

Stock Abbr: **SF Holding**

Stock Code: **002352**



2022

S.F. HOLDING CO., LTD.

# INTERIM REPORT



# **S.F. Holding Co., Ltd.**

## **2022 Semi-Annual Report**



**August 2022**



Confronting COVID-19 by joint efforts  
Embodying the resilience in business  
Deepening reform  
Pursuing lean operation



## **Chapter 1 Important Information, Table of Contents and Definitions**

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

Wang Wei, the Company's legal representative, Ho Chit, the chief financial officer (the person in charge of finance), and Hu Xiaofei, the accounting officer, hereby declare and warrant that the financial report within the Semi-Annual Report is true, accurate and complete.

All directors have attended the Board meeting approving the Semi-Annual Report.

In this Semi-Annual Report, the Company details the possible risk factors that may occur in the future and countermeasures. For more information, please refer to "Section X. Possible Risks and Countermeasures" under "Chapter 3 Management Discussion and Analysis". Investors should refer to such information.

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

The Company does not plan to issue cash or equity dividends, nor to convert equity reserve into share capital of the Company.

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## **List of Documents Available for Inspection**

- (1) Financial statements signed and sealed by the legal representative, the chief financial officer (the person in charge of finance) and the accounting officer of the Company.
- (2) The original copies of all documents and announcements of the Company which have been publicly disclosed in newspapers designated by the China Securities Regulatory Commission during the reporting period.
- (3) The original copies of the 2022 Semi-Annual Report signed by the chairman of the Board of Directors.
- (4) The place where the above documents are maintained: the office of the Company's Board of Directors.

## Definitions

Term	Description
Reporting period	January 1, 2022 to June 30, 2022
The same period of previous year	January 1, 2021 to June 30, 2021
The Company, The listed Company, SF Holding, SF	S.F. Holding Co., Ltd.
RMB	Renminbi yuan
Taisen Holding	Shenzhen S.F. Taisen Holding (Group) Co., Ltd., a wholly-owned subsidiary of S.F. Holding Co., Ltd.
Mingde Holding	Shenzhen Mingde Holding Development Co., Ltd., the controlling shareholder of S.F. Holding Co., Ltd.
Kerry Logistics	Kerry Logistics Network Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (00636.HK) and a controlled subsidiary of S.F. Holdings Co., Ltd.
SF Intra-city, Intra-city Industrial	Hangzhou SF Intra-city Industrial Co., Ltd., a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (09699.HK) and a controlled subsidiary of S.F. Holdings Co., Ltd.
SF REIT	SF Real Estate Investment Trust, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (02191.HK) and an associate of S.F. Holding Co., Ltd.
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
HK Stock Exchange	The Stock Exchange of Hong Kong Limited

## Chapter 2 Company Profile and Key Financial Indicators

### I. Company Information

#### Company Profile

Stock Abbreviation	SF Holding	Stock Code	002352
Listed Stock Exchange	Shenzhen Stock Exchange		
Chinese Name of the Company	顺丰控股股份有限公司		
Chinese Name Abbreviation of the Company (if any)	顺丰控股		
English Name of the Company (if any)	S.F. Holding Co., Ltd.		
English Name Abbreviation of the Company (if any)	SF Holding		
Legal Representative of the Company	Wang Wei		

#### Contacts and Contact Methods

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

#### Other Information

##### 1. Corporate contact information

Were there any changes to the Company's registered address, office address or postal code, Company website, or to the email address during the reporting period?

Yes  No

There were no changes to the Company's registered address, office address or postal code, Company website and the email address during the reporting period. Refer to the Company's 2021 Annual Report for details.

##### 2. Information disclosure and place of inspection

Were there any changes to information disclosure and place of inspection during the reporting period?

Yes  No

There were no changes to the name of the newspaper designated for information disclosure, to the address of website designated by the CSRC for semi-annual report publication, nor to the storage location of Company's Semi-Annual Report during the reporting period. Please refer to the Company's 2021 Annual Report for details.



### **3. Other relevant information**

Were there any changes to other relevant information during the reporting period?

Yes  No

## II. Key Operating and Financial Data

### Results Overview for 2022H1

Total parcel volume<sup>1</sup>

**5.13** billion

**Flat**

Revenue

RMB **130.1** billion **↑47.2%**

Gross profit

RMB **16.3** billion **↑82.5%**

Net profit attributable to the parent company<sup>2</sup>

RMB **2.51** billion **↑231%**

Total assets

RMB **212.5** billion **↑1.22%**

Net profit attributable to the parent company after deducting non-recurring profit or loss<sup>3</sup>

RMB **2.15** billion **↑550%**

Net assets attributable to the parent company<sup>4</sup>

RMB **81.7** billion **↓1.48%**

Basic earnings per share

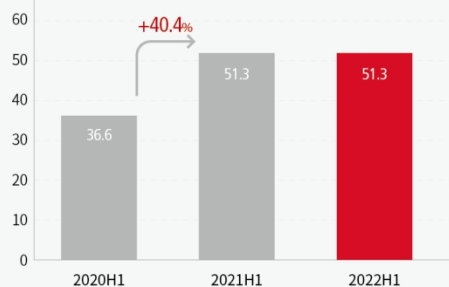
RMB **0.51**/share **↑200%**

#### Notes:

1. The total parcel volume does not include the express delivery volume of Kerry Logistics, nor includes business volume of international freight and freight forwarding and supply chain
2. Net profit attributable to the parent company refers to the net profit attributable to the shareholders of the listed company
3. Net profit attributable to the parent company after deducting non-recurring profit or loss refers to the net profit attributable to the shareholders of the listed company after deducting non-recurring profit or loss

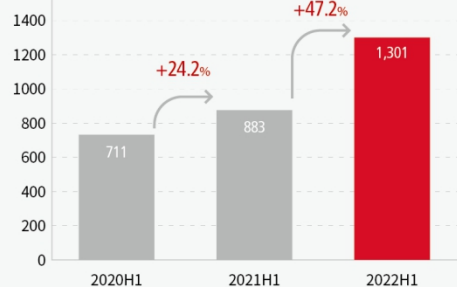
### Volume

Units: 100 million parcels

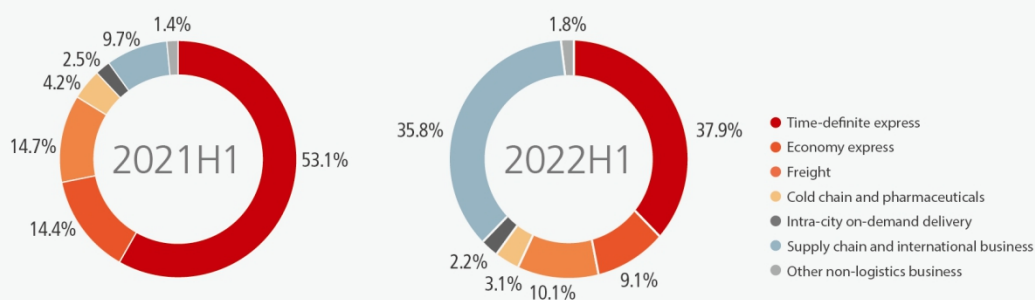


### Revenue

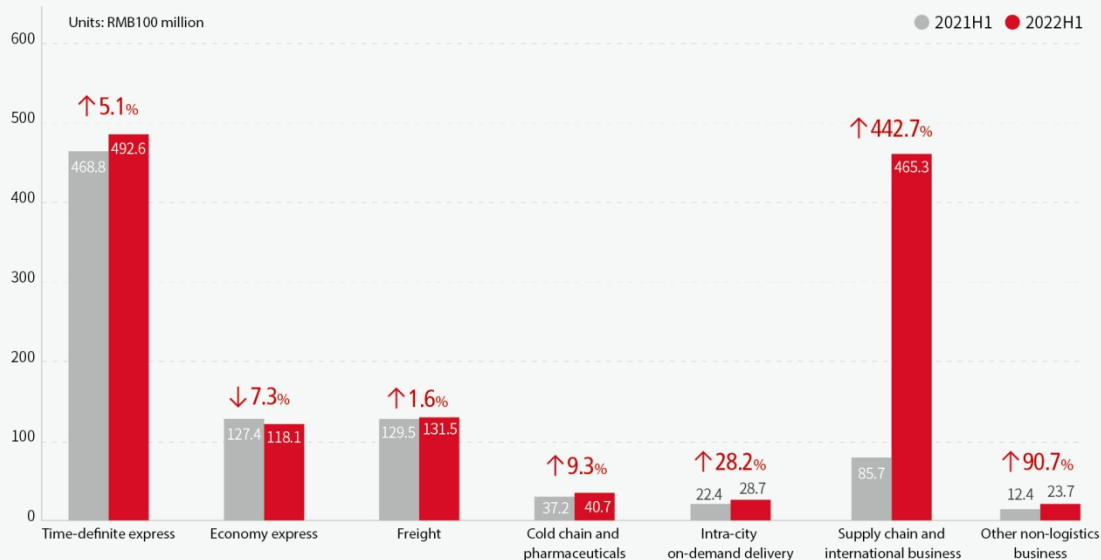
Units: RMB100 million



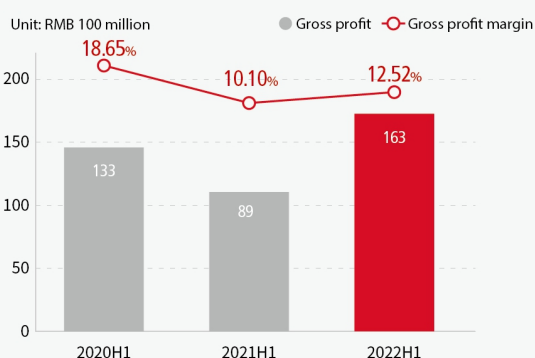
### Revenue Breakdown



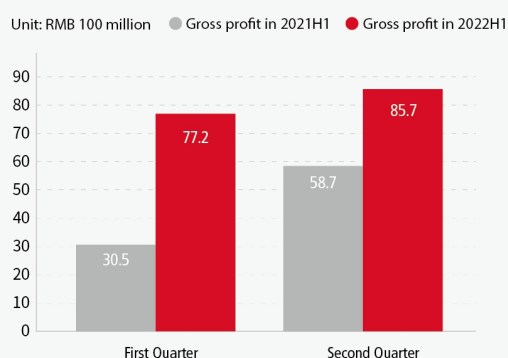
Units: RMB100 million



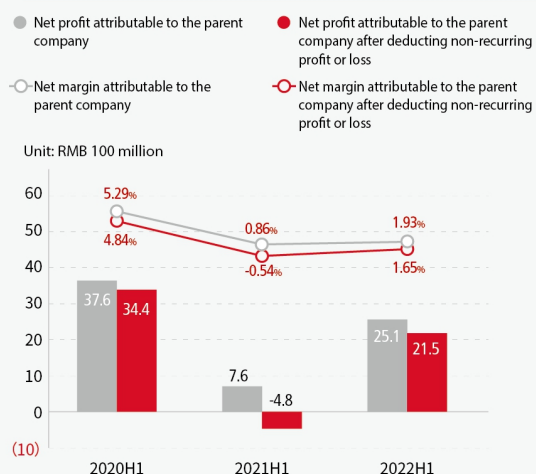
### Gross profit



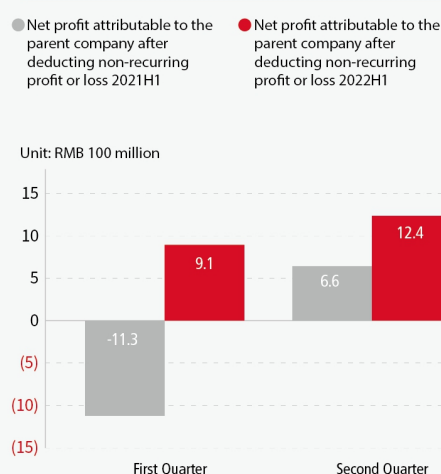
### Quarterly gross profit



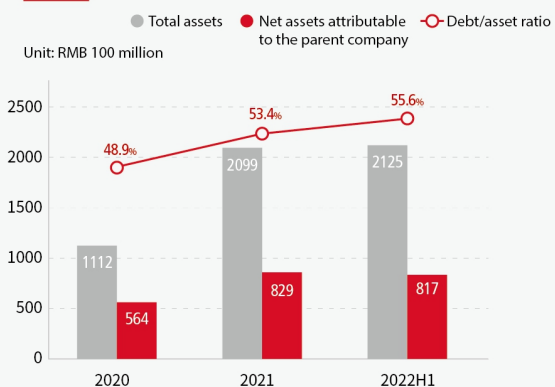
### Net profit attributable to the parent company & Net profit attributable to the parent company after deducting non-recurring profit or loss



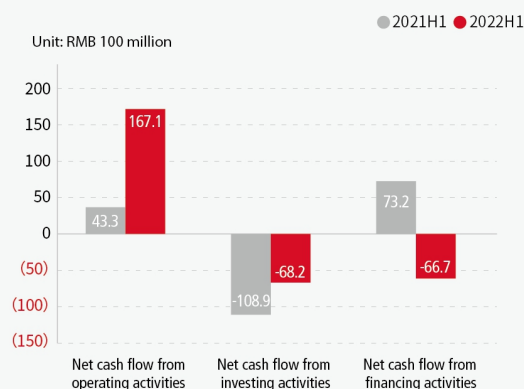
### Quarterly net profit attributable to the parent company after deducting non-recurring profit or loss



### Assets



### Net cash flow



## Financial summary

### 1. Major accounting data and financial indicators

Does the Company need to adjust its financial information retrospectively or restate its previous year accounting information?

Yes No

Unit: RMB'000

	Current reporting period	The same period of previous year	Increase/Decrease over the same period of previous year
Revenue	130,064,133	88,343,930	47.22%
Cost of revenue	113,778,310	79,421,354	43.26%
Gross profit	16,285,823	8,922,576	82.52%
Net profit attributable to shareholders of the parent company	2,512,397	759,921	230.61%
Net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss	2,147,856	-477,089	550.20%
Net cash flow generated from operating activities	16,712,814	4,331,631	285.83%

	End of the current reporting period	End of previous year	Increase/Decrease over previous year end
Total assets	212,467,377	209,899,982	1.22%
Total liabilities	118,069,551	111,984,735	5.43%
Net assets	94,397,826	97,915,247	-3.59%
Net assets attributable to shareholders of the parent company	81,718,397	82,943,226	-1.48%
Gearing ratio (%)	55.57%	53.35%	Up by 2.22 percentage points

	Current reporting period	The same period of previous year	Increase/Decrease over the same period of previous year
Basic earnings per share (RMB/share)	0.51	0.17	200.00%
Diluted earnings per share(RMB/share)	0.51	0.17	200.00%
Weighted average return on net assets (%)	3.00%	1.34%	Up by 1.66 percentage points

## 2. Major financial data of operating segments

### Segment external income

Unit: RMB'000

	Current reporting period	The same period of previous year	Increase/Decrease over the same period of previous year
Express segment	63,969,177	63,144,369	1.31%
Freight segment	15,057,837	13,398,874	12.38%
Intra-city segment	2,938,274	2,293,462	28.12%
Supply chain and international segment	47,545,204	8,790,434	440.87%
Undistributed units	553,641	716,791	-22.76%
Total	130,064,133	88,343,930	47.22%

### Segment net profit

Unit: RMB'000

	Current reporting period	The same period of previous year	Increase/Decrease over the same period of previous year
Express segment	2,110,588	801,604	163.30%
Freight segment	8,744	-580,252	101.51%
Intra-city segment	-143,940	-406,588	64.60%
Supply chain and international segment	1,689,467	-65,957	2661.47%
Undistributed units	-368,555	661,893	-155.68%
Inter-segment elimination	471	5,090	-90.75%
Total	3,296,775	415,790	692.89%

Notes:

(1) The Company continues to promote multi-network integration. The large parcel (generally goods heavier than 20KG, with restricted flow direction and distance) business of time-definite express and economy express operated by the direct network of express segment was included in the responsibility of the freight organization step by step. Accordingly, the freight segment data included data from the above large parcel business.

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

### 3. Non-recurring profit or loss items and amounts

Unit: RMB'000

	Amount	Description
Investment income from disposal of subsidiaries	32,314	
Gains or losses on disposals of non-current assets (including the write-off part of the provision for impairment of assets)	20,464	
Government grants recognized in the current profit or loss (excluding continuous government grants that are closely related to the Company's normal business operations, with fixed quotas or amounts in accordance with national policies)	392,099	It mainly represents fiscal appropriation, transportation capacity subsidies, tax refunds and employment stabilization subsidies, etc.
Gains or losses from changes in fair value of held-for-trading financial assets and held-for-trading financial liabilities, and investment gains or losses arising from the disposal of held-for-trading financial assets and held-for-trading financial liabilities, excluding hedging activities related to the Company's normal business operations	15,933	
Reversal of provision for impairment of receivables that have been separately assessed for impairment	64,090	
Other non-operating income and expenses other than the above	-16,465	
Less: Income tax effect	102,319	
Profit or loss attributable to minority shareholders (after tax)	41,575	
Total	364,541	

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

### 4. Differences in accounting data under domestic and foreign accounting standards

1. During the reporting period, there was no difference in the net profit and net assets in the financial reports disclosed in accordance with the International Accounting Standards and the Chinese Accounting Standards.
2. During the reporting period, there was no difference in the net profit and net assets in the financial reports disclosed in accordance with overseas accounting standards and in accordance with the Chinese Accounting Standards.

## Chapter 3 Management Discussion and Analysis

### I. Business Development of the Company

#### (I) Industry review

##### 1. China's economy rebound in the first half of 2022 after a slowdown caused by the Covid-19 pandemic.

As Covid-19 variants are becoming more transmissible, the difficulty of prevention and control also increases. In China, sporadic outbreaks of the pandemic exerted a negative impact on economic activities. According to National Bureau of Statistics of China, in the first half of 2022, China's GDP hit RMB56.3 trillion, up 2.5% year-on-year as calculated using constant prices; and GDP for the second quarter was RMB29.2 trillion, up 0.4% year-on-year. In addition, the total retail sales of consumer goods were RMB21.0 trillion, down 0.7% year-on-year; as the pandemic also reinforced people's habits to consume online, the online retail sales of physical commodities came in at RMB5.4 trillion, up 5.6% year-on-year, accounting for 25.9% of the total retail sales of consumer goods with an increase in market penetration.

During May and June, with the improvement of the pandemic situation, the government introduced a series of policies to help enterprises ride out the tough time and speed up the resumption of work and production. China's economic activities saw an uptick. In June, major economic indicators demonstrated positive trends. The added value of industries above designated size increased by 3.9% year-on-year; the growth rate of total retail sales of consumer goods turned positive, increasing by 3.1% year-on-year. With the continuous rollout of policies conducive to economic stability, China is supposed to continue its economy rebound in the second half of the year.

##### 2. Policies were launched to ensure the smooth flow and overall development of logistics, obtaining significant effect.

When the pandemic hit in the first half of 2022, the logistics industry faced greater pressure due to local lockdowns and control measures, which adversely affected

the supply of livelihood materials and the normal operation of industrial and supply chains.

To alleviate the pressure, the government has launched a number of policies to ensure smooth logistics and reduce business costs of enterprises. On 11 April, the State Council issued the *Notice on Ensuring the Smooth Freight and Logistics* (《关于切实做好货运物流保通保畅工作的通知》), calling for efforts from all regions and departments to ensure smooth transportation of goods and materials, especially medical and other materials for epidemic prevention and control, daily necessities, government reserve materials, postal express, and other important production materials such as agriculture, energy, and raw materials. On 27 April, the State Council proposed at an executive meeting that from 1 May to the end of the year, eligible express delivery services will be exempted from VAT; RMB100 billion of refinancing loans will be offered as soon as possible to fund the transportation, logistics and warehousing industries, and allow reasonable deferred repayment of car loans, etc.

Benefiting from above measures, the logistics industry accelerated its recovery after this wave of Covid infections receded. In the first half of 2022, the nationwide total logistics expenses (the total value of goods in social mobility) rose by 3.1% year-on-year to approximately RMB160 trillion; nationwide business volume of express service enterprises amounted to 51.2 billion pieces, up 3.7% year-on-year; business income accumulated to RMB498.2 billion, up 2.9% year-on-year. The logistics industry has shown its resilience under the impact of the pandemic. It can be anticipated that in the second half of the year, with the mitigation of the pandemic and recovery of economic activities, the express logistics industry will also speed up its recovery.

##### 3. Both policy regulation and market changes are



**boosting the logistics industry towards high-quality development.**

The *Development Planning on the Post Industry for the "14th Five-Year Plan" Period* (《“十四五”邮政业发展规划》) introduced in late 2021, proposed that during the 14th Five-Year Plan period we should focus on promoting the high-quality development of the post industry, while setting five major objectives in terms of scale strength, basic network, innovation capability, service and governance effectiveness, as well as 12 related indicators. The planning provides a clear and concrete direction for the express delivery industry to improve its service and development quality. Additionally, the government tightened regulation towards market competition to protect deliverymen's rights and interests. Under the dual action of policy guidance and continuous governance, price-oriented competition in the express delivery industry is easing. While express delivery companies gradually getting rid of the "price war" haze, the unit price per shipment elevates continuously.

Meanwhile, with the slowing e-commerce consumption growth, e-commerce model innovations, decentralized traffic and a competitive e-commerce platform landscape, the rivalry over consumer service experience has become particularly significant. Therefore, the merchants and e-commerce platforms have placed greater emphasis on the timeliness and quality of logistics performance. Improving services and the quality of development has become the mainstream trend in the industry. Express delivery companies actively promote service stratification and product classification, optimize service models and refine operational processes. They also make efforts to improve terminal delivery service quality and enhance customer experience amid a shift in the express delivery industry towards orderly competition.

Furthermore, international geopolitical conflicts made crude oil prices continue rising in the first half of the year, driving domestic refined oil prices to a five-year high. As one of a key cost element for the logistics industry, the cost of fuel has been on the rise, bringing great pressure on the operational efficiency of express logistics companies while reducing the possibility of price war. Rising fuel cost also tested the companies' capabilities of intensive management. Leading express delivery and logistics companies have

established complete logistics networks, and set up effective barriers to entry based on economies of scale. They will have more space to improve the efficiency of transportation capacity resources by several measures such as adjusting operating models and optimizing network planning, so as to hedge against the pressure of rising fuel cost. Higher barriers to entry and uncertainties in the business environment have led to a gradual shift among logistics enterprise competition away from disorderly expansion to LEAN and sustainable development.

**4. With resilience in import and export trade, China has seen an enormous development potential in cross-border logistics in the Asia-Pacific region given its growth potential in consumption and trade.**

Since the beginning of 2022, the overall global trade growth has been slowing down. However, China has overcome several adverse effects such as the tightening external environment and the short-term impact of the pandemic, and still saw a relatively fast growth of foreign trade imports and exports, attesting to the high degree of tenacity in the Chinese foreign trade industry. In the first half of 2022, China's total imports and exports of goods amounted to RMB19.8 trillion, up 9.4% year-on-year; exports of goods amounted to RMB11.1 trillion, up 13.2% year-on-year. As the Covid-19 pandemic abated gradually in China, resumption of work and production activities at the social level continued to advance, and the logistics chain and supply chain have been continuously restored. Besides, China introduced more policies to help stabilize foreign trade, which brought about impressive export figures in June – exports soared by 22% year-on-year to RMB2.2 trillion, beating market expectations.

The Regional Comprehensive Economic Partnership (RCEP) agreement, which entered into force on 1 January 2022, is the largest and most important free trade agreement in the Asia-Pacific region. RCEP promotes the development of cross-border trade between China and Southeast Asia in terms of reducing cross-border transaction costs, improving customs clearance and logistics efficiency, reducing compliance risks, accelerating the digital upgrade of cross-border e-commerce as well as improving infrastructure and supporting services. It will also encourage Chinese enterprises to get involved in industrial shaping and

expanding on a more extensive scale, bringing enormous development opportunities for the international supply chain business of China's express delivery and logistics enterprises.

Moreover, as the emerging markets in Southeast Asia have a large population, including great numbers of young and low-cost workforce, these regions have higher consuming power and therefore have attracted substantial inflows of foreign capital. Driven by investment, the value of merchandise exports to major ASEAN countries also grew to varying degrees. Southeast Asian is committed to low-end industries and the terminal assembly and production links of the industrial chain, while China has the most comprehensive industrial chains and the most advanced supply chain infrastructure. The above strong and effective complementarities, and in-depth cooperation between them in the future will effectively contribute to a new integrated supply chain pattern of "China + Southeast Asia".








Asia Pacific's strategic position in the global trade network and the rise of local markets in the region are expected to lead to long-term growth in cross-border logistics, contract logistics and freight forwarding market. Having taken the lead in establishing their own service networks in Southeast Asian, and acquired the ability to provide logistics and freight services global wide with Asia as the pivot, Chinese logistics companies are better equipped to grasp the development chances of the market in the big picture of industrial chain upgrading and migration. They will join hands with more Chinese brands to go abroad and help reshape the supply chain of multinational brands. They aim to create a stable, efficient, end-to-end international supply chain and build the global presence for logistics network.

## (II) The Company's Primary Business Segments

SF Holding is the largest integrated express logistics service provider in China and the fourth largest in the world. Focusing on the ecosystem of the logistics industry, the Company continuously built on its service capabilities, and diversified its business lines to include sub-sectors such as time-definite express, economy express, expedite delivery, cold-chain and pharmaceutical transportation, intra-city delivery, international express, international freight and freight forwarding and supply chain logistics, enabling it to provide customers with domestic and international end-to-end one-stop supply chain services. Furthermore, drawing on its exceptional technological research and development capabilities, SF is committed to building a digital supply chain ecosystem and establishing itself as the global leader in smart supply chain logistics.

### Business Segments

#### Express Logistic

 Time-definite Express	<p>Provide time-definite and high-quality door-to-door delivery service for consumers, enterprises, merchants, etc.</p> <ul style="list-style-type: none"> <li>Options of <b>same-day delivery</b>, <b>next morning/next day delivery</b>, etc. dependent on shipping route and distance;</li> <li>Provide bulk air transportation shipments across provinces within 7 hours to meet the immediate needs of customers' production and distribution scenarios;</li> <li><b>Fastest delivery judging by collection-to-delivery time</b> (express delivery time tested by State Post Bureau in 2021).</li> </ul>
 Economy Express	<p>Provide cost-effective and quality-guaranteed delivery services mainly for e-commerce platforms and merchants</p> <ul style="list-style-type: none"> <li>"SF Express" operates a <b>self-operated network</b> to serve upscale customers with door-to-door delivery;</li> <li>"Fengwang Express" has a <b>franchise network</b> to serve lower-tier e-commerce markets with affordable pricing adopted;</li> <li><b>Integrated warehousing and distribution service</b> to serve various types of warehousing needs with nationwide sub-warehouses, smart cloud-based warehouses etc.</li> </ul>
 Freight	<p>Mainly for customers in manufacturing and commercial distribution sectors with demand for large parcel distribution and bulk transport</p> <ul style="list-style-type: none"> <li>Large parcel by air: Provide customized large parcel air transportation services based on customized needs, with delivery within 8 to 16 hours at the fastest;</li> <li>Extended services: in large parcel warehousing and distribution, moving, store distribution, delivery and installation integrati, and other scenarios;</li> <li><b>SF Freight operates a self-operated network</b> to serve high-end customers while <b>SX Freight franchise network</b> is oriented to lower-tier e-commerce markets.</li> </ul>
 Cold Chain and Pharmaceutical	<p>Mainly for customers from three sectors: seasonal fresh food, frozen food and pharmaceutical</p> <ul style="list-style-type: none"> <li>Fresh food speedy distribution: Distribute over 4,000 types of farm produce across the country from place of origin to consumers;</li> <li>Cold chain food transport: Provide high-standard end-to-end temperature-controlled cold chain services including multi-temperature section controlled storage, less-than-truckload/special truck transport, distribution to stores and consumers;</li> <li>Pharmaceutical logistics: Serve clients throughout the pharmaceutical industrial chain, capable of conducting multi-temperature section control transportation (from -80°C to 25°C), and GSP certified pharmaceutical cold storage service.</li> </ul>
 Intra-City On-demand Delivery	<p>Provide on-demand distribution service mainly for restaurants, retail/e-commerce merchants, individuals and enterprises</p> <ul style="list-style-type: none"> <li>Provide exclusive, concessionary and value-added To B services, and To C product system integrating features of "Fetch for Me, Deliver for Me, Purchase for Me, Solve for Me", and city-wide on-demand delivery services within average 1 hour.</li> </ul>
<h4>Supply Chain and International</h4>	
 International Express	<p>Provide domestic and foreign manufacturers, trading enterprises, cross-border e-commerce merchants and consumers with international express delivery, overseas local express, cross-border e-commerce parcel and overseas warehouse services</p> <ul style="list-style-type: none"> <li>International express: High timeliness standard services that meet the needs of cross-border expedite delivery, including high-quality international standard express and economical international special products;</li> <li>International e-commerce: Cost-effective and economical services that meet the needs of cross-border e-commerce, including efficient international e-commerce express and economical international small parcels;</li> <li>Overseas local express: covering Thailand, Vietnam, Malaysia, Cambodia, Indonesia and other Southeast Asian countries.</li> </ul>
 International Freight and Freight Forwarding	<p>Provide customers with air, sea, railway, road and multimodal freight transport solutions</p> <ul style="list-style-type: none"> <li>Air transport: provide air transport services such as pick-up at departure point, multiple integration, customs clearance, delivery to end customer;</li> <li>Sea transport: provide sea transport services including various traditional freight, full container load and less than container load carriage;</li> <li>Road transport: provide innovative and economic road and railway transport services across Europe and Asia.</li> </ul>
 Supply Chain	<p>Provide customers in various industries with domestic and international end-to-end supply chain solutions</p> <ul style="list-style-type: none"> <li>Empowering with technology, relying on SF's big data, AIoT technology and software and hardware system integration capabilities to help customers build a smart supply chain;</li> <li>SF Supply Chain and New HAVI to provide local supply chain service;</li> <li>while Kerry Logistics to provide global integrated logistics.</li> </ul>

### (III) An Overview of Business Development

#### 1. Working together to defeat the Covid-19 pandemic

Since March 2022, the Covid-19 pandemic has posed great challenges to normal order in work and life and express delivery and logistics operations. Despite the severe pandemic, leveraging self-owned strong transportation infrastructure and efficient arrangement and deployment, SF spares no efforts to maintain a smooth and complete logistics service chain for both transporting and delivering daily necessities and anti-epidemic supplies and for the normal operations of society and economy, attesting to its exceptional business resilience and technological innovation capabilities. We provide reliable and secure services especially for high-priority operations such as last lag (e.g. “last mile” and “last 100 meter”) delivery, making customers satisfied and building trustworthiness in our communities.

**Leveraging air transport capacity to support pandemic-struck areas:** As the Covid-19 outbreak hit Jilin in March, the Company urgently started “Chongqing-Changchun” flight to promptly deliver nearly 300,000 disposable virus sampling tubes to Changchun. After the Covid-19 outbreak in Hong Kong, the Company mobilized 747 and 767 series airplanes to travel the shortest route from Shenzhen to Hong Kong, transporting and delivering over 5,500 tonnes of anti-epidemic and living supplies for Hong Kong. In addition, as Shanghai was under a lockdown in April, the Company launched an emergency air route to provide fresh food for Shanghai, transporting and delivering 400 tonnes of beef and mutton from Inner Mongolia to Shanghai. In addition, the Company also started an airline route from Chongqing to Shanghai to transport anti-epidemic supplies, including nearly 5 million Covid-19 testing reagents. By the time of Shanghai’s lockdown was lifted, 41 flights of SF had traveled to Shanghai, transporting over 900 tonnes of materials.



**Mobilizing transport capacity to carry donations from all over China:** SF assembled large fleets of over 100 vehicles to transport donations from Fujian, Anhui, Qinghai, Hainan, Hebei, Jiangsu, Ningxia, Hubei and other areas to cities affected by Covid lockdowns. Such vehicle fleets ran around the clock to ensure the end-to-end cold transportation of fresh food.

**Making positive commitments to guarantee supply logistics for people’s livelihood:** In mid-April, SF, as a logistics enterprise committed to ensuring the supply of materials in Shanghai, set up four transfer stations, including Pinghu in Zhejiang, Kunshan in Jiangsu, Xijiao and Jiangqiao in Shanghai, with the support of the government. Materials from various areas were transferred to designated places in Shanghai through “contactless drop and pull” transportation at transfer stations. During the period, a total of 1,777 vehicles and 29,500 tonnes of materials were transferred. Meanwhile, SF helped Shanghai Vegetable Group (上海蔬菜(集团)有限公司) to deliver supplies directly to 16 districts in Shanghai on a point-to-point basis, completing the transportation of nearly 1,500 tonnes involving over 160 trips. Besides, SF Cold Chain also connected and cooperated with eight domestic vegetable bases, utilizing resources of cold chain to ensure the transportation and delivery of various types of vegetable supplies.



**Flexibly coordinating with network resources to ensure supply chain operations:** Against the background of frequent resurgence of the pandemic, brand customers tend to have a higher demand for coordination of national warehouse

networks for warehouse transfer and distribution. By virtue of strong national warehouse networks, SF could help e-commerce customers to complete a shift in delivery model in time, and minimized the risk of business suspension for customers through immediate warehouse transfer and flexible warehouse distribution. By the end of June, we had guaranteed smooth delivery for more than 180 e-commerce customers affected by the pandemic.

