Stanley. Therefore, each of Morgan Stanley, Morgan Stanley International Holdings Inc., Morgan Stanley International Limited and Morgan Stanley Investments (UK) was deemed to be interested in the H Shares and short positions held by Morgan Stanley & Co. International plc.; (ii) Morgan Stanley Capital Services LLC held 733,644 short positions in the Company and is a wholly-owned subsidiary of Morgan Stanley Domestic Holdings, LLC. Morgan Stanley Domestic Holdings, LLC is wholly owned by Morgan Stanley Capital Management, LLC, and Morgan Stanley Capital Management, LLC is wholly owned by Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in the 733,644 short positions held by Morgan Stanley Capital Services LLC; (iii) Morgan Stanley & Co. LLC was interested in 114,000 H Shares of the Company and is a wholly-owned subsidiary of Morgan Stanley Capital Management, LLC. As Morgan Stanley Capital Management, LLC is wholly owned by Morgan Stanley, Morgan Stanley is deemed to be interested in the 114,000 H Shares held by Morgan Stanley & Co. LLC.

Report of Directors

Save as disclosed above, as at December 31, 2024, the Directors of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Interests and Short Positions of Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at December 31, 2024, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were held or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or underlying Shares of our Company

Name of Director, Supervisor and chief executive	Class of Shares	Nature of interest	Number of Shares interested[1]	Approximate percentage of shareholding in the relevant class of Shares[2]	Approximate percentage of shareholding in the total issued Shares of the Company[2]
Wang Wei	A Shares	Interest of controlled corporation[3]	2,661,927,139 (L)[3]	55.27%	53.39%
Ho Chit	A Shares	Beneficial Owner	488,000 (L)[4]	0.01%	0.01%
Wang Xin	A Shares	Beneficial Owner	477,000 (L)	0.01%	0.01%
Xu Bensong	A Shares	Beneficial Owner	258,200 (L)	0.005%	0.005%
Lee Carmelo Ka Sze	A Shares	Beneficial Owner	38,000 (L)	0.001%	0.001%

Notes:

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

(2) The calculation is based on the issued Shares of the Company, comprised of 4,816,186,983 A Shares (including A Shares in the Company's repurchase securities account) and 170,000,000 H Shares as at December 31, 2024.

(3) Including (i) 2,561,927,139 A Shares held by Mingde Holding, and (ii) 100,000,000 A Shares held by Shenzhen Weishun, a wholly-owned subsidiary of Mingde Holding. As at December 31, 2024, Mr. Wang held 99.90% of the equity interests in Mingde Holding. Therefore, Mr. Wang shall be deemed to be interested in the A Shares of the Company held by Mingde Holding under the SFO.

(4) Including (i) 122,000 A Shares held by Mr. Ho Chit, and (ii) 366,000 options granted to Mr. Ho Chit under the 2022 Stock Option Incentive Plan.

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

Name of Director, Supervisor and chief executive	Name of associated corporation	Nature of interest	Class of shares	Number of shares interested[1]	Total number of shares of the associated corporation	Percentage of the issued share capital of the associated corporation[2]
Wang Wei	Mingde Holding	Beneficial owner	Unlisted domestic shares	113,286,600 (L)	113,400,000	99.90%
Wang Wei	SF Intra-city	Interest in a controlled corporation and others[2]	H shares Unlisted domestic shares	364,738,662 (L) 171,764,898 (L)	745,610,609 171,764,898	48.92% 100.00%
Wang Wei	KLN	Interest in a controlled corporation and others[3]	H shares	972,698,478 (L)	1,807,429,342	53.82%

Notes:

(1) The letter "L" denotes the person's long position in the shares of the associated corporation.

(2) Including 171,764,898 H Shares and 171,764,898 domestic shares held by SF Taisen, 75,000,000 H shares held by Beijing SF Intra-city Technology Co., Ltd. (北京順豐同城科技有限公司), 117,076,764 H shares held by SF Holding (HK), and 897,000 H shares held by Celestial Ocean Investment Limited. Beijing SF Intra-city Technology Co., Ltd. is a non-wholly owned subsidiary of SF Technology, while Celestial Ocean Investment Limited is a wholly-owned subsidiary of SF Holding (HK), and both SF Technology and SF Holding (HK) are wholly-owned subsidiaries of SF Taisen. SF Taisen is a wholly-owned subsidiary of our Company and therefore a non-wholly owned subsidiary of Mingde Holding, which is held by Mr. Wang as to approximately 99.90%. As such, Mr. Wang is deemed to be interested in the shares of SF Intra-city which SF Taisen is deemed to be interested in.

(3) Including the subscribed convertible interests in 41,489,361 shares of KLN, which have been repurchased on January 27, 2025, and 931,209,117 shares of KLN held by Flourish Harmony Holdings Company Limited, which is an indirect wholly-owned subsidiary of the Company through Advance Harmony Holdings Company Limited and SF Holding (HK). As such, Mr. Wang is deemed to be interested in the shares of KLN which SF Holding (HK) is deemed to be interested in.

Save as disclosed above and so far as is known to the Directors, Supervisors and chief executive of the Company, as at December 31, 2024, none of the Directors, Supervisors or chief executive of the Company had or was deemed to have any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors, Supervisors and Senior Management

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

Interests of Directors and Supervisors in Transaction, Arrangement or Contract

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

Directors' Service Contracts

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

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

Report of Directors

Interests of Directors in Competing Business

During the Relevant Period, neither the Controlling Shareholders nor any of the Directors is considered to have interests in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Company's business, which would require disclosure under Rule 8.10 of the Listing Rules of SEHK.

Rights to Purchase Shares or Debentures of Directors, Supervisors and Chief Executive

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

Permitted Indemnity Provisions

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices. The Company has maintained appropriate liability insurance for its Directors and senior management during the Relevant Period.

Employees

People-centric culture promotes sustainable growth internally and customer bonding externally. The Company is dedicated to creating a fair, just and open environment for its employees. SF's brand name stands for a platform for global shining talents to realize their dreams, seek excellence and achieve career pride. The Company attracts talents through a fair recruitment policy and provides employees with training opportunities, good career development prospects and growth opportunities. The Company will continue to attract, cultivate and retain highly motivated talents with diversity, and build an energetic workforce by enriching the Company's talent pool.

Overview

As at December 31, 2024, the Group had 147,189 full-time employees around the world. The following table sets forth the number of our full-time employees categorized by region as at December 31, 2024:

Region	Number of employees	% of total
Mainland China	120,234	81.7%
Asia (excluding Mainland China)	23,951	16.3%
Other countries and regions	3,004	2.0%
Total	**147,189**	**100%**

The following table sets forth the number of our full-time employees categorized by function as at December 31, 2024:

Function	Number of employees	% of total
Operational	83,061	56.4%
Professional(1)	38,700	26.3%
Management	25,428	17.3%
Total	**147,189**	**100%**

Note:

(1) Primarily including employees responsible for technology, research and development, marketing and administration.

Equality and diversity

The Board places a high value on equality and diversity in the workplace. The Company is committed to providing equal opportunities to all employees, regardless of gender, ethnicity, or any other personal characteristic. The Board believes that a diverse workforce is essential to the Company's success and that it enhances the Company's ability to innovate and adapt to changing market conditions. To this end, the Company has implemented a number of programs and initiatives that promote equality and diversity.

As at December 31, 2024, female staff accounted for 22.4% of the total number of employees in the Group. The Company will continue to pay attention to the cultivation of female talents, promote gender diversity in the recruitment of middle and senior staff, and provide more development opportunities for female employees. For further details, please refer to the 2024 SF Holding Sustainability Report published by the Company.

Report of Directors

Remuneration and Benefits

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.

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

Trainings

The Company continues to uphold the concept that "talent is the primary productive force" and remains focusing on the growth and development of its employees. In 2024, the Company's training expenses increased by 6% compared to 2023. A total of 736,000 training hours were conducted, reaching 127,000 participant sessions. These efforts effectively supported the improvement of skills and capabilities of employees across various levels and positions.

Basic Training Resources and Platform Construction

In 2024, the Company improved the management mechanism for training resources and the training platform, providing all employees with high-quality resources and channels for self-directed learning. Through an innovative market-oriented mechanism, excellent instructors were selected and mobilized to participate in the development of high-quality courses. For example, in the special course development project for frontline outlet leaders, a total of 696 instructors participated in the course development, resulting in 205 high-quality courses. Additionally, a new internal employee learning app and training platform were launched, providing a comprehensive and transparent training framework with clear standards, plans, and resource allocation throughout the entire process. This clarified the Company's learning expectation for employees and offered a vast array of learning resources for self-directed selection, ensuring targeted skill improvement for employees.

Key Team Training

Building on the foundation of providing training support for all employees, in 2024, the Company conducted a systematic review of key teams to better align with business needs, iterating and implementing the talent training projects for these key teams.

For frontline employees: the training plans for groups such as couriers, warehouse managers, drivers, customer service, and sales staff were reviewed and improved. Training content was integrated into employees' handheld work terminals in the form of behavioral norms to enhance the effectiveness of practical skills training. Additionally, continuous support was provided to help frontline personnel improve their educational qualifications, with a focus on their long-term career development.

For frontline management teams: training standards and plans were iterated based on the knowledge and skills required for business scenarios. Multi-regional and group-specific activities such as "Offline Boot Camps for Outlet Leaders" and "Demand Scenario Live Rooms" were continuously conducted, providing training resources that better meet business needs through a blended online and offline approach.

For middle management teams: scenario leadership training was continuously carried out through the "Fengyun Plan – Reserve Functional Department Head Training Program" and on-the-job training projects. Simultaneously, key scenario training standards and targeted training content were set based on business scenarios, providing layered training from reserve to on-the-job levels, ensuring a sustainable and high-quality talent pipeline.

For senior management team: through differentiated empowerment strategies, refined management, and regular operational mechanisms, a series of senior management training projects were designed and implemented, including the Beacon Training Camp, Fengxing Plan, and Reserve Executive Training Bootcamp. For business organization executives, the focus is on "industry transformation and business revitalization", helping managers delve into key industries, quickly replicate successful practices, and strengthen lean management concepts, thereby supporting the comprehensive implementation of the Company's strategic transformation. For functional department executives, the focus is closely aligned with the Company's strategic direction and business needs, enhancing business support effectiveness through customized learning and industry exchanges.

For professional teams: the focus is on constructing and operationalizing the special committee model, optimizing the career development pathway for professional talents, establishing job qualification standards and learning maps for various positions, and providing high-quality learning resources to drive professional talent development. Meanwhile, tailored professional capability development projects are implemented based on diverse employee groups, such as professional forums, team professional lectures, and general foundational competence training, to help employees improve and refine their professional skills.

Report of Directors

Auditors

The consolidated financial statements for the year ended December 31, 2024 have been audited by PricewaterhouseCoopers. A resolution regarding the appointment of an auditor of the Company for the year ending December 31, 2025 will be proposed for consideration in the 2024 annual general meeting of the Company.

Connected Transactions and Continuing Connected Transactions

The Group has conducted, and is expected to continue to conduct the below partially-exempt connected transactions during the year ended December 31, 2024, which are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules of SEHK:

Employees Benefit Goods and Services Procurement Framework Agreement

The Company entered into a framework agreement with Shenzhen Fengxiang Information Technology Co., Ltd.* (深圳豐享信息技術有限公司, "Shenzhen Fengxiang") on December 28, 2023 (the "Employees Benefit Goods and Services Procurement Framework Agreement"), which is valid for a term commencing on January 1, 2024 and ending on December 31, 2026, and subject to renewal for another three years upon parties' mutual agreements. Shenzhen Fengxiang is controlled by the Company's Controlling Shareholder, and hence, Shenzhen Fengxiang is a connected person of the Company and the transaction constituted a connected transaction under Chapter 14A of the Listing Rules of SEHK.

Pursuant to the agreement, the Group has been procuring from Shenzhen Fengxiang and its subsidiaries and 30%-controlled entities certain types of goods and services for the purpose of our employee's benefits, including (i) information technology services via the "Fengshi (豐食)" business system, an online group catering services platform offering enterprise customers staff meals and meals ordering services; (ii) software and hardware for our staff canteen, meal delivery services for our staff canteen and overtime meal deliveries; (iii) operation, development, launch, technology and maintenance services in respect of the development and operation of a tailor-made benefit platform for our employees; (iv) consumer merchandises for employees' benefit purpose; (v) services for the planning, organizing and implementing team building, annual events, training, seminars, tea sessions and other employees' benefits events; and (vi) other related ancillary services and goods.

Pricing

The procurement fees charged under the transactions subject to the Employees Benefit Goods and Services Procurement Framework Agreement have been and will be determined on arm's length basis, with reference to factors including (i) the fee and price quotes for similar services and goods in the market, and with respect to certain tailor-made services and products provided by Shenzhen Fengxiang to us where there is limited supply of the same type of services and products offered by any person or entity who is not a connected person of the Company within the meaning of the Listing Rules of SEHK ("Independent Third Parties") in the market, the degree of tailor-made and specifications required of such services and products provided by Shenzhen Fengxiang; (ii) where relevant and appropriate, the relevant costs incurred by Mingde Holding and its subsidiaries, and companies in which Mingde Holding controls 30% or more of its voting power at general meetings (the "Mingde Connected Persons") in rendering such goods and services, including labor cost and administrative expenses; (iii) the volume of the service or the amount of goods purchased, as applicable and appropriate; and/or (iv) the quality of the services and goods offered by Shenzhen Fengxiang in the previous year as reflected from the feedback collected from our employees through the appraisal system adopted. The price charged by Shenzhen Fengxiang for the benefits platform services offered to us is also comparable to the price charged by Shenzhen Fengxiang to its other independent customers with similar services requirements, and Shenzhen Fengxiang has an internal price comparison system to compare the pricing of consumer merchandise sold on its benefits platform to the pricing on other e-commerce platforms. To ensure that the pricing of the services and goods provided by the relevant Mingde Connected Persons is on normal commercial terms, fair and reasonable and in the interests of our Shareholders as a whole, prior to entering into transactions with the relevant Mingde Connected Persons, we would conduct an assessment process whereby we will compare the pricing and terms of the services and goods offered by Shenzhen Fengxiang (and/or its subsidiaries and 30%-controlled entities) with those offered by other suppliers.

Annual cap and actual amount

For the year ended December 31, 2024, the actual transaction amount with respect to the continuing connected transactions under the Employees Benefit Goods and Services Procurement Framework Agreement was approximately RMB259 million, and the annual cap for the year ended December 31, 2024 was RMB420 million.

Report of Directors

Comprehensive Goods and Services Procurement Arrangements

The Company entered into a comprehensive goods and services procurement framework agreement with Fengtu Technology (Shenzhen) Co., Ltd.* (豐圖科技(深圳)有限公司, "Fengtu") on December 28, 2023 (the "Fengtu Comprehensive Goods and Services Procurement Framework Agreement") and a comprehensive goods and services procurement framework agreement with Hive Box Holdings Limited (豐巢控股有限公司, "Hive Box") on December 28, 2023 (the "Hive Box Comprehensive Goods and Services Procurement Framework Agreement"), respectively (collectively, the "Comprehensive Goods and Services Procurement Framework Agreements"). Each of the Comprehensive Goods and Services Procurement Framework Agreements is valid for a term commencing on January 1, 2024 and ending on December 31, 2026, and subject to renewal for another three years upon parties' mutual agreements. Both Fengtu and Hive Box are controlled by the Company's Controlling Shareholders, and hence, they are connected persons of the Company and the transactions constituted connected transactions under Chapter 14A of the Listing Rules of SEHK.

Pursuant to the Fengtu Comprehensive Goods and Services Procurement Framework Agreement, the Group will procure from Fengtu and its subsidiaries and 30%-controlled entities certain types of goods and services, including (i) certain services in support of the operation and back-office functions of the Group, including logistical mapping services and development, launch, technology and systems maintenance services in respect of the mapping systems, delivery and road safety risk management technology services, and services in respect of the development of other system solutions or project-based technology products offered by Fengtu and its subsidiaries to support the Company's delivery services; (ii) certain goods in support of our operation and back-office functions, such as software and hardware equipment from time to time sourced from Fengtu supplementary to the vehicle system and the systems solutions we procure from Fengtu (including services in respect of the installation and maintenance of the same); and (iii) other ancillary services and goods in relation to (i) and (ii) above.

Pursuant to the Hive Box Comprehensive Goods and Services Procurement Framework Agreement, the Group will procure from Hive Box and companies in which Hive Box controls 30% or more of its voting power at general meetings certain types of goods and services including (i) certain services in support of the operation of the Group's logistics services business, including drop-off and pick-up smart locker services, delivery-related services, e-commerce platform services, project-based research and development services and advertising services provided by Hive Box and companies in which Hive Box controls 30% or more of its voting power at general meetings (the "Hive Box Connected Persons"); (ii) certain goods in support of our business operations, such as smart lockers and delivery boxes from time to time sourced from the Hive Box Connected Persons; and (iii) other ancillary services and goods in relation to (i) and (ii) above.

The purpose of the Comprehensive Goods and Services Procurement Framework Agreements is to enable the Company to, among other things, acquire reliable logistics goods in support its business.

Given that the Company procured goods and services that are used in our integrated logistics services from both Fengtu and Hive Box under each of the Fengtu Comprehensive Goods and Services Procurement Framework Agreement and Hive Box Comprehensive Goods and Services Procurement Framework Agreement, the transactions entered into with Fengtu and Hive Box are aggregated pursuant to Rule 14A.82(1) of the Listing Rules of SEHK.

Pricing

The procurement fees charged under the Comprehensive Goods and Services Procurement Framework Agreements are determined on arm's length basis with reference to factors including where relevant and appropriate (i) the fee and price quotes for similar goods and services in the market, and with respect to certain tailor-made services and products provided by Fengtu to us where there is limited supply of the same type of services and products offered by Independent Third Parties in the market, the degree of tailor-made and specifications required of such services and products provided by Fengtu; (ii) where relevant and appropriate, the relevant costs incurred by the relevant suppliers in rendering such goods and services, including labor cost and administrative expenses; (iii) with respect to the smart locker products and services provided by the Hive Box Connected Persons, the prices of similar products and services offered by the Hive Box Connected Persons to other logistics service providers; and/or (iv) the volume of the services or the amount of goods purchased.

Annual cap and actual amount

For the year ended December 31, 2024, the actual transaction amount with respect to the continuing connected transactions under the Comprehensive Goods and Services Procurement Framework Agreements was approximately RMB487 million, and the annual cap for the year ended December 31, 2024 was RMB710 million.

Integrated Logistics Services Provision Arrangements

The Company entered into an integrated logistics services provision framework agreement with Shenzhen Fengxiang on December 28, 2023 (the "Fengxiang Integrated Logistics Services Provision Framework Agreement"), pursuant to which the Group will provide to Shenzhen Fengxiang and its subsidiaries and 30%-controlled entities certain types of integrated logistics services that they would require in their respective ordinary course of business, including logistics services, transportation and delivery services, freight delivery services, warehousing and storage services, and other related ancillary services.

Report of Directors

The Company entered into an integrated logistics services provision framework agreement with Hive Box on December 28, 2023 (the “Hive Box Integrated Logistics Services Provision Framework Agreement”, together with the Fengxiang Integrated Logistics Services Provision Framework Agreement, the “Integrated Logistics Services Provision Framework Agreements”), pursuant to which the Group will provide to Hive Box and its subsidiaries and 30%-controlled entities certain types of integrated logistics services, including logistics services (such as delivery services in respect of return of goods by customers of certain e-commerce platforms using smart lockers operated by the Hive Box Connected Persons), transportation and delivery services, freight delivery services, warehousing and storage services, and other related ancillary services.

Each of the Integrated Logistics Services Provision Arrangements is valid for a term commencing on January 1, 2024 and ending on December 31, 2026, and subject to renewal for another three years upon parties’ mutual agreements. Both Shenzhen Fengxiang and Hive Box are controlled by the Company’s Controlling Shareholders, and hence, they are connected persons of the Company and the transactions constituted connected transactions under Chapter 14A of the Listing Rules of SEHK.

The purpose of the Integrated Logistics Services Provision Arrangements is to provide comprehensive and high-quality services to Shenzhen Fengxiang and Hive Box considering the market positions and broad services network of the Group.

Given that the Company provided integrated logistics services to both Shenzhen Fengxiang and Hive Box under each of the Fengxiang Integrated Logistics Services Provision Framework Agreement and Hive Box Integrated Logistics Services Provision Framework Agreement, the transactions entered into with Shenzhen Fengxiang and Hive Box are aggregated pursuant to the Rule 14A.82(1) of the Listing Rules of SEHK.

Pricing

The fees we charge Shenzhen Fengxiang and its subsidiaries and 30%-controlled entities (the “Fenxiang Connected Persons”) and/or the Hive Box Connected Persons in respect of our provision of integrated logistics services described above will be (i) in the range of applicable price we charge Independent Third Party customers which are strategic customers of the Group; (ii) determined in accordance with the prevailing market rates, taking into account the volume of business and our premium position within the industry; and (iii) charged with reference to the weight and type of parcel or cargo delivered, mode of parcel pick-up, delivery or shipment, freight rate of the carrier and type of storage space required, as applicable.

Annual cap and actual amount

For the year ended December 31, 2024, the transaction amount with respect to the continuing connected transactions under the Integrated Logistics Services Provision Arrangements was approximately RMB1,507 million, and the annual cap for the year ended December 31, 2024 was RMB1,815 million.