Moreover, as the first enterprise to resume business operations in Shanghai Waigaoqiao Free Trade Zone, SF DSC mobilized more than 800 front-line employees working on site. During the period over 70 days under closed-loop management, SF DSC supported more than 50 major customers specializing in pharmaceuticals, daily necessities, automobile, high-tech and other businesses to operate continuously and smoothly, and thus received appreciation and praise from global customers for more than 40 times. Besides, in order to ensure customers' food cold chain supply, New Havi started the national emergency coordination mechanism and mobilized resources from Jiangsu, Fujian and other provinces and cities to complete the distribution in areas previously served by Shanghai Logistics Centre with high quality. New Havi was also praised by customers for its flexible and quick emergency support capability.

**Persevering with last mile delivery to meet people's livelihood needs:** Whenever lockdowns caused by unexpected Covid-19 outbreaks, some delivery staffs of SF would always volunteer to set up teams or actively respond to the call for volunteers. They worked in harm's way to support nucleic acid tests, loading, unloading and sorting of daily necessities, and deliver packages for the last mile. Sometimes they had to sleep on the ground and live in cars, but they still struggled day and night with a fearless heart. They made continued efforts to provide services for citizens in need, and even purchased and delivered living materials for the community at their own expense. These courageous and unsung heroes are real and vivid examples that reflect what culture, values and belief all the staff of SF adhere to.

In fighting against the pandemic, nearly 10,000 volunteers from SF successively joined the supply and delivery teams in various areas affected by Covid lockdowns. To support front-line staff, the Company provided logistics support, including

food and accommodation, and additional incentives and subsidies. Acting as the "blood vessels" in the cities, SF Intra-City collaborated with local governments and supply companies to sort and distribute subsistence supplies in Covid-affected areas, supported the distribution of food, daily necessities medicines, and personal items to local residents, and assisted in the collection and transportation of testing reagents from community nucleic acid sampling points. Moreover, the personal errands, countersigning services and business document distribution provided by SF Intra-City effectively support the normal work and meet the living needs of the epidemic sealing and control areas.



#### Developing the high-tech anti-pandemic 2.0 model:

① **Unmanned aerial vehicles:** The Company developed multiple air transportation lines for unmanned aerial vehicles to realize contactless transportation of nucleic acid samples, emergency medicine, fresh food and other materials. A complete set of fully standardized operating procedures were rolled out based on trial operations in Shenzhen, and were then applied in Shenzhen, Taizhou, Zhejiang, Hangzhou and Shanghai, etc. The unmanned aerial vehicles provided transportation supports on a 24/7 basis to fight the pandemic. In particular, more than 30 unmanned aerial vehicles were deployed to help fight the pandemic in Shanghai, flying about 700 hours and transporting more than 7,000 kg materials.



② **Unmanned vehicles:** An unmanned vehicle distribution solution covering three application scenarios – buildings, industrial parks and transit depots – was developed to provide automatic delivery services for terminal logistics. Featuring industrial-grade mapping and positioning technology, the UAVs are capable of autonomously avoiding obstacles with high precision. The vehicles are interconnected and coordinate with each other, enabling automatic scheduling and recharging 24 hours a day, and they can also ride lifts to perform in-building delivery. During the critical period of the pandemic, we provided safe and convenient logistics services for teachers, students and local residents through “contactless” delivery.



③ **“Fangyikong”:** “Fangyikong” operations based on block chain technology were launched to help share disinfection data of millions of waybills per day across the logistic chain. In cooperation with official authorities, the disinfection data of each package in the entire process from collection to delivery is notarized and uploaded to the chain and recorded. Furthermore, electronic data is cured in real time to ensure the credibility of the records, allowing consumers to view the disinfection and information uploaded on the chain. This measure irons out users’ concerns over Covid-19 infection in receiving and sending packages.

**Implementing end-to-end package disinfection on a comprehensive scale:**

① **“Full stack” disinfection management for epidemic prevention:** Gantries were used to disinfect vehicles at transit depots and automatic disinfection spray equipment was used to disinfect shipments one-by-one. Disinfection systems covering implementation, early warning, visual monitoring and



information traceability operations were built at terminal outlets, focusing on four aspects – that is, people, packages, vehicles and sites. In particular, the task implementation rate of daily pandemic-prevention disinfection is 100%, and 100% of outlets are equipped with backpack sprayers and automatic disinfection machines.

② **Tightening the closed-loop management and control of international packages:** International shipments imported are stored for disinfection at their first station after entry. In the 13 first transit depots, special areas are arranged for centralized disinfection at least twice per day. Parcels are stored for more than 168 hours before they can be released. In addition, with 16 flow lines sorted out and determined, an overall arrangement is made for international bulk cargoes to ensure centralized management for international parcels after arriving at the port in various regions and minimize in-transit risks.

With improved capability to deal with various emergencies amid the pandemic, SF has precipitated a more diverse and enhanced mechanism, pushing forward the Company’s standardized business operations and intensive management.

## 2. Customer operation<sup>1</sup>

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

### I) Credit account clients (corporate clients)

**As of the first half of 2022, the number of active credit account clients<sup>2</sup> amounted to approximately 1.75 million, an increase of over 100,000 from the beginning of the year.**

**(1) SKA (strategic key accounts):** We focus on team base building, differentiated assurance mechanism as well as capability improvement and reuse to achieve operating results while improving service quality at the same time, driving a shift in our strategic customer teams from management toward operation.

**① Strengthening team base:** We continue to improve the SKA exclusive service team by bringing in human resources from external sources and through internal selection, and create an iron triangle operation mode combining business, operation and maintenance, and solution. Moreover, we continuously improve the supporting and monitoring mechanisms to promote the business of SKA customer base. **② Developing differentiated assurance mechanism:** We integrate the advantageous resources across various organizations within the Group, and establish differentiated assurance mechanisms for SKA covering various aspects such as operation capacity, service guarantee during peak periods, technology empowerment and green channel, so as to promote the overall capability of the Group to serve SKA customers. **③ Improving and reusing capabilities:** By refining and extracting the operation and maintenance, solution, technology and business capabilities in serving SKA customers, we acquired multiple exceptional capabilities and reused them on more customers, leading the overall improvement of the Group's capability. **④ Exploring in-depth core business scenarios:** By sorting out the business scenarios of SKA customer base, we expand and deepen the existing core business scenarios and reproduce them among customers of the

same type. We also prepare resources to facilitate core supply chain scenario development for certain customers, and promote breakthroughs in some new projects by value guidance and active participation.

**(2) KA (key accounts):** **① In respect of mechanism improvement,** we promote the implementation of CRM mechanism, standardize the customer decision review process, and gradually promote the standardization of business opportunity management and healthy delivery. **② As regards business expansion,** we focus on major customer bases, analyze customers status in complex scenarios and identify business opportunities based on the multi-dimensional customer review model and KA customer operation planning tools. Moreover, we fully leverage the Group's resources and capabilities to support multi-scene portfolio sales by building an iron triangle and developing solutions, as well as to achieve controllable and predictable business opportunity delivery, so as to enlarge our customer base. **③ In respect of management improvement,** we continue to build on our four primary capabilities – “customer management, demand management, risk management and team management”, to support our overall work.

**(3) SME (small and medium-sized enterprises):** **① In respect of sales capability,** we improve our comprehensive capabilities of SME customer managers and implement a sales elitism strategy on a regional basis to achieve a significant increase in per capita revenue generation, while ensuring our market share at the same place; **② In respect of business expansion,** we have a clear lead in new business and multi-scenario development, and acquired 45,000 new contractual SME customers, contributing 12.8% of total revenue generation. We also explore the upstream and downstream supply chain and multi-scenario business of our existing customers to help them grow, which improves customer loyalty and satisfaction, and our existing customers have achieved better revenue growth year-on-year. Through exploring new businesses and new application scenarios, and expanding business field, we have improved our customer loyalty, and our efforts to develop customers into high-value potential customers have contributed long-term value to the Company.

### II) Retail customers (individual customers)

**As of the first half of 2022, the number of individual members amounted to 537 million, adding more than 46**

<sup>1</sup>The statistics in this section do not include the customer data of SF DSC, New Havi and Kerry Logistics, which are acquired by the Company.

<sup>2</sup>The number of active credit account customers is derived from the number of customers with whom the Company has signed credit account agreements and who had business cooperation with us as of June 2022.

million from the beginning of the year. We increased touch points with retail customers through multiple channels, online and offline, to ensure the growth of our retail business:

**(1) Online:** SF operates multiple contact channels including Wechat/Alipay/Baidu app, etc. and each mobile brand app. On the one hand, the Company continuously improve its coverage of external cooperation channels, expanding more cooperation scenarios and functions such as student zone and new version of gift delivery, among which new users on Wechat/Alipay/Baidu have reached 33 million in the first half of 2022, with over 14 million daily active users. On the other hand, the Company focuses on building the channel of SF Express app, launching multi-language and senior-friendly versions and integrating more service capabilities. As of the end of June 2022, the daily active app users of amounted to 2.356 million, up 11.1% from the beginning of the year, and the accumulated registered app users amounted to over 65 million, adding more than 13 million from the beginning of the year, with daily active users reached 2.35 million. SF Express App is gradually becoming one of the most preferred core channels for

users.

**(2) Offline:** ① Scenarios: We provide a diverse range of services based on the needs of customers' daily consumption scenarios, including return service for online shopping, home delivery service, luggage delivery, family delivery, public welfare delivery, airport/high-speed railway station self-service and Hive Box laundry, etc. ② Channels: We expand offline channels such as self-owned outlets, urban stations, rural stations and regional agents to improve the density of end channels, and as of the first half of 2022, there were over 152,000 various co-operated terminal outlets. In particular, the outlet coverage rate in rural areas rose by 0.6 percentage points year-on-year.

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



### 3. Business development

#### I) Time-definite express

As of the first half of 2022, the Company's time-definite express business achieved tax-exclusive operating revenue of RMB49.26 billion, up 5.1% year-on-year. Time-definite business was under pressure from March to May due to the substantial impact of the pandemic in first-tier cities such as Beijing, Shanghai and Shenzhen. However, as society resumed work and production, the growth rate of time-definite express revenue increased in June and gradually recovered since then.

In the first half of the year, the Company continued to consolidate and improve the competitiveness of time-definite service, optimizing the order fulfilment rate of time-definite service and reducing costs through air-ground network integration, optimization of transit mode and collection and distribution mode, and improvement of operation capabilities in both collection and distribution operations. Despite the lockdown during the pandemic, the order fulfilment rate of time-definite service still increased by 1.1 percentage points year-on-year

The Company continues to expand the ultimate time-definite service and fully promotes "exclusive expedite delivery" to achieve cross-provincial delivery within 7 hours nationwide so as to meet customers' needs for bulk air transportation under the high-end industrial chain and JIT production and circulation mode. Such service has been rolled out in 73 cities. In addition, based on the competitive advantage of bulk collection scenario, the time-definite express business was expanded to cover reverse logistics and e-commerce returns. The Company actively expanded cooperation with major mainstream and emerging e-commerce platforms, leading to rapid growth of the returns delivery business and enhanced stickiness of bulk orders.

Ezhou Huahu Airport was put into operation on 17 July. For freight transport, two routes, namely Ezhou - Shenzhen and Ezhou - Shanghai, have been launched in the first phase. For international routes, Ezhou - Osaka and Ezhou - Frankfurt, will be launched later this year. The future operation of the airport distribution hub will enhance the Company's domestic time-definite service coverage and international air freight network, bringing more business growth.

#### II) Economy express

As of the first half of 2022, the Company's economy express business achieved tax-exclusive operating income of RMB11.81 billion, down 7.3% year-on-year. The e-commerce-oriented concessionary special delivery business with a low gross profit margin has been gradually phased out amid product restructuring carried out based on the Company's differentiated competition strategy. After the optimization, the service and pricing tier of the products and the distinction of the operating model are clearer, promoting the profitability of economy express.

##### (1) Directly operated brand service

We continuously optimize the product structure of direct e-commerce express service focusing on "e-commerce standard express", and continuously improve the performance capability through optimizing our operation mode. The order fulfilment rate of time commitment of e-commerce standard express increased by 2.6 percentage points year-on-year.

In the context of slowing consumption growth and intensifying competition resulting from the pandemic, various e-commerce platforms are increasingly aware of the importance of the stable operation of the logistics system and excellent user experience. By segmenting business scenarios, using multi-level e-commerce warehousing resources combined with the high-quality and time-efficient performance capability of e-commerce express products and independent market positioning, the Company partnered up with major e-commerce platforms in warehousing and distribution, and steadily improved the scale of e-commerce express business. In terms of product efficiency, through internal intensive management, the Company maintained the healthy development of the e-commerce express business, and continuously improved the profit of its e-commerce express products, improving profitability significantly year-on-year.

##### (2) Franchise brand service

In the first half of 2022, Fengwang Express built on its network roll-out, with operations in 229 cities of 19 provinces, and two municipalities directly under the central government, 1,671 franchised outlets established, attesting to solid growth in its business volume.

Fengwang produces strategic synergies and business integration with SF's directly operated network. **In respect of sales**, the two sides provide each other with business opportunities and traffic generation, and Fengwang takes advantage of the high density of franchise terminal outlets in rural areas to help quickly generate revenue for the fresh agricultural product express business. **In respect of branch route**, the Company promotes branch route integration in 76 cities, reusing the resources of directly operated branch routes to increase the frequency of Fengwang's bulk delivery, and franchisees pick up goods at the nearest directly operated outlets. In doing so, the distance of the branch route to Fengwang has been shortened, and the loading rate of operated branch routes has increased. **In respect of distribution**, during collection, we use certain distribution sites of Fengwang on a trial basis to help collect and deliver packages in SF's directly operated network, the integration and collectively planning routes of trunk lines, and the reuse of the resources of express sites in bulk delivery. **In respect of delivery**, Fengwang strengthens the **terminal outlet self-delivery rate** – the self-delivery rate was continuously increased, reducing the dependence on direct-operated network delivery and the Company's delivery costs. The overall operating efficiency of Fengwang has improved consistently.

### **(3) Integrated warehousing and distribution**

SF provides multi-level national warehousing and warehousing-distribution services, including customized warehouses, standard warehouses and economic warehouses, catering to the needs of clients at different levels in the e-commerce market. Through the self-operated network and franchising, the Company operates more than 390 e-commerce class warehouses in nearly 100 cities across China, with a total floor area of more than 5.6 million sqm. Meanwhile, with the assistance of digital technology, we helped clients conduct automated warehouse allocations nationwide to improve their warehousing and ensure highly efficient fulfilment of orders. During the "18 June" e-commerce shopping season this year, the number of warehouse orders received exceeded 28 million. Despite the peak orders 10 times higher than regular number, more than 90% of orders were accurately delivered within 24 hours.

In the first half of 2022, we focused on enhancing warehouse network service capabilities and improving

efficiency of warehouse and distribution operations: ① **Network coordination**: continuously optimizing the structure of the warehouse network and promoting the integration of sites, having integrated more than half of the self-operated warehouse sites with the sites of express, freight and Fengwang Express; ② **Multi-level services**: combine different internal and external warehousing + distribution resources to meet customers' layered delivery fulfillment and cost needs; ③ **Improving operational efficiency**: Through initiatives aimed at improving operational efficiency, introducing new businesses to use empty warehouses and retiring inefficient equipment, we continued to optimize labor, space and equipment costs and improve the cost effectiveness of our products and the profitability of warehousing services.

### **III) Freight**

**In the first half of 2022, the Company registered tax-exclusive revenue of RMB13.15 billion from economy express business, representing a year-on-year increase of 1.6%.**

As affected by the pandemic in China and global geopolitical conflicts, the manufacturing industry faced pressure from rising prices of raw materials, disruptions to goods flow and weaker demand for goods flow in the first half of 2022. In addition, energy prices remained high and fuel costs rose significantly. The economy express was confronted with various challenges including decreased market volume, higher cost and lower profit.

Against such severe external environment, SF Express emphasizes self-improvement more than ever: With dedicated efforts to provide "fast, diverse and professional" services, we classify large-size parcels and improve delivery efficiency, broaden service scenarios around B2B clients, build our professional capacity in large-size parcels service, and improve our overall competitiveness and customer experience. In the first half of the year, our NPS (customer net promoter score) increased, ranking No. 1 in the industry.

#### **(1) Focusing on "quick" to ensure punctuality-based competitive**

① In terms of products, the "standard express service" has been upgraded to SF Trucks, a type of truck transportation

service offering more reliable delivery time and faster speed; the special route regular shipment products have been merged with SF Express truck-road transportation products (classified as economy express services), focusing on bulk shipment orders such as e-commerce home appliances and furniture and specialized large-size products. By splitting the collection and distribution schedules of distribution sites and distribution stations, we collect goods in advance and increase the frequency of trunk routes-based service, shortening the delivery time by 20% for short-distance transportation; Arranging vehicles depicted in advance and serving core customers via direct routes, we increase efficiency at every step, shortening the delivery time by 4% for the transportation of large-size parcels through trunk routes. The overall delivery time of large-size products has been shortened to less than 40 hours, giving the Company a lead in the industry.

### **(2) Building our strength in serving “broader” scenarios**

We extend the scope of large-size parcels services to cover personal and commercial scenarios as well as manufacturing, agricultural, raw material fields and other scenarios, while expanding other business scenarios, including full-truck-load transportation, urban distribution, and warehousing and distribution of large-size parcels to provide one-stop service for customers by combining multiple products to meet the personalized and differentiated logistics delivery needs of B2B clients. Revenues generated from core industrial zones increased in the first half of the year, and customers were empowered to improve operating performance by our efforts in the industry.

### **(3) Improving “professional” services oriented toward B2C and B2B scenarios**

① **B2C scenarios:** focused on building on home delivery and “delivery and installation” service capabilities. The home delivery service added new items of services such as wooden frame dismantling, start-up inspection, unpacking and placement, and installation. The “delivery and installation” service added double-person delivery service in the core area. In the first half of the year, the “delivery and installation” orders increased by 159% year-on-year; ② **B2B scenarios:** Improve our professional services such as wooden packaging, warehousing, night collection and night delivery. For collection, we can 100% ensure parcel collection in core industrial zones

at night, and provides high-quality wooden packaging. As for dispatching, we provide dedicated services for warehousing demand, enhancing professional capabilities to build service-based barriers.

### **(4) Advancing the integration between small parcel service and large-size parcel service to increase efficiency and reduce cost**

In terms of distribution, we promote the segregation of large and small parcels in an orderly manner, with high-kg express parcels gradually allocated to large-size parcel transit depots for sorting, so as to improve the scale efficiency of large-size parcel transit depots, and release the capacity of small parcels. In terms of lines, we take into account both speed and cost reduction, with trunk lines increasing frequency, transit depots and collection and distribution station schedules achieving two sets of three dispersals, increasing the rate of next-day and two-day delivery, and at the same time integrating with the franchised network SX Freight’s lines to improve loading rates.

### **(5) A stable and growing franchise network with increased market share**

SX Freight franchise network continued to expand its business scale, with a growth rate of over 30% attained in the first half of the year. It maintained a relative fast growth among its franchised peers and improved its market share ranking, with the number of franchised outlets increasing to 15,000+. Through the adoption of policies linking service quality to pricing, and terminal service quality to dispatching charges, the network structure was optimized to improve the stability of overall service quality and user experience.

## **IV) Cold chain and pharmaceuticals**

**In the first half of 2022, the Company registered tax-exclusive revenue of RMB4.07 billion from the cold chain and pharmaceutical business, representing a year-on-year increase of 9.3%.**

In terms of policy making, the national ministries and commissions have introduced a number of policies and plans for agricultural product cold chains, national backbone cold chain logistics bases, urban and rural cold chain development, and pandemic elimination and inspection, to improve the cold

chain standards and accelerate the development of cold chains; In respect of market development, with the rapid growth of diversified fresh food e-commerce, the trend of online and offline omni-channel expansion has been strengthened. This market trend will mainly benefit cold chain service providers based on network, with high-quality and strength. With the national leading network-integrated comprehensive cold chain logistics capabilities, SF Cold Chain is expected to seize more market opportunities in the competition.

### (1) Shipment of fresh food

In the first half of 2022, the upstream service network of agricultural products assisted by the Company has covered more than 2,800 county-level cities and more than 4,000 fresh products across the country. ① **Service optimization:** our aviation, cold chain warehouses, truck-road transportation and delivery were integrated with external partners' resources to serve a broader agricultural product market with improved cost-effectiveness; ② **Brand building:** In cooperation with the government of place-of-origin, special funds were subsidized to the customization of regional brand packaging materials to help build 13 regional brands of agricultural products; ③ **Technology empowerment:** Convenient technology tools such as Xiaoguoguo management system, Fengshou and drop shipping were researched and invested to help farmers sell, deliver and settle.

### (2) Food cold chain

**Optimize product system.** The original cold chain LTL products were upgraded to "cold chain large-size parcel standard express" (20 kg-500 kg, multi-batch, small-batch, door-to-door) and "cold chain large-size parcel to the port of destination" (over 500 kg, cross-city, warehouse-to-warehouse) respectively, the operation mode and service area separation were optimized to meet the differentiated needs of customers.

**Improve cold chain capabilities.** ① **Consolidate the backbone networks:** The "3 + 1" (warehouse network/trunk/last-leg distribution + inter-provincial network) backbone networks for cold chain were improved. Through the dynamic adjustment of warehouse-trunk distribution network, customers can be guaranteed to realize multi-channel stable delivery under the uncertainties brought by the epidemic. ② **Boost local economic growth in places of origin of fresh food products:** Through the direct delivery mode of cold chain

trunk network, we transported fresh food from the place-of-origin to sales area in an efficient and economical way to optimize the cost structure and help cover more fresh products;

③ **Expand international transportation of cold chain-involved food:** We have established a sea and air cold chain logistics infrastructure for cross-border popular routes to provide domestic and foreign customers with fresh cross-border transportation solutions. At present, nearly 1,000 tonnes of high-value products such as durian in Thailand and seafood in Dhaka have been shipped.

**Establish quality standards.** A sound food cold chain quality and food safety management system has been established. We actively work with relevant government departments and industry associations to formulate and implement international, national and industry standards for food cold chain logistics.

### (3) Pharmaceutical logistics

With the rollout of national policies related to the pharmaceutical industry such as centralized procurement, distribution cycle shortening and internet healthcare promotion, the pharmaceutical supply chain has become increasingly centralized, flat, digitalized and intelligent. Leveraging our "network + technology" strengths, we have made breakthroughs in the following areas:

① **Expand the IVD (in vitro diagnostic product) market:** In the first half of the year, we ensured the transportation of the first batch of Covid-19 antigen detection kits in China, and the cumulative transportation exceeded 1 million doses; with respect to warehouse, we cooperated with IVD manufacturers to realize the construction and operation of the general warehouse for finished products; we integrated with Kerry Logistics to break through the IVD Hong Kong pharmaceutical sub-warehouses businesses (15-25°C/2-8°C/-20°C), so as to realize the strategy of distributing from Hong Kong sub-warehouses to the world. ② **Ensure vaccine transportation:** Since the first service provided, we have safely delivered an aggregate of 568 million doses of Covid-19 vaccines, including 196 million doses in the first half of 2022; and we optimized trunk-warehouse distribution mode of vaccines to respond to the market demand for vaccines in Southwest and Northwest China at a faster pace. ③ **Online pharmaceutical service:** By setting up a unique temperature-controlled transportation mode for pharmaceutical e-commerce

platform merchants and self-operated store merchants, we provided a standardized and precise temperature delivery solution for drugs to their customers. This will help the operation of the B2B and B2C scenarios of pharmaceutical e-commerce in multiple regions; in addition, we have broken through Internet hospital DTP project to achieve multi-location and multi-hospital online operation, providing a safe and efficient pharmaceutical-to-home service experience for chronically ill patients. **④Build on cold chain capability:** We utilized science and technology to facilitate the efficient coordination of various transportation capacity resources, expanded internal and external transportation capacity reserves to improve the efficiency and resilience of transportation capacity supply under the pandemic; meanwhile, we gathered railway multimodal transport resources to accelerate the development of domestic pharmaceutical cold chain transportation network; in cryogenic field, we broke through the -80 °C temperature-controlled reagent transportation in the Clinical Inspection Centre of the Ministry of Health, which is helpful to strengthen the cryogenic service capacity.

#### V) Intra-city on-demand delivery

**In the first half of 2022, the Company registered tax-exclusive revenue of RMB2.87 billion from Intra-city on-demand delivery business, representing a year-on-year increase of 28.2%.**

As a third-party on-demand delivery service provider, SF Intra-City adopts a business model covering all scenarios such as local catering, local retail, local e-commerce and local services, as well as a differentiated performance network capability covering the whole country. Driven by the above, SF Intra-City caters for the varying on-demand delivery service needs of merchants in different industries and retail consumers under the new consumption trend. Among them, personal service, non-catering scenarios and the continuous expansion of lower-tier cities and counties are the main driving forces.

##### **(1) Explore “new consumption” service scenarios to maintain a stable business growth**

SF Intra-City empowers merchants by virtue of its open and inclusive on-demand delivery network and professional and comprehensive distribution solutions, which can meet the needs of brand customers, small and medium-sized merchants

and retail consumers in various ways. During the 12 months ended on 30 June 2022, the annual active merchants of SF Intra-City has reached 299,000, representing a year-on-year increase of 31%, and a total of 2,900 brand customers have been served.

As for merchants, SF Intra-City continues to expand its coverage and develop in-depth industry solutions. Its business involves such services as supermarket retail hourly delivery, half-day delivery, last-lag delivery of cold chain products, home delivery of groceries, new drug delivery, Traditional Chinese medicine (TCM) decoction and delivery, 3C electronic device online repair and return, etc. For diversified traffic platforms, SF Intra-City actively promotes ecological co-construction with major local life service platforms, especially focusing on the cooperation of new business such as live-streaming e-commerce in real-time retail demand scenarios, so as to help the platform enhance user experience. Revenue from local e-commerce scenarios increased by 104% year-on-year.

For retail consumers, SF Intra-City gradually extends its operations from on-demand delivery service to highly diversified, high-quality on-demand order fulfilment services, covering personal life and work scenarios such as life assistance, health care, and commercial agents. During the pandemic, SF Intra-City provided consumers with all kinds of “Purchase for Me, Solve for Me” services in their home life, and also supported their “remote office work”. In addition, SF Intra-City accesses local life service providers such as laundry, moving, hospitality, hospital accompanying and mobile phone recycling in SF Intra-City Applet, so as to build a butler-like one-stop service. Revenue from high value-added local service scenarios increased by 48% year-on-year.

##### **(2) Continue to improve our science and technology system to achieve efficient scheduling in multiple scenarios**

We continued to improve the three core functions in our CLS system, including intelligent business planning and marketing management, deliverymen integration scheduling and intelligent order distribution, and intelligent operation optimization. An efficient real-time order scheduling system supports complex distribution networks to achieve optimal matching of orders and deliverymen. We attached great importance to optimizing online process experience of users and built a more convenient and efficient scheduling mode for deliverymen, making it easier for them to accept orders and

serve customers, as well as reducing cost and enhancing efficiency at the same time.

In addition, based on the neutral and open market positioning, we improved the capability for merchants to connect order sources from different channels, platforms and private domains, and carry out intelligent distribution and intelligent, which would be the first choice of service providers under the trend of multi-polarized traffic faced by merchants in the future.

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

We continued to strengthen the transportation capacity infrastructure of SF Intra-City, forming a nationwide integrated scheduling network. To further consolidated our differentiated network capabilities and product delivery capabilities, SF Intra-City has powered its delivery capacity of “two-wheeled + four-wheeled” vehicles to meet the needs of non-standard delivery scenarios and all kinds of long-tail service such as long distance, heavy weight, multi-point delivery and errands. During the reporting period, with the percentage of orders for medium and long distance over 3 km increased, the average delivery time and the on-time delivery rate remained at a high level. Furthermore, fluctuations in peak-season order fulfilment quality remained below 3% during public holidays. Meanwhile, as the number of cities with night (24-hour) delivery services increased, volume of orders at night continued to rise.

In the first half of 2022, SF Intra-City constantly expanded new consumption scenarios, adjusted its business structure and increased the shares of revenue generation of high value-added service scenarios. Through achieving optimal efficiency of its capacity network by the integration of science and technology scheduling, and promoting resource utilization efficiency as well as input-output ratio by continuous fine management and operation, SF Intra-City has steadily improved its holistic efficiency.

## **VI) Supply chain and international**

**In the first half of 2022, the Company registered tax-exclusive revenue of RMB46.53 billion from the supply chain and international business, representing a year-on-year increase of 442.7%. Since the fourth quarter of 2021, we**

have merged Kerry Logistics into this business segment to scale up the Company’s international business operations.

### **(1) International express**

As of the end of the reporting period, business of SF International Express was operated in 84 countries and regions around the world, while its cross-border e-commerce services covered more than 200 countries and regions. Focusing on process standardization and system construction, the international express delivery business continued to improve the competitiveness of its products. We consolidated the operating foundation and tended to develop the market in Southeast Asia to achieve steady operation of business.

① **Step up the construction of international air network:** We increased the number of flights of international cargo scheduled routes to 5-7 flights/week between China and Singapore, Malaysia, Thailand (新马泰) and Southeast Asia. Meanwhile, we added new international routes such as Shenzhen-Hanoi, Wuhan-Osaka, Xi’an-Osaka and Xi’an-Ulaanbaatar to improve the air layout of the international express delivery network. ② **Create benchmark products in Southeast Asia:** We adopted the optimized collection mode during the receipt period to upgrade the customer’s intelligent ordering experience. For matching the optimal timeliness and transportation capacity, we integrated the transfer link in the transfer section. Furthermore, we strengthened self-operated customs clearance capabilities in the customs clearance process to improve efficiency. In addition, we strived to coordinate with Kerry Logistics’s local network resources in Southeast Asia in the delivery link to optimize service standards. We aim to bring about express timeliness equal to the international leading express level in delivery of some Southeast Asian countries through stable and efficient link control. ③ **Build on international operation capability with technology:** With the assistance of intelligent technologies such as big data, intelligent algorithms and block chain, we further decoupled and optimized the operational elements of each part of international logistics. As such, we achieved accurate planning and real-time management of international end-to-end routing and fully enhanced operational efficiency and customer experience.

### **(2) International freight and freight forwarding**

The Company's international business growth in revenue

and earnings was mainly driven by the international freight forwarding business. The Company has expanded its business scale by measures such as tapping into complementary internal resources and through external integration and M&A deals, and succeeded in achieving relatively fast earnings growth despite the pandemic and uncertainties in the global environment. Earnings from Greater China accounted for 28% of the business's total earnings and 72% outside of Greater China, with the business focused on export markets in Asia.

Leveraging the massive customer base of the domestic network and the high-density network penetration, the Company has established an incentive mechanism and rolled it out in some business divisions to incentivize them to seize opportunities in the international freight and freight forwarding business, striving to acquire new customers and secure new contracts. In addition, by integrating the resources and capabilities of the international air freight business and introducing clear division of labor in the organization, we realize the unified sales and promotion of the business. Going forward, the Company will combine the needs of the international express and international freight businesses based on well-coordinated planning, tapping into the full potential of Kerry Logistics' exceptional freight business volume to improve the operational efficiency of international route operations.

In addition, the Company has stepped up business integration of resources and capacities with Kerry Logistics in terms of international express, international freight forwarding, etc. **System integration:** as regards system support by SF Technology for major customers along international express, freight forwarding operations have been integrated with the system, and the latest technologies are applied to help standardize and improve international business operations of Kerry Logistics in terms of SAP building abroad; **Business integration:** through integration of resources and cross-selling, in addition to the international express business, the pair has kicked off partnerships in business areas such as bulk shipment, food cold-chain transportation, pharmaceutical logistics, and the construction and implementation of overseas business logistics solution for major clients, jointly developing solutions and localized implementation plans for customers by leveraging the Company's resources.

### (3) Supply chain:

In the first half of the year, although the supply chain cycle was blocked due to the pandemic, the Company responded actively and made every effort to ensure the smooth operation of the supply chain of major customers. ①**Customer support:** On the basis of strictly implementing the pandemic prevention policy, we will meet the needs of customers to the maximum extent, mobilize resources and transfer storage timely around the pandemic areas to help customers resume work and production as soon as possible; ②**Service expansion:** SF DSC takes warehouse distribution service as the cornerstone to expand the customer products and content covered by its diversified services, such as inbound, after-sales, bonded warehousing, packaging and e-commerce, and meet the needs of customers in all aspects of the supply chain; while New Havi actively explores the opportunities to extend its product lines to the upstream and downstream of the food supply chain, develops new customers, gains more share of existing customers with cost-effective integrated solutions, and increases the proportion of new business. ③**Digital empowerment:** Internally, we connect the system database of each link, operate through technology empowerment, and improve the degree of digital integration and overall efficiency; externally, according to the differentiated needs of industries and customers, we quickly customize and provide smart supply chain solutions for customers taking efficiency and cost into account. In addition, we diversify technology products of the existing supply chain to become a symbiotic partner on the road of customers' digital transformation.

## 4. Operation optimization

In the first half of the year, the Company stepped up operation integration and innovation efforts, driving a shift in business perception away from “operation” toward “management”. To promote the revolution of the entire network operating mode, we focused on the optimization of the end-to-end operation process. In the **pre-planning link**, the technology-based intelligent operation model was used to help estimate earnings and decide the optimal network planning and resource investment scheme. In the **operation link**, we defined a resource-input standard centered on products by strengthening the integration of large and small network resources, flexibly integrating multiple networks. And in **post-action link**, we reviewed the effect of reform and the efficiency of resource utilization, strengthened the LEAN management, and endeavored to improve the timeliness and quality of related services while ensuring the optimal business performance.

### I) Network coordination

**(1) Site co-construction:** Efforts are made to improve overall network planning and resource coordination. The transit depots, collection and dispatch points and warehouses for small and large-size parcels are arranged and constructed based on three types, namely “the same site, the same park, the same region”. As of the first half of 2022, totally 301 sites in first-tier and second-tier cities were integrated, 182 sites in third-tier and fourth-tier cities were integrated, with a net decrease of 47 sites. The increment of sites in each business segment was reasonably controlled to improve the utilization rate of sites.

**(2) Distribution integration:** It is aimed to optimize resource efficiency by flexibly integrating the transit depots. When the volume of goods decreased due to pandemic lockdown or when the volume of goods was in the trough on holidays, large and small parcels were handled in the same site, the capacity of small sites was intensively utilized, and some sites for large-size parcels were suspended. The temporary shutdown rate was increased by more than 20% compared with previous year, and the per capita efficiency of distribution workers increased by 8%. During the peak period of e-commerce promotion, the operation of large and small parcels is separated to release the capacity of small-parcel sites. With a daily peak, 78% of large-size parcels was separated and operated in large sites, and we use Fengwang’s capability of

sites division to improve the operation capacity of warehouse network and reduce the input of temporary sites during peak seasons.

**(3) Route optimization:** We precisely invested in the transportation capacity based on business conditions, reduced the inefficient lines, and integrated 934 lines of large and small parcels. We promoted the outsourcing suppliers to join a community of interests by optimizing the bidding and settlement mode for outsourcing trunk lines, and take the initiative to improve the loading rate. We continued to optimize the planning of the land network, adding 107 direct trunk lines and increasing transportation frequencies for 741 transport lines among our existing lines. We gradually broke the restriction that a destination transit depot is only responsible for distributing local parcels under the original mode. Based on the optimal distance, we can distribute parcels across regions, reducing the detour of land transport parcels, and improved the land network timeliness. The accrual model of self-employed driver was changed for branch lines, which not only improves driver efficiency and average return but also saves unit costs for branch lines. In addition, we took advantage of spare resources of branch lines to assist good distribution of Fengwang Express network. With the implementation of various measures, the small parcel loading rate of trunk lines increased by 9 percentage points (that of large parcels by 3 percentage points), and the average load of a single vehicle increased by 9.6% year-on-year. These efforts eased the pressure from the rising transportation cost due to the rising oil price and pandemic lockdown.

**(4) Network co-construction:** We built 242 integrated networks which can handle both small and large-size parcels, optimized the resource construction of terminal networks, and reduced the input cost of sites and personnel. In addition, we launched an operation mode coordinating small and large-size parcel couriers in integrated network at several single regions. Leveraging the connection ability of large-parcel couriers and increasing the time small-parcel couriers spent to receive customers, we give full play of the role of sales personnel to help increase income and optimize costs for connecting branch line.



## II) Terminal optimization

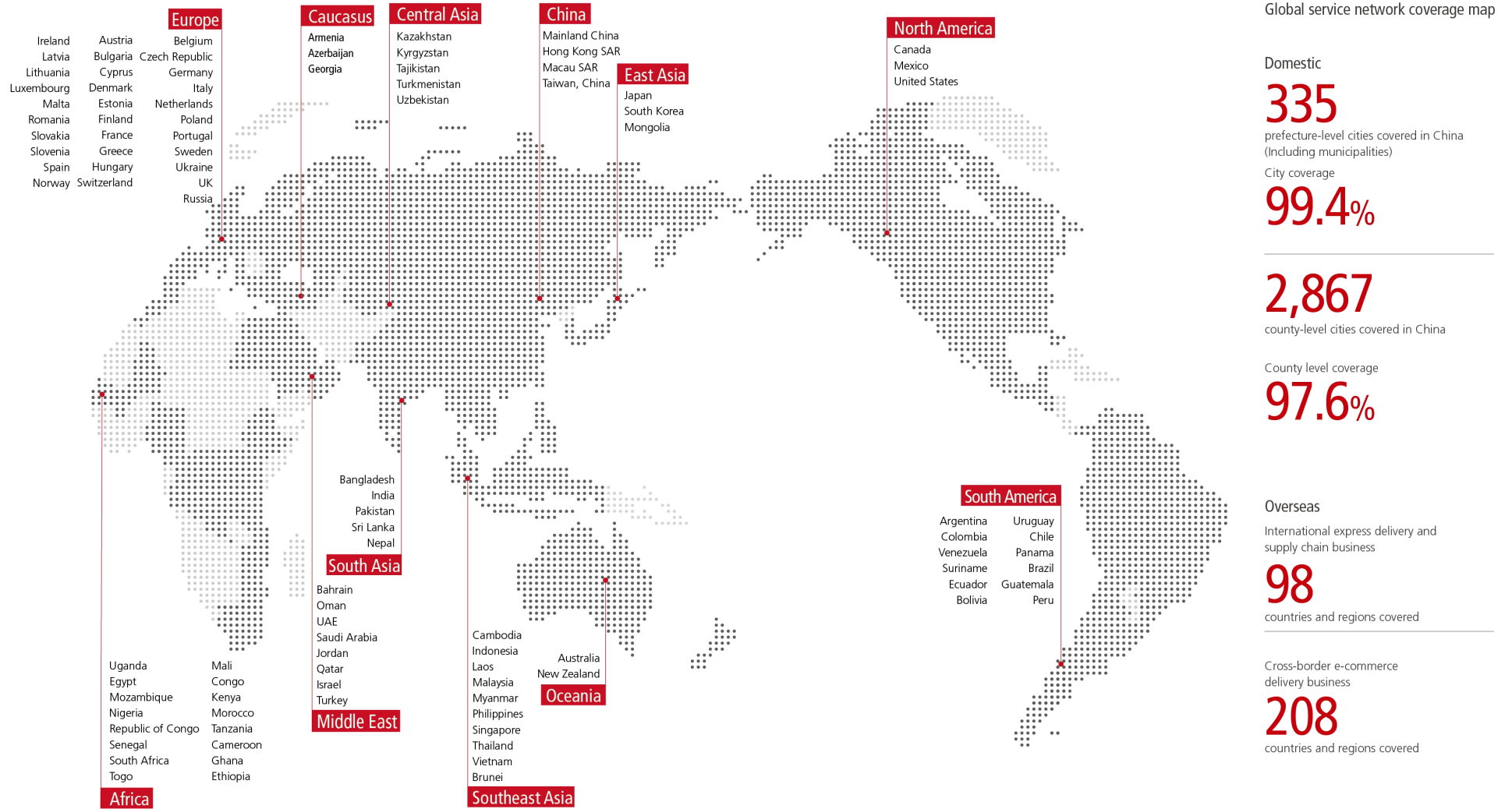
**(1) Network model reform:** The package sorting process has been moved from warehouses (as is the case with conventional outlets) to transit depots. We enhance our sorting capability of transit depots, increase small terminal stations closer to the clients (including operating stations, service centers, and cooperation), and promote direct sorting at the transit depots and distributing to small terminal stations, so as to simplify the functions of traditional outlets, reduce sites and personnel costs, save the round-trip time deliverymen need and improve the capacity of receiving customers. In the first half of 2022, 4,518 traditional outlets have implemented the above model reformation, adding 1,395 small terminal stations. At the transit depot stage, 35% of the shipments were sorted directly in small terminal stations, with 56% of the shipments directly shipped to the small terminal stations from transit depots, which reduced the site area by 100,000 sqm in the first half of the year.

### **(2) Deliverymen management:**① **Visualized evaluation:**

We continue to promote the online evaluation system of service quality, analyzed the service evaluation indicators and gradually launched it online. We provide deliverymen with better remuneration and treatment based on the score to guide their independent service consciousness. ② **Protecting deliverymen' rights and interests:** Depending on such factors as nature, difficulty, time consumed , the deliverymen fee rate for the collection and distribution is priced based on labor intensity. And we have dynamically adjusted the fee rate many times for areas where deliverymen earns low incomes, face high difficult tasks, and have medium-high turnover-rate to ensure an attractive salary for them. ③ **Improving skill training:** In the first half of the year, more than 89,000 new deliverymen received online training; 449 online courses were offered for on-job training, and more than 44.62 million training opportunities were provided, and 600,000 intensive training opportunities were offered to employees who face skill weakness.

## II. Core Competitiveness Analysis

### 1. Efficient and reliable global logistics infrastructure network





We own the largest cargo airline in China and one of the largest in the world. We are the largest shipper of air cargo in China

Total air cargo volume of nearly <b>890,000</b> tons	SF's domestic cargo volume accounted for <b>38.3%</b> of the national air cargo and mail traffic	Average daily flights nearly <b>3,500</b> times
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## All-cargo aircraft

<b>95</b> all-cargo aircraft in operation 72 aircraft owned Including 2 B747, 15 B767 38 B757, 17 B737	<b>699</b> pilots in service 288 captains 411 co-pilots	<b>273</b> pairs of flight rights 56 domestic destinations covered 43 international and regional destinations	<b>122</b> routes operated worldwide 25,300 flights 51 international routes in operation nearly 3,300 flights	nearly <b>400,000</b> tons of cargo worldwide Of which more than 100,000 tons were shipped internationally
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## Bulk resources

<b>2,179</b> domestic routes	<b>&gt;6,700</b> international routes	<b>&gt;600,000</b> flights	nearly <b>490,000</b> tons of cargo Of which nearly 200,000 tons were shipped internationally
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SF partnered up with the government to build Ezhou HuaHu Airport, which is the first cargo hub airport in Asia and the fourth in the world. The airport completed its test flights in March and was officially put into operation on 17 July. For SF's airport transfer center project, the construction of steel structure and concrete structure is completed, and the roof and curtain wall installation has basically been completed. It is planned to complete the installation of equipment in the third quarter, start joint commissioning in the fourth quarter, and make it available for operation at the end of the year, with relevant functions gradually enabled.

Two flight routes, namely Ezhou-Shenzhen and Ezhou-Shanghai, have been launched for cargo transportation at the first stage. Within this year, international air lines, Ezhou-Osaka and Ezhou-Frankfurt will be launched. After the transfer center being put into operation, the Company will gradually plan and adjust the air network to build a hub-and-spoke air network, which is expected to further increase cities covered with high time-definite services and reduce the unit cost of aviation by adding large aircraft.

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

Note: The above data is as of June 30, 2022, and the number of time periods is accumulated from January 1, 2022 to June 30, 2022.



Possessing a wealth of transportation resources to provide customers with domestic and cross-border multimodal transportation services



## Land transport

>93,000

dry and feeder trucks under management worldwide

>120,000

domestic transport routes

nearly 95,000

vehicles for end-of-line collection and distribution



## Rail

### Express delivery products

High-speed rail products with

583 flows

4 pairs (or 8 columns)  
of special express trains

134

lines of general railway trains

Total volume of shipments

nearly 200,000 tons

### International trains

280

lines in operation

31

countries and regions covered

Handled

>75,000 TEU

of containers by rail



## Sea freight

>14,000

maritime routes in operation

>900

port terminals reached

169

countries and regions covered

>500,000 TEU

shipped by sea

Note: The above data is as of June 30, 2022, and the number of time periods is accumulated from January 1, 2022 to June 30, 2022.



Global network presence to help achieve international, localised operations

## Service Points

>21,000

domestic service outlets and other service stations

>152,000

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

>440,000

couriers

>20,000

overseas self-operated & cooperative points

>300,000

Hive Box lockers

Covering

>190,000

communities

Serving nearly

400 million

consumers

## Transit depots

Express depots

322

transit depots in operation

43

hub-level depots

38

air and rail sites

241

regional depots

Freight depot

154

operating depots

22

hub-level depots

132

regional depots

## Warehouses

2,099

operational warehouses

covering

>10 million sqm

148

franchised warehouses

covering

2.32 million sqm

78

food warehouses covering

510,000 sqm

14

pharmaceutical warehouses covering

180,000 sqm

1,419

overseas warehouses covering

>3 million sqm

Note: The above data is as of June 30, 2022, and the number of time periods is accumulated from January 1, 2022 to June 30, 2022.



We operate many key sites such as logistics parks and centres in China and Southeast Asia

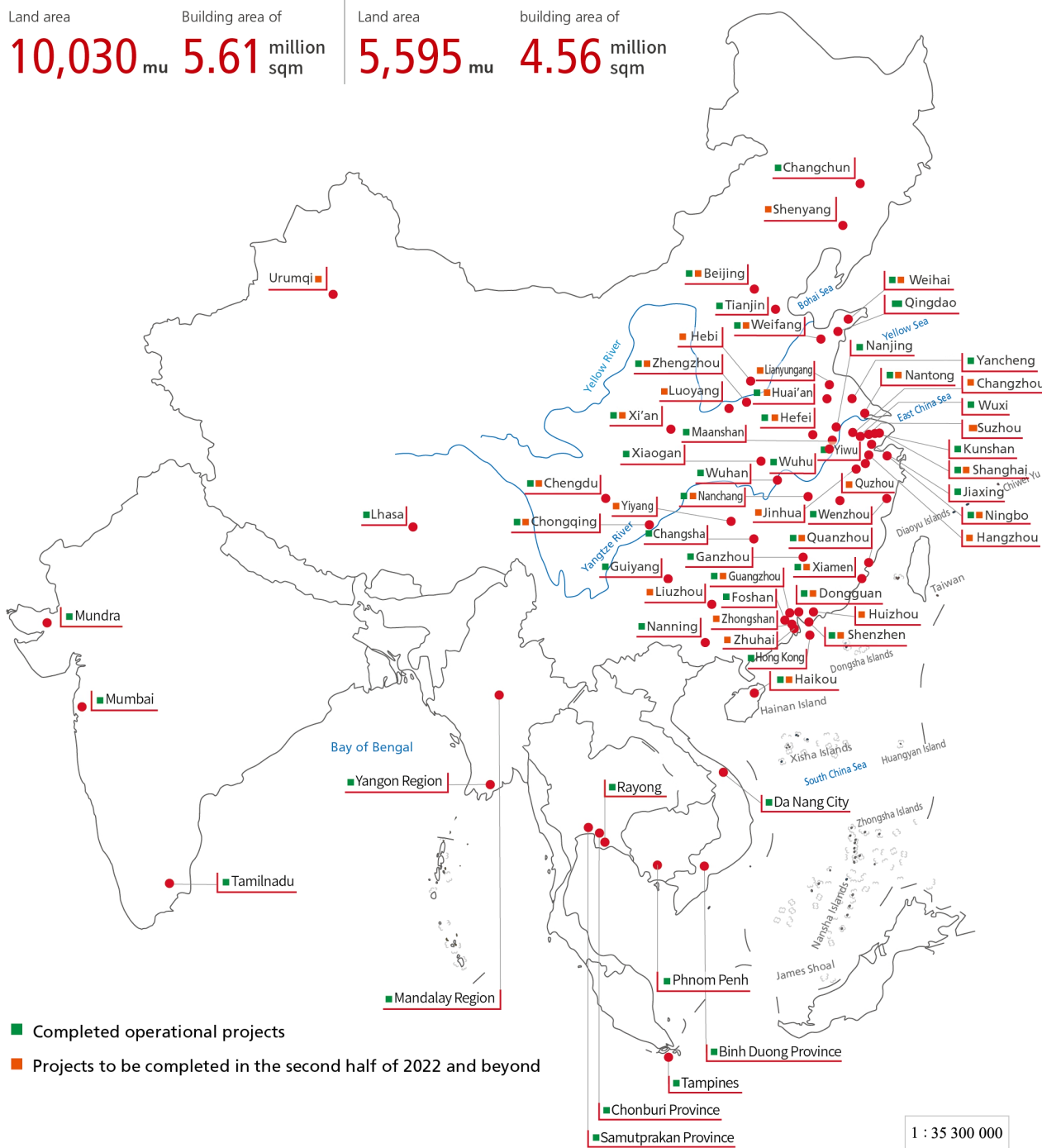
Total land area **15,625** mu  
 Total building area of **10.18** million sqm

Completed operational projects

Land area **10,030** mu  
 Building area of **5.61** million sqm

Projects to be completed in the second half of 2022 and beyond

Land area **5,595** mu  
 building area of **4.56** million sqm



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

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

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

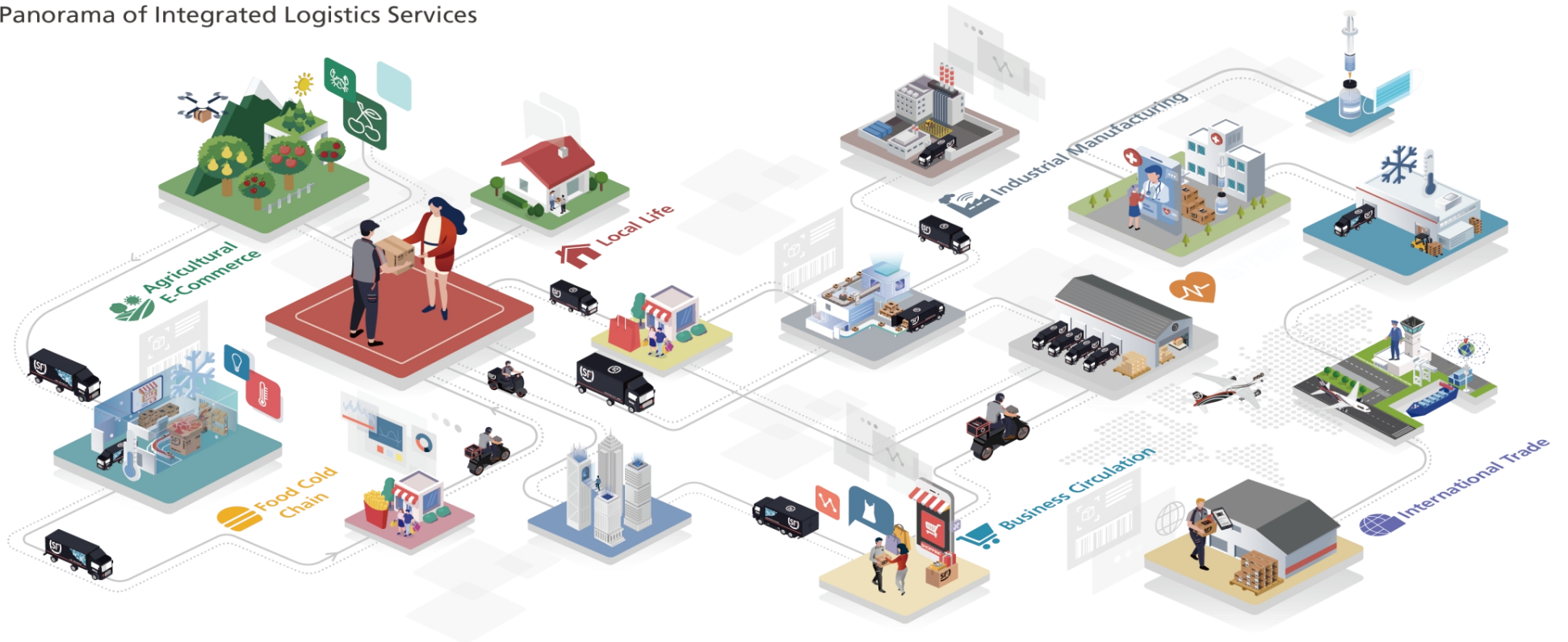
Adhering to the diversification-oriented strategic planning, and based on a fully established and efficient express network, through “internal cultivation + external mergers and acquisitions”, the Company horizontally branched out into new businesses and acquired high-quality industry partners to gradually grow into China’s largest express logistics service provider covering time-definite express, economy express, freight, cold chain and pharmaceuticals, intra-city on-demand delivery, international express, international freight and freight forwarding, and supply chain, focusing on logistics ecosystem development as the top priority.

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

Our services have penetrated into a wide variety of businesses such as industrial manufacturing, commercial circulation, online sales of agricultural products, food and pharmaceutical cold chain, international trade, local life, etc., covering all aspects of social production and people’s livelihood. Boasting efficient express logistics services, lean supply chain management experience, and a powerful logistics network that penetrates into rural counties, towns and villages in China and covers 99 countries and regions around the world, we actively respond to the “go to the countryside, go to factories, and go global” campaign launched by the government for the development of modern service industry and express delivery, support rural economy revitalization, intelligent manufacturing, and industrial upgrading, and build on our capability to protect the international supply chain; furthermore, we actively embrace new patterns and trends in the industry to help clients innovate business models, enhance consumer perception experience, and practice the delivery and protection of a better life.



## Panorama of Integrated Logistics Services



## Our Services

### Industrial Manufacturing

Production Planning Management  
Supplier Management  
Global Sourcing  
Bonded Warehousing  
Import and Export Customs Clearance  
Inbound Logistics  
Cycle Pick-Up  
\*\*\*\*\*

### Commercial Distribution

Intelligent Warehouse Construction  
RDC/DC/Pre-Warehouse  
Online and Offline Inventory  
Smart Warehouse  
Warehouse and Distribution Integration  
Reverse Logistics  
\*\*\*\*\*

### Agricultural E-Commerce

Branding  
Channel Building  
Picking and Packing  
Cold Storage / Cold Transport  
Single Point of Delivery  
Nationwide  
Origin Traceability  
\*\*\*\*\*

### Cold Chain

Raw Material Sourcing Management  
Multi-Temperature Cold Storage  
GSP Certified Warehouses  
Full Temperature Control  
City Store Distribution  
Cold Transport to Home  
\*\*\*\*\*

### International Trade

Air-Sea-Rail-Land Multimodal Transport  
Cross-Border Express  
Import And Export Customs Clearance  
Overseas Warehouse  
Cross-Border E-Commerce Delivery  
Forwarding  
\*\*\*\*\*

### Local Life

Food and Beverage Delivery  
Intra-City Retail Delivery  
Errand Services  
E-Commerce O2O  
Personal Urgent Delivery  
\*\*\*\*\*

## Industries Covered





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

SF is committed to building a smart supply chain ecosystem in the digital age and establishing itself as a leader of smart supply chain operation. SF combines the massive data and industry solution experience gained in diverse businesses with the application of leading intelligent and digital logistics technologies to promote supply chain technology innovation and help clients in various industries create a modern supply chain system with efficient response. As of the end of the reporting period, SF had taken out 4,049 patents and 2,350 software copyrights, with invention patents accounting for 58.85% of the total number of patents obtained.

#### (1) Internal: digital and intelligent upgrade of the logistics network to build SF's smart brain

The purpose is to improve the digitalization and intelligentization levels of SF Holding's logistics network, through the digitalized end-to-end operation including collection and delivery, distribution, and transportation, applying big data prediction, visual monitoring and early warning techniques, to achieve global intelligent planning and scheduling, real-time matching of resources, and flat and efficient management; this is further combined with AIoT, automation, and unmanned operation investment, to improve network operation efficiency and help the Company reduce costs and increase efficiency.

**Forecast & Scheduling:** Based on big data + AI algorithms, we created a global intelligent decision-making system covering "forecast→earlywarning→scheduling→feedback".

##### ① Early forecast

Information such as parcel quantity and weight throughout the entire network, specific cities, outlet, or the minimum collection and delivery unit area can be forecasted by year, month, week, day, shift, etc. Resources were invested according to the forecast data. The forecast accuracy has improved consistently, - the accuracy of estimates of air flow direction, transit shipment quantity and outlet delivery improved 26%, 3%, and 8% respectively, and the accuracy of collection and delivery time forecasts during peak seasons increased by 5% year-on-year, making it easier for operations teams to plan resources in advance and minimize random investment of resources.

② **Real-time scheduling:** Resources are allocated in real time via the online operation monitoring and dispatching system, integrating various resources, including 440,000 deliverymen, over 93,000 trunk and feeder vehicles, and more than 2,100 air routes across the entire networks, ensuring the normal delivery time on daily of over 100,000 parcels which might be delayed. We developed branch-line scheduling function of carpooling for leftover stock and rolled it out throughout the network to reduce costs; implemented online issuance of instructions to improve management efficiency and resource utilization.

**Intelligent distribution:** Automation equipment was upgraded in 15 transit depots in the first half of 2022, boosting distribution capacity and efficiency. As of the end of the reporting period, automatic sorting had been achieved for more than 85% of small parcels and 51% of single delivery items (i.e. large-size or irregular parcels that do not require centralized packaging). In addition, vision technology, AI deep learning, etc. have been applied to enable visual monitoring of the entire process of site operation, as well as parcel security inspection, video tracking, operation monitoring, and risk warning; on-site production capacity is monitored on a real time basis, and resources planning and diversion have been rationalized to ensure optimal distribution efficiency.

**Intelligent transportation:** AF continuously improved the full-stack end-to-end IT and platform-based management across various transportation modes such as air, land and rail transportation. ① Air transportation: following the principle of "optimal timeliness cost", automated scheduling decision-making of all-cargo aircraft was realized with the assistance of intelligent algorithms; commercial flight resources and various application scenarios have been integrated to support online management of large-size air

parcel operations on a comprehensive scale, and ensure reliable flight booking operations for “exclusive expedite delivery” products; and a variety of transport capacity systems were utilized to output exceptional flight scheduling and cargo diversion solutions to ensure timeliness. ② Land transportation: in the first half of the year, 100% of railway resources were subject to platform-based transportation capacity management to achieve dynamic train tracking; centralized procurement of conventional transportation is directly managed by the headquarters to enable 100% online management and control of the entire procurement process, optimize the overall transportation capacity procurement model and pricing, and effectively control transportation capacity costs; as regards branch route connection, digital management has been strengthened by deepening information communications between the delivery system and the branch route connection system, such that the probability of delivery delay is further reduced as a result of more smooth shift handover workflow.

**Intelligent terminal management:** Applying the AOI (Area of Interest) technology (a technology for geographic areas of dynamic digital map operation), we conducted comprehensive digital operation and online management of terminal collection and delivery, involving real-time location allocation for deliverymen, intelligent path planning and automated terminal management. In particular, in the first half of 2022, support was provided for operations teams to trial digital management in South China amid operational capability building efforts that concern the deliverymen labor value assessment model, regional task allocation criteria, the deliverymen performance appraisal system and the channel distribution model. Through the above methods, the overall customer complaint rate improved by as much as 32% year-on-year. Furthermore, direct system-based deliverymen management was introduced to ensure reasonable task assignment and fair payment for delivery staffs, incentivizing them to improve service quality and thus contribute to business growth.

**Intelligent cost management and control:** applying the digital solution of “full-stack business-finance integration”, we removed data barriers between business and financial operations and set up a middle-office platform of business-finance data, realizing automate detection of cost irregularities, and online release and closed-loop management of tasks with cost irregularities, so as to create an efficient, one-stop digital and intelligent cost management and control platform, realize intensive/systematic intelligent management based on technological strengths, and help the Company attain sound performance while lowering costs at the same time.

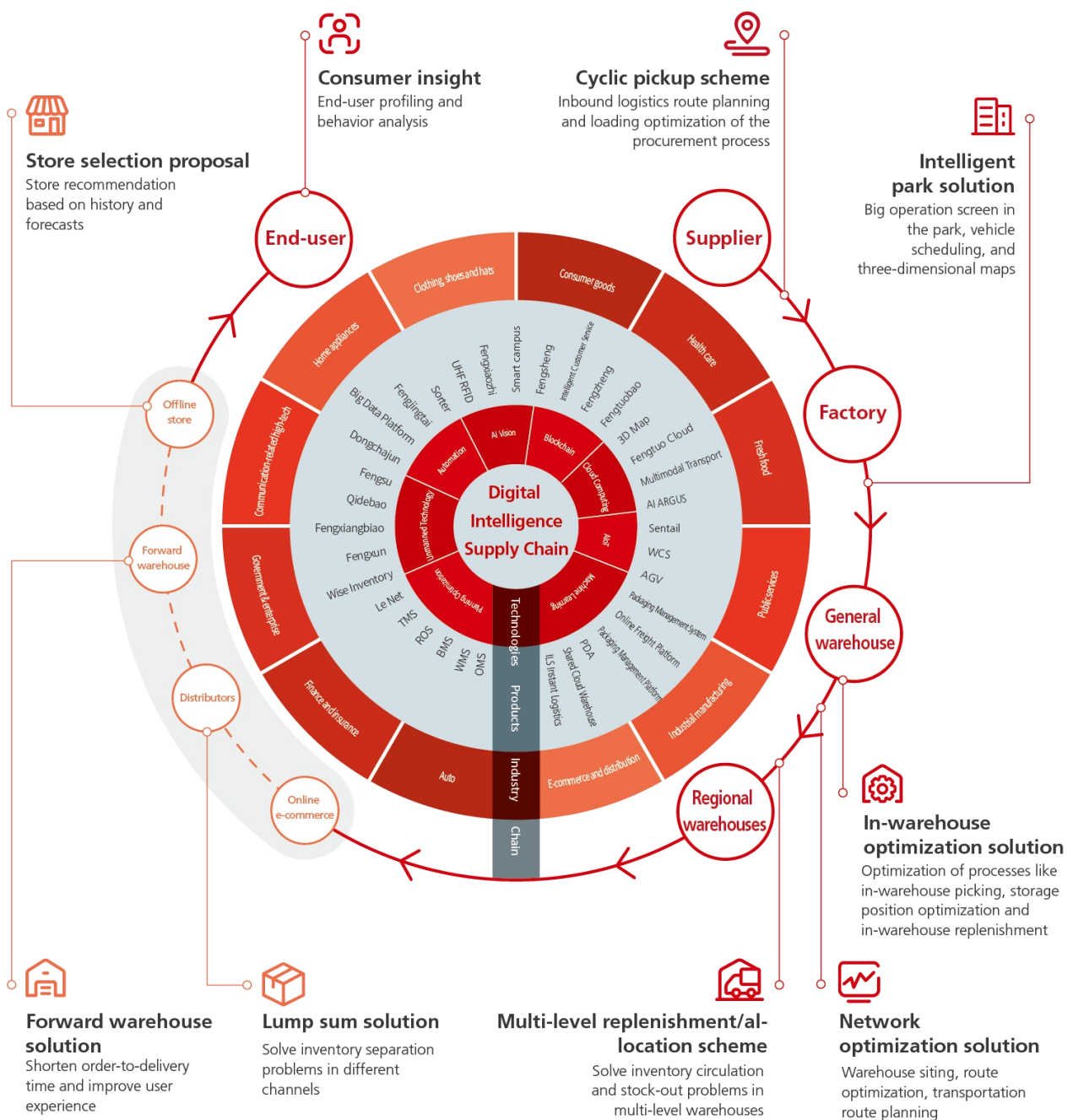
## **(2) External: Application of smart supply chain technologies to boost the transformation and upgrade of clients’ supply chain**

The purpose is to integrate SF’s exceptional technical capabilities and industrial experience, develop standardized scientific and technological products and solutions, incorporate digital and intelligent capabilities into client’s value chain, solve the pain points at all levels of client supply chain including planning, management, execution, etc., and help various industries create a flexible and intelligent supply chain system that responds efficiently to facilitate industrial upgrading, cost reduction and efficiency enhancement.

SF has provided end-to-end technical services that revolve around clients’ raw material supply, production, warehousing, transportation, sales, operation and other processes: ① **Raw material procurement and entry into factories:** We carry out intelligent management of raw material supplies, and through methods like circular pickup schemes, automate route setting and loading optimization; ② **Production:** We adopt personnel management and intelligent park solutions based on computer vision to ensure production efficiency and work safety in parks; ③ **Warehousing:** At design and implementation levels, we provide warehouse network planning, multi-level replenishment, online and offline shared inventory, and other solutions; at the in-warehouse execution level, we provide multiple services such as storage location optimization and warehousing automation; ④ **Sales:** Employing big data and algorithm technologies, we help clients gain insights of their consumers and carry out precision marketing, and provide online omni-channel store operation and management tools for small and medium-sized businesses; ⑤ **Operations:** In support of digitalized operations, through our implementation of end-to-end supply chain base systems (OMS/TMS/WMS/BMS), we

connect the entire business processes of ordering, warehousing, transportation, settlement, etc.

The Company continuously tracks the latest trends and evolution paths of cutting-edge logistics technologies, actively deploys vision technologies with major impact on the industry and future development, and keeps enhancing technological competitiveness. This includes: ① Enablement of the logistics business by **automation technology** towards the creation of unmanned and automated sites; ② **Big data and artificial intelligence** continue to strengthen SF's smart brain, and improve the resource application efficiency and client experience; ③ **Applying blockchain and privacy computing** to the building of the infrastructure of data ecosystems, we continue to explore secure applications of data assets; ④ We pay close attention to emerging **cross-cutting technology such as digital twin**, and actively explored and practiced it in various business scenarios. Through the deployment and application of innovative technologies, we continue to promote the expansion of digital boundaries and the improvement of intelligent capabilities of enterprises.



## 4. Build brand value with excellent service experience

SF has established itself as a well-recognized and reputable express delivery service provider through over 20 years of development. It has built a brand image of “efficiency”, “punctuality” and “safety”, created great brand value through high-quality service, and is widely recognized by clients, the industry and the community.

The Company appeared in the 2022 Fortune Global 500 list released by Fortune on August 3, 2022 with a ranking of no. 441, making it the first Chinese private express delivery company to rank among the world’s top 500 companies.

### State Post Bureau

**1<sup>st</sup>**

For **13** consecutive years

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

**1<sup>st</sup>**

For **9** consecutive years

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

**1<sup>st</sup>**

For **9** consecutive years

in 72-hour delivery punctuality (above 90%)

### Fortune

**441<sup>st</sup>**

among “GLOBAL 500 The World’s Largest Corporations” in 2022

**8<sup>th</sup>**

Listed for **5** consecutive years

among “Most Admired Chinese Companies” in 2021

### Brand Finance

**4<sup>th</sup>**

among “World’s Top 25 Most Valuable Logistics Brands” in 2022

**270<sup>th</sup>**

among “World’s Top 500 Most Valuable Brands” in 2021

### SZSE

**10<sup>th</sup>**

among sample stock weight ranking of Shenzhen 100 ESG Top Index as of 30 June 2022

### III. Analysis of Main Business

#### 1. Overview

In the first half of 2022, the express and logistics industry faced a complicated external environment. Some cities were under lockdown due to the outbreak of COVID-19, which affected the growth rate of revenue of express logistics enterprises. A slowdown in actual capacity growth may also affect the effective dilution of fixed costs and weaken the economies of scale. In addition, higher fuel prices lead to faster increase in transportation costs. A series of negative factors brought great challenges to the operating efficiency of express logistics enterprises.