Review of the Continuing Connected Transactions

The independent non-executive Directors have reviewed the above partially-exempt continuing connected transactions and confirmed that these transactions have been entered into:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
3. in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

In accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised), “Auditor’s Letter on Continuing Connected Transactions under the Listing Rules of SEHK” issued by the HKICPA, PricewaterhouseCoopers, the auditor of the Company, has sent a letter to the Board based on its review of the above-mentioned continuing connected transactions, expressing the following opinions in respect of the disclosed continuing connected transactions:

1. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;
2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not conducted, in all material respects, in accordance with the pricing policies of the Group;
3. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
4. with respect to the aggregate amount of each of the above continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company.

Pursuant to Rule 14A.72 of the Listing Rules of SEHK, the Company would like to confirm that the details of the related party transactions under applicable accounting standards are set out in note 38 to the consolidated financial statements in this annual report. Save for the connected transactions disclosed above, none of the related party transactions, as disclosed under note 38 to the consolidated financial statements in this annual report, constitutes a connected transaction or continuing connected transaction that is subject to, among other things, reporting, announcement or independent shareholders’ approval requirements under Chapter 14A of the Listing Rules of SEHK.

Report of Directors

Compliance with the CG Code

Please refer to the section headed "Corporate Governance Report" on pages 56 to 67 in the Report.

Environment, Social and Governance

Please refer to the 2024 SF Holding Sustainability Report separately released on the same day as this annual report.

Donation

During the year ended December 31, 2024, the Group made charitable donations of RMB71.8 million.

Subsequent Events

The material events after the Relevant Period are set out in note 41 to the consolidated financial statements in this annual report.

On behalf of the Board

Wang Wei

Chairman and General Manager

PRC

March 28, 2025

Independent Auditor's Report

羅兵咸永道

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

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

Opinion

What we have audited

The consolidated financial statements of S.F. Holding Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 88 to 184, comprise:

- the consolidated statement of financial position as at December 31, 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Goodwill impairment assessment for KLN Logistics Group Limited ("KLN") cash-generating unites ("CGUs") and Fenghao Supply Chain ("Fenghao") CGUs
- Revenue recognition of logistics and freight forwarding services

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment for KLN CGUs and Fenghao Supply Chain CGUs *Refer to notes 2.1(e)(i), 4.1(c), and 17 to the consolidated financial statements.* As at December 31, 2024, the Group had significant goodwill balance for KLN CGUs and Fenghao CGUs, amounting to RMB6,139 million and RMB3,185 million, respectively. Management has engaged independent external valuers to assist them in performing annual goodwill impairment assessment on KLN CGUs and Fenghao CGUs. Management determined the recoverable amounts of the KLN CGUs and Fenghao CGUs based on value in use ("VIU"), which is the present value of the future cash flows expected to be derived from each CGUs. Based on the results of the impairment assessments conducted, management considered no impairment was necessary in respect of above goodwill as at December 31, 2024. The determination of the present value of the future cash flows expected to be derived from each CGUs involves key assumptions, including revenue growth rate over the forecast period, terminal revenue growth rate, margin of earnings before interest and taxes and pre-tax discount rates, which are subject to significant management's judgements and estimates. We focused on this area due to the magnitude of above goodwill balances and the fact that significant estimates and judgments were involved in the goodwill impairment assessment.	Our procedures in relation to goodwill impairment assessment for KLN CGUs and Fenghao CGUs included: • Understood, evaluated and tested management's controls over goodwill impairment assessment. • Assessed the reasonableness of management's identification of KLN CGUs and Fenghao CGUs based on the understanding and evaluation of the Group's business plans relevant to KLN CGUs and Fenghao CGUs and checked to the evidence which supported these plans. • Understood and evaluated the methods used by management to determine the allocation of goodwill for KLN CGUs and Fenghao CGUs and tested the accuracy of mathematical calculation applied in the methods. • Evaluated the competence, capability and objectivity of the independent external valuers engaged by management. • Obtained the valuation reports of goodwill impairment assessment for KLN CGUs and Fenghao CGUs issued by the independent external valuers and, with the assistance of our internal valuation experts: (1) evaluated the appropriateness of the valuation methodologies used in the valuation reports of goodwill impairment assessment. (2) compared the current year actual results of above mentioned CGUs with the prior year's financial forecasts to assess the effectiveness of management's estimation process; (3) assessed the reasonableness of key assumptions applied in the present value of future cash flow projections including revenue growth rate over the forecast period, terminal revenue growth rate, margin of earnings before interest and taxes and pre-tax discount rate by comparing them with historical financial performance, future business plan, comparable external economic and industry information etc. (4) tested the accuracy of mathematical calculations applied in the process of goodwill impairment assessment; (5) assessed management's sensitivity analysis on the key assumptions to evaluate the potential impacts on the recoverable amounts. Based on the procedures performed above, we considered that the significant estimates and judgments used in the impairment assessments of KLN CGUs and Fenghao CGUs by management were supported by the evidence obtained.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of logistics and freight forwarding services *Refer to notes 2.1(j) and 5 to the consolidated financial statements.* The Group derives revenue primarily from provision of logistics and freight forwarding services, which amounted to approximately RMB276,276 million for the year ended December 31, 2024, accounting for 97.27% of the Group's total revenue. Revenue is recognized with the amount of consideration to which the Group expects to be entitled when or as the control of the services is transferred to a customer. The huge volume of transactions involved in the Group's provision of logistics and freight forwarding services are processed and recorded by the Group's information technology systems. We focused on this area because we spent significant audit efforts in this area due to the large magnitude of the revenue from logistics and freight forwarding services, huge volume of transactions, and complexity of the Group's systems for processing these transactions.	Our procedures in relation to revenue recognition of logistics and freight forwarding services included: • understood the business model and process of logistics and freight forwarding services, checked contract terms of the service agreements with customers on a sampling basis, and assessed whether the accounting policies for revenue recognition adopted by the Group are compliant with the requirements of the applicable accounting standards. • understood, evaluated and tested management's internal controls over the revenue recognition of the logistics and freight forwarding service, including understood, evaluated and tested information technology general controls and application controls with the assistance of our internal information technology specialists. • tested, on a sampling basis, the sales transactions of logistics and freight forwarding services by examining relevant supporting documents, including service agreements, customer-confirmed receipts or records of delivery, invoices and cash receipts etc.. • tested sales transactions that took place shortly before and after the balance sheet date, on a sampling basis, by tracing to the supporting documents, to assess whether revenue of logistics and freight forwarding services was recognised in the correct reporting period. Based on the procedures performed above, we considered that the Group's logistics and freight forwarding services revenue recognition was supported by the evidence obtained.

Other Information

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

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide 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, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lam Sung Wan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 28, 2025

Consolidated Statement of Profit or Loss

For the year ended December 31, 2024

	Note	Year ended December 31, 2024 RMB'000	2023 RMB'000
Revenue	*5*	284,420,059	258,409,403
Cost of revenue	*8*	(245,524,112)	(225,775,678)
Gross profit		**38,895,947**	**32,633,725**
Selling and marketing expenses	*8*	(3,096,242)	(2,991,589)
General and administrative expenses	*8*	(18,732,335)	(17,766,049)
Research and development expenses	*8*	(2,533,607)	(2,285,314)
Net (impairment losses)/reversal of impairment losses on financial assets and contract assets	*3*	(271,693)	33,480
Other income	*6*	989,740	2,281,202
Other gains, net	*7*	368,873	408,474
Operating profit		**15,620,683**	**12,313,929**
Finance income	*10*	617,713	633,373
Finance costs	*10*	(2,373,319)	(2,269,700)
Finance costs, net		(1,755,606)	(1,636,327)
Share of loss of associates and joint ventures, net	*20*	(70,020)	(67,190)
Impairment provision for investments in associates and joint ventures	*20*	(187,796)	(123,907)
Profit before income tax		**13,607,261**	**10,486,505**
Income tax expense	*11*	(3,388,416)	(2,574,896)
Profit for the year		**10,218,845**	**7,911,609**
Attributable to:			
– Owners of the Company		10,170,427	8,234,493
– Non-controlling interests		48,418	(322,884)
		10,218,845	7,911,609
Earnings per share for profit attributable to the owners of the Company:	*13*		
– Basic *(RMB)*		2.11	1.70
– Diluted *(RMB)*		2.11	1.70

The above consolidated statements of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Other Comprehensive Income

For the year ended December 31, 2024

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Profit for the year	**10,218,845**	**7,911,609**
Other comprehensive income:		
Items that may be reclassified to profit or loss		
– Effective portion of changes in fair value of hedging instruments arising during the year	8,644	12,002
– Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,077)	(5,254)
– Currency translation differences of foreign operations	110,885	334,708
Items that will not be reclassified to profit or loss		
– Fair value changes of equity investments designated at fair value through other comprehensive income	(1,553,885)	484,100
– Share of other comprehensive income of associates and joint ventures accounted for using the equity method	–	(329)
– Income tax effect	3,899	2,749
Other comprehensive (loss)/income for the year net of tax	**(1,431,534)**	**827,976**
Total comprehensive income for the year	**8,787,311**	**8,739,585**
Attributable to:		
– Owners of the Company	9,136,451	9,107,526
– Non-controlling interests	(349,140)	(367,941)
	8,787,311	8,739,585

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

Consolidated Statement of Financial Position

As at December 31, 2024

	Note	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	59,174,305	60,104,416
Right-of-use assets	15	19,625,629	20,890,047
Investment properties	16	7,241,199	6,418,720
Intangible assets	17	20,036,193	21,030,998
Deferred tax assets	18	2,291,994	2,263,870
Prepayments, other receivables and other assets	19	1,855,035	2,333,562
Investments in associates and joint ventures	20	6,203,642	7,378,831
Financial assets at fair value through other comprehensive income	21	8,231,994	9,489,535
Financial assets at fair value through profit or loss	21	477,416	589,996
Total non-current assets		**125,137,407**	**130,499,975**
Current assets			
Inventories	22	2,432,383	2,440,425
Contract assets	23	2,740,820	1,632,592
Trade and note receivables	24	27,981,633	25,360,433
Prepayments, other receivables and other assets	19	10,114,543	12,622,706
Financial assets at fair value through other comprehensive income	21	170,913	99,978
Financial assets at fair value through profit or loss	21	11,246,156	6,809,742
Restricted cash	25	1,354,303	1,576,496
Cash and cash equivalents	25	32,646,055	40,448,308
Total current assets		**88,686,806**	**90,990,680**
Total assets		**213,824,213**	**221,490,655**

Consolidated Statement of Financial Position

As at December 31, 2024

		As at December 31,	
	Note	2024 *RMB'000*	2023 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*26*	26,319,260	30,396,912
Lease liabilities	*15*	7,094,483	8,038,495
Deferred tax liabilities	*18*	4,414,485	4,550,974
Other payables and accruals	*29*	201,037	140,329
Deferred income	*30*	1,266,359	1,090,644
Total non-current liabilities		**39,295,624**	**44,217,354**
Current liabilities			
Trade and note payables	*27*	27,395,524	24,914,300
Contract liabilities	*28*	2,039,198	1,832,018
Borrowings	*26*	18,365,122	22,309,103
Lease liabilities	*15*	5,501,314	5,769,965
Financial liabilities at fair value through profit or loss		105,464	92,120
Income tax payable		1,679,132	1,394,250
Other payables and accruals	*29*	17,061,331	17,637,171
Advances from customers		46,283	40,714
Total current liabilities		**72,193,368**	**73,989,641**
Total liabilities		**111,488,992**	**118,206,995**
Net assets		**102,335,221**	**103,283,660**

Consolidated Statement of Financial Position

As at December 31, 2024

	Note	As at December 31, 2024 RMB'000	2023 RMB'000
EQUITY			
Share capital	*31*	4,986,187	4,895,202
Less: treasury shares	*31*	(758,081)	(2,575,532)
Reserves	*32*	48,624,934	51,634,675
Retained earnings		39,140,246	38,835,999
Equity attributable to owners of the Company		91,993,286	92,790,344
Non-controlling interests		10,341,935	10,493,316
Total equity		**102,335,221**	**103,283,660**

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

The financial statements on pages 88 to 184 were approved by the Board of Directors on March 28, 2025 and were signed on its behalf.

WANG Wei
Chairman

HO Chit
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

	Attributable to owners of the Company						
	Share capital *RMB'000*	Less: Treasury shares *RMB'000*	Reserves (Note 32) *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at January 1, 2024	**4,895,202**	**(2,575,532)**	**51,634,675**	**38,835,999**	**92,790,344**	**10,493,316**	**103,283,660**
Comprehensive income:							
Profit for the year	–	–	–	10,170,427	10,170,427	48,418	10,218,845
Other comprehensive loss	–	–	(1,033,976)	–	(1,033,976)	(397,558)	(1,431,534)
Total comprehensive (loss)/income	**–**	**–**	**(1,033,976)**	**10,170,427**	**9,136,451**	**(349,140)**	**8,787,311**
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–	31,036	(31,036)	–	–	–
Transactions with owners							
Net proceeds from Global Offering	170,000	–	5,076,004	–	5,246,004	–	5,246,004
Net proceeds from share option exercising	276	–	11,194	–	11,470	–	11,470
Capital injection from non-controlling interests	–	–	54	–	54	35,182	35,236
Repurchase of shares	–	(1,758,094)	–	–	(1,758,094)	–	(1,758,094)
Cancellation of shares	(79,291)	3,575,545	(3,496,254)	–	–	–	–
Share-based payment	–	–	89,677	–	89,677	1,769	91,446
Transaction with non-controlling interests and others	–	–	(3,916,204)	–	(3,916,204)	514,655	(3,401,549)
Profit appropriations to statutory reserve	–	–	232,352	(232,352)	–	–	–
Dividends	–	–	–	(9,602,792)	(9,602,792)	(353,847)	(9,956,639)
Safety reserve appropriation	–	–	481,331	–	481,331	–	481,331
Safety reserve utilisation	–	–	(481,331)	–	(481,331)	–	(481,331)
Others	–	–	(3,624)	–	(3,624)	–	(3,624)
As at December 31, 2024	**4,986,187**	**(758,081)**	**48,624,934**	**39,140,246**	**91,993,286**	**10,341,935**	**102,335,221**

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

	Attributable to owners of the Company						
	Share capital	Less: Treasury shares	Reserves (Note 32)	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023	**4,895,202**	**(2,040,377)**	**50,037,565**	**33,371,351**	**86,263,741**	**12,022,308**	**98,286,049**
Comprehensive income:							
Profit/(loss) for the year	–	–	–	8,234,493	8,234,493	(322,884)	7,911,609
Other comprehensive loss/(income)	–	–	873,033	–	873,033	(45,057)	827,976
Total comprehensive (loss)/income	**–**	**–**	**873,033**	**8,234,493**	**9,107,526**	**(367,941)**	**8,739,585**
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–	121,368	(121,368)	–	–	–
Transactions with owners							
Capital contribution of non-controlling interests	–	–	1,207	–	1,207	146,845	148,052
Repurchase of shares	–	(959,956)	–	–	(959,956)	–	(959,956)
Exercise of share options	–	424,801	(69,612)	–	355,189	–	355,189
Share-based payment	–	–	271,510	–	271,510	37,828	309,338
Transaction with non-controlling interests and others	–	–	(1,037,241)	–	(1,037,241)	(799,597)	(1,836,838)
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	47,904	47,904
Appropriation to general and regulatory reserves	–	–	31,328	(31,328)	–	–	–
Profit appropriations to statutory reserve	–	–	1,403,533	(1,403,533)	–	–	–
Dividends	–	–	–	(1,213,616)	(1,213,616)	(596,065)	(1,809,681)
Safety reserve appropriation	–	–	389,332	–	389,332	–	389,332
Safety reserve utilisation	–	–	(389,332)	–	(389,332)	–	(389,332)
Others	–	–	1,984	–	1,984	2,034	4,018
As at December 31, 2023	**4,895,202**	**(2,575,532)**	**51,634,675**	**38,835,999**	**92,790,344**	**10,493,316**	**103,283,660**

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	Note	Year ended December 31, 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	35,364,389	29,796,205
Income tax paid		(3,178,016)	(3,226,386)
Net cash generated from operating activities		**32,186,373**	**26,569,819**
Cash flows from investing activities			
Redemption of financial assets at fair value through profit or loss		86,145,328	93,433,282
Disposal of financial assets at fair value through other comprehensive income		8,451	162,780
Proceeds from sales of associates and joint ventures		620,980	468,039
Repayment from former subsidiaries		316,655	–
Investment gains or dividend income from financial assets at fair value through profit or loss		650,582	604,161
Dividends received from associates and joint ventures		183,401	192,475
Investment gains or dividend income from financial assets at fair value through other comprehensive income		20,168	1,998
Proceeds from disposal of property, plant and equipment and other non-current assets		309,784	335,828
Disposal of subsidiaries, net of cash and cash equivalents held by subsidiaries at the disposal dates		261,058	384,332
Purchase of property, plant and equipment and other non-current assets		(9,344,770)	(12,471,899)
Acquisition of financial assets at fair value through other comprehensive income		(49,750)	(275,165)
Acquisition of financial assets at fair value through profit or loss		(90,451,596)	(93,974,775)
Acquisition of associates and joint ventures		(28,381)	(169,265)
Acquisition of subsidiaries, net of cash and cash equivalents held by subsidiaries at the acquisition dates	35	(696,654)	(2,197,408)
Net cash used in investing activities		**(12,054,744)**	**(13,505,617)**

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	Note	Year ended December 31,	
		2024	2023
		RMB'000	*RMB'000*
Cash flows from financing activities			
Proceeds from issue of shares		5,323,198	–
Capital injection from non-controlling interests		30,226	157,080
Exercise of share options		–	355,189
Drawdown of bank borrowings		31,847,545	32,543,231
Drawdown of loans from non-controlling interests		–	44,287
Proceeds from corporate bonds and short-term debentures		4,296,638	1,499,553
Net cash consideration received from non-controlling interests without change of control		1,193	–
Deposits received from lessors after the expiry of lease contracts		12,023	6,703
Repayment of bank borrowings		(42,276,973)	(22,365,788)
Repayment of corporate bonds and short-term debentures		(2,785,271)	(10,110,178)
Repayment of loans from holders of asset-backed securities scheme		–	(899,360)
Repayment of loans from non-controlling interests		(2,624)	(31,478)
Dividend paid to non-controlling interests		(324,348)	(599,379)
Dividend paid	*12*	(9,602,792)	(1,213,616)
Interests paid		(1,818,720)	(1,820,066)
Net cash consideration paid to non-controlling interests without change of control	*34(b)*	(3,451,076)	(1,833,285)
Payments for repurchase of shares	*31*	(1,758,094)	(959,956)
Payments of lease liabilities	*34(d)*	(7,438,385)	(7,765,246)
Payment of transaction costs related to financing activities		(31,653)	(2,376)
Net cash used in financing activities		**(27,979,113)**	**(12,994,685)**
Net (decrease)/increase in cash and cash equivalents		**(7,847,484)**	**69,517**
Cash and cash equivalents at beginning of the year		40,448,308	40,279,947
Exchange gains on cash and cash equivalents		45,231	98,844
Cash and cash equivalents at end of the year		**32,646,055**	**40,448,308**

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

1. General information

S.F. Holding 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 May 22, 2003. On October 22, 2007, the Company officially changed to Ma'anshan Dingtai Rare Earth and New Materials Co., Ltd., and issued additional 19.5 million shares to the public and listed with trading on Shenzhen Stock Exchange (hereinafter "SZSE") on February 5, 2010.

In December 2016, approved by China Securities Regulatory Commission, the Company conducted a series of material asset restructuring arrangements, including entering into a material asset swap and share subscription agreement. Upon the completion of material asset restructuring, Shenzhen Mingde Holding Development Co., Ltd. ("Mingde Holding") became the parent company and ultimate controlling company of the Company, and Mr. Wang Wei was the ultimate controlling shareholder.

On November 27, 2024, the Company issued 170,000,000 H Shares to the public and listed with trading on the Stock Exchange of Hong Kong Limited ("HKEx").

As at December 31, 2024, the Company had 4,986,186,983 shares issued and outstanding, of which 4,816,186,983 shares were listed on the SZSE ("A-shares") and 170,000,000 shares were listed on the HKEx.

The address of the Company's registered office is 3/F, Complex Building, SF South China Transit Center, No. 1111, Hangzhan 4th Road, Shenzhen Airport, Caowei Community, Hangcheng Sub-district, Bao'an District, Shenzhen. The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the development of logistics ecosystem including express delivery, freight delivery, cold chain and pharmaceutical logistics, intra-city on-demand delivery, international logistics service and supply chain solutions in the People's Republic of China (the "PRC").

Hangzhou SF Intra-city Industrial Co., Ltd., an indirect non-wholly owned subsidiary of the Company, is a listed company on the Main Board of the HKEx and primarily engaged in intra-city on-demand delivery services.

KLN Logistics Group Limited ("KLN", formerly Kerry Logistics Network Limited), an indirect non-wholly-owned subsidiary of the Company, is a listed company on the Main Board of the HKEx and primarily engaged in the provision of logistics and freight forwarding services.

KEX Express (Thailand) Public Company Limited ("KEX"), an indirect non-wholly-owned subsidiary of the Company, is a listed company on the Main Board of the Stock Exchange of Thailand Limited ("SET") and primarily engaged in providing domestic and international parcel delivery service.

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2. Summary of Accounting Policies

This note provides a list of principal accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Summary of material accounting policies

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and requirements of the Hong Kong Companies Ordinance.

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

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.1 Summary of material accounting policies (Continued)

(b) New standards and interpretations

(i) New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	January 1, 2026
Annual Improvements	Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective, except for certain presentation adjustment might be raised due to the adoption of IFRS18.