As a logistics enterprise to ensure the supply of livelihood materials during the lockdown, the Company actively responded to the call of the government and made every effort to ensure the transportation and last-mile delivery of essential living materials for residents during the lockdown by leveraging the stable and reliable service quality of self-owned direct network and end-to-end multiple logistics service capability. In addition, the Company continued to focus on its core logistics strategy, gave great prominence to sustainable and healthy development and adhered to sound operational priorities. We improved the competitiveness of products and the quality of revenue through the adjustment and optimization of product structure, and gradually strengthened the reform of operating models. Leveraging the intelligent planning of multi-network cooperation and the fine dynamic adjustment of resources, we effectively coped with external challenges, achieved a significant improvement in the 2022 half-year performance compared with the same period of the previous year and obtained good operating results.

**I) In terms of revenue**, the Company registered a total business volume<sup>1</sup> of 5.13 billion shipments in the first half of 2022, approximately the same as last year; and a gross operating income of RMB130.06 billion, representing a year-on-year increase of 47.2%. Among others, **(1) The express & logistics segment** grew by 3.4% in revenue in the first half of this year. From March to May, the growth rate of business volume was under pressure due to the impact of the pandemic. However, with the gradual lifting of lockdown, the Company fully assisted the resumption of work and production and the 618 shopping festival, bringing a rapid recovery of business. In June, we recorded a high dual-digit growth rate of 11.2% in revenue, which was significantly ahead of the industry average. In addition, the Company took the initiative to optimize product portfolio and reduce the volume of low-margin products. Although the growth rate of business volume was affected to a certain extent, the overall average revenue per shipment of express & logistics segment increased by 3.3% and the quality of revenue was consistently improved. **(2) The supply chain and international segment** grew by 442.7% in revenue in the first half of this year, accounting for 35.8% of gross operating income. The fast growth was mainly due to the Company's merger with Kerry Logistics since the fourth quarter of 2021. In addition, Kerry Logistics also completed some mergers and acquisitions in the field of international freight, further expanding the scale of international business. For details on the development of each business segment, please refer to "(3) Summary of business development" of "I. Business Development of the Company" of this section.

**II) In terms of profit**, the Company realized a net profit attributable to shareholders of the parent company of RMB2.51 billion in the first half of 2022, representing a year-on-year increase of 230.6%, and a net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses of RMB2.15 billion, representing a year-on-year increase of 550.2%. The non-recurring items were mainly government subsidies and one-off gains from the disposal certain subsidiaries.

The results in the first half of 2022 increased significantly compared with that of the same period of previous year. In addition to the improvement of revenue structure, in terms of cost, the Company continued to deepen reforms in the end-to-end operating model to advance the lean resource planning and cost control. In terms of multi-network integration, we further strengthened the integration of outlets, distribution sites, warehousing, and transportation resources of main and branch lines. Meanwhile, we reinforced flexible resource coordination across business segments during the off-season and peak season, so as to ensure the quality of products and

<sup>1</sup> It does not include the express delivery volume of Kerry Logistics, nor includes business volume of international freight and freight forwarding and supply chain of the Company.

services while improving efficiency of resource utilization and input-output ratio. Furthermore, we stepped up efforts to enhance our deep digital operation capability driven by science and technology under the reform of the operation model. Thus, we realized the pre-action decision making based on data model, in-process intelligent control and scheduling, as well as post-review of benefit analysis for resource input in each link, improving our refined cost management and control. For the specific introduction of the reform of operation model and technology assistance, please refer to “I. Business Development of the Company”, “(III) Summary of Business Development”, “4. Operation optimization” and “II. Analysis of Core Competitiveness Analysis”, and “3. Cutting-edge technology for a digitalized, visual and intelligent supply chain” and related content.

Based on the above operating measures, the profitability of the Company’s various business segments has rebounded significantly year-on-year, and new businesses have continued to reduce losses. In addition, compared with the same period of previous year, the profits of the Company’s supply chain and international business segments increased due to the merge of Kerry Logistics’s performance during the reporting period.

**III) In terms of capital structure**, as of the end of the reporting period, the total assets of the Company were RMB212.47 billion; the net assets attributable to shareholders of the parent company were RMB81.72 billion; and the gearing ratio was 55.6%, up 2.2 percentage points from 53.4% at the end of previous year. This was mainly attributable to the increase in borrowings by Kerry Logistics as a result of the acquisition of subsidiaries and minority interests, while the operating cash flow and overall financial structure of the Company remain stable, and the net cash flow from operating activities of the first half of 2022 improved, rising from RMB4.33 billion to RMB16.71 billion, with a increase of 285.8% year on year.

In the first half of 2022, the Company invested RMB6.49 billion in total in fixed assets and other items (excluding equity investment), accounting for 5.0% of total operating income and representing a decrease of 29.3% compared with the same period of previous year. Such data shows that the Company has intensified the lean control over resource investment and put more efforts in maintaining the reasonableness of input-output ratio of resource investment. The Company will stick to the long-term, sustainable and healthy development, and input resources to improve the quality of product and service as well as differentiated core competitiveness. In the meantime, we will continue to reform the multi-network integration and operation models, and control accurate input of resources to improve resource efficiency and keep the capital expenditure proportion of revenue stable.

## 2. Year-over-year changes to major financial data

Unit: RMB'000

	Current reporting period	The same period of previous year	Increase/Decrease over the same period of previous year	Reason
Revenue	130,064,133	88,343,930	47.22%	Mainly due to relevant business revenue from merging Kerry Logistics.
Cost of revenue	113,778,310	79,421,354	43.26%	Mainly due to relevant business costs from merging Kerry Logistics.
Selling and distribution expenses	1,280,208	1,310,234	-2.29%	No major changes.
General and administration expenses	8,890,094	6,529,046	36.16%	Mainly due to the acquisition of Kerry Logistics.
Financial expenses	905,908	621,902	45.67%	Mainly due to the increase in interest expenses of debt financing.
Income tax expense	1,784,866	677,359	163.50%	Mainly due to the increase in total profits.
Research and development investment	1,653,736	1,708,374	-3.20%	No major changes.
Net cash flows from operating activities	16,712,814	4,331,631	285.83%	Mainly due to the increase in profits.
Net cash flows from investing activities	-6,824,871	-10,892,399	37.34%	Mainly due to the decrease in net cash outflows of structural deposits, and decrease in net cash outflows for purchasing and constructing long-term assets as well as increase in equity investments.
Net cash flows from financing activities	-6,665,207	7,324,695	-191.00%	Mainly due to the decrease in borrowings and issuance of debentures, repurchase of shares of the Company, and acquisition of minority interests.
Net increase in cash and cash equivalents	3,474,178	777,175	347.03%	For details please refer to the above analysis of cash flow changes in operating activities, investing activities and financing activities.

There were no significant changes in profit composition or sources of profit during the reporting period.

## 3. Composition of revenue

Unit: RMB'000

	Current reporting period		The same period of previous year		Increase/Decrease over the same period of previous year
	Amount	Proportion of revenue	Amount	Proportion of revenue	
Revenue	130,064,133	100%	88,343,930	100%	47.22%
Categorized by industry					
Logistics and freight forwarding	127,691,416	98.18%	87,099,464	98.59%	46.60%
Sales of goods <sup>1</sup>	1,683,873	1.29%	563,159	0.64%	199.00%

Others	688,844	0.53%	681,307	0.77%	1.11%
Time-definite express <sup>2</sup>	49,264,877	37.88%	46,879,047	53.06%	5.09%
Economy express <sup>2</sup>	11,806,590	9.08%	12,738,628	14.42%	-7.32%
Freight <sup>2</sup>	13,149,344	10.11%	12,946,165	14.65%	1.57%
Cold Chain and Pharmaceuticals	4,066,199	3.13%	3,719,997	4.21%	9.31%
Intra-City On-demand Delivery	2,873,634	2.21%	2,241,284	2.54%	28.21%
Supply Chain and International	46,530,772	35.78%	8,574,343	9.71%	442.67%
Other non-logistics businesses	2,372,717	1.82%	1,244,466	1.41%	90.66%
Logistics and freight forwarding – Mainland China	98,724,305	75.90%	85,053,169	96.28%	16.07%
Logistics and freight forwarding – Hong Kong, Macao, and Taiwan, China	5,099,844	3.92%	1,377,672	1.56%	270.18%
Logistics and freight forwarding – Overseas	23,867,267	18.35%	668,623	0.76%	3469.62%
Other non-logistics businesses	2,372,717	1.82%	1,244,466	1.41%	90.66%

Note 1: Sales of goods mainly includes the purchase and sale business involved in the process of providing end-to-end supply chain services for customers.

Note 2: As the Company continuously optimize the product system, in the first half of the year, the product of each business segment has been adjusted, mainly including the classification of returned e-commerce products and products distributed by SF Express from the economy express business to time-definite express and freight business respectively. According to the optimized new product classification, the Company counted the revenue of time-definite express, economy express and freight business, and retroactively adjusted the data of the same period in 2021.

Note 3: Any discrepancies between totals and sums of the numbers are due to rounding.

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

	Current reporting period	The same period of previous year	Increase/Decrease over the same period of previous year
Parcels (100 million)	51.0	51.0	Flat
Average revenue per shipment (RMB/shipment)	15.9	15.4	3.3%

Explanation of reasons for change:

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

(2) The growth rate of business volume of the express & logistics segment remained stable, mainly due to: ① In the first half of the year, some cities in China implemented lockdowns and controls due to the pandemic, and the business volume fluctuated, while the business volume rebounded significantly in June with the social resumption of work and production; ② The Company has actively adjusted its product structure since the second half of 2021, thus contributing to a year-on-year decrease in the volume of low-margin products. At the same time, thanks to the optimization of the product structure of the Company, the average revenue per shipment of the express & logistics segment increased by 3.3%, and the revenue quality was optimized.



### 3. Details on main industries

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

Unit: RMB'000

	Revenue		Cost of revenue		Gross Profit Margin	
	Amount	Increase/ Decrease over the same period of previous year	Amount	Increase/ Decrease over the same period of previous year	Percentage	Increase/ Decrease over the same period of previous year
Logistics and freight forwarding	127,691,416	46.60%	111,686,274	42.37%	12.53%	Up by 2.60 percentage points

The operating costs and gross profit are analyzed as follows:

Unit: RMB'000

	Current reporting period		The same period of previous year		Year-on-year change	
	Amount	Proportion of revenue	Amount	Proportion of revenue	Amount	Proportion of revenue
Labor cost	42,350,198	33.17%	40,469,179	46.46%	1,881,019	Down by 13.29 percentage points
Transport capacity cost	54,203,466	42.45%	27,077,942	31.09%	27,125,524	Up by 11.36 percentage points
Other operating costs	15,132,610	11.85%	10,899,178	12.52%	4,233,432	Down by 0.67 percentage points
Gross profit	16,005,142	12.53%	8,653,165	9.93%	7,351,977	Up by 2.60 percentage points

Explanation on reasons for changes:

(1) The proportion of labor cost to revenue was down by 13.29 percentage points year-on-year, but if excluded the impact of acquisition of Kerry Logistics, it was down by 0.85 percentage point year-on-year. Although the fixed compensation costs were not effectively diluted due to the decline in per deliveryman performance of terminal outlets caused by the decrease in parcel volume during the pandemic lockdown, the Company benefited from: ① accurate business forecast and reasonable plans for low season and high season resources, which enabled effective management and control of temporary sites and personnel input during high seasons and full integration of distribution sites for small and large parcels during low seasons, thereby promoting the increase in per capita efficiency of distribution workers; ② optimization of product mix and reduction in business volume of lower gross margin products. In summary, the ratio of labor cost to revenue was optimized year-on-year.

(2) The proportion of transport cost to revenue grew by 11.36 percentage points year-on-year, but if excluded the impact of the acquisition of Kerry Logistics, it was down by 3.48 percentage points year-on-year. Although negatively impacted by higher prices for outsourced transportation capacity and higher fuel costs due to pandemic lockdown, the Company benefited from: ① continuously optimizing the plan for land network routes, reducing low-efficiency routes, and promoting the integration of routes for large and small parcels and increasing direct shipping trunks; ② optimizing the bidding and cooperation model of outsourcing trunks, promoting the interest binding of outsourced transportation capacity suppliers and the Company, and improving the loading rate of routes independently; ③ optimizing the provision mode of branch route drivers, improving efficiency and saving unit cost, and utilizing the spare resource integration of branch routes to help Fengwang distribute express parcels to improve the loading rate of branch routes. In summary, the loading rate of trunk and branch routes increased year-on-year, effectively hedging the cost pressure caused by the rising price of fuel and outsourced transportation capacity.

(3) The proportion of other operating costs to revenue decreased by 0.67 percentage points year-on-year, but if excluded the impact of acquisition of Kerry Logistics, it was increased by 1.22 percentage points year-on-year. This was primarily due to the impact of pandemic lockdown on business growth. Fixed costs such as sites and equipment were not effectively diluted, and economies of scale were weakened. However, through the integration and joint construction of sites, the Company effectively managed and controlled the growth in site demand of each business segment. The Company also reduced the site area of some existing low-efficiency outlets through the model optimization of terminal outlets. The Company's investment expenditure on fixed assets in the first half of this year decreased year-on-year, moderating the increase in fixed costs to some extent and hedging the negative impact of the pandemic.

(4) For the above reasons, the gross profit margin of the Company's core businesses of logistics and freight forwarding was significantly improved. It grew by 2.60 percentage points year-on-year, but if excluded the impact of the acquisition of Kerry Logistics, it increased by 3.11 percentage points year-on-year.

## IV. Non-core Business Analysis

Unit: RMB'000

	Amount	Proportion of total profit	Reason
Other income	1,001,228	19.70%	Mainly including government grants related to daily activities.
Investment income	404,810	7.97%	Mainly including income from matured structured deposits.
Gains and losses arising from changes in fair value	6,719	0.13%	
Credit impairment losses	-271,129	-5.34%	Mainly including bad debt losses of accounts receivable.
Asset impairment losses	-3,838	-0.08%	
Non-operating income	93,436	1.84%	Mainly including compensation income and government grants unrelated to daily activities.
Non-operating expenses	107,017	2.11%	Mainly including losses on scrapping of assets and compensation expenses.

Explanation on sustainability

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

## V. Analysis of Assets and Liabilities

### 1. Major Changes in Asset Composition

Unit: RMB'000

	End of current reporting period		End of previous year		Increase/Decrease in Proportion	Major changes
	Amount	Proportion of total assets	Amount	Proportion of total assets		
Cash at bank and on hand	38,822,148	18.27%	35,315,051	16.82%	1.45%	For details, please refer to analysis of cash flow in “III. Analysis of Main Business” under Chapter 3 Management Discussion and Analysis.
Accounts receivable	28,215,799	13.28%	30,441,758	14.50%	-1.22%	Mainly due to the acceleration of accounts receivable collection.
Contract assets	1,886,977	0.89%	1,038,247	0.49%	0.40%	No major changes.
Inventories	1,689,801	0.80%	1,546,821	0.74%	0.06%	No major changes.
Other current assets	4,234,227	1.99%	7,539,613	3.59%	-1.60%	Mainly due to the decrease of the input VAT to be offset.
Long-term equity investments	7,059,079	3.32%	7,260,087	3.46%	-0.14%	No major changes.
Investment properties	3,940,368	1.85%	4,850,233	2.31%	-0.46%	No major changes.
Fixed assets	39,520,785	18.60%	36,925,990	17.59%	1.01%	Mainly due to the increase in self-owned buildings.
Construction in progress	9,514,201	4.48%	8,571,203	4.08%	0.40%	No major changes.
Right-of-use assets	15,671,912	7.38%	17,297,085	8.24%	-0.86%	Mainly due to amortization.
Short-term borrowings	14,842,176	6.99%	18,397,204	8.76%	-1.77%	Mainly due to repayment of borrowings.
Contract liabilities	1,201,299	0.57%	1,675,836	0.80%	-0.23%	No major changes.
Long-term borrowings	7,663,398	3.61%	3,510,829	1.67%	1.94%	Mainly due to new borrowings.
Debentures payable	21,038,078	9.90%	15,656,370	7.46%	2.44%	Mainly due to the issuance of US dollar debentures.

Lease liabilities	9,061,522	4.26%	10,941,938	5.21%	-0.95%	Mainly due to reclassification to current portion of non-current liabilities.
Capital reserve	43,927,329	20.67%	46,200,598	22.01%	-1.34%	Mainly due to the integrated impact of acquisition of minority interests and cancellation of treasury stock.
Minority interests	12,679,429	5.97%	14,972,021	7.13%	-1.16%	Mainly due to the integrated impact of acquisition of minority interests and distribution of dividends.

## 2. Key Overseas Assets

√ Applicable □ Not applicable

Details of the assets	Formed reason	Assets scale (RMB'000)	Location	Operating model	Control measures for ensuring asset security	Earnings (RMB'000)	Proportion of overseas assets in the Company's net asset	Whether there is significant impairment risk
51.5% equity of Kerry Logistics	Equity acquisition	22,205,960	Hong Kong (China)	Integrated logistics, international freight forwarding and supply chain solutions	Note 1	1,984,687	23.52%	No
Other information	1. "Asset scale" refers to net assets of Kerry Logistics; 2. "Earnings" refers to net profit contributed by Kerry Logistics, which is the net profit of Kerry Logistics, taking into account the fair value of identifiable assets and liabilities at the point of acquisition of Kerry Logistics' equity and the adjustment effect of uniform accounting policies. Among which, the net profit attributable to shareholders of the parent company was RMB886,982 thousand. 3. "Proportion of overseas assets in the Company's net assets" refers to net assets of Kerry Logistics/net assets of the Company.							

Note 1: Kerry Logistics is a listed company of the Hong Kong Stock Exchange. On the basis of following the A-share and H-share listing rules and other relevant regulatory systems, the Company and Kerry Logistics carried out the integration of corporate governance, information disclosure, business cooperation and other aspects. Since October 2021, Mr. Wang Wei, chairman of the board of directors of the Company, served as the chairman of the board of directors and a non-executive director of Kerry Logistics, while directors Mr. Ho Chit and Mr. Chan Fei served as non-executive directors of Kerry Logistics to participate in corporate governance and major business decision-making of Kerry Logistics. At the same time, both sides cooperated closely in corporate governance and information disclosure to ensure that information disclosure of both sides conforms to the regulatory rules of A-share and H-share listed companies. In addition, both sides continued to explore cooperation space in business, fully realizing complementation of advantages and jointly expanding their presence in the global logistics market.

## 3. Assets and liabilities measured at fair value

Unit: RMB'000

Item	Opening balance	Changes in fair value gains and losses in the current period	Accumulated fair value changes included in equity	Provision for impairment in the current period	Purchase amount during the reporting period	Sales amount during the reporting period	Other changes	Closing balance
Financial assets								

1. Financial assets held for trading (excluding derivative financial assets) <sup>note 1</sup>	11,262,517	6,719	-	-	396,189	636,563	322,247	11,351,109
2. Investments in other equity instruments	6,810,771	-	-19,276	-	500,028	48,462	288,637	7,531,698
Subtotal financial assets	18,073,288	6,719	-19,276	-	896,217	685,025	610,884	18,882,807
Others	-	-	-	-	-	-	-	-
Total	18,073,288	6,719	-19,276	-	896,217	685,025	610,884	18,882,807
Financial liabilities	7,658	-	-6,785	-	75,254	-	487	76,614

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

(1) Other changes:

Other changes in financial assets held for trading are mainly investment income 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.

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

#### 4. Limitation of asset rights as of the end of the reporting period

As of the end of the reporting period, the Company's assets with restricted rights are mainly statutory reserves in the central bank and bank borrowing mortgage, details of which are as follows:

Unit: RMB'000

	Amount	Reason
Cash at bank and on hand	592,970	Mainly statutory reserves in the central bank
Fixed assets	644,225	Bank borrowing mortgage
Intangible assets	286,475	Bank borrowing mortgage
Investment properties	175,698	Bank borrowing mortgage
Construction in progress	32,911	Bank borrowing mortgage
Total	1,732,279	

## VI. Analysis of Investments

### 1. General Situation

Investment amount during the reporting period (RMB'000)	Investment amount during the same period of previous year (RMB'000)	Change
8,489,690	9,779,122	-13.19%

Of these, breakdown items of capital expenditure during the reporting period are as in the table below:

Item	Investment amount during the reporting period (RMB'000)
Office and buildings	389,296
Land	59,747
Warehouse	959,246
Sorting center	2,546,638
Aircraft	979,348
Vehicle	251,513
Information technology equipment	401,799
Equity investments	1,995,435
Others	906,668
Total	8,489,690

### 2. Significant Equity Investment Obtained During the Reporting Period

Applicable  Not applicable

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

Applicable  Not applicable

#### 4. Investments in Financial Assets

##### (1) Investments in Securities

Unit: RMB'000

Security type	Stock code	Abbreviation of security	Initial investment cost	Accounting measurement model	Book value at the beginning of the reporting period	Gains and losses from changes in fair value during the period	Accumulated fair value changes included in equity	Purchase amount during the reporting period	Sales amount during the reporting period	Gains and losses of the reporting period	Book value at the end of the reporting period	
Domestic and overseas stocks	06166	China VAST	233,964	Fair value measurement	118,945	-	56,943	-	-	1,819	182,784	
Domestic and overseas stocks	300771	Zhilai Technology	21,377	Fair value measurement	86,491	-	-3,818	-	-	1,332	82,673	
Domestic and overseas stocks	GB00BLH1QT30	Samarkand	29,960	Fair value measurement	36,500	-	-20,191	-	-	-	17,240	
Domestic and overseas stocks	00500	Frontier Services	133,503	Fair value measurement	-	-	-54,081	127,635	-	-	76,887	
<b>Total</b>			418,804	---	241,936	-	-21,147	127,635	-	3,151	359,584	
Disclosure date of securities investment approval Board announcement												N/A
Disclosure date of securities investment approval Shareholders Meeting announcement												N/A

Note: The accounting items of the above domestic and overseas stocks are all “investments in other equity instruments”, which are financed by self-own funds.

## (2) Investments in Derivatives

Unit: RMB'000

Name of derivative investment operator	Related-party relationship	Related-party transactions	Type of derivatives	Initial investment amount	Starting date	Ending date	Investment amount at the beginning of the reporting period	Amount of purchase in the reporting period	Amount of sales in the reporting period	Amount of provision for impairment (if any)	Investment amount at the end of the reporting period	Proportion of investment amount at the end of the reporting period to net assets of the Company	Actual gains/losses during the reporting period
Bank	No	No	Foreign exchange forward contracts	1,340,000	2020/7/20	2023/7/24	1,274,620	N/A	N/A	-	1,340,000	1.42%	7,831
Bank	No	No	Foreign exchange forward contracts	1,005,000	2020/7/28	2023/7/24	955,965	N/A	N/A	-	1,005,000	1.06%	5,873
Bank	No	No	Foreign exchange forward contracts	1,005,000	2020/7/30	2023/7/24	955,965	N/A	N/A	-	1,005,000	1.06%	5,873
<b>Total</b>				<b>3,350,000</b>	<b>---</b>	<b>---</b>	<b>3,186,550</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>	<b>3,350,000</b>	<b>3.54%</b>	<b>19,577</b>
Source of funds			Self-owned funds										
Lawsuit (if applicable)			N/A										
Disclosure date of derivatives investment approval Board announcement (if any)			March 24, 2020										
Disclosure date of derivatives investment approval Shareholders Meeting announcement (if any)			N/A										
Risk analysis and control measures for derivatives investment during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)			<p>(I) Risk analysis</p> <p>The foreign exchange hedging business is carried out by the Company based on the principles of lawfulness, prudence, safety and effectiveness, and not for speculative purposes. All foreign exchange hedging transactions are derived from normal cross-border business, but certain risks may exist in foreign exchange hedging transactions.</p> <p>1. Market risk: The foreign exchange hedging business carried out by the Company and its subsidiaries mainly involves daily cross-border intermodal transportation fees and investment and financing activities denominated in foreign currencies related to the main business. The associated market risk refer 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.</p> <p>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.</p> <p>3. Non-performance risk: The Company and its subsidiaries conduct foreign exchange hedging business mainly based on cash flow</p>										

	<p>rolling forecasts for risk management. We are subject to the risk that the actual cash flow deviates from forecast, resulting in failure to fulfill obligations under relevant hedging contracts when due.</p> <p>4. Other risks: In the course of business, if the person concerned fails to report and seek approval in accordance with the prescribed procedures, or fails to make records on foreign exchange hedging business accurately, timely and completely, losses may be incurred or trading opportunities may be lost. At the same time, if the person concerned fails to fully understand the terms of the transaction contract and product information, we are exposed to related legal risks and transaction losses as a result.</p> <p>(II) Risk control measures</p> <p>1. Clarify the criteria of initiating transaction of foreign exchange hedging product: All foreign exchange hedging businesses are derived from normal cross-border business for the purpose of averting and preventing exchange rate and interest rate risk. No foreign exchange derivatives trading shall be carried out for speculative purposes.</p> <p>2. Selection of products: Hedging products with simple structure, strong liquidity and controllable risk are selected to carry out foreign exchange hedging business.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Changes in market price or fair value of invested derivatives during the reporting period (the specific methods, relevant assumptions and parameters used in the analysis of the fair value should be disclosed)	The Company's analysis of the fair value of derivatives is based on the financial market fair value valuation report provided by the bank at month end. The "Actual gains/losses during the reporting period" of RMB19,577 thousand in the above table refers to the gain or loss arising from the change in fair value of derivative financial instruments for the period.
Explanation of whether the accounting policies and accounting principles of the Company's derivatives during the reporting period are significantly changed compared with the previous reporting period	No
Opinions of independent directors on the Company's derivatives investment and risk control	The independent directors believed that the Company had established an internal control system for foreign exchange hedging and effective risk control measures in accordance with the requirements stipulated by relevant laws. Under the premise of complying with national laws and regulations and ensuring that the Company's daily operation were not affected, the Company used its own funds to carry out foreign exchange hedging when appropriate, which was conducive to preventing interest rate and exchange rate risks, reducing the impact of interest rate fluctuations on the Company, in line with the interests of the Company and all shareholders and was no harm to the Company and all shareholders, especially the interests of minority shareholders.



## 5. Use of Raised Funds

### (1) Description for overall utilization of Raised Funds

Unit: RMB'000

Year	Method of funding	Total raised funds	Total raised funds invested in the current period	Accumulative raised funds invested (Note 1)	Total raised funds with usage altered in the reporting period	Accumulative raised funds with usage altered	Proportion of accumulative total raised funds with usage altered	Total unused raised funds	Use and allocation of unused raised funds	Raised funds idled for over two years
2021	Non-public Offering of Shares	19,907,320	2,911,470	13,710,383	-	-	-	6,196,937	The balance of purchasing structural deposits to conduct cash management as idle Raised Funds was RMB4,800,000 thousand, and the remaining unused Raised Funds were deposited in a special account.	-
Total	--	19,907,320	2,911,470	13,710,383	-	-	-	6,196,937	--	-

#### Description for overall utilization of Raised Funds

As of 30 June 2022, the accumulated Raised Funds used for Express Delivery Equipment Automation Upgrade Project totaled RMB5,340,874 thousand; that used for the Construction Project of Hubei Ezhou Civil Airport Transit Center in Hubei totaled RMB978,928 thousand; that used for the Construction Project of Digital-intelligent Supply Chain System Solution totaled RMB1,863,716 thousand; that used for Land Transport Capacity Improvement Project totaled RMB1,402,445 thousand; that used for Aviation Materials Purchasing and Maintenance Project totaled RMB1,124,421 thousand; and that used for the Replenishment of Working Capital totaled RMB3,000,000 thousand.

### (2) Statement of committed investment projects of Raised Funds

Unit: RMB'000

Committed investment projects and allocation of over-raised funds	Whether project has been (or partially) altered	Total committed investment based on raised funds	Total investment after alteration (1)	Investment during the reporting period	Accumulative investment at the end of the period (2)	Investment progress at the end of the period (3) = (2) / (1)	Date of asset ready for intended use	Benefits achieved during the reporting period	Whether expected benefits have been achieved	Whether feasibility of project has changed significantly
Committed investment projects										
1. Express Delivery Equipment Automation Upgrade Project	No	6,000,000	6,000,000	1,640,110	5,340,874	89.01%	2023/12/31	Note 2	Not applicable	No
2. New Construction	No	4,000,000	4,000,000	34,463	978,928	24.47%	2023/12/31	Note 3	Not	No

Project of Hubei Ezhou Civil Airport Transit Center									applicable	
3. Construction Project of Digital-intelligent Supply Chain System Solution	No	3,000,000	3,000,000	728,095	1,863,716	62.12%	2023/12/31	Note 4	Not applicable	No
4. Land Transport Capacity Improvement Project	No	2,000,000	2,000,000	295,286	1,402,445	70.12%	2023/12/31	Note 5	Not applicable	No
5. Aviation Materials Purchasing and Maintenance Project	No	1,907,320	1,907,320	213,515	1,124,421	58.95%	2023/12/31	Note 6	Not applicable	No
6. Replenishment of Working Capital	No	3,000,000	3,000,000	-	3,000,000	100.00%	Not applicable	Note 7	Not applicable	No
Subtotal of committed investment projects	--	19,907,320	19,907,320	2,911,470	13,710,383	--	--		--	--
Allocation of over-raised funds										
Not applicable										
Total	--	19,907,320	19,907,320	2,911,470	13,710,383	--	--		--	--
Status of and reason for planned progress or estimated income not achieved (of a specific project)	Not applicable									
Significant changes in the feasibility of projects	Not applicable									
Amount, usage and use progress of over-raised Funds	Not applicable									
Change in implementation location of investment projects of Raised Funds	Not applicable									

Adjustment to implementation method of investment projects of Raised Funds	Not applicable
Upfront investment and replacement of investment projects of Raised Funds	Pursuant to the resolution of the 19th meeting of the fifth Board of Directors and the 17th meeting of the fifth Board of Supervisors on 28 October 2021 and the explicit consent given by the sponsor institutions, the independent directors and the Board of Supervisors, the Company replaced upfront self-Raised Funds of RMB6,338,458 thousand invested in the Express Delivery Equipment Automation Upgrade Project, New Construction Project of Hubei Ezhou Civil Airport Transit Center, Construction Project of Digital-intelligent Supply Chain System Solution, Land Transport Capacity Improvement Project and Aviation Materials Purchasing and Maintenance Project with the Raised Funds. Refer to the announcement (No. 2021-118) disclosed at the website of CNINFO (www.cninfo.com.cn) by the Company on 29 October 2021 for more details.
Supplementing working capital temporarily with idle Raised Funds	Not applicable
Balances of the Raised Funds during the project implementation and the reasons	Not applicable
Usage and allocation of the unused Raised Fund	The unused Raised Funds of the Company are invested in the Express Delivery Equipment Automation Upgrade Project, New Construction Project of Hubei Ezhou Civil Airport Transit Center, Construction Project of Digital-intelligent Supply Chain System Solution, Land Transport Capacity Improvement Project, and Aviation Materials Purchasing and Maintenance Project as committed. All unused Raised Funds are deposited in the special account for Raised Funds at the Company's supervisory bank of the Raised Funds. In addition, in order to improve the yields of funds, the Company used part of the unused Raised Funds to purchase wealth management products with guaranteed principal according to the Proposal of Using Part of Idle Raised Funds to Conduct Cash Management approved by 19th meeting of the fifth Board of Directors and the 17th meeting of the fifth Board of Supervisors on 28 October 2021. As of 30 June 2022, the Company deposited unused Raised Funds of RMB4,800,000 thousand as structural deposits, and deposited the remaining RMB1,552,082 thousand as current deposits. There were no pledged or collateralized certificates of deposits, or other restrictions on ownership and use rights.
Defects and other problems in utilization and disclosure of the Raised Funds	Not applicable

Note 1: "Accumulative Raised Funds invested" includes accumulative Raised Funds invested and upfront investment replaced after the reception of Raised Funds of RMB6,338,458 thousand.

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

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

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

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

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

Note 7: This project aims to enhance the Company's financial strength and meet the working capital requirement after gradual expansion of market share and operation scale, which is conducive

to improving the anti-risk ability of the parent company and serving the development of the Company's main business and the realization of long-term strategy. The benefits achieved are not directly quantifiable.

**(3) Statement of Altered Investment Projects of Raised Funds**

In the reporting period, there were no altered investment projects of Raised Funds.

## VII. Sale of Significant Assets and Equity

### 1. Sale of significant assets

Applicable Not applicable

In the reporting period, there were no significant assets sold.

### 2. Sale of significant equity

Applicable Not applicable

## VIII. Analysis of Major Holding and Participating Companies

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

Unit: RMB'000

Company name	Company type	Primary business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Shenzhen S.F. Taisen Holding (Group) Co., Ltd.	Subsidiary	Investments in industrial businesses, investment consulting and other information consulting, supply chain management, asset management, capital management, investment management, etc.	2,010,000	66,647,611	33,388,381	2,436,594	392,310	279,531

#### (1) Description of Major Holding and Equity Participation Companies

The net profit realized by Shenzhen S.F. Taisen Holding (Group) Co., Ltd. for the period was mainly the profit generated from the primary business.