(ii) New standard and amendments to standards adopted and changes in accounting policy

The following new standard and amendments to standards have been adopted by the Group for the financial year beginning on January 1, 2024:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a sales and leaseback

The adoption of these new and amended standards does not have significant financial impact on the consolidated financial statements.

(c) Associates and Joint arrangements

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting (Note 2.2(b)), after initially being recognized at cost.

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Interests in joint ventures are accounted for using the equity method (Note 2.2(b)), after initially being recognized at cost in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.1 Summary of material accounting policies (Continued)

(d) Business combinations

Business combination is accounted for under the acquisition method except for business combination under common control.

The Group chooses to perform concentration test as a transaction by transaction basis to determine whether an acquired asset of activities and assets is a business or not. If the concentration test is met, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set of activities and assets is determined not to be a business and the Group would treat such transaction as purchasing a set of assets.

The consideration transferred for the acquisition of a subsidiary regardless of whether equity investments or other assets are acquired comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Business combination arising from transfer of interests in entities that are under the control of the controlling shareholder that controls the Group is accounted for as if the acquisition had occurred at the beginning of the reporting period or, if later, at the date that common control was established. The assets acquired and liabilities assumed are recognized at the carrying amounts recognized previously in the Group's controlling shareholder's perspective. The components of equity of the acquired entities are added to the same components within the Group's equity and any difference between the net assets acquired and the consideration paid is recognized directly in equity.

(e) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.1 Summary of material accounting policies (Continued)

(e) Intangible assets (Continued)

(ii) Software

Software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of two to ten years which is the shorter of expected economic benefit life and their contractual/legally protected period.

(iii) Research and development

All research costs are charged to the statement of profit or loss as incurred.

Development costs are capitalized only when all the following conditions are met:

- the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; and
- its intention to complete and its ability to use or sell the asset; and
- how the asset will generate economic benefits (including demonstration that the product derived from the intangible asset or the intangible asset itself will be marketable or, in the case of internal use, the usefulness of the intangible asset as such); and
- the availability of technical and financial resources to complete the project and procure the use or sale of the intangible asset; and
- the ability to measure reliably the expenditure during the development.

Self-developed systems and software, when the development is done and ready for use, are stated at cost less any impairment losses.

(iv) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate its cost over the expected life of the customer relationships, which range from fifteen to twenty years. The expected useful life is determined with reference to the past experience of the customer churn rate and the projected period of future economic benefits from customer relationships.

(v) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognized at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks over five to twenty years, or the expected economic benefit life.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Financial assets

(i) Classification

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

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.1 Summary of material accounting policies (Continued)

(g) Financial assets (Continued)

(iii) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income and lease income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other (losses)/gains, net' in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

Impairment under general approach is measured as either 12-month expected losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts apply the simplified approach as detailed below.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.1 Summary of material accounting policies (Continued)

(g) Financial assets (Continued)

(iv) Impairment of financial assets (Continued)

— Stage 1 : Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

— Stage 2 : Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

— Stage 3 : Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and note receivables at amortized cost, contract assets and notes held for sale resulted from providing operating services, whether there exits a significant financing component, the Group applies the simplified approach in calculating ECLs, which uses a lifetime expected loss allowance for all trade and note receivables at amortized cost, contract assets and notes held for sale. For lease receivables resulted from lease transactions, the Group also chooses the simplified approach to measure ECLs. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(h) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments, lease liabilities, interest-bearing borrowings and bonds.

(ii) Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortized cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

(iii) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

(i) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.1 Summary of material accounting policies (Continued)

(i) Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future (Note 18).

(iii) Offsetting

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

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

(j) Revenue recognition

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

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

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

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

(i) Revenue from logistics and freight forwarding services

The Group derives revenue from provision of logistics and freight forwarding services, including express and freight delivery services (comprising time-definite express services, economy express services, freight delivery services, and cold chain and pharmaceuticals logistics services), intra-city on-demand delivery services, and supply chain and international services.

The Group uses information technology systems to process and record services provided and recognizes 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 date of the end of the reporting period, the Group re-estimates the progress of the service performed to reflect the actual status of contract performance.

When the Group recognizes revenue based on the progress of the service performed, the amount with unconditional right to consideration obtained by the Group is recognized as trade receivables, and the rest is recognized as contract assets. Meanwhile, provision for trade receivables and contract assets is recognized on the basis of expected credit losses (Note 2.1(h)(iv)). If the contract consideration received or receivable exceeds the progress of the service performed, the excess portion will be recognized 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 recognized as costs to fulfil a contract, which is carried forward to the cost of revenue when revenue recognized based on the progress of the service performed. Incremental costs incurred by the Group for the acquisition of the aforesaid service contract are recognized as the costs to obtain a contract. For the costs to obtain a contract with the amortization period within one year, the costs are charged to profit or loss when incurred. For the costs to obtain a contract with the amortization period beyond one year, the costs are charged in the profit or loss on the same basis as aforesaid revenue of rendering of services recognized 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 recognizes it as asset impairment losses. As at the date of the end of the reporting period, based on whether the amortization period of the costs to fulfil a contract is more than one year when initially recognized, 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 amortization period beyond one year at the initial recognition, the amount net of related provision for asset impairment is presented as other non-current assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.1 Summary of material accounting policies (Continued)

(j) Revenue recognition (Continued)

(ii) Sales of goods

Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognized based on the price specified in the contract. No element of financing is deemed present as the sales are made with the credit policies, which is consistent with market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(iii) Other services

The Group's services also include telecommunication service, repairment service, research and development and technical services and other services.

With regard to certain maintenance service, research and development and technical services, the Group recognizes revenue at a point in time when the services are delivered to customers. For other services, the Group recognizes 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 date of end of the reporting period.

2.2 Summary of other accounting policies

(a) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group. Refer to Note 2.1(e) for further accounting policy information.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The gain or loss resulting from a downstream transaction involving assets that constitute a business between the Group and the associate or joint ventures is recognized in full in the Group's financial statements.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.1(g).

(c) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.2 Summary of other accounting policies (Continued)

(c) Changes in ownership interests (Continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Separate financial statements

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary financial assets and liabilities such as equity instruments held at fair value through profit or loss are recognized in the consolidated statement of profit or loss as part of the fair value gain or loss and translation differences on non-monetary financial assets, such as equity investment at fair value through other comprehensive income, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Leases

(i) The Group as the lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.2 Summary of other accounting policies (Continued)

(f) Leases (Continued)

(i) The Group as the lessee (Continued)

- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The Group also has interests in leasehold land and land use rights for use in its operations. Lump sum payments were made upfront to acquire these land interests from their previous registered owners or governments in the jurisdictions where the land is located. There are no ongoing payments to be made under the term of the land leases, other than insignificant lease renewal costs or payments based on rateables value set by the relevant government authorities. These payments are stated at cost and are amortized over the term of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognized as expenses in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(ii) The Group as the lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

(g) Property, plant and equipment

All property, plant and equipment are stated at historical costs less accumulated depreciation and accumulated impairment charges. Historical costs include expenditures that are directly attributable to the acquisition of the items.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.2 Summary of other accounting policies (Continued)

(g) Property, plant and equipment (Continued)

Replacement parts of aircraft engine repairment/maintenance are depreciated using the units-of-production method. Except for the replacement parts of aircraft engine repairment/maintenance and freehold land, depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Freehold land	Not depreciated
Buildings	10 – 50 years
Machinery and equipment	2 – 40 years
Aircraft, aircraft engines, rotables and other flight equipment	1.5 – 20 years
Other property, plant and equipment	2 – 20 years
Leasehold improvements	Shorter of their useful lives and the lease term

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.1(g)).

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

In relation to the aircraft fuselage within the properties, plants and equipment, the Group provided for depreciation over a period of 10 years in and before the year ended December 31, 2023. Based on the assessment conducted by the technical department of the Group with reference to the actual useful lives and utilization of aircraft, the Group considers that current estimated useful lives of aircraft no longer reflects the actual usage of the aircraft.

In order to more truly and accurately reflect the status and operating results of the Company's aircraft fuselage, and to better align the expected useful life of the aircraft fuselage with its actual service life, the Group has made an accounting estimate change to the expected useful lives of the aircraft fuselage.

This change in accounting estimate was implemented using the prospective method from January 1, 2024. The comparison of the changes in depreciation of the aircraft fuselage is as follows:

	Estimated useful lives	Estimated residual value	Depreciation rate
Before	10 years	5.00%	9.50%
After	10-20 years	5.00%	9.50%-4.75%

Construction in progress represents logistics centers and warehouses under construction and is stated at cost less impairment losses. It will be reclassified to the relevant property, plant and equipment category upon completion and depreciation begins when the relevant assets are available for use.

(h) Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, including properties under construction for such purpose, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. Such properties are measured initially at cost, including related transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties.

Depreciation is calculated on the straight-line basis to its residual value over its estimated useful life. The estimated useful lives are as follows:

Buildings	10 – 50 years
Land use rights	20 – 50 years

The carrying amounts of investment properties measured using the cost method are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of the retirement or disposal.

(i) Inventories

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.2 Summary of other accounting policies (Continued)

(j) Trade and other receivables

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

Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method, less provision for impairment. See Note 24 and Note 19 for further information about the Group's accounting for Trade and other receivables and Note 2.1(h) for a description of the Group's impairment policies.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as a separate current liability in the consolidated statement of financial position.

Restricted and pledged bank deposits are not included in cash and cash equivalents.

(l) Share capital and capital reserve

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

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

(m) Trade and other payables

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

(n) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

(o) Borrowing costs

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

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

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

(p) Provisions

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.2 Summary of other accounting policies (Continued)

(p) Provisions (Continued)

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

(q) Employee benefits

(i) Short-term obligations

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

(ii) Employment obligations

Housing funds, medical insurances and other social insurances

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

Termination benefits

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

(r) Share-based payments

Share-based payments can be distinguished into equity-settled share-based payments and cash-settled share-based payments. Equity-settled share-based payments are transactions of the Group settled through the payment of shares or other equity instruments in consideration for receiving services.

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of grant and the capital reserve is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognizing services rendered during the period in relevant costs or expenses and crediting the capital reserve accordingly at the fair value on the date of grant according to the best estimates conducted by the Group at each date of the end of the reporting period during the pending period. The fair value of equity instruments is determined by share price or using an adjusted form of the discounted cash flow or the binomial option pricing model. For details see Note 33. Share-based payment.

No expense is recognized for awards that do not ultimately vest due to non-fulfillment of non-market conditions and/or vesting conditions. For the market or non-vesting condition under the share-based payments agreement, it should be treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that other performance condition and/or vesting conditions are satisfied.

Where the terms of an equity-settled share-based payment are modified, as a minimum, services obtained are recognized as if the terms had not been modified. In addition, an expense is recognized for any modification which increases the total fair value of the instrument ranted or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. Where employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the pending period, equity-settled share-based payments are deemed cancelled. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the new awards are treated as if they were a modification of the original award.

Cash-settled share-based payments are those arrangements with employees where terms provide the Group to settle the transaction in cash. For cash-settled share-based payments, a liability equal to the portion of the services received is recognized at the current fair value determined at the end of the reporting period until the date of settlement, with any changes in fair value recognized in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. Summary of Accounting Policies (Continued)

2.2 Summary of other accounting policies (Continued)

(s) Dividend distribution

Dividend distributed to the shareholders is recognized as a liability in the consolidated financial statements in the period when the dividends are approved by the entities' shareholders or directors, where appropriate.

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

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

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

(u) Government grants

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

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

3. Financial Risk Management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group's major operational activities are carried out in mainland China and most of the transactions are denominated in RMB. Some operational activities are carried out in regions/countries including Hong Kong Special Administrative Region ("Hong Kong") and United States and relevant transactions are settled in Hong Kong Dollar ("HKD") and United States Dollar ("USD"). Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's subsidiaries. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at December 31, 2024 and 2023, for the Group's subsidiaries with RMB as the functional currency, major monetary assets and liabilities exposed to foreign exchange risk are listed below:

	USD denominated *RMB'000*	HKD denominated *RMB'000*	Others denominated *RMB'000*
At December 31, 2024			
Cash and cash equivalents	382,588	32,664	2,160
Trade and other receivables	541,416	22,940	47,901
Trade payables, accruals and other payables	(369,254)	(25,123)	(60,337)
Total	**554,750**	**30,481**	**(10,276)**
At December 31, 2023			
Cash and cash equivalents	254,389	45,245	6,177
Trade and other receivables	649,073	27,900	17,133
Trade payables, accruals and other payables	(391,029)	(56,703)	(62,492)
Total	**512,433**	**16,442**	**(39,182)**

As at December 31, 2024, for the above USD-denominated financial assets and financial liabilities, if the RMB strengthened or weakened by 5% against USD and with all variables held constant, the Group's profit before taxation would have decreased or increased by approximately RMB27,738,000 (2023: RMB25,622,000). Other foreign currencies of changes have no significant impact on foreign exchange risk.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at December 31, 2024 and 2023, for the Group's subsidiaries with HKD as the functional currency, major monetary assets and liabilities exposed to foreign exchange risk are listed below:

	USD denominated *RMB'000*	RMB denominated *RMB'000*	Other denominated *RMB'000*
At December 31, 2024			
Cash and cash equivalents	217,831	17,857	166
Trade and other receivables	28,725	17,723	–
Trade payables, accruals and other payables	(4,313)	(36,590)	(722)
Total	**242,243**	**(1,010)**	**(556)**
At December 31, 2023			
Cash and cash equivalents	384,796	98,862	34,738
Trade and other receivables	95,029	5,846	–
Trade payables, accruals and other payables	(97,982)	(8,046)	(5,148)
Total	**381,843**	**96,662**	**29,590**

For the Group's subsidiaries with HKD as the functional currency, the foreign exchange exposure of their non-functional currency denominated financial assets and financial liabilities was mainly derived from the USD. As USD is pegged against HKD, the foreign exchange exposure of the above-mentioned subsidiaries is not significant.

(ii) Price risk

The Group is exposed to price risk mainly arising from equity investments held by the Group that are classified either as FVPL or FVOCI that will not be sold within one year.

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to equity price risk of FVPL and FVOCI as at December 31, 2024 and 2023. If prices of the respective instruments held by the Group had been 10% higher/lower as at December 31, 2024 and 2023, profit for the year would have been approximately RMB47,742,000 (2023: RMB59,000,000) higher/lower as a result of gains/losses on financial instruments classified as at FVPL, other comprehensive income would have been approximately RMB823,199,000 (2023: RMB948,954,000) higher/lower as a result of gains/losses on financial instruments classified as at FVOCI.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk

The Group's interest rate risk primarily arises from long-term interest-bearing borrowings and bonds. Long-term borrowings issued at variable rates expose the Group to cash flow interest rate risk. Bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings and bonds issued at variable rates and fixed rates based on the market environment.

The Group has been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings at variable rates, which will further impact the performance of the Group. To hedge against the variability in the cash flows arising from a change in market interest rates, the Group may enter into certain interest rate swap contracts to swap variable rates into fixed rates.

The following tables list out the interest rate profiles of the Group's interest-bearing financial instruments as at December 31, 2024 and 2023:

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Floating rate instruments		
Long-term borrowings	6,186,386	11,355,241

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Fixed rate instruments		
Bonds		
– USD denominated	17,943,954	18,295,063
– RMB denominated	1,997,981	499,719

If interest rates of floating rate instruments had been 50 basis points higher or lower with all other variables held constant, profit before income tax would be lower or higher approximately RMB30,932,000 and RMB56,776,000 as at December 31, 2024 and 2023, respectively.

(b) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and contract assets, represent the Group's major exposure to credit risk in relation to financial assets.

(i) Credit risk of cash and bank balances, restricted and pledged bank deposits

To manage this risk arising from cash and cash equivalents and restricted cash, the Group mainly transacts with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is minimal.

(ii) Credit risk of trade receivables and contract assets

There is no concentration of credit risk with respect to trade receivables from third party customers as the Group has wide-ranging customers in different industries. In respect of customers with a poor credit history, sending written payment reminders, shortening or cancellation of credit periods and other follow-up actions are taken to ensure the overall credit risk of the Group is limited to a controllable extent. In addition, the Group has closely monitored the credit qualities and the collectability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made. In this regard, the Directors of the Company consider that the expected credit risks of them are adequately covered.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables and contract assets (Continued)

The Group has applied the IFRS 9 simplified approach to measuring ECLs which uses a lifetime ECLs for all trade receivables and contract assets. In calculating the expected credit loss rates, the Group considers historical loss rates, and adjusts for forward looking macroeconomic data. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

A default on trade receivables and contract assets is when the counterparty fails to make contractual payments when they fall due.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery.

On that basis, the loss allowance as at December 31, 2024 and 2023 was determined as follows for both trade receivables and contract assets:

	As at December 31, 2024			
	Gross amount			
	Trade and note receivables *RMB'000*	Contract assets *RMB'000*	Loss allowance *RMB'000*	Expected loss rate *%*
Assessed based on grouping				
– The third parties	28,280,344	2,737,292	794,255	2.56%
– The related parties	540,956	8,517	50,401	9.17%
Assessed individual	274,364	–	274,364	100.00%
Total	**29,095,664**	**2,745,809**	**1,119,020**	

	As at December 31, 2023			
	Gross amount			
	Trade and note receivables *RMB'000*	Contract assets *RMB'000*	Loss allowance *RMB'000*	Expected loss rate *%*
Assessed based on grouping				
– The third parties	25,957,399	1,635,220	700,939	2.54%
– The related parties	124,211	924	23,790	19.01%
Assessed individual	657,488	–	657,488	100.00%
Total	**26,739,098**	**1,636,144**	**1,382,217**	

(iii) Credit risk of lease receivables

For lease receivables resulted from lease transactions, the Group applies IFRS 9 simplified approach to measuring ECLs regardless of whether there exits a significant financing component.

As at December 31, 2024 and 2023, management is of the view that the credit risk of lease receivables is low and the loss allowance provision for lease receivables is not material.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Credit risk of other receivables (excluding lease receivables)

Loans and advances are presented in prepayments, other receivables and other assets in the consolidated statements of financial position and subject to the expected credit loss model. The Group developed credit policies and operational implementation rules for loans and advances in accordance with the requirements of relevant state regulatory authorities, and implemented standardized 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 analyzed the situation and dynamic of credit risks and took risk control measures on a forward-looking basis. The Group also established an optimization management mechanism for defective credit and accelerated the optimization progress of defective credit to avoid non-performing loans.

For other receivables excluding lease receivables and loans and advances, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. To assess whether there is a significant increase in credit risk in other receivables, the Group compares the risk of a default occurring on the assets at the end of each reporting period with the risk of default at the date of initial recognition. It considers available, reasonable, supportive forward-looking information. Especially, the following indicators are incorporated:

- external credit rating of the counterparty (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty; and
- significant expected changes in the performance and behavior of the counterparty, including changes in the payment status of the counterparty

Based on historical experiences, other receivables from related parties were settled within 12 months after upon maturity hence the expected credit loss is minimal.

As stated in note 2.1(g), impairment on other receivables accounted as amortized cost is measured as either 12-month ECL or lifetime ECL. On such basis, the following table sets forth the loss allowance for other receivables as at December 31, 2024 and 2023:

	Stage 1 12-month ECL *RMB'000*	Stage 2 Lifetime ECL *RMB'000*	Stage 3 Lifetime ECL *RMB'000*	Total *RMB'000*
As at December 31, 2024				
Expected credit loss rate	0.34%	N/A	100.00%	8.33%
Gross carrying amounts	3,694,742	–	322,238	4,016,980
Allowance for impairment	(12,573)	–	(322,238)	(334,811)
As at December 31, 2023				
Expected credit loss rate	0.76%	N/A	96.71%	7.66%
Gross carrying amounts	4,502,235	–	348,803	4,851,038
Allowance for impairment	(34,101)	–	(337,315)	(371,416)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate balances of such cash and cash equivalents.

The table below analyzes the Group's financial liabilities by relevant maturity groupings based on the remaining period since the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows or the carrying amount of the financial liabilities to be delivered.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
At December 31, 2024						
Financial liabilities at fair value through profit or loss	105,464	–	–	–	105,464	105,464
Trade and other payables (excluding salaries, wages and benefits payables, tax payables and other non-financial liabilities)	37,349,615	56,513	–	–	37,406,128	37,406,128
Borrowings	19,445,318	8,930,398	9,647,915	10,496,015	48,519,646	44,684,382
Lease liabilities	6,102,698	4,374,621	2,913,796	1,595,481	14,986,596	12,595,797
Total	**63,003,095**	**13,361,532**	**12,561,711**	**12,091,496**	**101,017,834**	**94,791,771**
At December 31, 2023						
Financial liabilities at fair value through profit or loss	92,120	–	–	–	92,120	92,120
Trade and other payables (excluding salaries, wages and benefits payables, tax payables and other non-financial liabilities)	35,775,997	563	–	–	35,776,560	35,776,560
Borrowings	23,358,218	4,426,187	16,910,274	11,972,971	56,667,650	52,706,015
Lease liabilities	6,102,697	4,569,459	2,529,679	1,784,760	14,986,595	13,808,460
Total	**65,329,032**	**8,996,209**	**19,439,953**	**13,757,731**	**107,522,925**	**102,383,155**

3. Financial Risk Management (Continued)

3.2 Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2024.

The Group monitors capital on the basis of the asset-liability ratio and the asset-liability ratio as at December 31, 2024 and 2023 were as follows:

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Total assets	213,824,213	221,490,655
Total liabilities	111,488,992	118,206,995
Asset-liability ratio	52.14%	53.37%

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at December 31, 2024 and 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

As at December 31, 2024 and 2023, the financial assets measured at fair value on a recurring basis by the above three levels were analyzed below:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	**Total** ***RMB'000***
As at December 31, 2024				
Non-current:				
Financial assets at FVPL				
– Industry fund investments	–	–	331,815	**331,815**
– others	–	–	145,601	**145,601**
Financial assets at FVOCI				
– Equity investment in entities, at fair value	1,033,218	–	7,198,776	**8,231,994**
Current:				
Financial assets at FVPL				
– Structured deposits	–	–	11,015,904	**11,015,904**
– Fund investment and others	78	2,797	227,377	**230,252**
Financial assets at FVOCI				
– Notes held for sale	–	170,913	–	**170,913**
As at December 31, 2023				
Non-current:				
Financial assets at FVPL				
– Industry fund investments	–	–	499,320	**499,320**
– others	–	–	90,676	**90,676**
Financial assets at FVOCI				
– Equity investment in entities, at fair value	2,418,842	–	7,070,693	**9,489,535**
Current:				
Financial assets at FVPL				
– Structured deposits	–	–	6,542,881	**6,542,881**
– Fund investment and others	78	354	266,429	**266,861**
Financial assets at FVOCI				
– Notes held for sale	–	99,978	–	**99,978**

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 major inputs of the valuation models include expected rate of return and discount of lack of market liquidity.

3. Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

The changes in Level 3 assets are analyzed below:

	Financial assets at FVPL				Financial assets at FVOCI
	Current		Non-Current		
	Structured deposits	Fund investment and others	Fund investment	Others	Equity investments
Opening balance	**6,542,881**	**266,429**	**499,320**	**90,676**	**7,070,693**
Additions	89,812,000	30,000	11,114	10,000	34
Transfer to Level 1	–	121,537	(93,125)	96,321	–
Disposals/settlements	(85,791,425)	(194,623)	(42,595)	–	(1,302)
Changes in fair value recognized in profit or loss	452,448	(2,738)	(47,111)	(52,365)	–
Changes in fair value recognized in other comprehensive income	–	–	–	–	(97,670)
Currency translation differences	–	6,772	4,212	969	227,021
Closing balance	**11,015,904**	**227,377**	**331,815**	**145,601**	**7,198,776**

The Group has assessed that the fair values of cash and cash equivalents, restricted bank deposits, trade receivables, trade and note payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals, short-term bank borrowings and short-term debentures approximate to their carrying amounts largely due to the short-term maturities of these instruments. For the year ended December 31, 2024, there were no significant transfers among Level 1, 2 and 3 of fair value measurements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements and the sensitivity analysis of fair value to the inputs:

Description	Fair value As at December 31, 2024 RMB'000	Fair value As at December 31, 2023 RMB'000	Valuation technique(s)	Significant unobservable input(s)	Range of inputs (probability-weighted average)	Sensitivity of fair value to the input(s)
Current:						
Financial assets at FVPL						
– Structured deposits	11,015,904	6,542,881	Discounted cash flow	Expected rate of return	1.40%-4.00%	10% increase/decrease in expected rate of return would result in increase/decrease in fair value by 0.03%-0.04%
– Fund investment and others	227,377	266,429	Adjusted net assets value	Adjusted net assets value	N/A	10% increase/decrease in adjusted net assets value would result in increase/ decrease in fair value by 10%
Non-current:						
Financial assets at FVPL						
– Industry fund investments	331,815	499,320	Adjusted net assets value	Adjusted net assets value	N/A	10% increase/ decrease in adjusted net assets value would result in increase/ decrease in fair value by 10%
– Others	145,601	90,676	Recent transaction price	N/A	N/A	N/A
Financial assets at FVOCI						
– Equity investment in entities, at fair value	7,198,776	7,070,693	Recent transaction price or a combination of observable and unobservable inputs	Discount for lack of marketability	13%-17%	10% increase/decrease in discount for lack of marketability would result in decrease/ increase in fair value by 1.55%-2.11%
	18,919,473	14,469,999				

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. Critical Accounting Estimates and Judgements

The Group makes estimates and judgements that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgements are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgements and accounting estimation, which have the significant effect on the amounts recognized in the financial statements.

4.1 Critical accounting estimate and its key assumption

(a) Measurement of the expected credit losses

For financial assets and contract assets at amortized 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.

(b) Estimated impairment of long-term assets (other than goodwill)

The Group tests whether property, plant and equipment, right-of-use assets, investment properties, intangible assets (other than goodwill) and other non-current assets have been impaired in accordance with the accounting policy stated in Note 2.1(g) to the consolidated financial statements. The recoverable amount of the cash-generating unit has been determined based on the higher of its value in use and its fair value less costs of disposal. The cash flow projections used to determine the value in use of a cash-generating unit is based on significant assumptions, such as growth rate and discount rate applied to the projected cash flows. These assumptions may be affected by unexpected changes in future market or economic conditions.

(c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. The recoverable amount of goodwill is determined at higher of fair value less costs of disposal and value in use amount. The calculations of value in use amount require use of estimates.

The Group has engaged independent external valuers to assist them in performing annual goodwill impairment assessment on KLN CGUs and Fenghao Supply Chain CGUs. Based on the valuation report issued by the independent external valuers, the Group uses the present value of expected future cash flows to determine the value in use for both CGUs. Due to the uncertainty in the development of the economic environment, revenue growth rate over the forecast period, terminal revenue growth rate, margin of earnings before interests and tax, and pre-tax discount rate used in the calculation of the present value of the future cash flows are also subject to uncertainty.

(d) Fair value of financial instruments determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, applying currently applicable and sufficiently available data, and the valuation techniques supported by other information, mainly include market approach and income approach, reference to the recent arm's length transactions, current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and option pricing models.

When using valuation techniques to determine the fair value of financial instruments, the Group would choose the input value in consistent with market participants, considering the transactions of related assets and liabilities. All related observable market parameters are considered in priority, including interest rate, foreign exchange rate, commodity prices and share prices or index. When related observable parameters are unavailable or inaccessible, the Group uses unobservable parameters and makes estimates for credit risk, market volatility and liquidity adjustments.

Using different valuation techniques and parameter assumptions may lead to significant difference of fair value estimation.

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For the year ended December 31, 2024

4. Critical Accounting Estimates and Judgements (Continued)

(e) Uncertain tax position and recognition of current and deferred income tax assets

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current income tax and deferred income tax in the period in which such determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary difference to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference, and the carry forward of unused tax credits and unused tax losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. To determine the future taxable profits, reference was made to the latest available profit forecast. The key assumptions adopted in the future taxable profit forecast include revenue growth rates and gross margin rates.

4.2 Critical accounting judgements

(a) Judgements on whether the Group can exercise significant influence on invested entity

The Group adopts equity method to those entities that the Group has significant influence over. In assessing if the Group has such a kind of influence, management would normally consider one or more of the following facts and circumstances: (i) share rights of the investee entity; (ii) representation on the board of directors or equivalent governing body of the investee; (iii) participation in policy-making processes, including participation in decisions about dividends or other distributions; (iv) material transactions between the entity and its investee; (v) interchange of managerial personnel; or (vi) provision of essential technical information.

(b) Scope of consolidation

Consolidation is required only if control exists. The Group controls an investee when it has all the following: (i) power over the investee, including the assessment of other share party's dispersion of holding; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. These three factors cannot be considered in isolation by the Group in its assessment of control over an investee. Where the factors of control are not apparent, significant judgement is applied in the assessment, which is based on an overall analysis of all of the relevant facts and circumstances.

The Group is required to reassess whether it controls the investee if facts and circumstances indicate a change to one or more of the three factors of control.

5. Revenue and Segment Information

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

(a) CODM reviews the Group's internal reporting in order to assess performance and allocate resources

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

The segment businesses are separately presented as the express and freight delivery segment, the intra-city on-demand delivery segment, and supply chain and international segment. The types of services from which reportable segments derive revenue are listed below:

- Express and freight delivery segment, which provides time-define express, economy express, cold chain and pharmaceuticals logistics service, as well as freight service;
- Intra-city on-demand delivery segment, which provides intra-city delivery for merchants and consumers, and last-mile delivery services;
- Supply chain and international segment, which provides supply chain services, international express service and international freight forwarding service.

Except for the above business segments, the other segments did not have a material impact on the Group's operating outcome, and as such are not separately presented. Management monitors the operating results of the Group's business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment performance is assessed based on key performance indicators. Transfer prices between operating segments are based on the amount stated in the contracts agreed by both sides.

For the year ended December 31, 2024 and 2023, no revenue from a single customer exceeded 10% or more of the total revenue.

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For the year ended December 31, 2024

5. Revenue and Segment Information (Continued)

(a) CODM reviews the Group's internal reporting in order to assess performance and allocate resources (Continued)

Segment information for the year ended December 31, 2024 is as follows:

	Express and freight delivery segment *RMB'000*	Supply chain and international segment *RMB'000*	Intra-city on-demand delivery segment *RMB'000*	Undistributed units *RMB'000*	Inter-segment elimination *RMB'000*	**Total** ***RMB'000***
Revenue from external customers	200,162,392	74,000,342	9,010,521	1,246,804	–	**284,420,059**
Inter-segment revenue	7,005,842	1,330,524	6,735,562	4,935,844	(20,007,772)	**–**
Cost of revenue	174,198,376	69,415,600	14,681,847	4,913,824	(17,685,535)	**245,524,112**
Profit/(loss) before income tax	13,157,825	(547,911)	144,963	824,127	28,257	**13,607,261**
Income tax expenses/(credits)	2,176,559	776,502	12,503	428,207	(5,355)	**3,388,416**
Net profit/(loss)	10,981,266	(1,324,413)	132,460	395,920	33,612	**10,218,845**
Total assets	101,068,424	66,091,896	4,519,821	156,845,741	(114,701,669)	**213,824,213**
Total liabilities	70,070,634	58,800,172	1,709,205	78,587,251	(97,678,270)	**111,488,992**
Depreciation of right-of-use assets *(Note 8)*	5,700,363	1,698,857	13,804	270,764	(885,005)	**6,798,783**
Depreciation and amortization (excluding right-of-use assets) *(Note 8)*	7,789,173	1,801,114	48,177	904,420	(9,410)	**10,533,474**
Net reversal of impairment losses/ (impairment losses) on financial assets and contract assets	119,609	156,095	3,118	40,225	(47,354)	**271,693**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

5. Revenue and Segment Information (Continued)

(a) CODM reviews the Group's internal reporting in order to assess performance and allocate resources (Continued)

Segment information for the year ended December 31, 2023 is as follows:

	Express and freight delivery segment *RMB'000*	Supply chain and international segment *RMB'000*	Intra-city on-demand delivery segment *RMB'000*	Undistributed units *RMB'000*	Inter-segment elimination *RMB'000*	**Total** ***RMB'000***
Revenue from external customers	186,890,137	62,859,302	7,371,250	1,288,714	–	**258,409,403**
Inter-segment revenue	12,231,353	733,174	5,029,453	4,430,069	(22,424,049)	**–**
Cost of revenue	171,457,160	58,474,528	11,606,756	4,372,537	(20,135,303)	**225,775,678**
Profit/(loss) before income tax	10,602,204	(328,849)	48,327	143,788	21,035	**10,486,505**
Income tax expenses/(credits)	2,149,342	205,652	(2,268)	229,825	(7,655)	**2,574,896**
Net profit/(loss)	8,452,862	(534,501)	50,595	(86,037)	28,690	**7,911,609**
Total assets	103,171,690	64,308,117	4,038,844	186,550,844	(136,578,840)	**221,490,655**
Total liabilities	72,928,079	53,658,452	1,218,597	84,432,442	(94,030,575)	**118,206,995**
Depreciation of right-of-use assets *(Note 8)*	6,083,423	1,707,837	27,188	67,026	(672,411)	**7,213,063**
Depreciation and amortization (excluding right-of-use assets) *(Note 8)*	7,549,542	1,651,130	52,445	874,960	(22,033)	**10,106,044**
Net reversal of impairment losses/(impairment losses) on financial assets and contract assets	(111,509)	82,879	3,668	67,481	(75,999)	**(33,480)**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

5. Revenue and Segment Information (Continued)

(b) The Group's business operates in three main geographical areas, even though they are managed on a worldwide basis

The Group's revenue by geographical areas is analyzed based on the following criteria:

Revenue from operations within the PRC excluding Hong Kong, Macau and Taiwan is classified as within mainland China operations. Revenue from operations within Hong Kong, Macau and Taiwan regions is classified as Hong Kong, Macau, Taiwan operations while revenue from operations in other overseas markets is classified as other international operations.

	Year ended December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Within mainland China	242,796,156	223,510,607
Hong Kong, Macau, Taiwan	9,467,291	9,134,850
Other international	32,156,612	25,763,946
Total	**284,420,059**	**258,409,403**

The non-current assets information below is based on the locations of the assets and exclude financial instruments and deferred tax assets.

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Within mainland China	92,143,600	95,919,000
Hong Kong, Macau, Taiwan	5,304,613	5,293,887
Other international	16,394,244	16,575,617
Total	**113,842,457**	**117,788,504**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

5. Revenue and Segment Information (Continued)

(c) Disaggregation of revenue

In the following table, revenue of the Group from contracts with customers is disaggregated by timing of satisfaction of performance obligations. The table also includes a reconciliation to the segment information in respect of revenue of the Group that is disclosed in the operating segment Note 5(a).

	Year ended December 31, 2024			
	Logistics and freight forwarding services *RMB'000*	Sales of goods *RMB'000*	Others *RMB'000*	**Total** ***RMB'000***
Revenue from main operations				
At a point in time	–	6,042,752	456,009	**6,498,761**
Over time	276,275,771	–	881,045	**277,156,816**
Lease income	–	–	365,962	**365,962**
Total	**276,275,771**	**6,042,752**	**1,703,016**	**284,021,539**
Revenue from other operations				
At a point in time	–	–	79,524	**79,524**
Over time	–	–	131,414	**131,414**
Lease income	–	–	187,582	**187,582**
	–	**–**	**398,520**	**398,520**
Total	**276,275,771**	**6,042,752**	**2,101,536**	**284,420,059**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

5. Revenue and Segment Information (Continued)

(c) Disaggregation of revenue (Continued)

	Year ended December 31, 2023			
	Logistics and freight forwarding services *RMB'000*	Sales of goods *RMB'000*	Others *RMB'000*	**Total** ***RMB'000***
Revenue from main operations				
At a point in time	–	5,626,072	306,401	**5,932,473**
Over time	251,127,665	–	619,037	**251,746,702**
Lease income	–	–	307,405	**307,405**
	251,127,665	**5,626,072**	**1,232,843**	**257,986,580**
Revenue from other operations				
At a point in time	–	–	100,907	**100,907**
Over time	–	–	136,465	**136,465**
Lease income	–	–	185,451	**185,451**
	–	**–**	**422,823**	**422,823**
Total	**251,127,665**	**5,626,072**	**1,655,666**	**258,409,403**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

6. Other Income

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Government grants *(Note (a))*	679,226	1,983,551
Dividend income	1,005	2,438
Others	309,509	295,213
Total	**989,740**	**2,281,202**

Note:

(a) The government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives and tax preferences, to reward the Group's support and contribution to the development of local economies. As at December 31, 2024 and 2023, there were no unfulfilled conditions or contingencies relating to these government grants.

7. Other Gains, Net

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Gains on disposal of investments in associates and joint ventures	89,622	21,441
Gains on disposal of investments in subsidiaries *(Note 36(b))*	80,615	268,204
Fair value changes in financial assets at FVPL	509,717	529,513
Losses on disposal of property, plant and equipment, right-of-use assets and other non-current assets	(60,228)	(53,891)
Impairment of inventories, property, plant and equipment and other non-current assets	(141,622)	(62,390)
Net exchange gains/(losses)	82,290	(96,381)
Gains on repurchase of corporate bonds	87,779	–
Others	(279,300)	(198,022)
Total	**368,873**	**408,474**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

8. Expenses by Nature

Expenses included in cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses are analyzed as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Labour outsourcing cost	97,445,480	88,615,879
Transportation expenses	54,096,591	44,578,173
Transportation outsourcing cost	39,197,467	38,352,035
Employee benefit expenses *(Note 9)*	33,195,660	31,776,779
Depreciation and amortization (excluding right-of-use assets)	10,533,474	10,106,044
Rent and venue usage expenses	7,457,712	7,100,757
Depreciation of right-of-use assets *(Note 15)*	6,798,783	7,213,063
Auditor's remuneration	62,517	64,508
Others	21,098,612	21,011,392
Total	**269,886,296**	**248,818,630**

Note:

(a) Government grants amounting to approximately RMB995,635,000 and RMB164,944,000 had been recognized as deduction in the cost of revenue for the year ended December 31, 2024 and 2023, respectively.

9. Employee Benefit Expenses

(a) Employee benefit expenses are analyzed as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Salaries, wages and bonuses	27,655,159	26,127,739
Share-based compensation expenses *(Note 33)*	80,494	543,046
Contributions to pension plans	1,461,557	1,301,124
Other employee benefits	3,998,450	3,804,870
Total	**33,195,660**	**31,776,779**

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For the year ended December 31, 2024

9. Employee Benefit Expenses (Continued)

(b) Directors' and supervisors' remuneration

	Fees	Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	Share-based compensation expense	**Total**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Year ended December 31, 2024				
Executive Directors				
Mr. Wang Wei	–	1,309	–	**1,309**
Mr. Ho Chit	305	7,543	1,735	**9,583**
Ms. Wang Xin	133	3,464	749	**4,346**
Mr. Zhang Dong *(ii)*	–	1,685	1,153	**2,838**
Mr. Xu Bensong *(i)*	–	403	124	**527**
Independent non-executive Directors				
Mr. CHAN Charles Sheung Wai	–	680	–	**680**
Mr. Lee Carmelo Ka Sze	–	680	–	**680**
Dr. Ding Yi	–	680	–	**680**
Supervisors				
Mr. Shum Tze Leung	–	315	–	**315**
Ms. Wang Jia	–	1,450	–	**1,450**
Ms. Li Juhua	–	1,842	–	**1,842**
Mr. Zhang Shun	–	940	–	**940**
Mr. Liu Jilu	–	–	–	**–**
Total	**438**	**20,991**	**3,761**	**25,190**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

9. Employee Benefit Expenses (Continued)

(b) Directors' and supervisors' remuneration (Continued)

	Fees	Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	Share-based compensation expense	**Total**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Year ended December 31, 2023				
Executive Directors				
Mr. Wang Wei	–	1,161	–	**1,161**
Mr. Ho Chit	426	6,240	2,945	**9,611**
Ms. Wang Xin	–	3,120	2,945	**6,065**
Mr. Zhang Dong *(ii)*	–	2,626	2,945	**5,571**
Independent non-executive Directors				
Mr. CHAN Charles Sheung Wai	–	680	–	**680**
Mr. Lee Carmelo Ka Sze	–	680	–	**680**
Dr. Ding Yi	–	680	–	**680**
Supervisors				
Mr. Shum Tze Leung	–	641	–	**641**
Ms. Wang Jia	–	1,148	–	**1,148**
Ms. Li Juhua	–	1,692	–	**1,692**
Mr. Zhang Shun	–	766	–	**766**
Mr. Liu Jilu	–	–	–	**–**
Total	**426**	**19,434**	**8,835**	**28,695**

Notes:

(i) Mr. Xu Bensong was appointed as an executive director on October 30, 2024.

(ii) Mr. Zhang Dong resigned as an executive director on June 26, 2024.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

9. Employee Benefit Expenses (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2024 and 2023 include 1 and 3 directors respectively whose emoluments are reflected in the analysis shown in Note 9(b), respectively. The emoluments paid to the remaining 4 and 2 individuals during the years ended December 31, 2024 and 2023, respectively are as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	15,020	6,142
Share-based compensation expenses	2,972	5,890
Total	**17,992**	**12,032**

The emoluments of the above individuals fell within the following bands:

	Year ended December 31,	
	2024	2023
HK$3,500,001 to HK$4,000,000	–	–
HK$4,000,001 to HK$4,500,000	–	–
HK$4,500,001 to HK$5,000,000	2	–
HK$5,000,001 to HK$5,500,000	–	–
HK$5,500,001 to HK$6,000,000	–	–
HK$6,000,001 to HK$6,500,000	–	1
HK$6,500,001 to HK$7,000,000	2	–
HK$7,000,001 to HK$7,500,000	–	1
HK$7,500,001 to HK$8,000,000	–	–
HK$8,000,001 to HK$8,500,000	–	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

10. Finance Income and Costs

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Finance income:		
Interest income on deposits in financial institutions	617,713	633,373
Finance costs:		
Interest expenses on borrowings	1,912,201	1,808,850
Interest expenses on lease liabilities *(Note 15 (b))*	503,871	564,374
Less: Interest capitalized	(42,753)	(103,524)
	2,373,319	2,269,700
Finance costs, net	**1,755,606**	**1,636,327**

The average capitalization rates for the year ended December 31, 2024 and 2023 used to determine the amount of borrowing costs eligible for capitalization were 2.83% and 2.75%, respectively.