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

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

## IX. Structured Entities Controlled by the Company

Applicable Not applicable

## X. Company risks and countermeasures

### 1. Market risk

**Risk of macroeconomic fluctuations:** The logistics industry plays an important fundamental role in the development of the national economy but it is also significantly affected by macroeconomic conditions. China is undergoing a period of economic structure transition, and the macroeconomic is expected to move into a new phase of medium-slow growth. In addition, the global situation of the Covid-19 pandemic remains uncertain, with outbreaks in multiple areas and more efforts required for its prevention and control, causing local logistical lockdown and suspension in China. The demand for logistics service will decrease as a result of reduced production and trading under lockdown, and logistics enterprises will also incur full-link disinfection costs. The combination effect of above issues may bring a certain impact on the overall development of China's logistics industry and the performance of the Company.

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

**Risk response:** The Company keeps a close watch on the macroeconomic and the pandemic responses, analyses its impact on our main business, and adjusts operation strategies in a timely manner to minimize the adverse impact on the Company's business and future development. The Company pays close attention to and studies industry development trends, analyses the market competition patterns, and deploys forward-looking strategic planning. The Company adheres to the multidimensional development of business, constantly improves the product matrix to achieve a differentiated service experience. The Company also deeply integrates the business foundation in order to achieve the resources complementation and optimize network effectiveness. Meanwhile, the Company attaches great importance to science and technology investment, as it could empower product innovation, improve service quality, and consolidate core competition barriers, thereby supporting the long-term sustainable development of the Company's business.

### 2. Policy risk

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

**Risk response:** The Company has established research teams for state and local policies in all business units to conduct in-depth analysis on relevant policies introduced, fully capitalizing on favorable policies while avoiding policy risks and grasping industry policies and hence promoting business growth. Furthermore, the Company has always attached importance to the guarantee of rights

and interests of couriers, continually improved the social security level while boosting their efficiency and reducing working hours to raise their income through technology empowerment.

**Risk from relevant state policies on environmental protection, energy conservation and emission reduction:** China has undertaken that it will strive to reach the peak of CO<sub>2</sub> emissions by 2030 and achieve carbon neutrality by 2060. It is foreseeable that China will issue subsequent policies on environmental protection, energy conservation and emission reduction. Such policies to be released may affect the service and operation pattern of express delivery companies, and may lead to increased expenses in relevant aspects such as environmental protection, energy conservation and emission reduction incurred by express delivery companies, which will pose adverse effect on the future performance of the Company. Meanwhile, if companies fail to fulfill their green environmental obligations in accordance with the laws, they will not only be liable to the relevant legal obligation, but also impair their social images.

**Risk response:** The Company took into account the external environment and policy changes as well as took a keen insight into the development trend of the industry, so as to steer the direction of the industry and implement the forward-looking deployment and adjustment. The Company paid attention to its own impacts on the environment, therefore formulating the “SF Holding’s White Paper for Carbon Emission Target 2021” (《顺丰控股碳目标白皮书 2021》). Leveraging technological strength such as artificial intelligence and big data, the Company adjusted the energy consumption structure, upgraded transportation and business models, and then promoted the green and low-carbon reform.

### 3. Business risk

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

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

**Risk from fuel price fluctuation:** Transportation cost is one of the major costs of the express delivery industry, and fuel cost is an important component of transportation cost. Fluctuation of fuel price will have a certain impact on the profitability of express delivery companies. Since this year, under the influence of geopolitics, the international price of crude oil remains high, making the price of domestic refined oil product hits a five-year high. If the price continues to rise, the Company will experience pressure of increased costs.

**Risk response:** The Company has improved the network planning and integrate land transport resources through the reform of operating models, so as to enhance scientific route planning, reduce inefficient routes, and improve the loading rate of self-operated vehicles; Further, the Company will strengthen promotion for use of new energy vehicles to reduce the risk of fuel price fluctuations to a certain extent. Meanwhile, the Company also has well-established operation and cost monitoring mechanisms in place. When costs fluctuate significantly, operation plans and fuel cost control measures will be dynamically adjusted. The Company also comprehensively evaluates and explores mechanisms for charging appropriate fuel surcharges around specific products based on oil price fluctuations, thereby reducing the negative impact of fuel cost fluctuations on the Company.

**Risk from international operation:** With the development of the Company’s international business, especially after the tie-up

with Kerry Logistics, the proportion of international business has expanded rapidly, and the number of countries covered by services has increased. International logistics service relying on international trade is subject to the impact of Covid-19, trade relations and other unpredictable factors. The global economic development, geopolitics, national relationships, international trade and tax policies have experienced unpredictable changes and there are many uncertainties on international trade, including drastic price fluctuations of the transportation capacity of international routes, stable operation capability in some countries and regions where business has been set up and so on, which bring challenges to the Company's operation. If the Company fails to take effective measures to deal with this, it may have an adverse impact on the Company's international business development.

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

#### **4. Exchange rate fluctuation risk**

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

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

#### **5. Information system risk**

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



standardization of data processor, especially personal information processing activities. However, companies with deluge of personal information are also inevitably facing privacy compliance risks.

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

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

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

Lastly, with a view to eliminating privacy compliance risks, reducing potential business loss, fulfilling the responsibilities of data processors, effectively protecting the benefits of users and employees, and creating a positive image of SF's personal information protection, the Company acted in compliance with the GDPR, and assessed privacy compliance of its apps, implemented multiple special programs concerning publicity and training on privacy compliance after the Data Security Law (《数据安全法》) and Personal Information Protection Law (《个人信息保护法》) were promulgated, and continuously and steadily conducts security intervention during personal information processing and business system building activities, with high standards of privacy compliance requirements enforced, so as to enhance the ability to resist security attacks on personal information protection and business system. Additionally, the Company has actively cooperated with National Development and Reform Commission, State Post Bureau of The People's Republic of China and all levels of public security departments to combat behaviors such as dark industry production and speculation, has actively participated in the formulation and review of various information security standards of the National Information Security Standardization Technical Committee, and pilot work for implementation of policies, has regularly held security summits and security salons to facilitate information sharing with industry leaders and industry elites; and has established alliance partnership and cooperation with information security teams of well-known Internet and e-commerce companies for the joint construction of a safe and orderly cyberspace.

## Chapter 4 Corporate Governance

### I. Details about the Annual Shareholders' General Meeting and Extraordinary Shareholders' General Meetings Held during the reporting period

#### 1. Details about the shareholders' general meeting during the reporting period

Meeting	Meeting Type	Investor Participation %	Date Convened	Disclosure Date	Meeting Resolutions
First Extraordinary General Meeting of Shareholders of 2022	Extraordinary General Meeting	65.48%	February 11, 2022	February 12, 2022	"Announcement on Resolutions of the First Extraordinary General Meeting of 2022" disclosed by the Company on Cninfo (www.cninfo.com.cn)
2021 Annual General Meeting	Annual General Meeting	65.28%	April 29, 2022	April 30, 2022	"Announcement on 2021 Annual General Meeting Resolutions" disclosed by the Company on Cninfo (www.cninfo.com.cn)
Second Extraordinary General Meeting of Shareholders of 2022	Extraordinary General Meeting	64.59%	May 17, 2022	May 18, 2022	"Announcement on Resolutions of the Second Extraordinary General Meeting of 2022" disclosed by the Company on Cninfo (www.cninfo.com.cn)

#### 2. Extraordinary Shareholders' General Meeting requested by the preferred shareholder with restitution of voting right

Applicable  Not applicable

### II. Changes of Directors, Supervisors and Senior Executives

Applicable  Not applicable

The Company didn't change directors, supervisors and senior executives during the reporting period. Please refer to the Company's 2021 Annual Report for details.

### III. Profit Distribution & Increase of Share Capital due to Conversion of Equity Reserves during the Reporting Period

Applicable  Not applicable

The Company does not plan to issue cash or equity dividends, nor to convert equity reserves into share capital of the Company.

### IV. Execution of Stock Incentive Plan, Employee Share Ownership Plan, or Other Employee Incentives

Applicable  Not applicable

## 1. Stock Incentive Plan

In order to further improve the corporate governance structure, establish a sound incentive and restraint mechanism, attract and retain outstanding talents, and fully motivate the passion of core personnel, the Company implemented the 2022 Stock Option Incentive Plan during the reporting period as approved by the Second Extraordinary General Meeting of Shareholders of 2022. Stock options proposed to be granted under this incentive plan shall not exceed 60 million shares and the exercise price shall be RMB42.61 per share. Among them, the number of stock options to be firstly granted shall be 49.8591 million, with vested participants not exceeding 1,471.

On May 30, 2022, the “Resolution on Relevant Matters of Adjusting the Company's 2022 Stock Option Incentive Plan” and the “Resolution on the First Grant of Stock Options to Participants of the 2022 Stock Option Incentive Plan” were considered and passed at the 25th meeting of the fifth Board of Directors and the 21st meeting of the fifth Board of Supervisors of the Company, respectively. As nine participants have resigned, the Board of Directors of the Company adjusted the number of participants for the first grant from 1,471 people to 1,462 people, and the number of first grant of stock options from 49.8591 million to 48.9556 million. The Board determined May 30, 2022 as the first grant date.

During the registration of stock options, 13 participants waived an aggregate of 1,063,500 stock options to be granted by the Company due to resignation and other reasons. The total number of participants of the first grant was adjusted from 1,462 people to 1,449 people, while the number of stock options to be firstly granted was adjusted from 48.9556 million to 47.8921 million. On July 4, 2022, the Company completed the registration of the first grant of the 2022 Stock Option Incentive Plan. The abbreviation of such stock option is SF JLC1, and the code of the stock option is 037259.

The Company has disclosed the particulars related to this Stock Incentive Plan on Cninfo (www.cninfo.com.cn). For the disclosure index, please see the following table:

Announcement	Disclosure Date	Disclosure Website
2022 Stock Option Incentive Plan (Draft)	April 29, 2022	Cninfo website(www.cninfo.com.cn)
Summary of 2022 Stock Option Incentive Plan (Draft)	April 29, 2022	Cninfo website(www.cninfo.com.cn)
Assessment and Management Measures for the Implementation of 2022 Stock Option Incentive Plan	April 29, 2022	Cninfo website(www.cninfo.com.cn)
Notification on and Review Opinions of the Supervisory Committee on the List of Partial Participants for the First Grant of 2022 Stock Option Incentive Plan	May 11, 2022	Cninfo website(www.cninfo.com.cn)
The Self-inspection Report on Insider and Participants of 2022 Stock Option Incentive Plan of the Company	May 18, 2022	Cninfo website(www.cninfo.com.cn)
Announcement on Relevant Matters of Adjusting the Company's 2022 Stock Option Incentive Plan	June 1, 2022	Cninfo website(www.cninfo.com.cn)
Announcement on First Grant of Stock Options to Participants under 2022 Stock Option Incentive Plan	June 1, 2022	Cninfo website(www.cninfo.com.cn)
Verification Opinions of the Supervisory Committee on the List of Participants for the First Grant of 2022 Stock Option Incentive Plan (Grant Date)	June 1, 2022	Cninfo website(www.cninfo.com.cn)
Announcement on Completion of Registration for the First Grant of 2022 Stock Option Incentive Plan	July 5, 2022	Cninfo website(www.cninfo.com.cn)

## 2. Implementation of the employee share ownership plan

Applicable  Not applicable

### **3. Other employee incentives**

Applicable  Not applicable

## Chapter 5 Environmental and Social Responsibilities

### I. Environmental Protection

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

#### Measures taken to reduce carbon emissions and its effects

SF is deeply aware of the significance of green practices. As an enterprise with a sense of social responsibility, SF has been committed to building sustainable logistics supply chain services. We hope to set a good example and have a positive influence on the entire industry and even the entire society through the optimization and transformation of corporate operations. Based on our past carbon reduction achievements, we published the first Carbon Target White Paper in the industry on World Environment Day, 5 June 2021. We take actions in transportation, distribution, packaging and other aspects to promote the green revolution. With outstanding achievements in ESG field, SF is ranked in the first China ESG Influence List in 2022 released by 《Fortune》 on August 23.

##### 1. Promoting low-carbon transportation

SF has improved the structure of transportation vehicle fleets by introducing new energy vehicles and replacing fuel vehicles and established platform to systematically monitor the energy consumption of vehicles. Leveraging big data, cloud computing and other technologies, we have optimized transport routes to gradually promote energy conservation and emission reduction in transportation.

The Company increased the investment and utilization of new energy vehicles with various methods. We collaborate with partners to explore an efficient operation mechanism for new energy transportation vehicles, striving to increase energy efficiency in transportation and reduce the impact on the environment. The transportation scenarios of new energy vehicles mainly cover short-distance branch routes, connection and terminal collection and delivery within a city, as well as the first-level and second-level trunk transportation across provinces and cities. By the end of June 2022, SF had introduced more than 22,000 new energy vehicles, covering 215 cities. For long-distance transportation and transportation in cold northern regions, the Company has introduced hydrogen fuel vehicles and liquefied natural gas (LNG) vehicles as a pilot program. At present, we have a total of 20 hydrogen-powered light trucks operating in Shanghai and two LNG-powered tractors operating in Beijing.

##### 2. Building a green industrial park

SF is committed to building a green industrial park. Through building photovoltaic power plants, improving warehouse layout and other measures, we endeavor to increase distribution efficiency and energy efficiency and reduced the impact of logistic distribution on the environment. The Company continued to increase the use of clean energy and actively made arrangements for renewable energy generation program. By the end of the first half of 2022, the construction of rooftop photovoltaic power stations in nine industrial parks had been completed, with a total of more than 13 MW installed capacity and more than 10 million kWh annual energy generation.

##### 3. Putting sustainable packaging into practice

SF continued to establish an express package recycling ecosystem and actively cooperated with the upstream and downstream industrial chains to jointly promote the development of sustainable packaging. By engaging all links from packaging material manufacturers to logistics enterprises, from consumers to recycling enterprises, the recycling of green packaging was promoted in the entire society, and the green R&D and green operation were practiced in the full life-cycle of recycling package.

**Reduction of packaging material consumption:** Express packaging is an important link for the emission reduction throughout the entire logistics chain. SF continuously promoted the implementation of the green packaging plan. We refined the instructions of packaging operation for different types of content, and enforced the requirements of green packaging. We also conducted

consumption minimization-oriented standardized and scenario-oriented innovative R&D of eight categories of materials such as plastic bags, adhesive paper, stickers and seals. In the first half of 2022, a total of about 23,000 tons of raw paper was saved and about 75,000 tons of plastic was saved. The operation ration of standard packaging rate reached 99%.

**Recycling package:** SF provided customers inside and outside the industry with integrated recycling packaging solution through the recycling packaging and carrier operation management platform, and used various fully-developed products such as confidential transport boxes, airport recycling boxes, fragile goods recycling transfer boxes, food recycling boxes and solar photovoltaic panel recycling packaging for different scenarios. In the first half of 2022, 1.2 million carbon-neutral recycling boxes ( $\pi$ -box) were used, realizing over 12 million cycles.

#### 4. Promoting green technology practices

Through the forward-looking deployment in fields of frontier technologies such as artificial intelligence, big data, robotics, Internet of Things, logistic map and smart packaging and the combination of new energy applications, SF harnessed the power of technology throughout the entire life cycle of each express parcel to support quality and efficiency improvement and carbon emission reduction through the entire process of “collection, distribution, transportation and delivery”.

In the process of collection and delivery, SF expanded the scope of delivery and provided efficient, economical and low-carbon logistics services by using self-developed large and small drones and smart drone technology. In the process of distribution, SF optimally allocated storage resources and introduced a fully automated sorting and site management system based on big data to increase storage, transfer and energy efficiency. In the process of transportation, SF used intelligent maps to plan transportation routes and adopted intelligent algorithm to provide optimum routes based on timeliness and distance. In addition, the Company integrated freight routes and transportation capacity resources, enabled the accurate matching between vehicles and goods and improved land transportation efficiency based on big data analytics and deep learning technologies.

SF promoted the green and low-carbon transformation with the power of technology and also intended to extend the green value to the supply chain. In addition, we advocated and cooperated with upstream and downstream partners to speed up the low-carbon transformation, take the responsibility to protect our planet, realize green development and build a zero-carbon future.

## II .Social Responsibilities

**Empowering rural revitalization through industry services:** SF is the first domestic logistics company to deliver fresh agricultural products directly from farmers to urban consumers in the form of express delivery. Accordingly, we have established a business model from “field” to “mouth”. For a long time, a large number of high-quality agricultural products have encountered problems in the delivery process such as easy to damage, difficulty in packaging, prolonged transportation process, and inability to form large scale. Farmers have also encountered problems in marketing process such as few channels, single form, hard to find large quantity of customers, and inability to have brand effect. Over time, they are hard to increase their income, not to mention the profitability of their agricultural products. SF adhered to the concept of distributing good-quality agricultural products across the country and promoting better brands of agricultural products.

Through the construction of collection outlets of agricultural products in the field, R&D investment in mobile sorting vehicles to adapt to small-batch allocation, construction of fresh products’ pretreatment centers close to the place of origin, tailored design for the packaging of various fresh products, deployment of specialized refrigerated vehicles during the harvest season of characteristic agricultural products, exclusive all-cargo aircrafts, and other transportation resources, SF continued to refresh the delivery speed of agricultural products in circulations, and to innovate fresh-preserving methods in delivery processes, helping farmers to transport quality agricultural products out of the mountain, to the tables of thousands of households.

With a robust logistics network, top-notch packaging technology, and superior delivery capability, SF overcame each thorny category of transportation, including hairy crabs, beef and mutton, live fish, seafood, lychee, strawberry, peach, matsutake, etc., to

realize a direct delivery model with Chinese characteristics and nationwide coverage. SF is committed to diversifying the range of its services and business scenarios through innovative logistics models, efficiency enhancement and cost reduction, and market pricing.

The year 2022 marks the comprehensive promotion of rural revitalization. In order to actively support the national strategy, SF has continuously consolidated and expanded the integration of effective poverty alleviation efforts and rural revitalization. In addition to providing efficient logistics and distribution, SF has actively assisted local governments in building regional agricultural brands to make more agricultural products known to consumers. And SF established a special fund subsidy mechanism for packaging material customization of regional brands with an investment of RMB3 million. By the end of the first half of 2022, SF had assisted 13 regional agricultural brands with their brand building, generating an income of about RMB30 million for local farmers. And we provided an array of technical services such as traceability and residue testing of agricultural products to support rural revitalization, allowing the Chinese public to know, taste, and recognize more local brands of characteristic agricultural products.

Up to now, the upstream service network of agricultural products assisted by SF has covered more than 2,800 cities and more than 4,000 fresh products across the country. In the first half of 2022, SF delivered 1.87 million tonnes and 335 million deliveries of characteristic agricultural products, generating an estimated income of nearly RMB50 billion for local farmers.

In addition, SF actively explored the model of “Delivering express parcels to rural areas”, promoted the establishment of an intensive mode through “cooperation between China Post and private couriers, cooperation between private couriers, cooperation between public transport companies and private couriers” and supported the construction of rural three-level logistics co-distribution service network. By the end of the first half of 2022, 152,000 terminal outlets had been built, an increase of 18.3 % year-on-year. The coverage rate of villages and towns increased by 0.6 percentage points compared with the same period last year. The daily volume of parcels handled was 1.5 million pieces. With high-density and high-permeability stations in villages and towns, the average customer pickup distance decreased by 8.4 km. We also supported the online sales of agricultural products and helped enable farmers to enjoy more convenient express services within villages.

## Chapter 6 Significant Events

### I. Commitments made by the Company's actual controllers, shareholders, related parties, purchasers, and others that were fulfilled during the reporting period and those not fulfilled as of the end of the reporting period

Commitment	Commitment made by	Commitment Type	Commitment Details	Commitment-making Date	Commitment Period	Fulfillment Status
Commitments on non-public offering	Wang Wei, Lin Zheyang, Zhang Yichen, Deng Weidong, Liu Chengwei, Lo Sai Lai, Chan Fei, Zhou Zhonghui, Jin Li, Dicky Peter Yip, Chow Wing Kin Anthony, Li Sheng, Xu Zhijun, Gan Ling, all directors or senior executives of the Company	Commitments on the Company for the due performance of the remedies for the dilution of immediate return	<p>1. I make a commitment that I will not transfer interests to other institutions or individuals without consideration or under unfair conditions, or damage the interests of the listed company otherwise;</p> <p>2. I make a commitment that I will refrain from my position-related consumption;</p> <p>3. I make a commitment that I will not engage in investment or be involved in consumption with using the listed company's assets if it is unrelated to the discharging of my duties;</p> <p>4. I make a commitment that I will spare no efforts to ensure that the remuneration policies developed by the Board or the Remuneration and Appraisal Committee of the Company are in line with the implementation of the remedies for the return taken by the listed company within the scope of my duties and authorities;</p> <p>5. I make a commitment that I will spare no efforts to ensure that the exercise conditions of the stock option incentives that the Company proposes to announce are in line with the implementation of the remedies for the return taken by the listed company;</p> <p>6. If, after this commitment made, the regulatory authorities make other requirements in relation to the provisions of remedies for the return and my commitment, and if the above commitments cannot meet the relevant requirements of the regulatory authorities, I undertake to issue supplementary commitments at that time in accordance with the relevant regulations.</p> <p>7. I undertake to strictly implement the aforementioned commitments. In case of violation of these commitments, I will indemnify the listed company or investors in respect of any losses incurred in accordance with laws.</p>	February 8, 2021	February 8, 2021-May 18, 2022	Fulfilled
	Mingde Holding, Wang Wei	Commitments on the Company for the due performance of the remedies for	The company/I guarantees/guarantee that it/I shall not overstep its/my authority to intervene in the management activities of the listed company or appropriate the listed company's interests. As one of the main entities responsible for the remedial measures for the return, in the event that the company/I breaches/breach, or refuses/refuse to	February 8, 2021	February 8, 2021-May 18, 2022	Fulfilled



		the dilution of immediate return	implement the above-mentioned commitments, the company/I gives/give consent that the relevant penalties or relevant administrative measures shall be imposed by securities regulatory agencies including the CSRC and Shenzhen Stock Exchange in accordance with the relevant regulations and rules formulated or issued by them, and will bear the relevant legal liability.			
	The listed company	Commitments on the matters concerning the quasi-financial businesses	Within 6 months from the date of signing this letter of commitment, the Company ensures that it will withdraw from the commercial factoring business by external transfer of equities, cancellation, change of the business scope of Shenzhen Shuncheng Lefeng Factoring Co., Ltd. and Shunyuan Commercial Factoring (Tianjin) Co., Ltd., etc. In the process of withdrawal from the above factoring business, the Company will strictly comply with the requirements of the relevant laws, regulations and normative documents and fulfill the necessary formalities.	August 3, 2021	August 3, 2021- February 2, 2022	Fulfilled
	Subscribers (Note 1)	Share lock-up commitment	None of the above shares subscribed by the company will be transferred within 6 months since the listing date of the non-public offering of shares in SF Holding.	October 26, 2021	November 19, 2021- May 18, 2022	Fulfilled
Are the commitments fulfilled on time?	Yes					
If a commitment is not fulfilled on time, the specific reasons for the failure to fulfill it and the plan for next step should be specified	N/A					

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

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

Applicable  Not applicable

During the reporting period, there is no non-operating occupation of funds of the listed company by controlling shareholders of the Company and other related parties.

### **III. Illegal Guarantees for External Parties**

Applicable  Not applicable

There was no illegal guarantees for external parties of the Company during the reporting period.

### **IV. Details Regarding Appointment and Termination of Appointment of the Auditor**

Is the semi-annual financial report audited?

Yes  No

The Company's semi-annual financial report has not been audited.

### **V. Explanations Provided by the Board of Directors, the Supervisory Committee, regarding the “Non-standard Audit Report” Issued by the Auditor for the Reporting Period**

Applicable  Not applicable

### **VI. Explanations Provided by the Board of Directors regarding the “Non-standard Audit Report” Issued by the Auditor for the Last Year**

Applicable  Not applicable

### **VII. Bankruptcy and Reorganization**

Applicable  Not applicable

There was no such situation for the Company during the reporting period.

### **VIII. Lawsuit**

Significant Lawsuits or Arbitration

Applicable  Not applicable

There was no significant lawsuit or arbitration during the reporting period.

Other legal proceedings

Applicable  Not applicable

As of June 30, 2022, other legal proceedings of the listed Company and its subsidiaries were as follows:

1. The total amount involved in legal cases resolved during the reporting period was RMB167,888 thousand.
2. Pending cases during the reporting period: Cases in which the Company and its subsidiaries were defendants involved RMB378,794 thousand, accounting for 0.46% of non-audited net assets attributable to shareholders of the listed company at the end of 2021. The above-mentioned litigation matters are mainly independent transportation contract cases and traffic accident cases with small amounts involved. The listed company and its subsidiaries have already purchased commercial insurance for operating vehicles, transportation, and other business activities. Based on the previous experience, the insurance purchased can basically cover the losses caused by such cases. Cases in which the listed company and its subsidiaries were plaintiffs involved

RMB517,006 thousand, accounting for 0.62% of non-audited net assets attributable to shareholders of the listed company at the end of 2021. The described legal proceedings will not have a material adverse effect on the Company's financial position and ability to continue operations.

### **IX. Punishment and Rectification**

Applicable  Not applicable

### **X. Integrity of the Company, Its Controlling Shareholders and Actual Controller**

Applicable  Not applicable

## XI. Significant Related-party Transactions

### 1. Related-party transactions relevant to routine operations

√ Applicable □ Not applicable

Related Party	Relationship	Type of related-party transaction	Details of related-party transaction	Pricing principle of the related-party transaction	Transaction price	Amount of the related-party transaction (RMB'000)	Proportion of same category of transactions	Approved transaction quota (RMB'000)	Was the approved quota exceeded?	Related-party transaction settlement method	Market price of similar transactions available	Disclosure Date	Disclosure index
Mingde Holding and its subsidiaries	Controlling shareholder of the Company	Provide services to related parties	Courier service, communication service, technology development service, agent service, etc.	Fair pricing based on market prices following the principle of independent transactions.	Contract price	44,095	0.03%	280,000	No	Settlement based on the settlement period and terms in the contract	N/A	2022/01/27	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2022" disclosed by the Company on Cninfo (www.cninfo.com.cn)
Mingde Holding and its subsidiaries	Controlling shareholder of the Company	Receive services from related parties	Technology development service, agent service, etc.			161,181	0.14%	500,000	No		N/A	2022/01/27	
Mingde Holding and its subsidiaries	Controlling shareholder of the Company	Purchase of goods/equipment from related parties	Purchase of goods/equipment			110,576	0.10%	330,000	No		N/A	2022/01/27	
Other companies controlled by the actual controller of the Company	Other companies other than "Mingde Holding and its subsidiaries"	Receive services from related parties	Agent service, advertising service, etc.			77,550	0.07%	250,000	No		N/A	2022/01/27	

	that are controlled by the actual controller of the Company											
CR-SF International Express Co., Ltd.	A senior manager of the Company serves as a director of CR-SF International Express Co., Ltd.	Provide services to related parties	Transportation service			863	0.00%	100,000	No		N/A	2022/01/27
CR-SF International Express Co., Ltd.	A senior manager of the Company serves as a director of CR-SF International Express Co., Ltd.	Receive services from related parties	Transportation service			234,712	0.21%	900,000	No		N/A	2022/01/27
M China Management Limited and its subsidiaries and its franchisees	A director of the Company serves as a director of the parent company of M China Management Limited	Provide services to related parties	Supply chain service and distribution service			761,269	0.59%	2,100,000	No		N/A	2022/01/27
Total				--	--	1,390,246	--	4,460,000	--	--	--	--
Details of large amount of sales returns				Nil								
Actual performance in the reporting period versus predicted total amount of routine related-party transactions, by types (if any)				The Company held the 21st meeting of the fifth Board of Directors on January 26, 2022 and the 18th meeting of the fifth Board of Supervisors as well as the First Extraordinary General Meeting of Shareholders of 2022 on February 11, 2022, during which the Company reviewed and approved the "Proposal on Estimated Routine Related-party Transaction Amount in 2022" as the amount of the above related-party transaction did not exceed the approved quota.								

Reasons for significant discrepancy between the transaction price and the market price (if applicable)	N/A
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## 2. Related-party transactions relevant to purchases and sales of assets or equities

Applicable  Not applicable

## 3. Related-party transactions with joint investments

Applicable  Not applicable

There was no related-party transactions with joint investments during the reporting period.

## 4. Credits and liabilities with related parties

Applicable  Not applicable

There was no credits and liabilities with related parties during the reporting period.

## 5. Transactions with related financial companies

Applicable  Not applicable

There was no deposits, loans, credits or other financial business between the Company and the related financial companies.

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

Applicable  Not applicable

There was no deposits, loans, credits or other financial business between financial companies controlled by the Company and related parties.

## 7. Other significant related-party transactions

Applicable  Not applicable

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

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

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

As the disclosure date of the report, the adjusted total final transaction amount was approximately RMB502.3 million.

Major related-party transactions were disclosed on the following websites:

Announcement	Disclosure Date	Disclosure Website
Announcement in relation to disposal of assets and related transactions	2022/06/06	www.cninfo.com.cn

## XII. Significant Contracts and Their Execution

### 1. Trusteeships, contracts and leases

#### (1) Trusteeships

Applicable  Not applicable

No significant trusteeships during the reporting period.

#### (2) Contracts

Applicable  Not applicable

No significant contracts during the reporting period.

#### (3) Leases

Applicable  Not applicable

No significant leases during the reporting period.

## 2. Significant guarantees

√ Applicable □ Not applicable

Unit: RMB'000

The Company and its subsidiaries' guarantees to external parties (Guarantees to subsidiaries are not included)										
Guarantee party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Exact date of occurrence	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Period of guarantee	Executed or not	Whether guarantee for a related party
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	2020/3/24	147,000	2020/12/31	126,420	Joint liability guarantee	Land for Zhuhai project	Yes	2020/12/31-2033/12/23		
Hubei International Logistics Airport Co., Ltd.	2020/3/24	3,500,000	2021/2/25	25,300	Joint liability guarantee	None	None	2021/9/29-2055/4/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/3/24	3,500,000	2021/2/25	50,600	Joint liability guarantee	None	None	2021/11/30-2055/4/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/3/24	3,500,000	2021/2/25	20,700	Joint liability guarantee	None	None	2021/10/8-2055/4/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/3/24	3,500,000	2021/2/25	96,600	Joint liability guarantee	None	None	2021/11/29-2055/4/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/3/24	3,500,000	2021/2/25	36,800	Joint liability guarantee	None	None	2021/12/1-2055/4/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/3/24	3,500,000	2021/2/25	46,000	Joint liability guarantee	None	None	2021/12/3-2055/4/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/3/24	3,500,000	2021/2/25	276,000	Joint liability guarantee	None	None	2022/01/01-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/3/24	3,500,000	2021/2/25	23,000	Joint liability guarantee	None	None	2022/01/04-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/3/24	3,500,000	2021/2/25	69,000	Joint liability guarantee	None	None	2022/01/05-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/3/24	3,500,000	2021/2/25	46,000	Joint liability guarantee	None	None	2022/05/27-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/3/24	3,500,000	2021/2/25	69,000	Joint liability guarantee	None	None	2022/05/30-2055/04/29	No	No
Hubei International Logistics Airport Co., Ltd.	2020/3/24	3,500,000	2021/2/25	23,000	Joint liability guarantee	None	None	2022/05/31-2055/04/29	No	No



Compañía 5/31-2025/04/29 Logistics Airport	N/A	21,896	2020/12/29	21,896	Joint liability guarantee	None	None	2020/12/29-2022/12/29	No	No
Compañía 2/29-2022/12/29 Logistics Airport	N/A	13,991	2020/12/29	13,991	Joint liability guarantee	None	None	2020/12/29-2022/12/29	No	No
Compañía 2/29-2022/12/29 Logistics Airport	N/A	3,498	2020/12/29	3,498	Joint liability guarantee	None	None	2020/12/29-2022/12/29	No	No
Total guarantee quota approved for external parties during the reporting period (A1)		200,000			Total actual amount of guarantees for external parties during the reporting period (A2)				506,000	
Total guarantee quota approved for external parties at the end of the reporting period (A3)		3,531,984			Total actual guarantee balance for external parties at the end of the reporting period (A4)				947,804	
<b>The Company's guarantees to subsidiaries</b>										
Guarantee party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Exact date of occurrence	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Period of guarantee	Executed or not	Whether guarantee for a related party
SF HOLDING INVESTMENT LIMITED	2017/12/28	3,350,000	2018/7/26	3,350,000	Joint liability guarantee	None	None	2018/7/26-2023/7/26	No	No
SF HOLDING INVESTMENT LIMITED	2019/1/4	6,000,000	2020/2/20	4,690,000	Joint liability guarantee	None	None	2020/2/20-2030/2/20	No	No
SF HOLDING LIMITED	2021/2/10	20,492,640	2021/2/9	5,037,774	Joint liability guarantee	None	None	2021/9/23-2022/3/28	Yes	No
SF HOLDING LIMITED	2021/2/10	20,492,640	2021/2/9	2,049,264	Joint liability guarantee	None	None	2021/9/23-2022/1/28	Yes	No
SF Holding Investment 2021 Limited	2021/2/10	18,000,000	2021/11/17	2,680,000	Joint liability guarantee	None	None	2021/11/17-2026/11/17	No	No
SF Holding Investment 2021 Limited	2021/2/10	18,000,000	2021/11/17	2,010,000	Joint liability guarantee	None	None	2021/11/17-2028/11/17	No	No
SF Holding Investment 2021 Limited	2021/2/10	18,000,000	2021/11/17	426,930	Joint liability guarantee	None	None	2021/11/17-2031/11/17	No	No
SF Holding Investment 2021 Limited	2021/2/10	18,000,000	2022/1/18	2,680,000	Joint liability guarantee	None	None	2022/1/18-2026/11/17	No	No

SF Holding Investment 2021 Limited	2021/2/10	18,000,000	2022/1/18	2,010,000	Joint liability guarantee	None	None	2022/1/18-2031/11/17	No	No
Total guarantee quota approved for subsidiaries during the reporting period (B1)		5,066,000		Total actual amount of guarantees for subsidiaries during the reporting period (B2)			4,690,000			
Total guarantee quota approved for the subsidiaries at the end of the reporting period (B3)		22,912,930		Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)			17,846,930			
Subsidiary's guarantees to subsidiaries										
Guarantee party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Exact date of occurrence	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Period of guarantee	Executed or not	Whether guarantee for a related party
Subsidiaries of SF Holding (with gearing ratio of 70% or above)	2018/3/14; 2019/3/16; 2020/3/24	48,355,935	Subject to the actual guarantee contract	15,153,223	Joint liability guarantee	Part	Part	Subject to the actual guarantee contract	Partially fulfilled	No
Subsidiaries of SF Holding (with gearing ratio below 70%)	2021/3/18; 2022/1/7; 2022/3/31	17,929,701	Subject to the actual guarantee contract	4,115,697	Joint liability guarantee	None	Part	Subject to the actual guarantee contract	Partially fulfilled	No
Total guarantee quota approved for subsidiaries during the reporting period (C1)		65,534,000		Total actual amount of guarantees for subsidiaries during the reporting period (C2)			7,514,918			
Total guarantee quota approved for subsidiaries at the end of the reporting period (C3)		72,131,911		Total actual guarantee balance for subsidiaries at the end of the reporting period (C4)			15,621,111			
Total guarantee amount provided by the Company (i.e. the total amount of the above three major items)										
Total guarantee quota approved during the reporting period (A1+B1+C1)		70,800,000		Total actual amount of guarantee during the reporting period (A2+B2+C2)			12,710,919			
Total guarantee quota approved at the end of the reporting period (A3+B3+C3)		98,576,826		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)			34,415,846			
Total guarantee amount (A4+B4+C4) to net assets of the Company				42.12%						

Of which:	
Balance of guarantee for shareholders, actual controller, and affiliates thereof (D)	0
Balance of debt guarantee provided for guaranteed party whose gearing ratio is not less than 70% directly or indirectly (E)	21,824,486
Amount of total guarantee in excess of 50% of net assets (F)	0
Total amount of the above three guarantees (D+E+F)	21,824,486
Explanation of guarantee liabilities occurred or possible joint and several liabilities of repayment with evidence during the reporting period (if any) for unexpired guarantee contracts	N/A
Explanation of provision of guarantees for external parties in violation of the prescribed procedure (if any)	N/A

**3. Entrusted funds**√ Applicable  Not applicable

Unit: RMB'000

Type	Funding Source for Entrusted Funds	Maximum Daily Balance of Such Entrusted Funds During the Reporting Period	Unexpired Balance	Overdue Outstanding Amount	Impairment Provision of Overdue Outstanding Funds
Bank wealth management products	Self-owned funds	21,960,000	5,160,000	-	-
Trust products	Self-owned funds	4,511	1,014	-	-
Others	Self-owned funds	849,771	441,856	-	-
Bank wealth management products	Raised funds	8,850,000	4,800,000	-	-
Brokerage wealth management products	Raised funds	200,000	-	-	-
Total		31,864,282	10,402,870	-	-

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

Details of individual items with significant amount or of low safety, poor liquidity, or without principal guarantee high-risk wealth management products

 Applicable  Not applicable

The entrusted funds is expected to fail to recover the principal, or there may be other circumstances that may result in impairment

 Applicable  Not applicable**4. Other significant contracts** Applicable  Not applicable

No other significant contracts in the reporting period.

**XIII. Other Major Issues**√ Applicable  Not applicable**(I) Repurchasing shares by centralized bidding**

With confidence in the Company's future development and high recognition of the Company's value, the Company uses self-owned funds to repurchase some of the Company's shares for employee stock ownership plan or equity incentive after taking into account the business development prospects, operating conditions, financial status, future profitability and performance of the Company's shares in the secondary market. With such efforts, the Company will further improve the long-term incentive mechanism and fully motivate core personnel and outstanding employees of the Company to jointly promote the long-term development of the Company. At the 22nd meeting of the fifth Board of Directors held on March 2, 2022, the *Proposal of Repurchasing Shares by Centralized Bidding* was approved. The Company was approved to repurchase shares through centralized bidding by self-owned funds, with repurchasing price not exceeding RMB70 per share, and the total amount between RMB1.0 billion and RMB2.0 billion. The implementation period shall be within 6 months from the date when the Board of Directors of the Company approves the repurchase plan. The Company has implemented share repurchase since March 3, 2022. As of June 30, 2022, the Company has

repurchased a total of 36,769,955 shares, with repurchase funds of approximately RMB1.899 billion (excluding transaction costs). The number of repurchased shares accounted for 0.75% of the Company's total share capital at that time, with an average transaction price of RMB51.65 per share (the highest transaction price was RMB59.40 per share and the lowest transaction price was RMB46.77 per share). The Company will continue to implement this repurchase plan during the repurchase period based on market conditions.

## (II) Issuance of debt financing products in domestic and international markets by wholly-owned subsidiaries

In order to satisfy the development requirements of domestic and international business, reduce financing costs and optimize the debt structure according to the development strategies of the Company, the Company has issued debt financing products in domestic and international markets through its wholly-owned subsidiaries. The 2021 Annual General Meeting of the Company approved that the Company issues debt financing products in domestic and international markets through Taisen Holding and SF Holding Investment 2023 Limited, the wholly-owned subsidiaries, for an equivalent amount of no more than RMB15.0 billion (inclusive), including an expected equivalent amount of RMB5.0 billion (inclusive) to be issued in international market.

During the reporting period, according to the Notice of Acceptance of Registration issued by NAFMII (Zhong Shi Xie Zhu [2021] No. SCP 285), Taisen Holding issued five Super Short-Term Commercial Paper on January 7, 2022, February 18, 2022, May 12, 2022, May 19, 2022 and June 16, 2022 respectively, with a total issuance scale of RMB3.0 billion. According to *the Approval for the Registration of Issuance of Short-Term Corporate Bonds to Professional Investors via a Public Offering by Shenzhen S.F. Taisen Holding (Group) Co., Ltd.* (Zheng Jian Xu Ke [2021] No. 3645) from the CSRC, Taisen Holding issued two public short-term corporate bonds on March 11, 2022 and April 15, 2022 respectively, with a total issuance scale of RMB1.0 billion.

On January 18, 2022, SF Holding Investment 2021 Limited, a wholly-owned subsidiary of the Company, successfully issued debentures of USD700 million on the basis of debentures of USD1.2 billion already issued in 2021. The additional bonds have been listed on the HK Stock Exchange.

A disclosure index for the above-mentioned significant events and other significant events is as below:

Announcement	Disclosure Date	Disclosure Website
Announcement on Results of Issuance of the 2022 First Tranche of Super Short-Term Commercial Paper by Shenzhen S.F. Taisen Holding (Group) Co., Ltd., the Wholly-owned Subsidiary	January 8,2022	Cninfo website(www.cninfo.com.cn)
Announcement on Additional Issuance of Overseas USD Bonds by Overseas Wholly-owned Subsidiaries	January 19,2022	Cninfo website(www.cninfo.com.cn)
Announcement on Results of Issuance of the 2022 Second Tranche of Super Short-Term Commercial Paper by Shenzhen S.F. Taisen Holding (Group) Co., Ltd., the Wholly-owned Subsidiary	February 22,2022	Cninfo website(www.cninfo.com.cn)
Announcement on Implementing Employee Incentive Plan through Repurchasing Shares by Centralized Bidding	March 3,2022	Cninfo website(www.cninfo.com.cn)
Repurchase Report	March 3,2022	Cninfo website(www.cninfo.com.cn)
Announcement on the First Repurchase of Shares of the Company	March 4,2022	Cninfo website(www.cninfo.com.cn)
Announcement on Progress of the Repurchase of Shares of the Company	March 10,2022	Cninfo website(www.cninfo.com.cn)
Announcement on the Issuance Results of the Public Offering of Short-term Corporate Bonds (First Tranche) by Shenzhen S.F. Taisen Holding (Group) Co., Ltd., the Wholly-owned Subsidiary to Professional Investors in 2022	March 12,2022	Cninfo website(www.cninfo.com.cn)
Announcement on Progress of the Repurchase of Shares of the Company	March 15,2022	Cninfo website(www.cninfo.com.cn)
Announcement on the Issuance of Debt Financing Products by Wholly-owned Subsidiaries at Home and Abroad	March 31,2022	Cninfo website(www.cninfo.com.cn)

Announcement on Progress of the Repurchase of Shares of the Company	April 2,2022	Cninfo website(www.cninfo.com.cn)
Announcement on Progress of the Repurchase of Shares of the Company	April 14,2022	Cninfo website(www.cninfo.com.cn)
Announcement on the Issuance Results of the Public Offering of Short-term Corporate Bonds (Second Tranche) by Shenzhen S.F. Taisen Holding (Group) Co., Ltd., the Wholly-owned Subsidiary, to Professional Investors in 2022	April 16,2022	Cninfo website(www.cninfo.com.cn)
Announcement on Progress of the Repurchase of Shares of the Company	May 6,2022	Cninfo website(www.cninfo.com.cn)
Announcement on Results of Issuance of the 2022 Third Tranche of Super Short-Term Commercial Paper by Shenzhen S.F. Taisen Holding (Group) Co., Ltd., the Wholly-owned Subsidiary	May 17,2022	Cninfo website(www.cninfo.com.cn)
Announcement on Results of Issuance of the 2022 Fourth Tranche of Super Short-Term Commercial Paper by Shenzhen S.F. Taisen Holding (Group) Co., Ltd., the Wholly-owned Subsidiary	May 21,2022	Cninfo website(www.cninfo.com.cn)
Announcement on Progress of the Repurchase of Shares of the Company	June 2,2022	Cninfo website(www.cninfo.com.cn)
Announcement on Results of Issuance of the 2022 Fifth Tranche of Super Short-Term Commercial Paper by Shenzhen S.F. Taisen Holding (Group) Co., Ltd., the Wholly-owned Subsidiary	June 18,2022	Cninfo website(www.cninfo.com.cn)
Announcement on Progress of the Repurchase of Shares of the Company	July 2,2022	Cninfo website(www.cninfo.com.cn)

#### **XIV. Significant Events of Subsidiaries**

Applicable  Not applicable

## Chapter 7 Share Changes & Shareholder Details

### I. Changes in Shares

#### 1. Changes in Shares

Unit: share

	Before this change		Increase or decrease of this change ( + , - )					After this change	
	Number	Percentage	Issuance of new shares	Bonus shares	Conversion of provident funds to shares	Other	Subtotal	Number	Percentage
I. Restricted shares	402,695,643	8.21%	-	-	-	-351,272,647	-351,272,647	51,422,996	1.05%
1. State shareholding	-	-	-	-	-	-	-	-	-
2. State-owned legal person holdings	63,396,291	1.29%	-	-	-	-63,396,291	-63,396,291	-	-
3. Other domestic shares	201,751,263	4.11%	-	-	-	-150,328,267	-150,328,267	51,422,996	1.05%
Including: Domestic legal person holdings	148,828,267	3.03%	-	-	-	-148,828,267	-148,828,267	-	-
Domestic natural person holdings	52,922,996	1.08%	-	-	-	-1,500,000	-1,500,000	51,422,996	1.05%
4. Foreign holdings	137,548,089	2.80%	-	-	-	-137,548,089	-137,548,089	-	-
Including: Foreign legal person holdings	137,548,089	2.80%	-	-	-	-137,548,089	-137,548,089	-	-
Foreign natural person holdings	-	-	-	-	-	-	-	-	-
II. Unrestricted shares	4,503,517,459	91.79%	-	-	-	340,261,918	340,261,918	4,843,779,377	98.95%
1. RMB ordinary shares	4,503,517,459	91.79%	-	-	-	340,261,918	340,261,918	4,843,779,377	98.95%
III. Total number of shares	4,906,213,102	100.00%	-	-	-	-11,010,729	-11,010,729	4,895,202,373	100.00%

Reasons for changes in shares

√ Applicable □ Not applicable

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

Approval of changes in shares

√ Applicable □ Not applicable

The First Extraordinary General Meeting of Shareholders of 2022 considered and approved the “Proposal on Cancellation of Shares in the Company's Repurchased Special Securities Account” and agreed to the cancellation of 11,010,729 shares in the repurchased special securities account by the Company.

Transfer of changes in shares

□ Applicable √ Not applicable

Progress in the implementation of share repurchase

Applicable  Not applicable

At the 22nd meeting of the fifth Board of Directors held on March 2, 2022, the *Proposal of Repurchasing Shares by Centralised Price Bidding* was approved, which agreed that Company shall use its own funds to repurchase shares for employee share ownership plan or equity incentive through centralized bidding method, at a price not exceeding RMB70 per share, for a total amount not less than RMB1.0 billion and not exceeding RMB2.0 billion. The implementation period shall be within 6 months from the date when the Board of Directors of the Company approves the repurchase plan. The Company has implemented share repurchase since March 3, 2022. As of June 30, 2022, the Company has repurchased a total of 36,769,955 shares, with repurchase funds of approximately RMB1.899 billion (excluding transaction costs). The number of repurchased shares accounted for 0.75% of the Company's total share capital at that time, with an average transaction price of RMB51.65 per share (the highest transaction price was RMB59.40 per share and the lowest transaction price was RMB46.77 per share). The Company's repurchase of the shares was in compliance with relevant laws and regulations and in line with the Company's established repurchase plan.

Progress in the implementation of the centralized bidding method to reduce holding of repurchased shares

Applicable  Not applicable

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

Applicable  Not applicable

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

Other content that the Company deems necessary or required by the securities regulatory agency to disclose

Applicable  Not applicable

## 2. Changes in restricted shares

Applicable  Not applicable

Unit: share

Name of shareholder	Restricted shares at the beginning of the period	Number of restricted shares removed in the period	Number of restricted shares increased in the period	Restricted shares at the end of the period	Reason for restriction	Date of restricted sales removal
Liu Jilu	52,412,835	10,500,000		41,912,835	Lock-up shares for senior managers	10,500,000 lock-up shares of senior managers were unlocked at the beginning of 2022
UBS AG	53,008,044	53,008,044	-	-	Lock-up shares for non-public offering	May 19, 2022
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy Caizhi Fund	39,349,422	39,349,422	-	-	Lock-up shares for non-public offering	May 19, 2022



Shenwan Hongyuan Securities Co., Ltd.	28,016,789	28,016,789	-	-	Lock-up shares for non-public offering	May 19, 2022
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy Yingzhi Fund	19,412,381	19,412,381	-	-	Lock-up shares for non-public offering	May 19, 2022
Guotai Junan Securities Co., Ltd.	17,890,870	17,890,870	-	-	Lock-up shares for non-public offering	May 19, 2022
Yuanhai Investment Co., Ltd.	17,488,632	17,488,632	-	-	Lock-up shares for non-public offering	May 19, 2022
BARCLAYS BANK PLC	17,138,859	17,138,859	-	-	Lock-up shares for non-public offering	May 19, 2022
GIC PRIVATE LIMITED	16,334,382	16,334,382	-	-	Lock-up shares for non-public offering	May 19, 2022
Shenzhen Yuanzhi Ruixin Equity Investment Management Co., Ltd. – Shenzhen Yuanzhi Ruixin Mixed Reform Equity Investment Fund Partnership (Limited Partnership)	10,318,293	10,318,293	-	-	Lock-up shares for non-public offering	May 19, 2022
Others	131,325,136	130,814,975	9,000,000	9,510,161	-	-
<b>Total</b>	<b>402,695,643</b>	<b>360,272,647</b>	<b>9,000,000</b>	<b>51,422,996</b>	<b>-</b>	<b>-</b>

## II. Issuance and Listing of Securities

Applicable  Not applicable

## III. Total Number of Shareholders and Their Shareholdings

Unit: number of shares

Total number of ordinary shareholders at the end of the reporting period		196,445		Total number of preferred shareholders with voting rights restored (if any) at the end of the reporting period		0		
Ordinary shareholders holding more than 5% of shares or shares of the top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of ordinary shares held at the end of the reporting period	Increase or decrease of shares during the reporting period	Number of restricted ordinary shares held	Number of non-restricted ordinary shares held	Pledged, marked or frozen shares	
							Status of shares	Number
Shenzhen Mingde Holding Development Co., Ltd.	Domestic non-state-owned legal	50.86%	2,489,927,139	-12,000,000	-	2,489,927,139	Pledged	636,000,000

	person								
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	5.61%	274,500,370	42,620,399	-	274,500,370			-
Mingde Holding – Huatai United Securities – 21 Mingde EB Guarantee and Trust Property Special Account	Domestic non-state-owned legal person	4.09%	200,000,000	-	-	200,000,000	Pledged		200,000,000
Shenzhen Zhaoguang Investment Co., Ltd.	State-owned legal person	3.95%	193,451,173	-125,288	-	193,451,173	Pledged		43,625,227
Ningbo Shunda Fengrun Investment Management Partnership (Limited Partnership)	Domestic non-state-owned legal person	2.28%	111,499,207	-	-	111,499,207	Pledged		26,670,000
Liu Jilu	Domestic natural person	0.91%	44,723,780	-11,160,000	41,912,835	2,810,945	-		-
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy Caizhi Fund	Others	0.80%	39,349,422	-	-	39,349,422	-		-
Suzhou Industrial Park Oriza Shunfeng Equity Investment Company (Limited Partnership)	Domestic non-state-owned legal person	0.67%	32,940,000	-4,647,645	-	32,940,000	-		-
Norges Bank – Own Funds	Overseas legal person	0.67%	32,792,168	-7,355,754	-	32,792,168	-		-
CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC	Overseas legal person	0.40%	19,714,767	-8,051,899	-	19,714,767	-		-
Strategic investor or general legal person becomes the top 10 ordinary shareholder due to the placement of new shares (if any)				N/A					
Explanation of associated relationship or persons acting in concert between the above-mentioned shareholders				<p>Shenzhen Mingde Holding Development Co., Ltd. holds a total of 2,689,927,139 shares in the Company, accounting for 54.95% of the Company's total share capital at the end of the reporting period, of which 2,489,927,139 shares are directly held and 200,000,000 shares are held through the "Mingde Holding – Huatai United Securities – 21 Mingde EB Guarantee and Trust Property Special Account", a special account for guarantee and trust opened for the issuance of exchangeable bonds.</p> <p>The Company is not certain as to whether there is an associated relationship between the above-mentioned other shareholders and whether they are acting in concert.</p>					
Explanation of the above-mentioned shareholders' involvement in entrustment/entrusted voting rights and abstaining from voting rights				N/A					
Special explanation of the top 10 shareholders having special repurchase accounts (if any)				At the end of reporting period, "the special repurchase account of S.F. Holding Co., Ltd." held 36,769,955 unrestricted shares. According to relevant requirements, special repurchase accounts are not included in the top 10 ordinary shareholders and 10 non-restricted ordinary shareholders.					
Shares of the top 10 non-restricted ordinary shareholders									

Name of shareholder	Number of non-restricted ordinary shares held at the end of the reporting period	Type of shares	
		Type of shares	Number
Shenzhen Mingde Holding Development Co., Ltd.	2,489,927,139	RMB-denominated ordinary shares	2,489,927,139
Hong Kong Securities Clearing Company Ltd.	274,500,370	RMB-denominated ordinary shares	274,500,370
Mingde Holding – Huatai United Securities – 21 Mingde EBGuarantee and Trust Property Special Account	200,000,000	RMB-denominated ordinary shares	200,000,000
Shenzhen Zhaoguang Investment Co., Ltd.	193,451,173	RMB-denominated ordinary shares	193,451,173
Ningbo Shunda Fengrun Investment Management Partnership (Limited Partnership)	111,499,207	RMB-denominated ordinary shares	111,499,207
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy Caizhi Fund	39,349,422	RMB-denominated ordinary shares	39,349,422
Suzhou Industrial Park Oriza Shunfeng Equity Investment Company (Limited Partnership)	32,940,000	RMB-denominated ordinary shares	32,940,000
Norges Bank – Own Funds	32,792,168	RMB-denominated ordinary shares	32,792,168
CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC	19,714,767	RMB-denominated ordinary shares	19,714,767
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy Yingzhi Fund	19,412,381	RMB-denominated ordinary shares	19,412,381
Explanation of any associated relationship or persons acting in concert between the top 10 non-restricted ordinary shareholders and between the top 10 non-restricted ordinary shareholders and the top 10 ordinary shareholders	<p>Shenzhen Mingde Holding Development Co., Ltd. holds a total of 2,689,927,139 shares in the Company, accounting for 54.95% of the Company's total share capital at the end of the reporting period, of which 2,489,927,139 shares are directly held and 200,000,000 shares are held through the "Mingde Holding – Huatai United Securities – 21 Mingde EB Guarantee and Trust Property Special Account", a special account for guarantee and trust opened for the issuance of exchangeable bonds.</p> <p>The Company is not certain as to whether there is an associated relationship between the above-mentioned other shareholders and whether they are acting in concert.</p>		
Explanation of the top 10 ordinary shareholders' participation in margin financing and securities lending business (if any)	N/A		

Did any of the top 10 ordinary shareholders or the top 10 non-restricted ordinary shareholders of the Company conduct any promissory repurchase during the reporting period?

Yes  No

None of the top 10 ordinary shareholders or the top 10 non-restricted ordinary shareholders of the Company conduct any promissory repurchase during the reporting period.

#### IV. Changes in Shares Held by Directors, Supervisors and Senior Managers

Applicable  Not applicable

Name of shareholder	Title	Tenure status	Quantity of shares held at the beginning of the period (share)	Quantity of shares increased in the current period (share)	Quantity of shares decreased in the current period (share)	Quantity of shares held at the end of the period (share)	Quantity of restricted stocks granted at the beginning of the period (share)	Quantity of restricted stocks granted in the current period (share)	Quantity of restricted stocks granted at the end of the period (share)

Liu Jilu	Supervisor	Current	55,883,780	-	11,160,000	44,723,780	-	-	-
Lin Zheyang	Director	Current	-	12,000,000	-	12,000,000	-	-	-
Chow Wing Kin Anthony	Independent director	Current	-	50,000	-	50,000	-	-	-
Total	-	-	55,883,780	12,050,000	11,160,000	56,773,780	-	-	-

#### Description of changes in shareholding of our Controlling Shareholders and Directors

During the reporting period, Mr. Lin Zheyang acquired 12.00 million shares of Mingde Holding, the controlling shareholder of the Company, through a bulk transaction, and Mr. Lin Zheyang held 0.1% of the shares of Mingde Holding. Such increase of shareholding by Mr. Lin Zheyang was based on his recognition of the Company's development strategy and investment value; During the reporting period, Mr. Chow Wing Kin Anthony increased his holdings of 50,000 shares of the Company. It was an independent investment decision based on his confidence in the future development prospects of the Company and the current stock price of the Company. The above-mentioned trading activities are in compliance with relevant laws and regulations and other regulatory requirements.

## V. Change of Controlling Shareholder or Actual Controller

Change of controlling shareholder in the reporting period

Applicable  Not applicable

Controlling shareholder did not change during the reporting period.

Change of actual controller during the reporting period

Applicable  Not applicable

The actual controller did not change during the reporting period.

## Chapter 8 Preferred Shares

Applicable  Not applicable

No such cases in the reporting period.

## Chapter 9 Bonds

Applicable  Not applicable

## Chapter 10 Financial Statements

[English Translation for Reference Only]

### Review Report

PwC ZT Yue Zi (2022) No. 0032

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

We have reviewed the accompanying interim financial statements of S.F. Holding Co., Ltd. (hereinafter “S.F. Holding”), which comprise the consolidated and company balance sheets as at 30 June 2022, the interim consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company cash flow statements for the six-month period then ended, and the notes to the interim financial statements. Management of S.F. Holding is responsible for the preparation of these interim financial statements in accordance with the requirements of *the Accounting Standards for Business Enterprises (“CAS”) 32 - Interim Financial Reporting*. Our responsibility is to issue a review report on these interim financial statements based on our review.

We conducted our review in accordance with *China Standards on Review Engagement No. 2101, “Review of Financial Statements”*. These Standards require that we plan and perform the review to obtain limited assurance as to whether the interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with *CAS 32 - Interim Financial Reporting*.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA

Shanghai, the People’s Republic of China  
30 August 2022

Signing CPA

Chen Anqiang (Engagement Partner)

Liu Jingping

**S.F. HOLDING CO., LTD.**

**CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2022**

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

<b>ASSETS</b>	<b>Note</b>	<b>30 June 2022 Consolidated (Unaudited)</b>	<b>31 December 2021 Consolidated</b>
<b>Current assets</b>			
Cash at bank and on hand	4(1)	38,822,148	35,315,051
Financial assets held for trading	4(2)	10,237,869	10,384,493
Notes receivable		192,250	317,255
Accounts receivable	4(3)	28,215,799	30,441,758
Advances to suppliers	4(4)	3,163,365	2,936,246
Loans and advances		15,716	2,633
Other receivables	4(5)	3,550,671	4,238,518
Inventories		1,689,801	1,546,821
Contract assets		1,886,977	1,038,247
Current portion of non-current assets	4(7)	388,121	351,489
Other current assets	4(6)	4,234,227	7,539,613
<b>Total current assets</b>		92,396,944	94,112,124
<b>Non-current assets</b>			
Long-term receivables	4(7)	729,557	876,363
Long-term equity investments	4(8)	7,059,079	7,260,087
Investments in other equity instruments	4(9)	7,531,698	6,810,771
Other non-current financial assets		1,113,240	878,023
Investment properties	4(10)	3,940,368	4,850,233
Fixed assets	4(11)	39,520,785	36,925,990
Construction in progress	4(12)	9,514,201	8,571,203
Right-of-use assets	4(13)	15,671,912	17,297,085
Intangible assets	4(14)	19,098,978	18,324,188
Capitalised development expenditures	4(15)	373,244	343,236
Goodwill	4(16)	9,056,049	7,371,830
Long-term prepaid expenses	4(17)	2,834,020	2,911,094
Deferred tax assets	4(30)	2,087,196	1,566,714
Other non-current assets		1,540,106	1,801,041
<b>Total non-current assets</b>		120,070,433	115,787,858
<b>TOTAL ASSETS</b>		212,467,377	209,899,982



**S.F. HOLDING CO., LTD.**

**CONSOLIDATED BALANCE SHEET (CONT'D)  
AS AT 30 JUNE 2022**

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

<b>LIABILITIES AND EQUITY</b>	<b>Note</b>	<b>30 June 2022 Consolidated (Unaudited)</b>	<b>31 December 2021 Consolidated</b>
<b>Current liabilities</b>			
Short-term borrowings	4(19)	14,842,176	18,397,204
Deposits from customers		24,617	13,723
Financial liabilities held for trading		76,614	7,658
Accounts payable	4(20)	24,196,534	23,467,675
Advances from customers		35,077	27,385
Contract liabilities		1,201,299	1,675,836
Employee benefits payable	4(21)	5,270,644	5,575,463
Taxes payable	4(22)	2,409,941	2,873,551
Other payables	4(23)	12,814,130	11,520,282
Current portion of non-current liabilities	4(24)	8,202,024	8,335,803
Other current liabilities	4(25)	4,606,697	4,127,049
<b>Total current liabilities</b>		<u>73,679,753</u>	<u>76,021,629</u>
<b>Non-current liabilities</b>			
Long-term borrowings	4(26)	7,663,398	3,510,829
Debentures payable	4(27)	21,038,078	15,656,370
Lease liabilities	4(28)	9,061,522	10,941,938
Long-term payables		657,566	361,983
Long-term employee benefits payable		355,901	351,754
Deferred income	4(29)	789,581	690,242
Deferred tax liabilities	4(30)	4,780,271	4,402,160
Provisions		43,481	47,830
<b>Total non-current liabilities</b>		<u>44,389,798</u>	<u>35,963,106</u>
<b>Total liabilities</b>		<u>118,069,551</u>	<u>111,984,735</u>
<b>Equity</b>			
Share capital	4(31)	4,895,202	4,906,213
Capital reserve	4(32)	43,927,329	46,200,598
Less: Treasury stock	4(33)	(1,899,241)	(394,993)
Other comprehensive income	4(48)	3,543,050	2,617,231
General risk reserve		420,638	420,638
Surplus reserve	4(35)	947,775	947,775
Retained earnings	4(36)	29,883,644	28,245,764
<b>Total equity attributable to shareholders of the Company</b>		<u>81,718,397</u>	<u>82,943,226</u>
<b>Minority interests</b>	6(1)(b)	<u>12,679,429</u>	<u>14,972,021</u>
<b>Total equity</b>		<u>94,397,826</u>	<u>97,915,247</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>212,467,377</u>	<u>209,899,982</u>

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

Legal representative:  
Wang Wei

Chief Financial Officer (Head of finance):  
Ho Chit

Accounting director:  
Hu Xiaofei

**S.F. HOLDING CO., LTD.****COMPANY BALANCE SHEET  
AS AT 30 JUNE 2022**

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

<b>ASSETS</b>	<b>Note</b>	<b>30 June 2022 Company (Unaudited)</b>	<b>31 December 2021 Company</b>
<b>Current assets</b>			
Cash at bank and on hand	17(1)	1,688,103	226,112
Financial assets held for trading	17(2)	4,817,063	9,200,219
Advances to suppliers		585	1,248
Other receivables	17(3)	4,711,692	18,275,492
Other current assets		2,974	5,827
<b>Total current assets</b>		<b>11,220,417</b>	<b>27,708,898</b>
<b>Non-current assets</b>			
Long-term receivables	17(4)	13,727,768	-
Long-term equity investments	17(5)	51,030,493	50,997,088
Fixed assets		7	9
Construction in progress		130,685	24,392
Right-of-use assets		1,794	2,064
Intangible assets		375,388	382,331
Long-term prepaid expenses		682	779
Other non-current assets		19	111
<b>Total non-current assets</b>		<b>65,266,836</b>	<b>51,406,774</b>
<b>TOTAL ASSETS</b>		<b>76,487,253</b>	<b>79,115,672</b>

**S.F. HOLDING CO., LTD.****COMPANY BALANCE SHEET (CONT'D)  
AS AT 30 JUNE 2022**

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

<b>LIABILITIES AND EQUITY</b>	<b>Note</b>	<b>30 June 2022 Company (Unaudited)</b>	<b>31 December 2021 Company</b>
<b>Current liabilities</b>			
Employee benefits payable		227	227
Other payables		23,407	6,884
Taxes payable		15,707	704
Current portion of non-current liabilities		561	519
<b>Total current liabilities</b>		<u>39,902</u>	<u>8,334</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		3,958	7,290
Lease liabilities		1,407	1,673
<b>Total non-current liabilities</b>		<u>5,365</u>	<u>8,963</u>
<b>Total liabilities</b>		<u>45,267</u>	<u>17,297</u>
<b>Equity</b>			
Share capital	4(31)	4,895,202	4,906,213
Capital reserve		71,556,527	71,907,104
Less: Treasury stock	4(33)	(1,899,241)	(394,993)
Surplus reserve		794,730	794,730
Retained earnings		1,094,768	1,885,321
<b>Total equity</b>		<u>76,441,986</u>	<u>79,098,375</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>76,487,253</u>	<u>79,115,672</u>

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

Legal representative:  
Wang Wei

Chief Financial Officer (Head of finance):  
Ho Chit

Accounting director:  
Hu Xiaofei

S.F. HOLDING CO., LTD.