11. Income Tax Expense

The following table sets forth the component of income tax expense of the Group for the years ended December 31, 2024 and 2023, respectively:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Current income tax	3,640,127	3,340,596
Deferred income tax *(Note 18)*	(251,711)	(765,700)
Total	**3,388,416**	**2,574,896**

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For the year ended December 31, 2024

11. Income Tax Expense (Continued)

Reconciliation between income tax expenses and profit before income tax at applicable tax rates for the years ended December 31, 2024 and 2023:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Profit before income tax	13,607,261	10,486,505
Tax at the statutory tax rate of 25% *(Note (a))*	3,401,815	2,621,626
Effects of different tax rates applicable to different jurisdictions *(Note (b))*	(217,848)	(211,891)
Tax effect of non-taxable income	(135,435)	(109,495)
Adjustments of prior years	(8,410)	(32,451)
Tax effect of non-deductible expenses	528,443	296,602
Tax effect of preferential tax rate *(Note (a))*	(408,664)	(364,417)
Tax losses and temporary differences not recognized	790,710	879,651
Reversal of previously recognized tax losses and temporary differences	260,565	30,752
Utilization of previously unrecognized tax losses and temporary differences	(385,547)	(378,149)
Recognition of tax losses and temporary differences not recognized in prior years	(437,213)	(157,332)
Total	**3,388,416**	**2,574,896**

(a) PRC corporate income tax ("PRC CIT")

The income tax rate applicable to the principal subsidiaries in Mainland China is 25%, except for certain subsidiaries which enjoy a preferential income tax rate.

For qualified small and micro-sized enterprises, the annual taxable income up to RMB3,000,000 (inclusive) is subject to an effective CIT rate of 5% from January 1, 2023 to December 31, 2027.

Besides, certain Group's subsidiaries benefit from a preferential tax rate of 15% under the CIT Law if they are qualified as high and new technology enterprises under relevant regulations or located in applicable PRC regions, such as certain western regions and special economic zone, as specified in the relevant catalogue of encouraged industries, subject to certain general restrictions described in the CIT Law and the related regulations.

(b) Corporate income tax in Hong Kong and other jurisdictions

(i) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 8.25% on assessable profits up to HKD2,000,000 and 16.5% on any assessable profits over HKD2,000,000 for the years ended December 31, 2024 and 2023.

(ii) Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including Macau, Singapore, Japan, South Korea, the United States and Thailand, has been calculated on the estimated assessable profit for the year at the respective rates prevailing in the relevant jurisdictions, ranging from 12% to 24% for the years ended December 31, 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

11. Income Tax Expense (Continued)

(c) OECD Pillar Two model rules

The Group is within the scope of the Pillar Two model rules released by the Organization for Economic Co-operation and Development ("OECD"). The Pillar Two legislation had become effective in certain jurisdictions on January 1, 2024. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12. Under the Pillar Two legislation, the Group is liable to pay a top-up tax for difference between its Global Anti-Base Erosion ("GloBE") effective tax rate in each jurisdiction and the 15% minimum rate. The Group management's assessment indicates that the quantitative impact of the Pillar Two legislation is insignificant to the Group.

12. Dividends

Dividends declared and paid to the equity shareholders of the Company for the years ended December 31, 2024 and 2023 are as follows:

	Year ended December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Interim dividend paid of RMB40 cents per ordinary share	1,918,166	–
Special dividend paid of RMB100 cents per ordinary share	4,795,416	–
	6,713,582	–
Final dividend paid of RMB60 cents per ordinary share	2,889,210	1,213,616
	9,602,792	1,213,616

(a) Interim dividend and special dividend

An interim dividend for the six months ended June 30, 2024 of RMB40 cents per ordinary share (tax inclusive) and a special dividend of RMB1 per ordinary share (tax inclusive) were approved by the shareholders at the first extraordinary general meeting on October 29, 2024. The total amount of the special dividend was RMB6,713,582,000.

(b) Final dividend for the year ended December 31, 2023 and 2022

On April 30, 2024, the Company convened its annual shareholders' meeting to implement the profit distribution plan for the year ended December 31, 2023. The Company declared a cash dividend of RMB60 cents per share (tax included) (for the year ended December 31, 2022: RMB25 cents per share). The total amount of the cash dividend was RMB2,889,210,000 (for the year ended December 31, 2022: RMB1,213,616,000).

(c) Proposed final dividend for the year ended December 31, 2024

The Board resolved to propose to the Shareholders in the forthcoming annual general meeting for the distribution of a final dividend of RMB44 cents per share for the year ended December 31, 2024. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

13. Earnings Per Share

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2024	2023
Profit attributable to owners of the Company *(RMB'000)*	10,170,427	8,234,493
Weighted average number of shares in issue *(in thousands)*	4,828,432	4,850,498
Basic EPS *(RMB per share)*	2.11	1.70

(b) Diluted

The share options granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options. For the year ended December 31, 2024, the share options granted by the Company had anti-dilutive effect on the EPS.

	Year ended December 31,	
	2024	2023
Profit attributable to owners of the Company *(RMB'000)*	10,170,427	8,234,493
Profit attributable to owners of the Company for the calculation of Diluted EPS *(RMB'000)*	10,170,427	8,234,493
Weighted average number of shares in issue *(in thousands)*	4,828,432	4,850,498
Adjustment for share options *(in thousands)*	–	4,484
Weighted average number of shares for the calculation of Diluted EPS *(in thousands)*	4,828,432	4,854,982
Diluted EPS *(RMB per share)*	2.11	1.70

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For the year ended December 31, 2024

14. Property, Plant and Equipment

	Freehold land and buildings *RMB'000*	Aircraft, aircraft engines, rotables and high-value maintenance *RMB'000*	Machinery and equipment *RMB'000*	Transportation vehicles *RMB'000*	Computers and electronic equipment *RMB'000*	Office and other equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost									
As at January 1, 2024	29,185,339	15,497,033	14,999,446	7,434,951	5,126,023	10,839,453	7,335,820	4,050,208	94,468,273
Additions *(Note (c))*	977,191	352,831	348,685	704,644	346,954	214,167	196,240	5,989,057	9,129,769
Business combinations	–	–	6	3,938	4,068	2,109	–	–	10,121
Disposals	(4,778)	(144,515)	(394,096)	(1,119,751)	(342,241)	(728,592)	(159,304)	(30,454)	(2,923,731)
Disposal of subsidiaries	(309,843)	–	–	–	–	–	(42,518)	(18,209)	(370,570)
Transfer/reclassification	1,497,561	1,878,760	1,347,203	128	100,411	40,340	939,456	(7,004,900)	(1,201,041)
Currency translation differences	136,690	–	57,768	33,106	(115)	6,516	(43,556)	–	190,409
As at December 31, 2024	31,482,160	17,584,109	16,359,012	7,057,016	5,235,100	10,373,993	8,226,138	2,985,702	99,303,230
Accumulated depreciation									
As at January 1, 2024	2,918,323	6,643,870	4,363,601	4,806,341	3,779,913	6,638,702	5,194,142	–	34,344,892
Charge for the year *(Note (b))*	858,634	1,438,240	1,670,007	1,117,240	621,275	1,314,585	1,066,798	–	8,086,779
Business combinations	–	–	6	2,633	3,008	1,499	–	–	7,146
Disposals	(105)	(117,181)	(185,311)	(1,030,581)	(312,993)	(521,867)	(126,129)	–	(2,294,167)
Disposal of subsidiaries	(8,731)	–	–	–	–	–	(20,767)	–	(29,498)
Transfer/reclassification	(114,207)	–	–	–	–	–	153	–	(114,054)
Currency translation differences	11,861	–	31,284	17,601	(2,057)	(6,513)	(18,688)	–	33,488
As at December 31, 2024	3,665,775	7,964,929	5,879,587	4,913,234	4,089,146	7,426,406	6,095,509	–	40,034,586
Accumulated impairment									
As at January 1, 2024	–	–	1,633	–	–	8	–	17,324	18,965
Charge for the year	–	–	43,195	40,393	8,245	1,276	127	885	94,121
Disposal of subsidiaries	–	–	–	–	–	–	–	(18,209)	(18,209)
Currency translation differences	–	–	(256)	123	(330)	(75)	–	–	(538)
As at December 31, 2024	–	–	44,572	40,516	7,915	1,209	127	–	94,339
Net book value									
As at December 31, 2024 *(Note (a))*	27,816,385	9,619,180	10,434,853	2,103,266	1,138,039	2,946,378	2,130,502	2,985,702	59,174,305

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

14. Property, Plant and Equipment (Continued)

	Freehold land and buildings *RMB'000*	Aircraft, aircraft engines, rotables and high-value maintenance *RMB'000*	Machinery and equipment *RMB'000*	Transportation vehicles *RMB'000*	Computers and electronic equipment *RMB'000*	Office and other equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost									
As at January 1, 2023	**20,737,655**	**13,343,778**	**11,050,506**	**7,360,813**	**5,145,818**	**10,964,878**	**6,415,027**	**11,151,005**	**86,169,480**
Additions *(Note (c))*	1,272,496	343,764	346,663	1,189,776	425,863	381,899	135,955	8,109,500	12,205,916
Business combinations	84,384	–	15,557	3,884	2,924	5,204	–	–	111,953
Disposals	(22,595)	(385,452)	(304,089)	(1,144,248)	(588,257)	(530,076)	(114,085)	(94,900)	(3,183,702)
Disposal of subsidiaries	(44,337)	–	(18,218)	(2,652)	(8,462)	(39,382)	(49,432)	–	(162,483)
Transfer/reclassification	7,096,850	2,194,943	3,838,146	399	134,166	69,534	938,141	(15,115,397)	(843,218)
Currency translation differences	60,886	–	70,881	26,979	13,971	(12,604)	10,214	–	170,327
As at December 31, 2023	**29,185,339**	**15,497,033**	**14,999,446**	**7,434,951**	**5,126,023**	**10,839,453**	**7,335,820**	**4,050,208**	**94,468,273**
Accumulated depreciation									
As at January 1, 2023	**2,208,458**	**5,577,042**	**3,210,478**	**4,843,978**	**3,595,671**	**5,480,050**	**4,318,624**	**–**	**29,234,301**
Charge for the year *(Note (b))*	695,828	1,361,913	1,253,916	1,011,297	725,963	1,588,891	974,378	–	7,612,186
Business combinations	17,726	–	10,726	3,479	2,749	4,380	–	–	39,060
Disposals	(12,780)	(295,085)	(145,085)	(1,061,855)	(549,407)	(415,938)	(66,885)	–	(2,547,035)
Disposal of subsidiaries	(6,677)	–	(4,888)	(2,046)	(6,592)	(11,066)	(36,657)	–	(67,926)
Transfer/reclassification	23,923	–	–	–	–	–	–	–	23,923
Currency translation differences	(8,155)	–	38,454	11,488	11,529	(7,615)	4,682	–	50,383
As at December 31, 2023	**2,918,323**	**6,643,870**	**4,363,601**	**4,806,341**	**3,779,913**	**6,638,702**	**5,194,142**	**–**	**34,344,892**
Accumulated impairment									
As at January 1, 2023	**–**	**–**	**1,633**	**–**	**–**	**28,734**	**–**	**1,145**	**31,512**
Charge for the year	–	–	–	–	–	–	–	17,443	17,443
Disposals	–	–	–	–	–	(28,726)	–	(1,264)	(29,990)
As at December 31, 2023	**–**	**–**	**1,633**	**–**	**–**	**8**	**–**	**17,324**	**18,965**
Net book value									
As at December 31, 2023 *(Note (a))*	**26,267,016**	**8,853,163**	**10,634,212**	**2,628,610**	**1,346,110**	**4,200,743**	**2,141,678**	**4,032,884**	**60,104,416**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

14. Property, Plant and Equipment (Continued)

Notes:

(a) Certain property, plant and equipment with a net carrying amount of approximately RMB490,886,000 as at December 31, 2024 (2023: RMB809,139,000), were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (Note 26).

(b) Depreciation amounting to approximately RMB8,083,172,000 had been recognized in consolidated statement of profit or loss for the year ended December 31, 2024 (2023: RMB7,586,164,000).

(c) The additions of buildings for the years ended December 31, 2024 and 2023 mainly included the acquisition of assets through acquisition of subsidiaries (Note 35(b)).

15. Lease

This note provides information for leases where the Group is a lessee.

(a) Amounts recognized in the consolidated statement of financial position

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Right-of-use assets		
Buildings	12,730,196	13,692,555
Leasehold land and land use rights	6,783,528	6,816,476
Motor vehicles	81,877	333,921
Equipment and others	30,028	47,095
Total	**19,625,629**	**20,890,047**
Lease liabilities		
Current	5,501,314	5,769,965
Non-current	7,094,483	8,038,495
Total	**12,595,797**	**13,808,460**

Additions to the right-of-use assets for the year ended December 31, 2024 were approximately RMB6,984,602,000 (2023: RMB6,804,625,000).

Leasehold land and land use rights with a net carrying amount of approximately RMB203,922,000 as at December 31, 2024 (2023: RMB292,495,000) were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (Note 26).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

15. Lease (Continued)

(b) Amounts recognized in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Buildings	6,442,034	6,874,516
Leasehold land and land use rights	200,618	191,595
Motor vehicles	136,327	126,643
Equipment and others	19,804	20,309
Total	**6,798,783**	**7,213,063**
Interest expenses *(Note 10)*	503,871	564,374
Expense relating to short-term leases and low-value assets (included in costs and expenses)	4,041,341	3,601,571
Total cash outflow for leases (included in operating and financing cash outflow)	11,722,206	11,582,911

The Group has various lease contracts that have not yet commenced as at December 31, 2024 and 2023. The future lease payments for these non-cancellable lease contracts are as below:

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Within 1 year (including 1 year)	893,228	1,344,393
Between 1 and 2 years (including 2 years)	529,230	458,299
Between 2 and 3 years (including 3 years)	489,211	560,409
Over 3 years	2,733,760	2,834,483
Total	**4,645,429**	**5,197,584**

16. Investment Properties

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Cost		
At the beginning of the year	**6,742,097**	**5,088,473**
Additions	25,067	709,420
Disposal of subsidiaries	(202,598)	(1,548)
Transfer/reclassification	1,326,722	944,698
Exchange adjustment	(37,711)	1,054
At the end of the year	**7,853,577**	**6,742,097**
Accumulated depreciation		
At the beginning of the year	**323,377**	**213,107**
Charge for the year	164,614	125,712
Disposal of subsidiaries	(10,802)	(45)
Transfer/reclassification	128,572	(16,471)
Exchange adjustment	6,617	1,074
At the end of the year	**612,378**	**323,377**
Net book value		
At the end of the year *(Note (a))*	**7,241,199**	**6,418,720**

Notes:

(a) Certain investment properties with a net carrying amount of approximately RMB111,847,000 as at December 31, 2024 (2023: RMB111,124,000) were pledged as securities for bank loan facilities and bank overdrafts granted to the Group (Note 26).

(b) Valuation processes of the Group: The fair values of the investment properties were estimated by management or independent professional property valuers as at December 31, 2024 and 2023. The valuations are derived using direct comparison method or income capitalization method. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently been transacted. Income capitalization method is based on the capitalization of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalization rates. Capitalization is estimated by valuer based on the risk profile of the properties being valued.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

16. Investment Properties (Continued)

(b) Valuation processes of the Group (Continued)

The fair values of the investment properties were set out as follows:

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Investment properties at fair value	8,639,880	7,937,199

(c) Leasing arrangements

The Group leases various offices and warehouses to lessees under non-cancellable operating lease agreements with rentals receivable monthly. The lease terms are mainly between 1 year and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rates. Minimum lease payments receivable on leases of investment properties are as follows:

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Land and buildings:		
Within 1 year (including 1 year)	418,210	371,269
Between 1 and 2 years (including 2 years)	314,925	240,171
Between 2 and 3 years (including 3 years)	223,282	146,234
Between 3 and 4 years (including 4 years)	148,307	90,435
Between 4 and 5 years (including 5 years)	113,522	56,615
Over 5 years	262,618	206,636
Total	**1,480,864**	**1,111,360**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

17. Intangible Assets

	Development expenditures *RMB'000*	Goodwill *RMB'000*	Customer relationships *RMB'000*	Software *RMB'000*	Trademarks *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost							
As at January 1, 2024	**129,845**	**9,572,871**	**5,952,090**	**8,134,147**	**4,966,033**	**358,340**	**29,113,326**
Additions	560,106	135,524	–	46,143	–	1,145	742,918
Business combinations	–	–	38,576	1,464	–	4,781	44,821
Disposals	(25,733)	–	–	(188,126)	(4,627)	(2,564)	(221,050)
Disposal of subsidiaries	–	–	–	(38)	–	–	(38)
Transfer/reclassification	(581,729)	–	–	581,729	–	–	–
Currency translation differences	–	298,405	171,815	15,870	191,487	2,021	679,598
As at December 31, 2024	**82,489**	**10,006,800**	**6,162,481**	**8,591,189**	**5,152,893**	**363,723**	**30,359,575**
Accumulated amortization							
As at January 1, 2024	**–**	**–**	**1,150,340**	**5,778,057**	**842,331**	**211,727**	**7,982,455**
Charge for the year	–	–	339,566	1,494,804	417,402	26,876	2,278,648
Business combinations	–	–	–	1,076	–	–	1,076
Disposals	–	–	–	(143,063)	(627)	(987)	(144,677)
Disposal of subsidiaries	–	–	–	(38)	–	–	(38)
Currency translation differences	–	–	28,122	13,522	59,123	1,473	102,240
As at December 31, 2024	**–**	**–**	**1,518,028**	**7,144,358**	**1,318,229**	**239,089**	**10,219,704**
Impairment							
As at January 1, 2024	**–**	**2,435**	**–**	**97,428**	**4**	**6**	**99,873**
Charge for the year	–	–	15,403	12,632	–	–	28,035
Disposals	–	–	–	(24,226)	(4)	–	(24,230)
As at December 31, 2024	**–**	**2,435**	**15,403**	**85,834**	**–**	**6**	**103,678**
Net book value							
As at December 31, 2024	**82,489**	**10,004,365**	**4,629,050**	**1,360,997**	**3,834,664**	**124,628**	**20,036,193**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

17. Intangible Assets (Continued)

	Development expenditures *RMB'000*	Goodwill *RMB'000*	Customer relationships *RMB'000*	Software *RMB'000*	Trademarks *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost							
As at January 1, 2023	**311,757**	**9,348,179**	**5,855,067**	**7,182,341**	**4,887,350**	**337,155**	**27,921,849**
Additions	1,077,980	–	–	99,543	797	20,943	1,199,263
Business combinations	–	85,219	–	14	11	–	85,244
Disposals	(7,525)	–	–	(210,858)	(92)	(2,284)	(220,759)
Disposal of subsidiaries	–	(10,618)	–	(193,930)	–	–	(204,548)
Transfer/reclassification	(1,252,367)	–	–	1,252,367	–	–	–
Currency translation differences	–	150,091	97,023	4,670	77,967	2,526	332,277
As at December 31, 2023	**129,845**	**9,572,871**	**5,952,090**	**8,134,147**	**4,966,033**	**358,340**	**29,113,326**
Accumulated amortization							
As at January 1, 2023	**–**	**–**	**793,438**	**4,214,372**	**584,365**	**178,022**	**5,770,197**
Charge for the year	–	–	335,626	1,780,594	247,462	32,068	2,395,750
Business combinations	–	–	–	8	–	–	8
Disposals	–	–	–	(144,377)	(22)	(567)	(144,966)
Disposal of subsidiaries	–	–	–	(75,249)	–	–	(75,249)
Currency translation differences	–	–	21,276	2,709	10,526	2,204	36,715
As at December 31, 2023	**–**	**–**	**1,150,340**	**5,778,057**	**842,331**	**211,727**	**7,982,455**
Impairment							
As at January 1, 2023	**–**	**2,435**	**–**	**64,595**	**4**	**6**	**67,040**
Charge for the year	–	–	–	38,853	–	–	38,853
Disposals	–	–	–	(6,020)	–	–	(6,020)
As at December 31, 2023	**–**	**2,435**	**–**	**97,428**	**4**	**6**	**99,873**
Net book value							
As at December 31, 2023	**129,845**	**9,570,436**	**4,801,750**	**2,258,662**	**4,123,698**	**146,607**	**21,030,998**

17. Intangible Assets (Continued)

(a) Recognition of goodwill

The carrying amount of goodwill allocated to Cash-Generating Units or the groups of Cash-Generating Units ("CGUs"):

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
KLN CGUs	6,138,923	5,889,255
Fenghao Supply Chain CGUs	3,184,723	3,082,119
KEX CGUs	64,508	–
SXH CGUs (Note (d))	380,138	367,896
Others	236,073	231,166
Total	**10,004,365**	**9,570,436**

As stated in Note 2.1(e), goodwill would be tested for impairment annually. If the carrying amount exceeds its estimated recoverable amount, which is the higher of value in use and fair value less costs of disposal, the difference of which would be recognized in profit and loss immediately.

The Group acquired KLN in 2021. KLN acquired Topocean and Pro-Med in 2022 and other subsidiaries in 2023. During the year ended December 31, 2024, the balance of goodwill increased mainly due to the acquisition of 100% shares of Business By Air SAS ("BBA"). The management was of the view that the synergies among the operations of KLN, Topocean, Pro-Med, BBA and other subsidiaries acquired by KLN had gradually formed upon the completion of the above mentioned acquisitions. As a result, the Group regarded KLN, Topocean, Pro-Med, BBA and other subsidiaries acquired by KLN as one CGUs.

During the year ended December 31, 2024, KLN distributed a special interim dividend by way of a distribution in specie of 907,200,000 shares of KEX indirectly held by KLN (representing approximately 52.1% of all issued KEX shares). After the distribution, the Group received an aggregate of 467,373,855 KEX shares, representing approximately 26.8% of all issued KEX shares, triggering a mandatory tender offer to acquire all KEX shares in accordance with the requirements of the Thai Code (Securities and Exchange Act B.E. 2535 (1992) (as amended), Notification of Capital Market Supervisory Board Tor Jor. 12/2554 Re: Rules, Conditions and Procedures for the Acquisition of Securities for Business Takeover (as amended), and any other relevant rules, regulations, and notifications issued thereunder). The Group made a tender offer to acquire KEX shares with an offer price of THB5.50 per share. On March 26, 2024 ("the date of reorganization"), the abovementioned interim dividend distribution and tender offer were completed, and the Group acquired in aggregate 1,091,818,327 KEX shares, representing 62.7% of all issued KEX shares.

Upon completion of the above transactions, since KEX was no longer directly held and managed by KLN, the Group reclassified the KLN CGUs into two separate CGUs, KEX CGUs and KLN CGUs (excluding KEX CGUs). The goodwill arising from the acquisition of KLN in 2021 was reallocated by the Group on the basis of the relative values of the operation of KLN CGUs and KEX CGUs as at the date of the reorganization, through which goodwill of approximately RMB62,430,000 was reallocated to KEX CGUs.

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17. Intangible Assets (Continued)

(b) Impairment tests

The following table sets out the key assumptions used for value in use calculations of KLN CGUs and Fenghao Supply Chain CGUs:

	Year ended December 31,	
	2024	2023
Revenue growth rate over the forecast period	2.00%~15.30%	2.50%~16.64%
Terminal revenue growth rate	2.00%	2.00%~2.50%
Margin of earnings before interests and tax	0.03%~5.75%	-0.20%~6.60%
Pre-tax discount rate	10.55%~13.40%	11.90%~14.00%

Various factors were taken into consideration when determine the appropriate terminal revenue growth rate used over the forecast period, including the long-term inflation rates of mainland China, Hong Kong and US, etc. This growth rate does not exceed the long-term average growth rate for the market in which the relative business operates.

Management determined budgeted margin of earnings before interests and tax and revenue growth rates based on historical performance and its expectations of the market development.

The pre-tax discount rates reflected the current market assessment of the time value of money and the risks specific to the business.

(c) Impact of possible changes in key assumptions

The recoverable amount of KLN CGUs is estimated to exceed its carrying amount at December 31, 2024 by approximately RMB1,012 million (2023: RMB1,375 million).

The recoverable amount of Fenghao Supply Chain CGUs is estimated to exceed its carrying amount at December 31, 2024 by approximately RMB443 million (2023: RMB411 million).

The management has considered and assessed reasonably possible changes for key assumptions and has not identified any instances that could cause the carrying amount of each CGUs to exceed its respective recoverable amount.

The recoverable amount of each CGUs would equal to its carrying amount if each key assumption was to change as follows with all other variables held constant:

KLN CGUs	As at December 31,	
	2024	2023
Revenue growth rate over the forecast period	5.54%~8.54%	8.98%~12.05%
Terminal revenue growth rate	1.66%	1.50%
Margin of earnings before interests and tax	4.50%~5.44%	4.76%~5.41%
Pre-tax discount rate	13.76%	14.48%

17. Intangible Assets (Continued)

(c) Impact of possible changes in key assumptions (Continued)

Fenghao Supply Chain CGUs	As at December 31,	
	2024	2023
Revenue growth rate over the forecast period	1.42%~14.82%	2.02%~16.19%
Terminal revenue growth rate	1.43%	1.89%
Margin of earnings before interests and tax	-0.54%~5.18%	-0.55%~6.25%
Pre-tax discount rate	11.09%	12.41%

(d) Rebranding of SXH

On July 31, 2018 (the "acquisition date"), the Group completed the acquisition of HAVI Logistics Services (Hong Kong) Ltd., and its subsidiaries and recognized goodwill of approximately RMB351,075,000. This goodwill was allocated to HAVI Supply Chain CGUs on the acquisition date. In June 2024, HAVI was rebranded as SXH. The allocation of goodwill to the CGUs remained unchanged after the renaming.

18. Deferred Tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority.

The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Deferred tax assets	5,251,652	5,599,191
Offsetting	(2,959,658)	(3,335,321)
Net deferred tax assets	**2,291,994**	**2,263,870**
Deferred tax liabilities	7,374,143	7,886,295
Offsetting	(2,959,658)	(3,335,321)
Net deferred tax liabilities	**4,414,485**	**4,550,974**

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For the year ended December 31, 2024

18. Deferred Tax (Continued)

(a) Deferred tax assets

The movements in deferred tax assets before offsetting for the years ended December 31, 2024 and 2023 are as follows:

	Amortization and depreciation *RMB'000*	Tax losses *RMB'000*	Accrued expenses *RMB'000*	Lease liabilities *RMB'000*	Loss allowances for financial assets and non-current assets *RMB'000*	Unrealised profits from internal transactions *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at January 1, 2024	**849,888**	**900,683**	**480,077**	**2,998,695**	**174,813**	**112,374**	**82,661**	**5,599,191**
Acquisition and disposal of subsidiaries, net	(8,027)	–	–	–	–	–	–	(8,027)
Credited/(charged) to consolidated statement of profit or loss	255,044	(20,891)	(182,972)	(335,196)	67,096	(28,151)	(9,014)	(254,084)
Charged to consolidated statement of other comprehensive income	–	–	–	–	–	–	–	–
Currency translation differences	(55,073)	(15,386)	5,390	(22,866)	2,507	–	–	(85,428)
As at December 31, 2024	**1,041,832**	**864,406**	**302,495**	**2,640,633**	**244,416**	**84,223**	**73,647**	**5,251,652**
As at January 1, 2023	**502,343**	**699,863**	**551,443**	**3,187,174**	**167,412**	**144,881**	**70,426**	**5,323,542**
Acquisition and disposal of subsidiaries, net	–	(3,156)	(276)	–	(24)	–	–	(3,456)
Credited/(charged) to consolidated statement of profit or loss	293,712	197,626	(72,605)	(188,653)	7,579	(32,507)	15,745	220,897
Charged to consolidated statement of other comprehensive income	–	–	–	–	–	–	(1,839)	(1,839)
Currency translation differences	53,833	6,350	1,515	174	(154)	–	(1,671)	60,047
As at December 31, 2023	**849,888**	**900,683**	**480,077**	**2,998,695**	**174,813**	**112,374**	**82,661**	**5,599,191**

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For the year ended December 31, 2024

18. Deferred Tax (Continued)

(b) Deferred tax liabilities

The movements in deferred tax liabilities before offsetting for the years ended December 31, 2024 and 2023 are as follows:

	Appreciation of assets acquired in business combinations *RMB'000*	Accelerated tax depreciation *RMB'000*	Changes in fair value *RMB'000*	Right-of-use assets *RMB'000*	Others *RMB'000*	Total *RMB'000*
At January 1, 2024	**2,971,543**	**1,606,602**	**359,178**	**2,830,561**	**118,411**	**7,886,295**
Acquisition and disposal of subsidiaries, net	14,578	–	–	–	–	14,578
(Credited)/charged to consolidated statement of profit or loss	(207,921)	(39,063)	(11,045)	(314,282)	66,516	(505,795)
Charged to consolidated statement of other comprehensive income	–	–	(3,899)	–	–	(3,899)
Currency translation differences	72,290	(51,944)	8,803	(20,573)	(25,612)	(17,036)
At December 31, 2024	**2,850,490**	**1,515,595**	**353,037**	**2,495,706**	**159,315**	**7,374,143**
At January 1, 2023	3,137,944	1,691,289	356,247	3,052,235	110,817	8,348,532
Acquisition and disposal of subsidiaries, net	7,090	(286)	–	–	–	6,804
(Credited)/charged to consolidated statement of profit or loss	(213,057)	(113,859)	2,578	(222,122)	1,657	(544,803)
Charged to consolidated statement of other comprehensive income	–	–	353	–	–	353
Currency translation differences	39,566	29,458	–	448	5,937	75,409
At December 31, 2023	**2,971,543**	**1,606,602**	**359,178**	**2,830,561**	**118,411**	**7,886,295**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

18. Deferred Tax (Continued)

(c) Deferred tax assets not recognized

Deferred tax assets should be recognized when it is probable that taxable profits or taxable temporary differences will be available against which the deferred tax asset can be utilised. Temporary differences will not be recognized as deferred tax assets if the management estimates that they will not be recovered from taxable profits generated from continuing operations in the foreseeable future. The following table sets forth the taxable temporary differences which were not recognized as deferred tax assets during the year:

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Tax losses	18,994,127	18,873,618
Deductible temporary differences	1,334,659	1,113,144
Total	**20,328,786**	**19,986,762**

The maturity distribution of deductible losses on the Group's unrecognized deferred tax assets is as follows:

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
2024	–	1,270,206
2025	2,451,413	3,954,921
2026	3,192,356	4,468,234
2027	2,855,219	3,254,460
2028	4,421,109	2,146,335
2029 and above	6,074,030	3,779,462
Total	**18,994,127**	**18,873,618**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

19. Prepayments, Other Receivables and Other Assets

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Non-current:		
Amounts due from related parties *(Note 38(d))*	1,181	1,363
Deferred pilot recruitment costs	740,683	805,415
Prepayments *(Note (a))*	576,948	944,833
Loans to employees	–	15,575
Finance lease receivables	38,224	89,380
Others	520,580	492,174
	1,877,616	2,348,740
Less: Allowance for expected credit losses *(Note (c))*	(22,581)	(15,178)
Total	**1,855,035**	**2,333,562**
Current:		
Amounts due from related parties *(Note 38(d))*	306,027	1,032,722
Value-added tax recoverable	3,366,151	4,641,173
Prepayments *(Note (b))*	2,827,788	3,248,665
Prepayments for listing expenses	–	25,068
Deposits	1,536,726	1,523,589
Cash to collect on behalf of customers	768,814	659,441
Loans to employees	16,047	26,454
Prepaid corporate income tax	384,920	551,327
Finance lease receivables	88,800	226,652
Others	1,154,081	1,043,853
	10,449,354	12,978,944
Less: Allowance for expected credit losses *(Note (c))*	(334,811)	(356,238)
Total	**10,114,543**	**12,622,706**

(a) The balances of the Group mainly comprise prepaid construction equipment balances during the years ended December 31, 2024 and 2023.

(b) The balances of the Group mainly comprise prepaid freight and transportation costs during the year ended December 31, 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

19. Prepayments, Other Receivables and Other Assets (Continued)

(c) Movements on the Group's allowance for expected credit losses of other receivables are as follows:

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
At the beginning of the year	**371,416**	**419,002**
Allowance for impairment	30,403	8,446
Written off as uncollectible	(44,971)	(57,009)
Exchange adjustment	544	977
At the end of the year	**357,392**	**371,416**

20. Investments in Associates and Joint Ventures

Movement of investments in associates is analyzed as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
At the beginning of the year	**4,120,128**	**4,209,624**
Additions and disposals, net	(355,353)	100,574
Share of profit, net	49,210	78,524
Share of other comprehensive loss	(1,077)	(5,583)
Share of other equity movement	3,011	13,902
Dividend declared during the year	(176,711)	(188,104)
Exchange differences	43,550	34,484
Less: Impairment loss provided for the year	(71,908)	(123,293)
At the end of the year	**3,610,850**	**4,120,128**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

20. Investments in Associates and Joint Ventures (Continued)

Movement of investments in joint ventures is analyzed as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
At the beginning of the year	**3,258,703**	**3,648,376**
Additions and disposals, net	(424,159)	(245,348)
Share of loss, net	(119,230)	(145,714)
Share of other equity movement	(5)	40
Dividend declared during the year	(7,468)	(892)
Exchange differences	839	2,855
Less: Impairment loss provided for the year	(115,888)	(614)
At the end of the year	**2,592,792**	**3,258,703**

The Group's share of results of its associates and joint ventures are as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Aggregate attributable amounts of net loss	(257,816)	(191,097)
Aggregate attributable amounts of other comprehensive income	(1,077)	(5,583)
Aggregate attributable amounts of total comprehensive income	**(258,893)**	**(196,680)**

There is no associate and joint venture that is individually significant to the Group.

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For the year ended December 31, 2024

21. Financial Assets at FVPL and FVOCI

(a) Financial assets at FVPL

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Non-current:		
– Industry fund investments	331,815	499,320
– Equity investment in unlisted entities, at fair value	139,261	84,401
– Others	6,340	6,275
Total	**477,416**	**589,996**
Current:		
– Structured deposits	11,015,904	6,542,881
– Fund investment and others	230,252	266,861
Total	**11,246,156**	**6,809,742**

(b) Financial assets at FVOCI

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Non-current:		
– Listed equity investments, at fair value	1,033,218	2,418,842
– Unlisted equity investments, at fair value	7,198,776	7,070,693
Total	**8,231,994**	**9,489,535**
Current:		
– Notes held for sale	170,913	99,978
Total	**170,913**	**99,978**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

22. Inventories

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Raw materials	623,005	472,994
Finished goods	828,075	1,040,816
Aviation consumables	631,450	499,062
Consumables and supplies	265,661	365,165
Cost of fulfilling contracts	86,577	65,170
	2,434,768	2,443,207
Less: Provision for impairment loss	(2,385)	(2,782)
Total	**2,432,383**	**2,440,425**

23. Contract Assets

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Contract assets	2,745,809	1,636,144
Less: Allowance for expected credit losses	(4,989)	(3,552)
Total	**2,740,820**	**1,632,592**

As discussed in Note 2.1(g), the Group applies simplified approach under IFRS 9 to measure the expected credit loss, which uses a lifetime expected loss allowance, for contract assets.

Allowance of approximately RMB1,437,000 had been provided for years ended December 31, 2024 (2023: RMB152,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

24. Trade and Note Receivables

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Trade and note receivables		
– related parties *(Note 38(d))*	540,956	124,211
– third parties	28,554,708	26,614,887
	29,095,664	26,739,098
Less: Allowance for expected credit losses	(1,114,031)	(1,378,665)
Total	**27,981,633**	**25,360,433**

(a) The Group has various credit policies for different business operations depending on the requirements of the markets and businesses. The ageing analysis of the trade and note receivables based on invoice date is as follows:

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Within 1 year (including 1 year)	28,295,989	25,719,098
Between 1 and 2 years (including 2 years)	335,669	490,411
Over 2 years	464,006	529,589
Total	**29,095,664**	**26,739,098**

There is no concentration of credit risk with respect to trade and note receivables, as the Group has a large number of customers.

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Details are disclosed in Note 2.1(g).

As at December 31, 2024, trade receivables of approximately RMB1,114,031,000 (2023: RMB1,378,665,000) were impaired and provided for.

24. Trade and Note Receivables (Continued)

Movements on the provision for impairment of trade and note receivables are as follows:

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
At the beginning of the year	**1,378,665**	**1,560,244**
Acquisition of subsidiaries	2,302	(42,078)
Allowance for/(reversal of) impairment losses	239,853	(158,277)
Written off as uncollectible	(509,273)	–
Exchange adjustment and others	2,484	18,776
At the end of the year	**1,114,031**	**1,378,665**

(c) The provision and reversal of provision for impairment of receivables have been included in impairment losses on financial assets and contract assets in the consolidated statement of profit or loss. Amounts charged to the allowance account are written off when there is no expectation of recovery.

(d) The carrying amount at the reporting date approximated the fair value of each class of receivables mentioned above.

25. Restricted Cash and Cash and Cash Equivalents

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Restricted cash		
Statutory reserve deposits with the PBOC for banking operations *(Note (a))*	1,240,261	1,476,938
Pledged bank deposits	67,314	52,830
Others	46,728	46,728
Total	**1,354,303**	**1,576,496**
Cash and cash equivalents		
Cash on hand and cash at banks (excluding PBOC)	32,632,563	40,434,748
Surplus reserve deposits with the PBOC	13,492	13,560
Demand deposits	–	–
Total	**32,646,055**	**40,448,308**

(a) On September 18, 2016, the Group incorporated SF Holding Group Finance Co., Ltd., a licensed financial institution, principally engaging in the provision of cash management services internally.

SF Holding Group Finance Co., Ltd. is required to deposit with the People's Bank of China (the "PBOC") an amount that equals to 5% of qualified RMB deposits from corporates. The statutory reserve deposits are restricted and not available for use in the daily business. Deposits with the PBOC in excess of the statutory reserve deposits are surplus reserve deposits, which are maintained mainly for clearance purposes.

Notes to the Consolidated Financial Statements

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26. Borrowings

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Non-current:		
Long-term bank borrowings *(Note (a))*		
– secured *(Note (a)(i))*	8,300	2,680,031
– unsecured *(Note (a)(ii))*	6,178,086	8,675,210
Corporate bonds *(Note (c))*	19,941,935	18,794,782
Loans from Non-controlling interests	190,939	246,889
Total	**26,319,260**	**30,396,912**
Current portion of non-current:		
Long-term bank borrowings *(Note (a))*		
– secured *(Note (a)(i))*	30,902	742,364
– unsecured *(Note (a)(ii))*	1,646,813	2,071,021
Corporate bonds *(Note (c))*	627,779	615,295
Loans from Non-controlling interests	21,831	1,541
Short term:		
Short-term bank borrowings *(Note (b))*		
– secured *(Note (b)(i))*	117,348	105,969
– unsecured *(Note (b)(ii))*	15,001,186	18,659,397
Short-term debentures *(Note (c))*	807,787	–
Loans from Non-controlling interests	111,476	113,516
Total	**18,365,122**	**22,309,103**

26. Borrowings (Continued)

Notes:

(a) Long-term bank borrowings

(i) The Group's non-current bank borrowings amounting to approximately RMB2,150,466,000 as at December 31, 2023 had been secured by Shun Yuan Financial Leasing (Tianjin) Co., Ltd.'s receivables. Shun Yuan Financial Leasing (Tianjin) Co., Ltd., a subsidiary of the Group, recognized the receivables as engaging in aircraft financial lease business with SF Airlines Company Limited.

Certain non-current assets had been pledged as securities for long-term bank borrowings as at December 31, 2024 and 2023. Refer to Note 14(a), Note 15(a) and Note 16(b).

(ii) The bank borrowings of approximately RMB5,546,498,000 as at December 31, 2024 (2023: RMB5,633,173,000) had been guaranteed by the subsidiaries within the Group.

(iii) The range of interest rates of major non-current bank borrowings were 2.34% to 5.33% for the year ended December 31, 2024 (2023: 2.20% to 6.91%).

(b) Short-term bank borrowings

(i) Certain non-current assets had been pledged as securities for short-term bank borrowings as at December 31, 2024 and 2023. Refer to Note 14(a), Note 15(a) and Note 16(b).

(ii) Short-term bank borrowings of approximately RMB753,673,000 as at December 31, 2024 (2023: RMB5,156,012,000) had been guaranteed by the Company or its subsidiaries.

(iii) The range of interest rates of major short-term bank borrowings were 2.27% to 6.77% for the year ended December 31, 2024 (2023: 2.20% to 7.47%).

(c) Corporate bonds and short-term debentures

(i) Bonds and debentures amounting to RMB18,039,077,000 as at December 31, 2024 (2023: RMB18,393,642,000) had been guaranteed by the Company.

(ii) During the year ended December 31, 2024, the Group repurchased part of its US dollar bonds, with the total face value of the repurchased bonds amounting to RMB 875,011,000. The difference between the consideration paid and the carrying amount of the bonds payable, which is RMB 87,779,000, was recognized as other gains (Note 7).

(iii) The range of interest rates of bonds and debentures were 2.15% to 3.13% for the year ended December 31, 2024 (2023: 2.38% to 3.79%).

27. Trade and Note Payables

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Trade and note payables		
– related parties *(Note 38(d))*	332,322	421,194
– third parties	27,063,202	24,493,106
Total	**27,395,524**	**24,914,300**

An ageing analysis of the trade and note payables based on invoice date as at December 31, 2024 and 2023 was as follows:

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Within 1 year (including 1 year)	27,128,233	24,505,848
Over 1 year	267,291	408,452
Total	**27,395,524**	**24,914,300**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

28. Contract Liabilities

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Contract liabilities		
– related parties *(Note 38(d))*	25,085	48,147
– third parties	2,014,113	1,783,871
Total	**2,039,198**	**1,832,018**

The following table shows the amounts of revenue recognized during the year relating to carried-forward contract liabilities:

	Year ended December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Revenue recognized that was included in contract liabilities at the beginning of the year	1,832,018	1,244,418

29. Other Payables and Accruals

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Non-current:		
Salaries, wages and benefits	58,725	82,216
Others	142,312	58,113
Total	**201,037**	**140,329**
Current:		
Amounts due to related parties *(Note 38(d))*	120,487	136,098
Salaries, wages and benefits	6,151,172	5,872,341
Payable for purchase of property, plant and equipment	3,292,799	4,345,119
Deposits	2,566,045	2,355,449
Other taxes payable	847,166	735,465
Payables of cash collected on delivery service	1,423,502	1,534,338
Consideration payable for business combinations	13,213	289,306
Others	2,646,947	2,369,055
Total	**17,061,331**	**17,637,171**

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For the year ended December 31, 2024

30. Deferred Income

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Government grants and subsidies	1,266,359	1,090,644

The government grants were mainly incentives provided by local government authorities in the PRC, including subsidies from a project in Huanggang City, government supporting funds for industry parks and aircraft engine maintenance subsidies, etc. All of the government grants and subsidies recognized as deferred income are asset related.