**CONSOLIDATED AND COMPANY INCOME STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

Item	Note	For the six months ended 30 June			
		2022 Consolidated (Unaudited)	2021 Consolidated (Unaudited)	2022 Company (Unaudited)	2021 Company (Unaudited)
<b>1. Revenue</b>	4(37)	130,064,133	88,343,930	-	-
Less: Cost of revenue	4(37)	(113,778,310)	(79,421,354)	-	-
Taxes and surcharges		(244,573)	(210,649)	(3)	(2)
Selling and distribution expenses	4(38)	(1,280,208)	(1,310,234)	-	-
General and administrative expenses	4(39)	(8,890,094)	(6,529,046)	(3,383)	(11,067)
Research and development expenses	4(40)	(1,015,854)	(1,007,217)	-	(21)
Financial (costs)/income	4(41)	(905,908)	(621,902)	8,428	876
Including: Interest expenses		(974,215)	(666,602)	(43)	(51)
Interest income		137,186	93,386	8,481	932
Add: Other income	4(43)	1,001,228	716,561	-	-
Investment income	4(44)				
Including: Investment	17(6)	404,810	1,130,499	119,941	2,665
income/(losses)					
from associates and					
joint ventures		41,689	(8,751)	-	-
Gains/(Losses) arising from changes in fair value		6,719	29,589	(13,155)	406
(Losses on)/Reversal of credit impairment		(271,129)	(11,176)	1	-
Asset impairment losses		(3,838)	(592)	-	-
Gains/(Losses) on disposal of assets		8,246	(14,187)	-	-
<b>2. Operating profit/(loss)</b>		5,095,222	1,094,222	111,829	(7,143)
Add: Non-operating income	4(45)(a)	93,436	125,023	-	-
Less: Non-operating expenses	4(45)(b)	(107,017)	(126,096)	-	-
<b>3. Total profit/(loss)</b>		5,081,641	1,093,149	111,829	(7,143)
Less: Income tax (expenses)/credits	4(46)	(1,784,866)	(677,359)	(27,864)	3,893
<b>4. Net profit/(loss)</b>		<u>3,296,775</u>	<u>415,790</u>	<u>83,965</u>	<u>(3,250)</u>
Classified by continuity of operations:					
Net profit/(loss) from continuing operations		3,296,775	415,790	83,965	(3,250)
Net profit from discontinued operations		-	-	-	-
Classified by ownership of the equity					
Attributable to shareholders of the Company		2,512,397	759,921	Not applicable	Not applicable
Minority interests		784,378	(344,131)	Not applicable	Not applicable

**S.F. HOLDING CO., LTD.**

**CONSOLIDATED AND COMPANY INCOME STATEMENTS (CONT'D)  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

Item	Note	For the six months ended 30 June			
		2022 Consolidated (Unaudited)	2021 Consolidated (Unaudited)	2022 Company (Unaudited)	2021 Company (Unaudited)
<b>5. Other comprehensive income, net of tax</b>		448,815	(167,118)	-	-
Attributable to shareholders of the Company, net of tax		925,820	(166,315)	-	-
Other comprehensive income items which will not be reclassified subsequently to profit or loss		7,485	(76,892)	-	-
Changes in fair value of investments in other equity instruments	4(48)	7,488	(76,804)	-	-
Other comprehensive income items which will not be transferred to profit or loss under the equity method	4(48)	(3)	(88)	-	-
Other comprehensive income items which will be reclassified subsequently to profit or loss		918,335	(89,423)	-	-
Cash flow hedging reserve		(13,983)	(5,528)	-	-
Exchange differences on translation of foreign currency financial statements	4(48)	932,318	(83,895)	-	-
Attributable to minority interests, net of tax	4(48)	(477,005)	(803)	-	-
<b>6. Total comprehensive income</b>		<b>3,745,590</b>	<b>248,672</b>	<b>83,965</b>	<b>(3,250)</b>
Attributable to shareholders of the Company		3,438,217	593,606	Not applicable	Not applicable
Attributable to minority interests		307,373	(344,934)	Not applicable	Not applicable
<b>7. Earnings per share</b>					
Basic earnings per share (RMB Yuan)	4(47)(a)	0.51	0.17	Not applicable	Not applicable
Diluted earnings per share (RMB Yuan)	4(47)(b)	0.51	0.17	Not applicable	Not applicable

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

Legal representative:  
Wang Wei

Chief Financial Officer (Head of finance):  
Ho Chit

Accounting director:  
Hu Xiaofei

**S.F. HOLDING CO., LTD.**

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

Item	Note	For the six months ended 30 June			
		2022 Consolidated (Unaudited)	2021 Consolidated (Unaudited)	2022 Company (Unaudited)	2021 Company (Unaudited)
<b>1. Cash flows from/(used in) operating activities</b>					
Cash received from sales of goods or rendering of services		138,579,490	90,333,953	-	-
Net increase in deposits from customers and other financial institutions		12,141	845	-	-
Net decrease in loans to customers		-	30,155	-	-
Net decrease in balances with central bank		-	347,210	-	-
Refund of taxes and levies		4,960,635	73,786	10,265	-
Cash received relating to other operating activities	4(49)(a)	42,257,709	44,986,706	9,014	1,371
<b>Sub-total of operating cash inflows</b>		<u>185,809,975</u>	<u>135,772,655</u>	<u>19,279</u>	<u>1,371</u>
Cash paid for goods and services		(100,397,500)	(66,970,612)	-	-
Net increase in loans to customers		(15,167)	-	-	-
Net increase in balances with central bank		(17,906)	-	-	-
Cash paid to and on behalf of employees		(16,578,976)	(14,840,280)	(1,861)	(1,362)
Payments of taxes and levies		(4,203,256)	(2,721,791)	(22,998)	(15,996)
Cash paid relating to other operating activities	4(49)(b)	(47,884,356)	(46,908,341)	(2,586)	(6,317)
<b>Sub-total of operating cash outflows</b>		<u>(169,097,161)</u>	<u>(131,441,024)</u>	<u>(27,445)</u>	<u>(23,675)</u>
<b>Net cash flows from/(used in) operating activities</b>	4(50)(a)	<u>16,712,814</u>	<u>4,331,631</u>	<u>(8,166)</u>	<u>(22,304)</u>
<b>2. Cash flows (used in)/from investing activities</b>					
Cash received from disposal of investments		1,134,725	934,435	-	-
Cash received from returns on investments		387,630	182,466	2,127,137	1,502,824
Cash received from disposal of fixed assets and other long-term assets		79,564	85,925	-	-
Net cash received from disposal of subsidiaries and other business units	4(49)(c)	285,763	1,414,076	-	-
Cash received relating to other investing activities	4(49)(e)	80,839,024	46,455,050	24,300,010	1,162,497
<b>Sub-total of investing cash inflows</b>		<u>82,726,706</u>	<u>49,071,952</u>	<u>26,427,147</u>	<u>2,665,321</u>
Cash paid to acquire fixed assets and other long-term assets		(6,494,255)	(9,188,443)	(89,879)	(13,841)
Cash paid to acquire investments		(952,126)	(391,137)	-	-
Net cash paid to acquire subsidiaries	4(49)(d)	(1,043,309)	(199,542)	-	-
Cash paid relating to other investing activities	4(49)(e)	(81,061,887)	(50,185,229)	(22,093,334)	(1,130,000)
<b>Sub-total of investing cash outflows</b>		<u>(89,551,577)</u>	<u>(59,964,351)</u>	<u>(22,183,213)</u>	<u>(1,143,841)</u>
<b>Net cash flows (used in)/from investing activities</b>		<u>(6,824,871)</u>	<u>(10,892,399)</u>	<u>4,243,934</u>	<u>1,521,480</u>

**S.F. HOLDING CO., LTD.**

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (CONT'D)  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

Item	Note	For the six months ended 30 June			
		2022 Consolidated (Unaudited)	2021 Consolidated (Unaudited)	2022 Company (Unaudited)	2021 Company (Unaudited)
<b>3. Cash flows (used in)/from financing activities</b>					
Cash received from capital contributions		94,723	1,725,969	-	-
Including: Cash received from capital contributions by minority interests of subsidiaries		94,723	1,725,969	-	-
Cash received from borrowings and issue of debentures		27,108,612	14,320,424	-	-
Cash received relating to other financing activities		4,550	-	-	-
<b>Sub-total of financing cash inflows</b>		<u>27,207,885</u>	<u>16,046,393</u>	<u>-</u>	<u>-</u>
Cash repayments of borrowings		(22,208,994)	(4,322,820)	-	-
Cash payments for interest expenses and distribution of dividends or profits		(2,505,075)	(1,846,032)	(874,518)	(1,499,992)
Cash paid relating to other financing activities	4(49)(f)	(9,159,023)	(2,552,846)	(1,899,259)	(847)
<b>Sub-total of financing cash outflows</b>		<u>(33,873,092)</u>	<u>(8,721,698)</u>	<u>(2,773,777)</u>	<u>(1,500,839)</u>
<b>Net cash flows (used in)/from financing activities</b>		<u>(6,665,207)</u>	<u>7,324,695</u>	<u>(2,773,777)</u>	<u>(1,500,839)</u>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<u>251,442</u>	<u>13,248</u>	<u>-</u>	<u>-</u>
<b>5. Net increase/(decrease) in cash and cash equivalents</b>		<u>3,474,178</u>	<u>777,175</u>	<u>1,461,991</u>	<u>(1,663)</u>
Add: Cash and cash equivalents at the beginning of the period	4(50)(b)	<u>34,813,768</u>	<u>15,466,484</u>	<u>226,112</u>	<u>58,098</u>
<b>6. Cash and cash equivalents at the end of the period</b>	4(50)(b)	<u>38,287,946</u>	<u>16,243,659</u>	<u>1,688,103</u>	<u>56,435</u>

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

Legal representative:  
Wang Wei

Chief Financial Officer (Head of finance):  
Ho Chit

Accounting director:  
Hu Xiaofei

**S.F. HOLDING CO., LTD.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

[English translation for reference only]

		For the six months ended 30 June 2021 (Unaudited)									
		Equity attributable to shareholders of the Company									
	Note	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Retained earnings	Minority interests	Total equity
<b>Balance at 1 January 2021</b>		4,556,440	24,405,217	(394,993)	1,143,969	279,142	-	745,043	25,708,230	316,651	56,759,699
<b>Movements for the six months ended 30 June 2021</b>											
Total comprehensive income											
Net profit		-	-	-	-	-	-	-	759,921	(344,131)	415,790
Other comprehensive income		-	-	-	(166,315)	-	-	-	-	(803)	(167,118)
Capital contribution and withdrawal by shareholders											
Capital contribution by shareholders		-	1,098,398	-	-	-	-	-	-	632,874	1,731,272
Share-based payments included in equity	9	-	104,555	-	-	-	-	-	-	17,806	122,361
Others		-	(52,539)	-	-	-	-	-	-	2,169	(50,370)
Profit distribution											
Appropriation to general risk reserve		-	-	-	-	3,941	-	-	(3,941)	-	-
Distribution to shareholders		-	-	-	-	-	-	-	(1,499,992)	-	(1,499,992)
Transfer within equity											
Transfer from other comprehensive income to retained earnings		-	-	-	(113,136)	-	-	-	113,136	-	-
Other movements in capital reserve		-	(5,855)	-	-	-	-	-	-	-	(5,855)
Safety reserve											
Appropriation		-	-	-	-	-	12,520	-	-	-	12,520
Utilisation		-	-	-	-	-	(12,520)	-	-	-	(12,520)
<b>Balance at 30 June 2021</b>		4,556,440	25,549,776	(394,993)	864,518	283,083	-	745,043	25,077,354	624,566	57,305,787





**S.F. HOLDING CO., LTD.**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

For the six months ended 30 June 2021 (Unaudited)						
Note	Share capital	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	Total equity
<b>Balance at 1 January 2021</b>	4,556,440	52,344,321	(394,993)	591,998	1,560,724	58,658,490
<b>Movements for the six months ended 30 June 2021</b>						
Total comprehensive income						
Net loss	-	-	-	-	(3,250)	(3,250)
Profit distribution						
Distribution to shareholders	4(36)	-	-	-	(1,499,992)	(1,499,992)
Others		-	(6)	-	-	(6)
<b>Balance at 30 June 2021</b>	<b>4,556,440</b>	<b>52,344,315</b>	<b>(394,993)</b>	<b>591,998</b>	<b>57,482</b>	<b>57,155,242</b>
For the six months ended 30 June 2022 (Unaudited)						
Note	Share capital	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	Total equity
<b>Balance at 1 January 2022</b>	4,906,213	71,907,104	(394,993)	794,730	1,885,321	79,098,375
<b>Movements for the six months ended 30 June 2022</b>						
Total comprehensive income						
Net profit	-	-	-	-	83,965	83,965
Capital contribution and withdrawal by shareholders						
Share repurchase	4(33)	-	(1,899,241)	-	-	(1,899,241)
Treasury stock cancellation	4(33)	(11,011)	(383,982)	394,993	-	-
Share-based payments included in equity		-	33,405	-	-	33,405
Profit distribution						
Distribution to shareholders	4(36)	-	-	-	(874,518)	(874,518)
<b>Balance at 30 June 2022</b>	<b>4,895,202</b>	<b>71,556,527</b>	<b>(1,899,241)</b>	<b>794,730</b>	<b>1,094,768</b>	<b>76,441,986</b>

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

Legal representative:  
Wang Wei

Chief Financial Officer (Head of finance):  
Ho Chit

Accounting director:  
Hu Xiaofei

## **S.F. HOLDING CO., LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

#### **1 General information**

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

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

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

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

Kerry Logistics Network Co., Ltd. (“Kerry Logistics”), a subsidiary of the Company, is a company listed on the main board of the Stock Exchange of Hong Kong Limited, primarily providing services such as comprehensive logistics and international freight.

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

**S.F. HOLDING CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

**2 Basis of preparation and summary of significant accounting policies and accounting estimates**

(1) Basis of preparation

The interim financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises - Basic Standard*, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter, referred to as “the Accounting Standards for Business Enterprises” or “CASs”). The interim financial statements are prepared and disclosed in accordance with the requirements of the *CAS 32 - Interim Financial Reporting* and the *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 3 - Contents and Formats of Semi-annual Reports* issued by the China Securities Regulatory Commission, and therefore do not include all information and disclosures in the annual financial statements.

The financial statements are prepared on a going concern basis.

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

The interim financial statements are in compliance with CAS 32 - Interim Financial Reporting.

(3) Accounting policies and accounting estimates

Pursuant to the Announcement on Implementation of the Policy of CAS Interpretation No.15 (Cai Kuai [2021] No. 35) (“Interpretation No.15”) issued by the Ministry of Finance on 31 December 2021, which stipulates the accounting treatment of external sales of products or by-products produced by enterprises before the fixed assets reach their intended usable state or during the research and development process, the relevant presentation of centralized management of funds, and the judgment on loss-making contracts. The Group has prepared the financial statements in accordance with the above Interpretation No. 15, and the impact of Interpretation No. 15 on the Group's and the Company's financial statements is not significant.

During the reporting period, except for the above-mentioned changes in accounting policies, the accounting policies adopted for these financial statements are consistent with those adopted by the Group for preparing the financial statements for the year ended 31 December 2021. The financial statements shall be read in conjunction with the Group's financial statements for the year ended 31 December 2021.

During the reporting period, there were no significant changes in critical accounting estimates and key judgements adopted by the Group from the previous year.

## S.F. HOLDING CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax	Note (1)	Taxable income
Value-added tax ("VAT")	13%, 9%, 6%, 1%(small-scale taxpayers)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount/taxable service income multiplied by the applicable tax rate less deductible VAT input of the current period or taxable turnover amount multiplied by the VAT rate)
City maintenance and construction tax	7%, 5%, 1%	Amount of VAT paid
Educational surcharge	3%	Amount of VAT paid
Local educational surcharge	2%	Amount of VAT paid
Customs duty	At applicable tax rate	Customs dutiable value through examination and approval of the Customs

##### (1) Enterprise income tax

According to the *Enterprise Income Tax Law of the People's Republic of China* and the Regulations on the Implementation of Enterprise Income Tax Law, except for some subsidiaries enjoying the preferential tax rates, the Company and other subsidiaries established in Mainland China are subject to the enterprise income tax rate of 25%.

The Group's overseas subsidiaries recognise their income taxes in accordance with the laws and regulations of the countries or regions where they operate. Specifically, the subsidiaries located in Hong Kong SAR, Macao SAR, Singapore, Japan, South Korea, USA and Thailand are subject to enterprise income tax at the rates of 16.5%, 12%, 17%, 23.2%, 25%, 21% and 20% respectively in the reporting period.

##### (2) Preferential tax policy and approval documents

During the reporting period, there were no significant changes in the tax rates and policies of preferential tax rate applicable to the Company and its subsidiaries from the previous year.

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**4 Notes to the consolidated financial statements****(1) Cash at bank and on hand**

	30 June 2022	31 December 2021
Cash on hand	17,893	48,513
Cash at bank	16,722,940	16,067,702
Balances with central bank from Group		
Finance Company	566,176	548,204
Including: - statutory reserve (a)	558,206	540,300
- excess reserve (b)	7,970	7,904
Balances with other banks from Group		
Finance Company	21,346,566	18,569,253
Other cash balances (c)	159,886	76,182
Interest receivable	8,687	5,197
	<u>38,822,148</u>	<u>35,315,051</u>
Including: Overseas deposits	<u>8,532,455</u>	<u>9,330,693</u>

- (a) On 18 September 2016, the Group incorporated S.F. Holding Group Finance Co., Ltd. ("Group Finance Company"). Statutory reserve of Group Finance Company deposited with the central bank represents required statutory reserve paid by financial enterprises in the People's Bank of China ("PBOC") at 5% of deposits from customers denominated in RMB. Statutory reserve deposits are not available for use by the Group in its daily operations, which are restricted cash.
- (b) Excess reserve of Group Finance Company deposited with the central bank represents the excess over the required statutory reserve deposited by financial institutions in the central bank, and it is bank deposit that can be readily drawn on demand.
- (c) As at 30 June 2022, other cash balance of RMB 10,360,000 (31 December 2021: RMB 9,600,000) was deposit in commercial banks to guarantee general bank credit (Note 4(19)(c)) and RMB 1,832,000 (31 December 2021: RMB 1,832,000) was the security deposit for the Group to apply for a letter of guarantee from the bank; RMB 22,572,000 (31 December 2021: RMB 25,194,000) was the security deposit received by the Group from third parties. According to the contracts, the security deposit needs to be returned after the cooperation is completed. These above deposits are all restricted.

**S.F. HOLDING CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
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**4 Notes to the consolidated financial statements (Cont'd)****(2) Financial assets held for trading**

	30 June 2022	31 December 2021
Structured deposits	9,996,994	9,730,665
Fund investments	240,875	653,828
	<u>10,237,869</u>	<u>10,384,493</u>

**(3) Accounts receivable**

	30 June 2022	31 December 2021
Accounts receivable	29,458,377	31,476,627
Less: Provision for bad debts	(1,242,578)	(1,034,869)
	<u>28,215,799</u>	<u>30,441,758</u>

The Group adopts regular settlement method for logistics and freight forwarding services provided to some customers. At each month-end, the outstanding part becomes accounts receivable.

**(a) The ageing of accounts receivable is analysed as follows:**

	30 June 2022	31 December 2021
Within 1 year (inclusive)	28,816,122	31,027,603
1 to 2 years (inclusive)	414,946	236,070
Over 2 years	227,309	212,954
	<u>29,458,377</u>	<u>31,476,627</u>

**(b) As at 30 June 2022, the five largest accounts receivable aggregated by debtor were summarised and analysed as follows:**

	30 June 2022		
	Book balance	Provision for bad debts	% of total balance
Sum of the five largest accounts receivable	<u>1,990,094</u>	<u>(6,733)</u>	<u>6.76%</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(3) Accounts receivable (Cont'd)

(c) Provision for bad debts

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

As at 30 June 2022, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts	Reason
Receivables from related parties	-	-	-	Loss provision is recognized based on the amount of expected credit losses in the next 12 months
Receivables from non-related parties	<u>688,929</u>	100.00%	<u>(688,929)</u>	
	<u>688,929</u>		<u>(688,929)</u>	

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

	Book balance	Lifetime expected credit loss rate	Provision for bad debts	Reason
Receivables from related parties	-	-	-	Loss provision is recognized based on the amount of expected credit losses in the next 12 months
Receivables from non-related parties	<u>559,591</u>	100.00%	<u>(559,591)</u>	
	<u>559,591</u>		<u>(559,591)</u>	

As at 30 June 2022, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Related party grouping	172,971	-	-
Non-related party grouping	<u>28,596,477</u>	1.94%	<u>(553,649)</u>
	<u>28,769,448</u>		<u>(553,649)</u>



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**NOTES TO THE FINANCIAL STATEMENTS  
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**4 Notes to the consolidated financial statements (Cont'd)**

(3) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

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

	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Related party grouping	278,423	-	-
Non-related party grouping	<u>30,638,613</u>	1.55%	<u>(475,278)</u>
	<u>30,917,036</u>		<u>(475,278)</u>

(d) For the six months ended 30 June 2022, the Group's provision for bad debts amounted to RMB 313,967,000 (for the six months ended 30 June 2021: RMB 21,894,000), and the provision for bad debts reversed was RMB 61,096,000 (for the six months ended 30 June 2021: Nil) (Note 4(18)).

(e) For the six months ended 30 June 2022, the provision for bad debts of accounts receivable that were written off amounted to RMB 71,272,000 and no accounts receivable with amounts that were individually significant were written off (Note 4(18)).

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**4 Notes to the consolidated financial statements (Cont'd)**

(4) Advances to suppliers

(a) The ageing of advances to suppliers is analysed below:

Ageing	30 June 2022		31 December 2021	
	Amount	% of total balance	Amount	% of total balance
Within 1 year (inclusive)	3,074,008	97.17%	2,826,165	96.25%
1 to 2 years (inclusive)	53,018	1.68%	73,490	2.50%
Over 2 years	36,339	1.15%	36,591	1.25%
	<u>3,163,365</u>	<u>100.00%</u>	<u>2,936,246</u>	<u>100.00%</u>

As at 30 June 2022, advances to suppliers with ageing over one year were mainly prepayment to suppliers, etc. relevant business transactions were still ongoing.

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**4 Notes to the consolidated financial statements (Cont'd)**

(4) Advances to suppliers (Cont'd)

(b) As at 30 June 2022, the five largest advances to suppliers aggregated by debtor were summarised and analysed as follows:

	30 June 2022	
	Amount	% of total balance
Sum of the five largest advances to suppliers	641,053	20.26%

(5) Other receivables

	30 June 2022	31 December 2021
Accounts receivable from related parties (Note 8(4)(d))	536,737	492,057
Guarantees and deposits	1,420,721	1,413,769
Cash to collect on behalf of customers	530,906	689,476
Tax paid on behalf of others	268,436	154,965
Receivables from airlines subsidies and financial rebates	126,695	105,652
Receivables from equity transfer	105,695	344,662
Employee borrowings and advances	79,178	95,564
Prepaid social insurance premium	29,811	23,515
Entrusted loan principal receivables	27,000	27,000
Others	543,606	999,967
	<u>3,668,785</u>	<u>4,346,627</u>
Less: Provision for bad debts	<u>(118,114)</u>	<u>(108,109)</u>
	<u>3,550,671</u>	<u>4,238,518</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(5) Other receivables (Cont'd)

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

	30 June 2022	31 December 2021
Within 1 year (inclusive)	2,789,456	3,638,859
1 to 2 years (inclusive)	383,184	297,337
Over 2 years	496,145	410,431
	<u>3,668,785</u>	<u>4,346,627</u>

As at 30 June 2022, other receivables with ageing over 1 year mainly represented deposits and guarantees, entrusted loans receivable, receivables from equity transfer and airlines subsidies.

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**4 Notes to the consolidated financial statements (Cont'd)**

(5) Other receivables (Cont'd)

(b) Provision for losses and changes in balance statements

(i) The Group measures the loss provision for other receivables based on the expected credit losses for the next twelve months or the entire duration. The analysis of changes in other receivables by stages is as follows:

	Stage 1		Stage 3		Total	
	Expected credit losses in the following 12 months (grouping)		Lifetime expected credit losses (credit impaired)			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
31 December 2021	4,242,172	(14,454)	104,455	(93,655)	4,346,627	(108,109)
Decrease/Provision in the current period	(665,887)	(9,663)	-	(12,297)	(665,887)	(21,960)
Write-off in the current period	(11,955)	11,955	-	-	(11,955)	11,955
Transfer to Stage 3	(22,594)	-	22,594	-	-	-
30 June 2022	<u>3,541,736</u>	<u>(12,162)</u>	<u>127,049</u>	<u>(105,952)</u>	<u>3,668,785</u>	<u>(118,114)</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(5) Other receivables (Cont'd)

(b) Provision for losses and changes in balance statements (Cont'd)

(i) (Cont'd)

As at 30 June 2022 and 31 December 2021, the Group did not have any other receivables at Stage 1 for which the related provision for bad debts was provided on the individual basis.

As at 30 June 2022, other receivables at Stage 1 for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Book balance	Expected credit loss rate in the following 12 months	Provision for bad debts	Reason
Provided on the grouping basis:				
Related party grouping	536,737	-	-	
Non-related party grouping	<u>3,004,999</u>	0.40%	<u>(12,162)</u>	Loss provision is recognized based on the amount of expected credit losses in the next 12 months
	<u>3,541,736</u>		<u>(12,162)</u>	

As at 31 December 2021, other receivables at Stage 1 for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Book balance	Expected credit loss rate in the following 12 months	Provision for bad debts	Reason
Provided on the grouping basis:				
Related party grouping	492,057	-	-	
Non-related party grouping	<u>3,750,115</u>	0.39%	<u>(14,454)</u>	Loss provision is recognized based on the amount of expected credit losses in the next 12 months
	<u>4,242,172</u>		<u>(14,454)</u>	

As at 30 June 2022 and 31 December 2021, the Group did not have any other receivables at Stage 2.

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**4 Notes to the consolidated financial statements (Cont'd)**

(5) Other receivables (Cont'd)

(b) Provision for losses and changes in book balance statements (Cont'd)

(i) (Cont'd)

As at 30 June 2022, other receivables at Stage 3 for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime expected credit losses	Provision for bad debts	Reason
Receivables from equity transfer	77,455	100.00%	(77,455)	Loss provision is recognized based on the amount of expected credit losses during the entire duration
Entrusted loan receivables	27,000	60.00%	(16,200)	
Cash to collect on behalf of customers	20,594	50.00%	(10,297)	
Others	2,000	100.00%	(2,000)	
	<u>127,049</u>		<u>(105,952)</u>	

As at 31 December 2021, other receivables at Stage 3 for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime expected credit losses	Provision for bad debts	Reason
Receivables from equity transfer	77,455	100.00%	(77,455)	Loss provision is recognized based on the amount of expected credit losses during the entire duration
Entrusted loan receivables	27,000	60.00%	(16,200)	
	<u>104,455</u>		<u>(93,655)</u>	

As at 30 June 2022 and 31 December 2021, the Group did not have any other receivables at Stage 3 for which the related provision for bad debts was provided on the grouping basis.

(c) For the six months ended 30 June 2022, the Group's provision for bad debts amounted to RMB 21,960,000 (for the six months ended 30 June 2021: RMB 3,942,000), and no provision for bad debts was reversed (for the six months ended 30 June 2021: RMB 10,000,000) (Note 4(18)).

(d) For the six months ended 30 June 2022, the provision for bad debts of other receivables that were written off amounted to RMB 11,955,000 (for the six months ended 30 June 2021: RMB 3,356,000) (Note 4(18)) and no other receivables with amounts that were individually significant were written off (for the six months ended 30 June 2021: Nil).

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**4 Notes to the consolidated financial statements (Cont'd)**

(5) Other receivables (Cont'd)

(e) As at 30 June 2022, the five largest other receivables aggregated by debtor were summarised and analysed as follows:

	Nature of business	Ageing	30 June 2022		
			Book balance	Provision for bad debts	% of total balance
Shenzhen Hive Box Technology Co., Ltd. ("Hive Box Technology")	Agency collection and payment	Within 1 year	331,906	-	9.05%
Rosy Century Holdings Limited	Borrowings	Within 1 year	129,658	-	3.53%
Chiwan Container Terminal Co Ltd	Dividends receivable	Within 1 year	81,796	-	2.23%
Wuhan TianHe International Airport	Airline subsidies and financial rebates	Within 1 year	68,132	-	1.86%
Goodear Development Co., Ltd.	Guarantees and deposits	Within 1 year, 1 to 2 years	49,219	-	1.34%
			<u>660,711</u>	<u>-</u>	<u>18.01%</u>

(6) Other current assets

	30 June 2022	31 December 2021
Input VAT to be offset	3,704,242	7,299,204
Prepaid enterprise income tax	513,474	236,852
Others	16,511	3,557
	<u>4,234,227</u>	<u>7,539,613</u>

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

	30 June 2022	31 December 2021
Finance lease receivables	714,458	726,349
Deposits for house purchase	277,904	277,904
Interest-free loans to employees	137,873	237,255
Others	8,442	8,328
Less: Provision for bad debts	(20,999)	(21,984)
Current portion of long-term receivables	<u>(388,121)</u>	<u>(351,489)</u>
	<u>729,557</u>	<u>876,363</u>



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**4 Notes to the consolidated financial statements (Cont'd)**

(8) Long-term equity investments

	Joint ventures	Associates	Total
31 December 2021	2,593,932	4,666,155	7,260,087
Increase/(decrease) in investments	3,536	(234,612)	(231,076)
Investment (loss)/income recognised under the equity method	(26,626)	68,315	41,689
Other comprehensive income and changes in equity recognised under the equity method	496	19,707	20,203
Cash dividends/profits distributed	-	(128,937)	(128,937)
Provision for impairment loss	(149)	(452)	(601)
Effect of translation of foreign currency financial statements	6,107	91,607	97,714
30 June 2022	<u>2,577,296</u>	<u>4,481,783</u>	<u>7,059,079</u>
Including: Balance of provision for impairment loss at the end of the period	-	178,325	178,325

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**4 Notes to the consolidated financial statements (Cont'd)**

(8) Long-term equity investments (Cont'd)

(a) Joint ventures

	Movements in the current period							Carrying amount as at 30 June 2022	Balance of provision for impairment loss at the end of the period
	Carrying amount as at 31 December 2021	Increase /(Decrease) in investments	Share of net profit/(loss) under equity method	Other changes in equity (i)	Cash dividends/ profits distributed	Provision for impairment loss	Effect of translation of foreign currency financial statements		
Hubei International Logistics Airport Co., Ltd.	1,356,612	-	(17,169)	-	-	-	-	1,339,443	-
Gem-shunxin Industrial Technology Co., Ltd.	500,443	-	1,189	19	-	-	-	501,651	-
ZBHA Group Co., Ltd. ("ZBHA")	238,020	-	4,756	-	-	-	-	242,776	-
Jinfeng Borun (Xiamen) Equity Investment Partnership (Limited Partnership)	143,174	-	(978)	-	-	-	-	142,196	-
CC SF China Logistics Properties Investment Fund, L.P.	93,568	6,129	(525)	-	-	-	5,352	104,524	-
Others	262,115	(2,593)	(13,899)	477	-	(149)	754	246,706	-
	<u>2,593,932</u>	<u>3,536</u>	<u>(26,626)</u>	<u>496</u>	<u>-</u>	<u>(149)</u>	<u>6,107</u>	<u>2,577,296</u>	<u>-</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(8) Long-term equity investments (Cont'd)

(b) Associates

	Movements in the current period							Carrying amount as at 30 June 2022	Balance of provision for impairment loss at the end of the period
	Carrying amount as at 31 December 2021	Increase/(Decrease) in investments	Share of net profit/(loss) under equity method	Other changes in equity (i)	Cash dividends/profits distributed	Provision for impairment loss	Effect of translation of foreign currency financial statements		
SF Real Estate Investment Trust ("SF REITs")	1,151,506	-	9,834	-	(40,965)	-	51,660	1,172,035	-
Chiwan Container Terminal Co Ltd	919,872	-	39,325	-	(79,379)	-	21,706	901,524	-
Giao Hang Tiet Kiem Joint Stock Company	335,895	-	27,465	-	-	-	21,060	384,420	-
Beijing Bei Jian Tong Cheng International Logistics Co., Ltd	318,391	-	848	-	-	-	(678)	318,561	-
PT. Puninar SaranaRaya	255,281	-	(4,309)	-	-	-	(8,694)	242,278	-
Amass Freight International Co., Ltd.	239,532	-	12,703	-	(5,888)	-	-	246,347	-
Zhejiang Galaxis Technology Group Co., Ltd.	188,420	-	(6,695)	-	-	-	-	181,725	-
Others	1,257,258	(234,612)	(10,856)	19,707	(2,705)	(452)	6,553	1,034,893	178,325
	<u>4,666,155</u>	<u>(234,612)</u>	<u>68,315</u>	<u>19,707</u>	<u>(128,937)</u>	<u>(452)</u>	<u>91,607</u>	<u>4,481,783</u>	<u>178,325</u>

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

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**4 Notes to the consolidated financial statements (Cont'd)**

(9) Investments in other equity instruments

	30 June 2022	31 December 2021
Equity of listed companies	359,584	241,936
Equity of unlisted companies	7,172,114	6,568,835
	<u>7,531,698</u>	<u>6,810,771</u>
	30 June 2022	31 December 2021
Equity of listed companies		
- Costs	418,804	272,354
- Accumulated changes in fair value	(59,220)	(30,418)
	<u>359,584</u>	<u>241,936</u>
Equity of unlisted companies		
- Costs	3,971,919	3,502,503
- Accumulated changes in fair value	3,200,195	3,066,332
	<u>7,172,114</u>	<u>6,568,835</u>

Including: the changes in cost and accumulated fair value of RMB 164,302,000 and RMB 124,336,000 in the current period were due to differences in translation of foreign currency statements.

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**4 Notes to the consolidated financial statements (Cont'd)**

(10) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2021	3,893,230	1,126,698	5,019,928
Net transfer out to other long-term assets in the current period (Note 4(11), (12)(iv), (14))	(660,193)	(79,591)	(739,784)
Addition in the current period	2,868	-	2,868
Decrease due to disposal of subsidiaries in the current period	(189,906)	(29,129)	(219,035)
Effect of translation of foreign currency financial statements	6,338	3,509	9,847
30 June 2022	<u>3,052,337</u>	<u>1,021,487</u>	<u>4,073,824</u>
Accumulated depreciation			
31 December 2021	113,386	56,309	169,695
Provision of depreciation	50,688	22,077	72,765
Net transfer out to other long-term assets in the current period (Note 4(11), (14))	(72,975)	(27,062)	(100,037)
Decrease due to disposal of subsidiaries in the current period	(7,083)	(2,944)	(10,027)
Effect of translation of foreign currency financial statements	609	451	1,060
30 June 2022	<u>84,625</u>	<u>48,831</u>	<u>133,456</u>
Carrying amount			
30 June 2022	<u>2,967,712</u>	<u>972,656</u>	<u>3,940,368</u>
31 December 2021	<u>3,779,844</u>	<u>1,070,389</u>	<u>4,850,233</u>

As at 30 June 2022, the Group was still in the process of applying for certificates of ownership for certain buildings with carrying amount of RMB 1,080,529,000 (cost of RMB 1,097,494,000) (31 December 2021: carrying amount of RMB 2,129,546,000 (cost of RMB 2,158,274,000)).

As at 30 June 2022, investment properties with carrying amount of RMB 175,698,000 (31 December 2021: RMB 224,440,000) were pledged as collateral for short-term and long-term borrowings (Note 4(19)(b) and Note 4(26)(c)).

As at 30 June 2022 and 31 December 2021, the Group assessed that no impairment loss should be provided for investment properties.