31. Share Capital and Treasury Shares

	Number of fully paid ordinary shares	Share capital	Treasury shares	Total
		RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2024	**4,895,202,373**	**4,895,202**	**(2,575,532)**	**2,319,670**
Issue of shares *(Note (a))*	170,275,763	170,276	–	170,276
Repurchase of shares *(Note (b))*	–	–	(1,758,094)	(1,758,094)
Cancellation of shares *(Note (c))*	(79,291,153)	(79,291)	3,575,545	3,496,254
As at December 31, 2024	**4,986,186,983**	**4,986,187**	**(758,081)**	**4,228,106**
As at January 1, 2023	**4,895,202,373**	**4,895,202**	**(2,040,377)**	**2,854,825**
Repurchase of shares *(Note (a))*	–	–	(959,956)	(959,956)
Exercise of share options	–	–	424,801	424,801
As at December 31, 2023	**4,895,202,373**	**4,895,202**	**(2,575,532)**	**2,319,670**

Notes:

(a) As stated in Note 1, each H share issued by the Company has a par value of RMB1.00 and was offered at HKD34.30 per share, raising total gross capital proceeds of HKD5,831,000,000, equivalent to RMB5,393,966,550. After deducting issuance expenses, the net proceeds amounted to RMB5,246,004,499, of which RMB170,000,000 was credited to share capital and RMB5,076,004,499 to capital reserve.

As of December 31, 2024, the Company had a total of 4,986,186,983 ordinary shares issued. The details of the Company's equity changes for the year ended December 31, 2024 and 2023 are as follows:

	As at December 31,	
	2024	2023
A shares	4,816,186,983	4,895,202,373
H shares	170,000,000	–
Total	**4,986,186,983**	**4,895,202,373**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

31. Share Capital and Treasury Shares (Continued)

(b) For the years ended December 31, 2024 and 2023, a total of 20,771,358 and19,838,884 A shares have been repurchased respectively for future employee stock ownership plan or share-based incentive, and treasury stocks amounting to approximately RMB1,758,094,000 and RMB959,956,000 therefore were recognized respectively.

(c) During the year ended December 31, 2024, the Company, under the approval and authorization of the general meeting, cancelled a total of 79,291,153 shares. Hence treasury stocks amounting to approximately RMB3,575,545,000 and share capital of approximately RMB79,291,000 were derecognized with a corresponding debit to capital reserve of approximately RMB3,496,254,000 for the year ended December 31, 2024.

32. Reserves and Retained Earnings

(a) Reserves

	Capital reserve	Other comprehensive income	General and regulatory reserve	Special reserve	Statutory reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January, 1 2024	**43,164,085**	**5,532,428**	**524,376**	**–**	**2,413,786**	**51,634,675**
Other comprehensive income	–	(1,033,976)	–	–	–	(1,033,976)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	31,036	–	–	–	31,036
Transactions with owners						
Net proceeds from Global Offering	5,076,004	–	–	–	–	5,076,004
Net proceeds from share option exercising	11,194	–	–	–	–	11,194
Capital injection from non-controlling interests	54	–	–	–	–	54
Cancellation of shares	(3,496,254)	–	–	–	–	(3,496,254)
Share-based payment	89,677	–	–	–	–	89,677
Transaction with non-controlling interests and others	(3,916,204)	–	–	–	–	(3,916,204)
Profit appropriations to statutory reserve	–	–	–	–	232,352	232,352
Safety reserve appropriation	–	–	–	481,331	–	481,331
Safety reserve utilisation	–	–	–	(481,331)	–	(481,331)
Others	(3,624)	–	–	–	–	(3,624)
As at December 31, 2024	**40,924,932**	**4,529,488**	**524,376**	**–**	**2,646,138**	**48,624,934**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

32. Reserves and Retained Earnings (Continued)

(a) Reserves (Continued)

	Capital reserve *RMB'000*	Other comprehensive income *RMB'000*	General and regulatory reserve *RMB'000*	Special reserve *RMB'000*	Statutory reserve *RMB'000*	Total *RMB'000*
As at January 1, 2023	**43,996,237**	**4,538,027**	**493,048**	**–**	**1,010,253**	**50,037,565**
Other comprehensive income	–	873,033	–	–	–	873,033
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	121,368	–	–	–	121,368
Transactions with owners						
Capital contribution of non-controlling interests	1,207	–	–	–	–	1,207
Exercise of share options	(69,612)	–	–	–	–	(69,612)
Share-based payment	271,510	–	–	–	–	271,510
Transaction with non-controlling interests and others	(1,037,241)	–	–	–	–	(1,037,241)
Appropriation to general and regulatory reserves	–	–	31,328	–	–	31,328
Profit appropriations to statutory reserve	–	–	–	–	1,403,533	1,403,533
Safety reserve appropriation	–	–	–	389,332	–	389,332
Safety reserve utilisation	–	–	–	(389,332)	–	(389,332)
Others	1,984	–	–	–	–	1,984
As at December 31, 2023	**43,164,085**	**5,532,428**	**524,376**	**–**	**2,413,786**	**51,634,675**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

33. Share-Based Payment

(a) Share-based payment expenses during the year were as follows:

	Year ended December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Equity settled share-based payment	91,446	309,338
Cash settled share-based payment	(10,952)	233,708
Total	**80,494**	**543,046**

(b) Equity settled share-based payment arrangement

(i) Share Option Plan of the Company

The share option plan, established in May 2022, is designed to award the eligible participants who contribute to the success of the Group's operations and provide long-term incentives for employees to deliver long-term shareholder returns.

Under the plan, participants are granted options which only vest if certain performance standards are met and the employees, officers and directors shall remain in service. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The stock options shall vest over a period of 4 years on the condition that the employees, officers and directors remain in service and certain performance standards are met. One-fourth of the awards shall be vested upon the end of the first, the second, the third and the fourth anniversary dates of the grants.

During the year ended December 31, 2023, 1,328 participants of the plan met the performance requirements and a total of 8,420,193 share options were exercised.

During the year ended December 31, 2024, 1,353 participants of the plan met the performance requirements and a total of 8,168,703 share options were exercisable.

A total of 27,295,395 share options granted through the 2022 Stock Option Incentive Plan were outstanding as of December 31, 2024.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

33. Share-Based Payment (Continued)

(b) Equity settled share-based payment arrangement (Continued)

(i) Share Option Plan of the Company (Continued)

The fair value per option was estimated at the grant dates using the following assumptions:

Exercise price per share	RMB42.61, RMB42.43
Expiry date	Respective annual due dates
Share price at grant date per share	RMB51.57, RMB49.88
Expected volatility of the Company's shares	35.77% ~ 40.39%
Expected dividend yield	0.51% ~ 0.55%
Risk-free interest rate	1.50% ~ 2.75%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The Group recognizes share-based payments in capital reserves and its consolidated statement of profit or loss based on options ultimately expected to vest, after considering estimated forfeitures of the share options. Forfeitures are estimated based on the historical experience and revised in the subsequent periods if actual forfeitures differ from those estimates. The impact of the revision of the original estimates on non-market vesting conditions, if any, is recognized in the profit and loss over the remaining vesting period, with a corresponding adjustment to capital reserves.

Share-based payment expenses of RMB84,316,000 (2023: RMB216,304,000) related to the above share options were recognized in the consolidated statement of profit or loss for the year ended December 31, 2024.

An accumulated amount of RMB545,105,000 (2023: RMB460,789,000) has been recognized as capital reserve as at December 31, 2024.

(ii) Share incentive Plan of the subsidiary entities

Subsidiaries of the Group issued restricted share units ('RSU') or share options of their own shares to senior executives and other employees.

The fair value at grant date is independently determined by share price or using an adjusted form of the Discounted Cash Flow model or Black Scholes Model.

Share-based payment expenses of approximately RMB7,130,000 (2023: RMB93,034,000) related to the above share awards were recognized in the consolidated statement of profit or loss for the year ended December 31, 2024.

An accumulated amount of RMB608,199,000 (2023: RMB601,069,000), as at December 31, 2024 has been recognized as capital reserve.

(c) Cash settled share-based payment arrangement

Subsidiaries of the Group issued RSU or share options of their own shares to senior executives and other employees, with a term that the subsidiaries had an obligation to repurchase under certain conditions, as their remuneration package, hereby the employees will become entitled to a future cash payment.

The management measured the liability, initially and at the end of each reporting period until settled, at the fair value of the RSU or share options, by applying an adjusted form of the Discounted Cash Flow model or Black Scholes Model.

The management recognized the services received, and a liability to pay for those services, as the employees render service during the period. A total of share-based payment expenses of approximately RMB10,952,000 relation to the above arrangement for the year ended December 31, 2024 were reversed to the consolidated statement of profit or loss(2023: RMB233,708,000 expenses were debited to the consolidated statement of profit or loss).

There were no share-based payments recognized as liabilities as at December 31, 2024. An accumulated amount of approximately RMB268,453,000 as at December 31, 2023 has been recognized as liabilities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

34. Notes to Consolidated Statement of Cash Flows

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Profit before income tax for the year	13,607,261	10,486,505
Adjustments for:		
Depreciation of right-of-use assets *(Note 8)*	6,798,783	7,213,063
Depreciation and amortization (excluding right-of-use assets) *(Note 8)*	10,533,474	10,106,044
Impairment provision for investments in associates and joint ventures	187,796	123,907
Net impairment losses on financial assets and contract assets	271,693	(33,480)
Impairment of inventories, property, plant and equipment and other non-current assets *(Note 7)*	141,622	62,390
Equity settled share-based compensation expenses *(Note 33)*	91,446	309,338
Losses on disposal of property, plant and equipment, right-of-use assets and other non-current assets *(Note 7)*	60,228	53,891
Fair value changes in financial assets at FVPL *(Note 7)*	(509,717)	(529,513)
Gains on disposal of investments in subsidiaries *(Note 36(b))*	(80,615)	(268,204)
Share of (profit)/loss of associates and joint ventures, net	70,020	67,190
Gains on disposal of investments in associates and joint ventures *(Note 7)*	(89,622)	(21,441)
Dividend income *(Note 6)*	(1,005)	(2,438)
Amortization of deferred income	(43,241)	(45,935)
Finance costs *(Note 10)*	2,373,319	2,269,700
Operating cash flow before working capital changes	**33,411,442**	**29,791,017**
Changes in working capital:		
Increase in inventories	8,439	(491,314)
(Increase)/decrease in trade receivables, prepayment, contract assets and other receivable	(247,211)	(262,500)
Increase/(decrease) in trade payables, contract liabilities, and other payables	2,191,719	759,002
Cash generated from operations	**35,364,389**	**29,796,205**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

34. Notes to Consolidated Statement of Cash Flows (Continued)

(b) Transaction with non-controlling interests

During the year, the Group changed its ownership interests in certain subsidiaries without change of its control.

The impacts of the transactions with non-controlling interests for the years ended December 31, 2024 and 2023 are summarized as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Net cash consideration paid to non-controlling interests without change of control	3,451,076	1,833,285
Recognized in the reserve within equity	**3,916,204**	**1,037,241**

(i) Major transaction during the year ended December 31, 2024

During the year ended December 31, 2024, the Group acquired the remaining equity interests of Shenzhen SF Freight Corporation and Shenzhen Fengwang Holding Co., Ltd. Upon the completion of the transactions, the aforementioned subsidiaries became wholly-owned subsidiaries of the Group. The Group recognized a decrease in other reserve of RMB2,146,357,000 and RMB744,838,000, respectively. The consideration for above transactions were paid in 2024.

Except for the aforementioned non-controlling interests' transactions, other transactions had insignificant impact on the Group's consolidated financial statements.

(ii) Major transactions during the year ended December 31, 2023

In July 2023, KLN acquired the remaining equity interests of K-Apex HK. Upon the completion of the acquisition, K-Apex HK became a wholly-owned subsidiary of KLN. The Group recognized a decrease in other reserve of RMB797,838,000.

(c) Non-cash operating, investing and financing activities

The main non-cash operating, investing and financing activities for the years ended December 31, 2024 and 2023 are summarized as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Additions of right-of-use assets	6,736,287	6,553,794
Settlement of acquisitions of long-term assets through bank supply chain financing or re-factoring	115,198	543,389
Total	**6,851,485**	**7,097,183**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

34. Notes to Consolidated Statement of Cash Flows (Continued)

(d) Reconciliation of liabilities arising from financing activities

	Bank borrowings	Corporate bonds and short-term debentures	Loans from non-controlling interest	Leases liabilities *(Note (i))*	Loans from holders of asset-backed securities scheme	Total
At January 1, 2024	**32,933,992**	**19,410,077**	**361,946**	**13,808,460**	**–**	**66,514,475**
Cash flows	(11,671,328)	937,166	(2,624)	(7,438,385)	–	(18,175,171)
Interest expenses	1,273,506	636,369	2,326	503,871	–	2,416,072
Other non-cash movements	446,465	393,889	(37,402)	5,721,851	–	6,524,803
At December 31, 2024	**22,982,635**	**21,377,501**	**324,246**	**12,595,797**	**–**	**57,280,179**
At January 1, 2023	**21,902,738**	**27,651,090**	**314,480**	**15,179,328**	**–**	**65,047,636**
Cash flows	9,202,159	(9,447,697)	10,098	(7,765,246)	(899,360)	(8,900,046)
Acquisition and disposal of subsidiaries, net	206,227	–	–	(4,810)	899,360	1,100,777
Interest expenses	1,071,956	732,349	4,545	564,374	–	2,373,224
Other non-cash movements	550,912	474,335	32,823	5,834,814	–	6,892,884
At December 31, 2023	**32,933,992**	**19,410,077**	**361,946**	**13,808,460**	**–**	**66,514,475**

(i) The other non-cash movement about lease liabilities mainly resulted from the new lease contracts entered during the years ended December 31, 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

35. Acquisition of Subsidiaries

The net cash flow impact of acquisition of subsidiaries for the year ended December 31, 2024 and 2023 are as below:

	Year ended December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Net cash paid in respect of the business combinations *(Note (a))*	194,007	972,456
Net cash paid in respect of the acquisition of assets *(Note (b))*	502,647	1,224,952
Net cash paid in acquisition of subsidiaries	**696,654**	**2,197,408**

(a) Acquisition of subsidiaries through business combinations

Analysis of the net cash outflow in respect of the acquisition of subsidiaries treated as business combinations for the year ended December 31, 2024 and 2023 are as below:

	Year ended December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Total acquisition consideration	173,897	141,702
Less: Cash and bank balances acquired	(20,212)	(4,545)
Outstanding and included in other payables	(64,506)	–
Cash paid in the current year for acquisition of subsidiaries in prior years	104,828	835,299
Net cash paid in respect of the business combinations	**194,007**	**972,456**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

35. Acquisition of Subsidiaries (Continued)

(b) Acquisition of assets through acquisition of subsidiaries

Analysis of the net cash outflow in respect of the acquisition of subsidiaries treated as acquisition of assets for the year ended December 31, 2024 and 2023 are as below:

	Year ended December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Total acquisition consideration	559,289	1,269,444
Less: Cash and bank balances acquired	(56,642)	(44,492)
Net cash paid in respect of the acquisition of assets	**502,647**	**1,224,952**

(i) Major acquisition during the year ended December 31, 2024

On January 18, 2024, the Company acquired 100% equity interests of Beijing Jieyutai Enterprise Management Co., Ltd. ("Beijing Jieyutai"). The identifiable assets were mainly logistics industrial parks located in Beijing.

The total consideration of the aforementioned equity interests was approximately RMB559,289,000. These property assets acquired were initially recognized at their fair values of approximately RMB835,700,000.

The transaction met the concentration test criteria, and the set of property assets acquired was determined not to be a business.

36. Disposal of Subsidiaries

Transactions of disposal of subsidiaries for the year ended December 31, 2024 and 2023 are analyzed as follows:

(a) Net cash received from disposal of subsidiaries

	Year ended December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Cash consideration		
Including: Hangzhou Zhentai Capital Management Ltd.	273,345	–
Shenzhen Fengwang Information Technology Co., Ltd.	–	460,930
Other subsidiaries	21,287	146,798
Total disposal consideration	**294,632**	**607,728**

36. Disposal of Subsidiaries (Continued)

(a) Net cash received from disposal of subsidiaries (Continued)

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Total Cash consideration	294,632	607,728
Add: Cash and cash equivalents received from disposal of subsidiaries in the prior year	190	–
Less: Cash and cash equivalents received from disposal of subsidiaries in the future year	(29,868)	–
Less: Cash and cash equivalents held by the subsidiaries at the dates of disposal	(2,297)	(208,906)
Net cash flow impact from disposal of subsidiaries	**262,657**	**398,822**

(b) Gains on disposal of investments in subsidiaries

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Total disposal consideration	294,632	607,728
Carrying amount of net assets sold	(214,017)	(339,524)
Gains on disposal of investments in subsidiaries	**80,615**	**268,204**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

37. Partly Owned Subsidiaries with Material Non-Controlling Interests

Set out below is summarized financial information for KLN and its subsidiaries since its acquisition by the Group, which has non-controlling interests that are material to the Group. The amounts disclosed for KLN and its subsidiaries are before inter-company eliminations.

	As at December 31, 2024 *RMB'000*	As at December 31, 2023 *RMB'000*
Current assets	21,013,025	18,187,621
Non-current assets	24,476,527	25,760,002
Total assets	**45,489,552**	**43,947,623**
Current liabilities	14,653,958	13,130,867
Non-current liabilities	9,650,482	9,017,591
Total liabilities	**24,304,440**	**22,148,458**

	Year ended December 31, 2024 *RMB'000*	Year ended December 31, 2023 *RMB'000*
Revenue	54,256,276	45,944,780
Net profit	750,674	227,315
Attributable to owners of the Company	341,968	209,849
Net cash generated from operating activities	3,310,646	3,043,080

(i) Except for KLN and its subsidiaries, no other subsidiaries had non-controlling interests that are material to the Group for the years ended December 31, 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

38. Related Party Transactions

(a) Parent entities

Name	Type	Place of incorporation	Ownership interest 2024	Ownership interest 2023
Mingde Holding	Investment	Shenzhen	53.39%	54.38%

The Company's ultimate holding company is Mingde Holding, and the ultimate controlling person is Mr. Wang Wei.

(b) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties maybe individuals or other entities.

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were significant related parties that had transactions or balances with the Group for the years ended or as at December 31, 2024 and 2023:

Name of related parties	Relationship with the Group
Guangdong Fengxing Zhitu Technology Co., Ltd. and its subsidiaries	Entities controlled by the ultimate controlling person of the Company
Shenzhen Hive Box Technology Co., Ltd. and its subsidiaries	Entities controlled by the ultimate controlling person of the Company
Shenzhen SF Hefeng Microfinance Co., Ltd.	Entities controlled by the ultimate controlling person of the Company
Shenzhen Fengxiang Information Technology Co., Ltd. and its subsidiaries	Entities controlled by the ultimate controlling person of the Company
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	Entities controlled by the ultimate controlling person of the Company
Shunyuan Commercial Factoring (Tianjin) Co., Ltd.	Entities controlled by the ultimate controlling person of the Company
Shenzhen Fengyi Technology Co., Ltd.	Associates of controlling shareholder, exited the associates of controlling shareholder as of June 30, 2024
Lianyungang Haichang Logistics Co., Ltd.	Associates of the Group
SF Real Estate Investment Trust and its subsidiaries	Associates of the Group
Shenzhen Shunjie Fengda and its subsidiaries	Associates of the Group, exited the associate company as of August 9, 2024
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	Associates of the Group
Shenzhen Fenglian Technology Co., Ltd.	Associates of the Group
Zhejiang Galaxis Technology Group Co., Ltd. and its subsidiaries	Associates of the Group
State Grid E-Commerce Yunfeng Logistics Technology (Tianjin) Co., Ltd.	Associates of the Group
Sichuan Wulianyida Technology Co., Ltd. and its subsidiaries	Associates of the Group

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

38. Related Party Transactions (Continued)

(b) Names and relationships with related parties (Continued)

Name of related parties	Relationship with the Group
Shenzhen Yizhan Renewal Service Technology Co., Ltd. and its subsidiaries	A joint venture of the Group
Beijing Shunhe Tongxin Technology Co., Ltd. and its subsidiaries	A joint venture of the Group
Beijing Wulian Shuntong Technology Co., Ltd. and its subsidiaries	A joint venture of the Group
Fengsu Yitong (Suzhou) Technology Co., Ltd. and its subsidiaries	A joint venture of the Group
Global Connect Holding Limited	A joint venture of the Group
Shenzhen Shenghai Information Service Co., Ltd.	A joint venture of the Group
Ezhou CCCC SF Airport Industrial Park Investment and Development Co., Ltd.	A joint venture of the Group
CR-SF International Express Co., Ltd.	A joint venture of the Group

(c) Transactions with related parties

The following significant transactions were carried out between the Group and its related parties for the year ended December 31, 2024 and 2023. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

	Year ended December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Sales of goods and services:		
Controlling shareholder	535	426
Entities controlled by the ultimate controlling person of the Company	1,593,016	127,516
Associates of controlling shareholder	7,162	14,759
Joint ventures of the Group	50,983	13,937
Associates of the Group	88,148	91,576
Total	**1,739,844**	**248,214**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

38. Related Party Transactions (Continued)

(c) Transactions with related parties (Continued)

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Purchases of goods and services:		
Entities controlled by the ultimate controlling person of the Company	750,259	972,582
Associates of controlling shareholder	190	839
Joint ventures of the Group	1,079,710	1,279,481
Associates of the Group	895,553	1,661,741
Total	**2,725,712**	**3,914,643**
Disposal of equity:		
Entities controlled by the ultimate controlling person of the Company	–	85,188
Joint ventures of the Group	–	12,827
Associates of the Group	–	–
Total	**–**	**98,015**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

38. Related Party Transactions (Continued)

(c) Transactions with related parties (Continued)

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Acquisition of assets through acquisition of subsidiaries:		
Joint ventures of the Group *(Note 35(b))*	559,289	335,443
Depreciation and interest expenses borne by the Group as the lessee:		
Entities controlled by the ultimate controlling person of the Company	11,393	12,148
Joint ventures of the Group	–	31,672
Associates of the Group	226,248	229,975
Total	**237,641**	**273,795**
Additions of right-of-use assets:		
Entities controlled by the ultimate controlling person of the Company	3,639	53,598
Joint ventures of the Group	2,866	3,876
Associates of the Group	3,320	32,734
Total	**9,825**	**90,208**
Other transactions:		
Controlling shareholder	684	683
Entities controlled by the ultimate controlling person of the Company	4,219	2,416
Associates of controlling shareholder	1,391	2,861
Joint ventures of the Group	756	1,857
Associates of the Group	14,441	4,869
Total	**21,491**	**12,686**

Notes to the Consolidated Financial Statements

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38. Related Party Transactions (Continued)

(d) Balances with related parties

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Amounts due from related parties:		
Controlling shareholder	365	224
Entities controlled by the ultimate controlling person of the Company	662,119	595,027
Associates of controlling shareholder	–	3,718
Joint ventures of the Group	5,717	341,214
Associates of the Group	188,480	219,037
Total	**856,681**	**1,159,220**
Amounts due to related parties:		
Controlling shareholder	320	128
Entities controlled by the ultimate controlling person of the Company	113,289	138,915
Associates of controlling shareholder	–	4,911
Joint ventures of the Group	193,763	166,439
Associates of the Group	170,522	295,046
Total	**477,894**	**605,439**
Lease Liabilities:		
Entities controlled by the ultimate controlling person of the Company	86,838	92,060
Joint ventures of the Group	–	98,987
Associates of the Group	360,194	598,296
Total	**447,032**	**789,343**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

38. Related Party Transactions (Continued)

(e) Guarantee to related parties

(i) Guarantee provided

	As at December 31, 2024		
Guaranteed entities:	Guaranteed amount *RMB'000*	Guaranteed period	Whether the guarantee has been fulfilled
Joint ventures of the Group	782,000	September 29, 2021 to April 29, 2055	No

	As at December 31, 2023		
Guaranteed entities:	Guaranteed amount *RMB'000*	Guaranteed period	Whether the guarantee has been fulfilled
Joint ventures of the Group	782,000	September 29, 2021 to April 29, 2055	No

(ii) Contracted not yet provided

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Joint ventures of the Group	2,384,180	2,384,180

(f) Key management compensation

	Year ended December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Key management compensation	42,188	48,509

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

39. Commitments

(a) Capital Commitments

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Contracted, but not provided for purchase of property, plant and equipment	1,515,674	1,858,672
Investment to be paid	121,043	131,895
Others	–	944
Total	**1,636,717**	**1,991,511**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

40. Statement of Financial Position and Reserves Movement of the Company

(a) Financial position of the Company

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	335,012	210,661
Right-of-use assets	341,498	354,760
Intangible assets	17	168
Deferred tax assets	112	100
Prepayments, other receivables and other assets	1,755	–
Investments in subsidiaries	69,994,648	66,933,038
Total non-current assets	**70,673,042**	**67,498,727**
Current assets		
Prepayments, other receivables and other assets	13,824,762	21,850,383
Cash and cash equivalents	4,077,541	138,046
Total current assets	**17,902,303**	**21,988,429**
Total assets	**88,575,345**	**89,487,156**
LIABILITIES		
Current liabilities		
Income tax payable	10,911	3,188
Other payables and accruals	90,091	21,623
Total current liabilities	**101,002**	**24,811**
Total liabilities	**101,002**	**24,811**
Net assets	**88,474,343**	**89,462,345**
EQUITY		
Share capital	4,986,187	4,895,202
Less: Treasury shares	(758,081)	(2,575,532)
Reserves	76,058,993	74,151,381
Retained earnings	8,187,244	12,991,294
Total equity	**88,474,343**	**89,462,345**

WANG Wei
Chairman

HO Chit
Director

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

40. Statement of Financial Position and Reserves Movement of the Company (Continued)

(b) Reserves movement of the Company

	Reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at January 1, 2024	74,151,381	12,991,294	87,142,675
Comprehensive income:			
Profit/(loss) for the year	–	5,031,094	5,031,094
Transactions with owners			
Net proceeds from Global Offering	5,076,004	–	5,076,004
Net proceeds from share option exercising	11,194	–	11,194
Cancellation of shares	(3,496,254)	–	(3,496,254)
Share-based payment	84,316	–	84,316
Profit appropriations to statutory reserve	232,352	(232,352)	–
Dividends	–	(9,602,792)	(9,602,792)
As at December 31, 2024	76,058,993	8,187,244	84,246,237

	Reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at January 1, 2023	72,601,156	1,573,109	74,174,265
Comprehensive income:			
Profit/(loss) for the year	–	14,035,334	14,035,334
Transactions with owners			
Share-based payment	216,304	–	216,304
Exercise of share options	(69,612)	–	(69,612)
Profit appropriations to statutory reserve	1,403,533	(1,403,533)	–
Dividends	–	(1,213,616)	(1,213,616)
As at December 31, 2023	74,151,381	12,991,294	87,142,675

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

41. Subsequent Event

(a) The final dividend in respect of the year ended December 31, 2024 of RMB44 cents per ordinary share (tax inclusive) was approved by the Board on March 28, 2025. The proposal is subject to the approval of the shareholders at the Annual General Meeting. The dividend was not recognized as a liability as at December 31, 2024.

(b) Based on "the resolution of Proceeding the Application and Issuance Arrangement of Publicly Offered Infrastructure REITs", which was approved in the 10th meeting of 6th session of the Board, the Company proceeded the application and issuance work of the publicly offered infrastructure REITs.

On 24 February, 2025, SZSE issued "a clearance letter in related to the listing of the closed-end investment fund of South SF Warehousing and logistic infrastructure ("closed-end investment fund") and the listing and transferring of the asset-backed special vehicle ("asset-backed special vehicle") of phase 1 SF Warehousing and logistics infrastructure" (Shen Zheng Han [2025] No.178), confirming its consent to the closed-end investment fund and asset-backed special vehicle's compliance to the listing criteria, as well as the transferring criteria of the asset-backed special vehicle. On March 5, 2025, CSRC granted the "approval in related to the registration of the closed-end investment fund" (CSRC Approval [2025] No. 394), approved the registration of the publicly offered infrastructure REITs.

As of the approval date of the financial statements, the issuance of the infrastructure REITs is not yet completed.

42. Group Structure – Principal Subsidiaries

As at December 31, 2024 and 2023, the Company's principal subsidiaries are as follows:

Name	Place of Incorporation and Operation	Principal Activities	Issued ordinary/ registered share capital (in thousand)	Percentage of equity interest As at December 31, 2024 Direct	Indirect
Taisen Holding	Mainland China	Investment holding	RMB5,010,000	100.00%	–
S.F. Express Co., Ltd.	Mainland China	international freight forwarding, domestic and international express services	RMB150,000	–	100.00%
SF Technology Co., Ltd.	Mainland China	technical maintenance and development services	RMB60,000	–	100.00%
Shenzhen Shunlu Logistics Co., Ltd.	Mainland China	cargo transportation, freight forwarding	RMB160,000	–	100.00%
Anhui SF Communication Services Co., Ltd.	Mainland China	value-added telecommunications services	RMB50,000	–	100.00%
Shenzhen Yuhui Management Consulting Co., Ltd.	Mainland China	consulting services	RMB250,000	–	100.00%
Shenzhen SF Supply Chain Co., Ltd.	Mainland China	supply chain management services	RMB1,500,000	–	100.00%
SF Airlines Company Limited	Mainland China	air cargo and mail transportation services	RMB1,510,000	–	100.00%
Shenzhen Fengtai E-commerce Industrial Park Assets Management Co., Ltd.	Mainland China	e-commerce park management	RMB9,530,010	–	100.00%
Shenzhen Fengtai Industrial Park Management Service Co., Ltd.	Mainland China	management consulting	RMB58,000	–	100.00%
Shenzhen SF Airport Investment Co., Ltd.	Mainland China	investment in industry	RMB100,000	–	100.00%
SF Holding (HK) Limited	Hong Kong	investment holding	HKD8,346,998	–	100.00%
SF Holdings Group Finance Co., Ltd.	Mainland China	financing, wealth management, and consulting services	RMB2,500,000	–	100.00%
Shenzhen SF Chuangxing Investment Co., Ltd.	Mainland China	Investment in industry	RMB330,000	–	100.00%
Shenzhen Fengnong Technology Co., Ltd.	Mainland China	retail	RMB145,000	–	100.00%
Shenzhen Fenglang Supply Chain Co., Ltd.	Mainland China	supply chain management services	RMB50,000	–	100.00%
Shunyuan Financial Lease (Tianjin) Co., Ltd.	Mainland China	leasing business	RMB1,500,000	–	100.00%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

42. Group Structure – Principal Subsidiaries (Continued)

Name	Place of Incorporation and Operation	Principal Activities	Issued ordinary/ registered share capital (in thousand)	Percentage of equity interest As at December 31, 2024 Direct	Indirect
SF Multimodal Transportation Co., Ltd.	Mainland China	cargo delivery services	RMB242,000	–	100.00%
SF Duolian Technology Co., Ltd.	Mainland China	technology development	RMB150,000	–	100.00%
Dongguan SF Taisen Logistics Management Co., Ltd.	Mainland China	property management	RMB30,010	–	100.00%
SF Innovation Technology Co., Ltd.	Mainland China	information technology services	RMB450,000	–	100.00%
Shenzhen Shunheng Rongfeng Supply Chain Technology Co., Ltd.	Mainland China	consulting services	RMB260,000	–	100.00%
Shenzhen Hengyi Logistics Supply Chain Co., Ltd.	Mainland China	freight forwarding services	RMB100,000	–	100.00%
Shenzhen Shuncheng Lefeng Commercial Co., Ltd.	Mainland China	factoring business.	RMB92,500	–	100.00%
Hangzhou SF INTRA-CITY Industrial Co., Ltd.	Mainland China	Supply chain management and other services	RMB917,376	–	57.86%
SF Shared Precision Information Technology (Shenzhen) Co., Ltd.	Mainland China	information technology services	RMB7,000	–	100.00%
Hangzhou Shuangjie Supply Chain Co., Ltd.	Mainland China	supply chain management and other services	RMB50,000	–	100.00%
Shenzhen Shunfeng Express Co., Ltd.	Mainland China	enterprise management and supply chain management	RMB1,230,000	–	100.00%
Huanggang Xiufeng Education Investment Co., Ltd.	Mainland China	business information consulting and enterprise management consulting	RMB90,000	–	100.00%
Junhe Information Service Technology (Shenzhen) Co., Ltd.	Mainland China	information technology and development services	RMB10,000	–	100.00%
SF Mathematical Technology (Shenzhen) Service Co., Ltd.	Mainland China	technology services and consulting services	RMB250,000	–	100.00%
Shenzhen SF International Industrial Co., Ltd.	Mainland China	information technology services and consulting services	RMB15,010	–	100.00%
Shenzhen Shunfeng Investment Co., Ltd.	Mainland China	investment holding	RMB1,100,000	–	100.00%
SF Cold Chain Logistics Co., Ltd.	Mainland China	cargo transportation and freight forwarding	RMB97,660	–	100.00%
Zhejiang Shuangjie Supply Chain Technology Co., Ltd.	Mainland China	supply chain management and other services	RMB192,444	–	100.00%
Shanghai Shun Ru Feng Lai Technology Co., Ltd.	Mainland China	information technology services	RMB72,873	–	100.00%
KLN	Hong Kong	provision of logistics and freight forwarding services	HKD903,715	–	51.52%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

42. Group Structure – Principal Subsidiaries (Continued)

Notes:

(i) The Company's investment in a subsidiary is as follow:

	As at December 31,	
	2024 *RMB'000*	2023 *RMB'000*
Taisen Holding	69,994,648	66,933,038

(ii) The English names of the subsidiaries represent the best efforts made by the management of the Group in translating their Chinese names as they do not have official English names.

(iii) The above list included subsidiaries having material impact on the annual results or net assets of the Group.

Definitions

"active consumer(s)"	the number of unique consumer accounts that purchase a particular service at least once during the prescribed period
"active merchants"	the number of unique merchant accounts that purchase a particular service at least once during the prescribed period
"Announcement No. 1 [2023] of the Ministry of Finance and the State Taxation Administration"	Announcement of the Ministry of Finance and the State Taxation Administration on the Clarification of Value-Added Tax Reduction and Exemption for Small-Scale Value-Added Tax Taxpayers and Other Policies (Announcement No. 1 [2023] of the Ministry of Finance and the State Taxation Administration)
"A Share(s)"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in RMB
"AEO"	Authorized Economic Operator, qualified enterprises certified by the World Customs Organization and provided with facilitation and preferential policies for customs clearance
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"AGV"	automated guided vehicle, a transport vehicle with handling function that can travel automatically along a prescribed path
"Articles of Association"	the articles of association of our Company adopted on August 17, 2023 with effect upon Listing (as amended from time to time)
"associate(s)"	has the meaning ascribed thereto under the Listing Rules of SEHK
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"Board of Supervisors"	the board of Supervisors of the Company
"B2B"	business to business
"B2C"	business to customer
"Business Day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"China" or "the PRC"	the People's Republic of China, except where the content or context requires otherwise
"China Federation of Logistics & Purchasing"	China Federation of Logistics & Purchasing
"CG Code"	the Corporate Governance Code as set out in the Appendix C1 to the Listing Rules of SEHK
"Cold Chain Logistics Committee of China Federation of Logistics & Purchasing"	Cold Chain Logistics Committee of China Federation of Logistics & Purchasing
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "SF"	S.F. Holding Co., Ltd. (順豐控股股份有限公司), formerly registered under the name Maanshan Dingtai Rare Earth & New Materials Co., Ltd.* (馬鞍山鼎泰稀土新材料股份有限公司), a joint stock company with limited liability established in the PRC on May 22, 2003, the A Shares of which have been listed on the Shenzhen Stock Exchange (stock code: 002352.SZ) and the H Shares of which have been listed on the Hong Kong Stock Exchange (stock code: 6936.HK)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules of SEHK
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules of SEHK
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules of SEHK
"CSRC"	China Securities Regulatory Commission

Definitions

"customers with active credit accounts"	customers that have a credit account with us and transacted with us within the most recent six-month period, among which substantially all are business accounts
"Director(s)"	the director(s) of our Company
"dividend payout ratio"	calculated as our dividends paid in respect of a year/reporting period divided by the profit attributable to owners of our Company for the same period, expressed as a percentage
"express logistics"	includes the Company's time-definite express, economy express, freight delivery, cold chain and pharmaceuticals logistics, and intra-city on-demand delivery business
"Ezhou cargo hub"	the air cargo hub located in Ezhou, Hubei Province, which mainly comprises of Ezhou Huahu International Airport and our logistics complex
"Fenghao Supply Chain"	the business entities acquired by the Company from DHL that engage in supply chain business in mainland China, Hong Kong and Macau
"Fengyi Technology"	Fengyi Technology (Shenzhen) Co., Ltd. (豐翼科技(深圳)有限公司), an indirect non-wholly owned subsidiary of the Company
"Fengwang" or "Fengwang Express"	Shenzhen Fengwang Express Co., Ltd. (深圳豐網速運有限公司), which mainly engages in the economy express service under the franchise model. In June 2023, the Company completed the disposal of its Fengwang Express business by selling all the equity in its parent company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"F&S Report"	the industry report prepared by Frost & Sullivan, which the Company commissioned Frost & Sullivan to prepare on the global logistics market
"GDP"	gross domestic product
"Group"	our Company and its subsidiaries
"H Share(s)"	overseas listed foreign ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in HKD
"H Share Registrar"	Tricor Investor Services Limited
"H Shares Listing Date"	November 27, 2024
"HKFRS(s)"	Hong Kong Financial Reporting Standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "SEHK"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"IASB"	International Accounting Standards Board
"IFRS"	the IFRS Accounting Standards, which as collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the IASB
"IVD"	abbreviation for in vitro diagnostics, products and services for obtaining clinical diagnostic information through testing on human samples
"KA"	the type of customers that are defined as key accounts in the Company's customer management system
"KEX"	KEX Express (Thailand) Public Company Limited, a company listed on the Stock Exchange of Thailand (stock code: KEX.BK), and a holding subsidiary of the Company
"KLN"	Kerry Logistics Network Limited (in the process of changing its name to KLN Logistics Group Limited), a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0636.HK), and a holding subsidiary of the Company

Definitions

"Listing Rules of SEHK"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"logistics and freight forwarding services"	includes the Company's time-definite express, economy express, freight delivery, cold chain and pharmaceuticals logistics, intra-city on-demand delivery, and supply chain and international business
"lower-tier markets"	generally refers to the market in third- or lower-tier cities, counties, towns and rural areas, or the market where customers place greater emphasis on cost-effectiveness
"LTL"	less-than-truckload, the transportation of goods that do not require a full truckload
"Mingde Holding"	Shenzhen Mingde Holding Development Co., Ltd.* (深圳明德控股發展有限公司), a limited liability company established under the laws of the PRC on November 5, 1997, one of our Controlling Shareholders
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules of SEHK
"NAFR"	National Administration of Financial Regulation of the PRC (中華人民共和國國家金融監督管理總局) (which was established on the basis of the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會))
"Nomination Committee"	the nomination committee of the Board
"O2O"	online to offline, a business model or marketing strategy that guides consumers to a brick-and-mortar store (offline) for consumption or experience through the Internet (online)
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法)
"PRC GAAP"	Generally accepted accounting principles of the PRC
"Prospectus"	the prospectus of the Company dated November 19, 2024
"PTL"	Partial Truckload, the transportation of goods that are relatively large in volume but still not sufficient for a full truckload, requiring consolidated shipping
"RCEP"	Regional Comprehensive Economic Partnership
"Relevant Period"	from the H Shares Listing Date to December 31, 2024
"Reporting Period"	from January 1, 2024 to December 31, 2024
"reverse logistics"	logistics services that manage the movement of goods from consumers back to manufacturers or sellers, generally for purposes including returns, recycling, or repairs
"Risk Management Committee"	the risk management committee of the Board
"RPA"	Robotic Process Automation
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"R&D"	research and development
"SaaS"	abbreviation for Software as a Service, a business delivery model in which software is licensed on a subscription basis and is centrally hosted
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"standardized portfolio service"	standardized integrated logistics service solution created by combining a wide range of products and technological capabilities to meet the needs of customers in specific scenarios
"SF Express"	S.F. Express Co., Ltd.* (順豐速運有限公司), an indirect wholly-owned subsidiary of the Company

Definitions

"SF Express (Group)"	SF Express (Group) Limited* (順豐速運(集團)有限公司), the predecessor of Mingde Holding
"SF Holding (Group)"	SF Holding (Group) Co., Limited* (順豐控股(集團)股份有限公司), the predecessor of SF Taisen
"SF Holding (HK)"	SF Holding (HK) Limited (順豐控股(香港)有限公司), an indirect wholly-owned subsidiary of the Company, formerly known as SF Holding Limited (順豐控股有限公司)
"SF Intra-city" or "Intra-city Industrial"	Hangzhou SF Intra-city Industrial Co., Ltd. (杭州順豐同城實業股份有限公司), a company listed on the Main Board of the Stock Exchange (9699.HK), an indirect non-wholly owned subsidiary of the Company
"SF REIT"	SF Real Estate Investment Trust, listed on the Main Board of the Stock Exchange (2191.HK), is an associate of the Company
"SF Taisen"	Shenzhen S.F. Taisen Holding (Group) Co., Ltd.* (深圳順豐泰森控股(集團)有限公司), previously known as SF Holding (Group) Co., Limited* (順豐控股(集團)股份有限公司), a direct wholly-owned subsidiary of the Company
"SF Technology"	SF Technology Co., Ltd.* (順豐科技有限公司), an indirect wholly-owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SKA"	the type of customers that are defined as strategic key accounts in the Company's customer management system
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, including both A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange
"Shenzhen Weishun"	Shenzhen Weishun Enterprise Management Co., Ltd.*(深圳市瑋順企業管理有限公司), a limited liability company established under the laws of the PRC on January 31, 2023, one of our Controlling Shareholders and owned as to 100% by Mingde Holding as of the Latest Practicable Date
"SME"	the type of customers that are defined as small and medium enterprise customers in the Company's customer management system
"Strategy Committee"	the strategy committee of the Board
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules of SEHK
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules of SEHK
"Supervisor(s)"	member(s) of the Board of Supervisors
"Supply chain and international business"	includes the Company's international express, international cargo and freight forwarding business, and supply chain business
"SXH China Logistics"	the business entities acquired by the Company from HAVI China Holding LLC that engage in cold chain business in mainland China, Hong Kong and Macau
"TEU"	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of eight feet six inches and width of eight feet
"the e-commerce-driven distribution of agricultural products"	the process of various agricultural products produced in rural areas being delivered from the fields to urban consumers through modern information technologies, such as the Internet, and e-commerce platforms and other channels
"US dollar(s)" or "USD"	United States dollars, the lawful currency of the United States
"2022 Stock Option Incentive Plan"	the stock option incentive plan approved and adopted by the Company on April 28, 2022, selected participants including Directors and members of senior management team, key management members and key staff
"3C electronics"	computer, communication, and consumer electronics
"%"	per cent

WE DELIVER AS PROMISED

S.F. Holding Co., Ltd.

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