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**4 Notes to the consolidated financial statements (Cont'd)**

**(11) Fixed assets**

	Buildings	Motor vehicles	Computers and electronic equipment	Aircraft, aircraft engines, rotables and high-value maintenance tools	Machinery and equipment	Office equipment and other equipment	Total
<b>Cost</b>							
31 December 2021	15,086,397	7,011,193	4,918,214	11,194,035	8,908,878	10,217,775	57,336,492
Transfer from construction in progress (Note 4(12))	1,408,299	11,584	4,254	1,026,881	549,021	402,158	3,402,197
Transfer from investment properties in the current period (Note 4(10))	1,157,030	-	-	-	-	-	1,157,030
Addition in the current period	288,413	274,157	376,074	23,575	305,917	137,986	1,406,122
Business combinations involving enterprises not under common control	11,082	2,152	7,983	-	5,908	8,281	35,406
Decrease due to disposal of subsidiaries in the current period	(279,448)	(172)	(339)	-	(883)	(2,561)	(283,403)
Other decreases in the current period	(9)	(354,758)	(277,899)	(36,399)	(127,891)	(230,504)	(1,027,460)
Effect of translation of foreign currency financial statements	122,096	22,264	3,722	-	5,412	9,221	162,715
30 June 2022	17,793,860	6,966,420	5,032,009	12,208,092	9,646,362	10,542,356	62,189,099
<b>Accumulated depreciation</b>							
31 December 2021	1,627,826	4,434,592	3,285,335	4,439,275	2,412,679	4,210,795	20,410,502
Transfer from investment properties in the current period (Note 4(10))	72,975	-	-	-	-	-	72,975
Provision in the current period	215,768	552,791	318,656	546,932	395,315	801,346	2,830,808
Business combinations involving enterprises not under common control	-	638	4,355	-	5,844	7,022	17,859
Decrease due to disposal of subsidiaries in the current period	(14,313)	(146)	(157)	-	(196)	(916)	(15,728)
Other decreases in the current period	(9)	(316,345)	(116,229)	(14,600)	(79,956)	(183,614)	(710,753)
Effect of translation of foreign currency financial statements	23,484	11,905	1,203	-	18,697	5,729	61,018
30 June 2022	1,925,731	4,683,435	3,493,163	4,971,607	2,752,383	4,840,362	22,666,681
<b>Provision for impairment loss</b>							
31 December 2021	-	-	-	-	-	-	-
Provision in the current period	-	-	-	-	1,633	-	1,633
30 June 2022	-	-	-	-	1,633	-	1,633
<b>Carrying amount</b>							
30 June 2022	15,868,129	2,282,985	1,538,846	7,236,485	6,892,346	5,701,994	39,520,785
31 December 2021	13,458,571	2,576,601	1,632,879	6,754,760	6,496,199	6,006,980	36,925,990

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**4 Notes to the consolidated financial statements (Cont'd)**

(11) Fixed assets (Cont'd)

- (i) As at 30 June 2022, carrying amount of the freehold land, which was included in the buildings disclosed above, was RMB 1,404,371,000 (31 December 2021: RMB 932,242,000).
- (ii) For the sixth months ended 30 June 2022, the total amount of depreciation expenses charged to cost of revenue, selling and distribution expenses, general and administrative expenses and research and development expenses was RMB 2,805,586,000 (for the sixth months ended 30 June 2021: RMB 2,123,877,000).
- (iii) As at 30 June 2022, fixed assets with carrying amount of RMB 644,225,000 (31 December 2021: RMB 1,688,091,000) were pledged as collateral for short-term and long-term borrowings (Note 4(19)(b) and Note 4(26)(c)).
- (iv) Fixed assets with pending certificates of ownership

	30 June 2022			Carrying amount
	Cost	Accumulated depreciation	Provision for impairment loss	
Buildings	<u>3,658,363</u>	<u>(78,668)</u>	<u>-</u>	<u>3,579,695</u>

	31 December 2021			Carrying amount
	Cost	Accumulated depreciation	Provision for impairment loss	
Buildings	<u>1,882,361</u>	<u>(59,224)</u>	<u>-</u>	<u>1,823,137</u>

In addition, as at 30 June 2022, buildings with carrying amount of RMB 20,265,000 and cost of RMB 29,844,000 (31 December 2021: carrying amount of RMB 20,968,000 and cost of RMB 29,844,000) represented public rental houses with restricted property rights purchased by the Group for enterprise talents.

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**4 Notes to the consolidated financial statements (Cont'd)**

(11) Fixed assets (Cont'd)

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

		For the six months ended 30 June 2022			
Reason for disposal		Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Aircraft rotables	Scrapped	3,592	(1,723)	-	1,869
Aircraft rotables	Sold	153	(39)	-	114
High-value maintenance tools	Scrapped	127	(127)	-	-
		<u>3,872</u>	<u>(1,889)</u>	<u>-</u>	<u>1,983</u>
		For the six months ended 30 June 2021			
Reason for disposal		Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Aircraft rotables	Scrapped	488	(164)	-	324
Aircraft rotables	Sold	5,373	(438)	-	4,935
High-value maintenance tools	Scrapped	25	(18)	-	7
		<u>5,886</u>	<u>(620)</u>	<u>-</u>	<u>5,266</u>



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**4 Notes to the consolidated financial statements (Cont'd)**

(12) Construction in progress

	30 June 2022	31 December 2021
Industrial Park Projects	5,779,175	5,009,330
Project of Distribution Hubs	1,770,035	1,472,333
Aircraft import and refit	935,616	1,051,191
Qianhai S.F. Headquarters Office	491,299	484,092
Others	538,076	554,257
	<u>9,514,201</u>	<u>8,571,203</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(12) Construction in progress (Cont'd)

Name of projects	Budget	31 December 2021	Increase in the current period	Transfer to other long-term assets in the current period (iv)	Other decreases in the current period	30 June 2022	% of project investment in budget (iii)	Progress of project	Accumulative amount of capitalised borrowing costs	Including: Borrowing costs capitalised in the current period (Note 4(41))	Capitalisation rate	Source of funds
Industrial Park Projects	18,980,770	5,009,330	2,402,132	(1,632,287)	-	5,779,175	61.98%	61.98%	54,710	54,710	2.27%	Self-owned funds and loans from financial institutions
Project of Distribution Hubs	14,959,398	1,472,333	1,376,588	(1,078,886)	-	1,770,035	70.78%	70.78%	-	-	-	Self-owned funds
Aircraft import and refit	3,056,379	1,051,191	926,700	(1,042,275)	-	935,616	30.32%	30.32%	-	-	-	Self-owned funds
Qianhai S.F. Headquarters Office	1,064,368	484,092	77,860	(70,653)	-	491,299	91.19%	91.19%	88,948	4,249	3.03%	Self-owned funds and loans from financial institutions
Others	-	554,257	338,972	(347,821)	(7,332)	538,076	-	-	-	-	-	Self-owned funds
		<u>8,571,203</u>	<u>5,122,252</u>	<u>(4,171,922)</u>	<u>(7,332)</u>	<u>9,514,201</u>			<u>143,658</u>	<u>58,959</u>		

- (i) As at 30 June 2022 and 31 December 2021, the Group assessed that no impairment loss should be recognised for construction in progress.
- (ii) As at 30 June 2022, construction in progress with carrying amount of RMB 32,911,000 (31 December 2021: RMB 47,010,000) was pledged as collateral for long-term borrowings (Note 4(26)(c)).
- (iii) For aircraft import and refit, the percentage of project investment in budget is related to the investment for the current period; for the other projects, the percentage of project investment in budget is related to the accumulative investment.
- (iv) The construction in progress transferred to long-term assets for the current period amounted to RMB 4,171,922,000, including RMB 3,402,197,000 transferred to fixed assets, RMB 496,837,000 transferred to investment properties and RMB 272,888,000 transferred to long-term prepaid expenses.

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**4 Notes to the consolidated financial statements (Cont'd)**

(13) Right-of-use assets

	Buildings	Machinery and equipment	Motor vehicles	Computers and electronic equipment	Total
<b>Cost</b>					
31 December 2021	22,836,379	45,361	989,612	133	23,871,485
Increase in the current period	2,110,295	13,193	14,491	-	2,137,979
Decrease in the current period	(853,482)	(4,097)	(90,715)	-	(948,294)
Effect of translation of foreign currency financial statements	37,560	875	(13,751)	-	24,684
30 June 2022	24,130,752	55,332	899,637	133	25,085,854
<b>Accumulated depreciation</b>					
31 December 2021	6,189,945	16,841	367,573	41	6,574,400
Provision in the current period	3,501,154	5,771	88,931	21	3,595,877
Decrease in the current period	(682,490)	(3,831)	(66,824)	-	(753,145)
Effect of translation of foreign currency financial statements	4,155	(132)	(7,213)	-	(3,190)
30 June 2022	9,012,764	18,649	382,467	62	9,413,942
<b>Carrying amount</b>					
30 June 2022	15,117,988	36,683	517,170	71	15,671,912
31 December 2021	16,646,434	28,520	622,039	92	17,297,085

As at 30 June 2022 and 31 December 2021, the Group assessed that no impairment loss should be recognised for right-of-use assets.

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**4 Notes to the consolidated financial statements (Cont'd)**

(14) Intangible assets

	Land use rights	Purchased software	Self-developed software	Trademark rights	Customer relationships	Others	Total
Cost							
31 December 2021	7,054,173	636,746	5,220,062	4,461,848	4,976,772	302,094	22,651,695
Transfer from investment properties in the current period (Note 4(10))	79,591	-	-	-	-	-	79,591
Transfer from capitalised development expenditures in the current period (Note 4(15))	-	-	580,683	-	-	-	580,683
Business combinations involving enterprises not under common control	-	219	-	-	445,554	145,469	591,242
Addition in the current period	62,480	252,825	-	115	-	2,671	318,091
Decrease due to disposal of subsidiaries in the current period	(66,211)	-	-	-	-	-	(66,211)
Other disposals in the current period	-	(24,413)	(42,992)	(86)	-	(780)	(68,271)
Effect of translation of foreign currency financial statements	33,522	10,539	-	199,278	210,437	7,805	461,581
30 June 2022	<u>7,163,555</u>	<u>875,916</u>	<u>5,757,753</u>	<u>4,661,155</u>	<u>5,632,763</u>	<u>457,259</u>	<u>24,548,401</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(14) Intangible assets (Cont'd)

	Land use rights	Purchased software	Self-developed software	Trademark rights	Customer relationships	Others	Total
Accumulated amortisation							
31 December 2021	500,533	479,399	2,394,508	310,396	447,031	141,454	4,273,321
Transfer from investment properties in the current period (Note 4(10))	27,062	-	-	-	-	-	27,062
Provision in the current period	82,080	112,541	618,127	115,946	143,899	19,902	1,092,495
Decrease due to disposal of subsidiaries in the current period	(6,693)	-	-	-	-	-	(6,693)
Other disposals in the current period	-	(13,949)	(14,725)	-	-	(70)	(28,744)
Effect of translation of foreign currency financial statements	2,056	4,822	-	16,753	11,254	1,942	36,827
30 June 2022	605,038	582,813	2,997,910	443,095	602,184	163,228	5,394,268
Provision for impairment loss							
31 December 2021	-	-	54,186	-	-	-	54,186
Increase in the current period	-	-	959	4	-	6	969
30 June 2022	-	-	55,145	4	-	6	55,155
Carrying amount							
30 June 2022	6,558,517	293,103	2,704,698	4,218,056	5,030,579	294,025	19,098,978
31 December 2021	6,553,640	157,347	2,771,368	4,151,452	4,529,741	160,640	18,324,188

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**4 Notes to the consolidated financial statements (Cont'd)**

(14) Intangible assets (Cont'd)

- (a) For the sixth months ended 30 June 2022, the total amount of amortisation expenses charged to cost of revenue, selling and distribution expenses, general and administrative expenses and research and development expenses was RMB 1,013,384,000 (for the sixth months ended 30 June 2021: RMB 591,905,000).
- (b) As at 30 June 2022, intangible assets with carrying amount of RMB 286,475,000 (31 December 2021: RMB 232,730,000) were pledged as collateral for short-term and long-term borrowings (Note 4(19)(b) and Note 4(26)(c)).
- (c) As at 30 June 2022, the Group was still in the process of applying for certificates of ownership for land use rights with carrying amount of RMB 382,903,000 (cost of RMB 408,858,000) (31 December 2021: carrying amount of RMB 227,698,000 and cost of RMB 239,669,000).
- (d) As at 30 June 2022, the intangible assets developed by the Group accounted for 14.16% (31 December 2021: 15.12%) of the carrying amount of intangible assets.

(15) Capitalised development expenditures

	31 December 2021	Increase in the current period	Transfer to intangible assets in the current period (Note 4(14))	Decrease due to disposal of subsidiaries in the current period	30 June 2022
System development	343,236	630,977	(580,683)	(20,286)	373,244

As at 30 June 2022, the Group assessed that no impairment loss should be recognised for capitalised development expenditures.

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**4 Notes to the consolidated financial statements (Cont'd)**

(16) Goodwill

	31 December 2021	Increase in the current period	Effect of translation of foreign currency financial statements	30 June 2022
Cost:				
Kerry Logistics	4,071,759	-	172,236	4,243,995
SF Supply Chain Business	2,768,759	-	124,552	2,893,311
Top-ocean	-	1,280,920	14,354	1,295,274
SF/HAVI China Logistics (Cayman Islands) ("HAVI")	330,462	-	14,854	345,316
Guangdong Shunxin Freight Co., Ltd.	149,587	-	-	149,587
Suzhou Industrial Park Customs Declaration Co., Ltd.	-	39,123	-	39,123
Pro-Med Technology Limite ("Pro-Med")	-	35,847	1,648	37,495
Others	53,698	-	685	54,383
	<u>7,374,265</u>	<u>1,355,890</u>	<u>328,329</u>	<u>9,058,484</u>
Less: Provisions for impairment loss (Note 4(18))				
Others	(2,435)	-	-	(2,435)
	<u>7,371,830</u>	<u>1,355,890</u>	<u>328,329</u>	<u>9,056,049</u>

- (a) The goodwill of the Group increased in the current period mainly arose from the acquisition of 100% equity of Topocean Consolidation Service (Los Angeles) Inc. ("Top-ocean")(Note 5(1)(a)).
- (b) All the goodwill has been allocated by the Group to the relevant asset groups or sets of asset groups at the acquisition date. The Group's allocation of goodwill was not changed for the six months ended 30 June 2022.
- (c) During the goodwill impairment test, the Group compares the carrying amount of the relevant assets or sets of asset groups (including goodwill) with their recoverable amount. If the recoverable amount is lower than the carrying amount, the difference shall be included in profit or loss for the current period.

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**4 Notes to the consolidated financial statements (Cont'd)**

(17) Long-term prepaid expenses

	31 December 2021	Increase in the current period	Amortisation in the current period	Other decreases in the current period	30 June 2022
Improvements to right-of-use assets	2,153,116	317,165	(484,083)	(7,348)	1,978,850
Settling-in allowance and introduction fee for pilots	632,486	126,123	(46,294)	(1,733)	710,582
Others	125,492	51,996	(22,985)	(9,915)	144,588
	<u>2,911,094</u>	<u>495,284</u>	<u>(553,362)</u>	<u>(18,996)</u>	<u>2,834,020</u>



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**4 Notes to the consolidated financial statements (Cont'd)**

(18) Credit/Asset impairment and provision for losses

	31 December 2021	Increase in the current period		Decrease in the current period			Effect of translation of foreign currency financial statements	30 June 2022
		Business combinations involving enterprises not under common control	Provision	Reversal	Write-off	Others		
Provision for bad debts	1,164,962	9,894	335,927	(62,082)	(83,227)	-	16,217	1,381,691
Including: Provision for bad debts of accounts receivable (Note 4(3))	1,034,869	9,894	313,967	(61,096)	(71,272)	-	16,216	1,242,578
Provision for bad debts of other receivables (Note 4(5))	108,109	-	21,960	-	(11,955)	-	-	118,114
Provision for bad debts of long-term receivables (Note 4(7))	21,984	-	-	(986)	-	-	1	20,999
Provision for impairment of factoring receivables	123,815	-	-	-	-	-	-	123,815
Provision for impairment of loans and advances	65,748	-	278	(2,994)	-	-	2,919	65,951
Sub-total	<u>1,354,525</u>	<u>9,894</u>	<u>336,205</u>	<u>(65,076)</u>	<u>(83,227)</u>	<u>-</u>	<u>19,136</u>	<u>1,571,457</u>
Provision for impairment of long-term equity investments (Note 4(8))	177,872	-	601	-	-	(148)	-	178,325
Provision for impairment of fixed assets (Note 4(11))	-	-	1,633	-	-	-	-	1,633
Provision for impairment of intangible assets (Note 4(14))	54,186	-	969	-	-	-	-	55,155
Provision for decline in the value of inventories	7,885	-	-	(352)	-	(4,825)	-	2,708
Provision for impairment of contract assets	2,905	-	987	-	-	-	-	3,892
Provision for impairment of goodwill (Note 4(16))	2,435	-	-	-	-	-	-	2,435
Sub-total	<u>245,283</u>	<u>-</u>	<u>4,190</u>	<u>(352)</u>	<u>-</u>	<u>(4,973)</u>	<u>-</u>	<u>244,148</u>
	<u>1,599,808</u>	<u>9,894</u>	<u>340,395</u>	<u>(65,428)</u>	<u>(83,227)</u>	<u>(4,973)</u>	<u>19,136</u>	<u>1,815,605</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(19) Short-term borrowings

	30 June 2022	31 December 2021
Unsecured borrowings	12,930,559	9,811,391
Guaranteed borrowings (a)	1,799,374	8,388,798
Secured borrowings (b)	109,390	159,598
Pledged borrowings (c)	2,853	37,417
	<u>14,842,176</u>	<u>18,397,204</u>

(a) As at 30 June 2022, guaranteed borrowings of RMB 1,799,374,000 (31 December 2021: RMB 8,388,798,000) were guaranteed by the Company or subsidiaries within the Group.

(b) As at 30 June 2022, secured borrowings of RMB 109,390,000 (31 December 2021: RMB 159,598,000) were secured by the following assets respectively:

	Carrying amount of secured assets	Including: also secured for long-term borrowings
Fixed assets	467,969	467,969
Intangible assets	109,496	109,496
Investment properties	96,202	96,202
	<u>673,667</u>	<u>673,667</u>

(c) As at 30 June 2022, pledged borrowings of RMB 2,853,000 (31 December 2021: RMB 37,417,000) were secured by other cash balances of RMB 10,360,000 (Note 4(1)(c)).

(d) As at 30 June 2022, the range of annual interest rate of major short-term borrowings was 1.57% to 3.90% (31 December 2021: 0.66% to 3.81%).

(20) Accounts payable

	30 June 2022	31 December 2021
Payables to related parties (Note 8(4)(h))	383,670	415,824
Payables for services and purchases	23,812,864	23,051,851
	<u>24,196,534</u>	<u>23,467,675</u>

As at 30 June 2022, accounts payable with ageing over 1 year amounted to RMB 149,690,000 (31 December 2021: RMB 113,362,000), including outsourcing cost and transportation cost payable. The final settlement of the payment has not been made because the Group has not received the invoice from the suppliers.

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**4 Notes to the consolidated financial statements (Cont'd)**

(21) Employee benefits payable

	30 June 2022	31 December 2021
Short-term employee benefits payable (a)	5,192,615	5,512,603
Defined contribution plans payable (b)	78,029	62,860
	<u>5,270,644</u>	<u>5,575,463</u>

(a) Short-term employee benefits

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Wages and salaries, bonus, allowances and subsidies	4,996,455	13,808,741	(14,129,212)	4,675,984
Employee welfare	17,765	218,859	(225,804)	10,820
Social security contributions	27,950	376,081	(371,017)	33,014
Including: Medical insurance	25,996	312,810	(309,887)	28,919
Work injury insurance	1,400	55,090	(53,472)	3,018
Maternity insurance	554	8,181	(7,658)	1,077
Housing funds	16,223	321,932	(329,210)	8,945
Labour union funds and employee education funds	386,499	217,221	(183,326)	420,394
Non-monetary benefits	46,071	605,370	(619,366)	32,075
Others	21,640	246,327	(256,584)	11,383
	<u>5,512,603</u>	<u>15,794,531</u>	<u>(16,114,519)</u>	<u>5,192,615</u>

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

(b) Defined contribution plans

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Basic pensions	61,246	565,939	(551,609)	75,576
Unemployment insurance	1,614	16,825	(15,986)	2,453
	<u>62,860</u>	<u>582,764</u>	<u>(567,595)</u>	<u>78,029</u>

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[English translation for reference only]**4 Notes to the consolidated financial statements (Cont'd)****(22) Taxes payable**

	30 June 2022	31 December 2021
Enterprise income tax payable	1,412,163	2,066,730
Unpaid VAT	727,999	626,827
Others	269,779	179,994
	<u>2,409,941</u>	<u>2,873,551</u>

**(23) Other payables**

	30 June 2022	31 December 2021
Accounts payable to related parties (Note 8(4)(j))	238,831	476,990
Engineering equipment payable	6,178,451	6,046,000
Deposits payable	1,737,483	1,361,142
Payables of cash collected on delivery service on behalf of other parties	1,167,854	1,619,423
Payable for equity acquisition	1,046,290	83,002
Recharge payable	359,092	329,306
Warranty deposits payable	350,848	228,822
Management fees payable	202,173	138,941
Professional service fees payable	195,173	93,864
Dividends payable	171,292	-
Others	1,166,643	1,142,792
	<u>12,814,130</u>	<u>11,520,282</u>

As at 30 June 2022, other payables with ageing over 1 year amounted to RMB 779,591,000 (31 December 2021: RMB 657,392,000), mainly the undue deposits of continuing business and the unsettled engineering equipment funds, etc.

**(24) Current portion of non-current liabilities**

	30 June 2022	31 December 2021
Current portion of lease liabilities (Note 4(28))	6,624,771	5,989,616
Current portion of debentures payable (a)	854,862	830,321
Current portion of long-term borrowings (Note 4(26))	653,003	1,458,374
Current portion of cash-settled share-based payments	46,321	34,855
Current portion of long-term payables	23,067	22,637
	<u>8,202,024</u>	<u>8,335,803</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(24) Current portion of non-current liabilities (Cont'd)

(a) Current portion of debentures payable

	31 December 2021	Interest accrual	Amortisation of premium/discou nt	Reclassification from debentures payable in the current period (Note 4(27))	Repayment for the current period	Effect of translation of foreign currency financial statements	30 June 2022
The first debentures of 2017	383,642	8,740	-	-	-	-	392,382
The first debentures of 2019	303,028	5,535	54	-	-	-	308,617
Other debentures interest payable	143,651	-	-	303,724	(303,076)	9,564	153,863
	<u>830,321</u>	<u>14,275</u>	<u>54</u>	<u>303,724</u>	<u>(303,076)</u>	<u>9,564</u>	<u>854,862</u>

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**4 Notes to the consolidated financial statements (Cont'd)****(25) Other current liabilities**

	30 June 2022	31 December 2021
Extra-short term commercial notes (a)	3,014,598	1,999,312
Short-term corporate debentures (b)	1,517,840	2,030,624
Output VAT to be transferred (contract liabilities)	74,259	97,113
	<u>4,606,697</u>	<u>4,127,049</u>

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

	Par value	Date of issue	Term	Interest rate
The First Phase of 2022	500,000	7 January 2022	265 days	2.69%
The Second Phase of 2022	500,000	18 February 2022	270 days	2.45%
The Third Phase of 2022	1,000,000	13 May 2022	270 days	2.40%
The Fourth Phase of 2022	500,000	20 May 2022	270 days	2.35%
The Fifth Phase of 2022	500,000	17 June 2022	270 days	2.10%

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

	Par value	Date of issue	Term	Interest rate
		From 3 September 2021 to 6 September 2021		
The Third Phase of 2021	500,000	September 2021	1 year	2.79%
The First Phase of 2022	500,000	11 March 2022	1 year	2.82%
The Second Phase of 2022	500,000	15 April 2022	1 year	2.73%

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**4 Notes to the consolidated financial statements (Cont'd)****(26) Long-term borrowings**

	30 June 2022	31 December 2021
Guaranteed borrowings (a)	6,362,247	2,974,052
Pledged borrowings (b)	1,711,954	1,343,378
Unsecured borrowings	130,624	526,365
Secured borrowings (c)	111,576	125,408
	<u>8,316,401</u>	<u>4,969,203</u>
Less: Current portion of long-term borrowings (Note 4(24))		
Guaranteed borrowings	(50,885)	(1,080,395)
Pledged borrowings	(456,748)	(343,484)
Unsecured borrowings	(112,517)	(490)
Secured borrowings	(32,853)	(34,005)
	<u>(653,003)</u>	<u>(1,458,374)</u>
	<u>7,663,398</u>	<u>3,510,829</u>

- (a) As at 30 June 2022, the Group's guaranteed borrowings of RMB 6,321,468,000 (31 December 2021: RMB 2,927,467,000) were guaranteed by subsidiaries within the Group and guaranteed borrowings of RMB 40,779,000 (31 December 2021: RMB 46,585,000) were guaranteed by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd. ("Taisen Holdings") and Havi.
- (b) As at 30 June 2022, the entitlement to receivables arising from aircraft financial leasing business of subsidiary SF Airlines Company Limited ("SF Airlines") was pledged by subsidiary Shunyuan Financial Leasing (Tianjin) Co., Ltd. ("Shunyuan Financial Leasing") for the pledged bank borrowings of RMB 1,711,954,000 (31 December 2021: RMB 1,343,378,000). As at 30 June 2022, balance of receivables pledged was RMB 1,930,851,000 (31 December 2021: RMB 1,519,672,000).

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**4 Notes to the consolidated financial statements (Cont'd)**

(26) Long-term borrowings (Cont'd)

- (c) As at 30 June 2022, secured borrowings of RMB 111,576,000 were secured by the following assets respectively:

	Carrying amount of secured assets	Including: also secured for short-term borrowings
Fixed assets	644,225	467,969
Intangible assets	286,475	109,496
Investment properties	175,698	96,202
Construction in progress	32,911	-
	<u>1,139,309</u>	<u>673,667</u>

As at 31 December 2021, secured borrowings of RMB 125,408,000 were secured by the following assets respectively:

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

Besides, as at 30 June 2022, Taisen Holdings provided a full joint and several liability guarantee for RMB 76,370,000 of the above secured borrowings (31 December 2021: RMB 86,395,000).

- (d) As at 30 June 2022, the range of annual interest rates of major long-term borrowings was 1.57% to 4.90% (31 December 2021: 0.84% to 4.90%).



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**4 Notes to the consolidated financial statements (Cont'd)**

(27) Debentures payable

	31 December 2021	Issued in the current period	Issuance expenses	Interest accrual	Amortisation of premium/disc ount	Effect of translation of foreign currency financial statements	Current portion of debentures payable (Note 4(24))	30 June 2022
Green Corporate Debentures of 2021 (1st instalment)	499,443	-	-	9,475	115	-	(9,475)	499,558
Overseas debentures denominated in USD of 2018	3,175,745	-	-	65,413	3,358	163,025	(65,413)	3,342,128
Overseas debentures denominated in USD of 2020	4,404,130	-	-	63,464	3,082	226,022	(63,464)	4,633,234
Overseas debentures denominated in USD of 2021	7,577,052	-	-	110,051	4,277	388,817	(110,051)	7,970,146
Overseas debentures denominated in USD of 2022	-	4,461,170	(99,114)	55,321	6,402	224,554	(55,321)	4,593,012
	<u>15,656,370</u>	<u>4,461,170</u>	<u>(99,114)</u>	<u>303,724</u>	<u>17,234</u>	<u>1,002,418</u>	<u>(303,724)</u>	<u>21,038,078</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(27) Debentures payable (Cont'd)

	Issuer	Currency	Par value	Date of issue	Term	Amount (equivalent to RMB)	Nominal interest rate
Green Corporate Debentures of 2021 (1st instalment)	Taisen Holdings	RMB	500,000	From 23 April 2021 to 26 April 2021	3 years	500,000	3.79%
Overseas debentures denominated in USD of 2018	SF Holding Investment Limited	USD	500,000	27 July 2018	5 years	3,355,700	4.13%
Overseas debentures denominated in USD of 2020	SF Holding Investment Limited	USD	700,000	20 February 2020	10 years	4,697,980	2.88%
Overseas debentures denominated in USD of 2021	SF Holding Investment 2021 Limited	USD	400,000	17 November 2021	5 years	2,684,560	2.38%
Overseas debentures denominated in USD of 2021	SF Holding Investment 2021 Limited	USD	300,000	17 November 2021	7 years	2,013,420	3.00%
Overseas debentures denominated in USD of 2021	SF Holding Investment 2021 Limited	USD	500,000	17 November 2021	10 years	3,355,700	3.13%
Overseas debentures denominated in USD of 2022	SF Holding Investment 2021 Limited	USD	400,000	28 January 2022	5 years	2,684,560	2.38%
Overseas debentures denominated in USD of 2022	SF Holding Investment 2021 Limited	USD	300,000	28 January 2022	10 years	2,013,420	3.13%

(28) Lease liabilities

	30 June 2022	31 December 2021
Lease liabilities	15,686,293	16,931,554
Less: Current portion of lease liabilities (Note 4(24))	(6,624,771)	(5,989,616)
	<u>9,061,522</u>	<u>10,941,938</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(29) Deferred income

	31 December 2021	Increase in the current period	Amount recognised in other income in the current period (Note 4(43))	Other decreases in the current period	30 June 2022	Related to assets/income
Government grants						
Huanggang Baitan Lake Organising Committee Project	328,385	47,733	-	-	376,118	Related to assets
Government support funds for industrial park	210,214	64,685	(2,170)	(4,049)	268,680	Related to assets
Grant for maintenance of aircraft engines	42,989	-	(694)	-	42,295	Related to assets
Others	108,654	44,933	(16,134)	(34,965)	102,488	Related to assets
	<u>690,242</u>	<u>157,351</u>	<u>(18,998)</u>	<u>(39,014)</u>	<u>789,581</u>	

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**4 Notes to the consolidated financial statements (Cont'd)**

(30) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	30 June 2022		31 December 2021	
	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Deductible tax losses	4,947,712	1,182,492	3,796,937	908,150
Depreciation and amortisation differences	1,734,111	377,554	1,705,396	387,524
Accrued expenses	2,225,231	582,909	1,019,634	230,956
Unrealised profits from internal transactions	610,052	152,513	591,359	147,840
Provision for asset impairment	619,252	149,110	483,455	114,729
The new lease standard	418,615	101,748	405,855	97,700
Others	241,222	56,680	278,911	66,397
	<u>10,796,195</u>	<u>2,603,006</u>	<u>8,281,547</u>	<u>1,953,296</u>
Including:				
Expected to be recovered within one year (inclusive)		622,567		475,005
Expected to be recovered after one year		<u>1,980,439</u>		<u>1,478,291</u>
		<u>2,603,006</u>		<u>1,953,296</u>

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

	30 June 2022	31 December 2021
Deductible tax losses (c)	16,462,644	14,124,575
Deductible temporary differences	<u>737,032</u>	<u>658,298</u>
	<u>17,199,676</u>	<u>14,782,873</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(30) Deferred tax assets and deferred tax liabilities (Cont'd)

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

	30 June 2022	31 December 2021
2022	290,135	310,912
2023	747,089	716,966
2024	1,750,205	1,847,817
2025	3,725,422	3,696,061
2026	4,917,588	5,364,397
2027 and subsequent years	5,032,205	2,188,422
	<u>16,462,644</u>	<u>14,124,575</u>

(d) Deferred tax liabilities before offsetting

	30 June 2022		31 December 2021	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Appreciation in asset value arising from business combinations involving enterprises not under common control	12,832,205	3,068,259	11,575,663	2,789,802
Depreciation and amortisation differences	6,695,786	1,603,836	5,960,715	1,429,624
Changes in fair value of investments in other equity instruments	873,841	218,460	833,810	208,452
Income from equity restructuring	511,750	127,937	584,857	146,214
Changes in fair value upon reclassification of remaining equity of Hive Box Technology	446,796	111,699	446,796	111,699
Others	790,915	165,890	505,726	102,951
	<u>22,151,293</u>	<u>5,296,081</u>	<u>19,907,567</u>	<u>4,788,742</u>
Including:				
Expected to be recovered within one year (inclusive)		696,963		419,244
Expected to be recovered after one year		4,599,118		4,369,498
		<u>5,296,081</u>		<u>4,788,742</u>

**S.F. HOLDING CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(30) Deferred tax assets and deferred tax liabilities (Cont'd)

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

	30 June 2022	31 December 2021
Deferred tax assets - net	<u>2,087,196</u>	<u>1,566,714</u>
Deferred tax liabilities - net	<u>4,780,271</u>	<u>4,402,160</u>

(31) Share capital

	31 December 2021	Increase in the current period	Decrease in the current period Note 4(33)	30 June 2022
Ordinary shares denominated in RMB	<u>4,906,213</u>	<u>-</u>	<u>(11,011)</u>	<u>4,895,202</u>
	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Ordinary shares denominated in RMB	<u>4,556,440</u>	<u>-</u>	<u>-</u>	<u>4,556,440</u>

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**4 Notes to the consolidated financial statements (Cont'd)****(32) Capital reserve**

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Share premium				
- Capital contribution by shareholders (i)	35,362,702	-	(383,982)	34,978,720
- Transfer of convertible corporate debentures to share capital	5,758,688	-	-	5,758,688
- Capital reserve from transactions with minority shareholders (ii)	2,279,859	591	(1,986,036)	294,414
- Transfer of convertible corporate debentures issued by subsidiaries to share capital	1,980,870	-	-	1,980,870
- Business combinations involving enterprises under common control	(76,633)	-	-	(76,633)
Other capital reserve				
- Share-based payments included in capital reserve	552,190	79,674	-	631,864
- Others	342,922	16,484	-	359,406
	<u>46,200,598</u>	<u>96,749</u>	<u>(2,370,018)</u>	<u>43,927,329</u>

(i) The decrease in the current period is due to the cancellation of repurchased shares 4(33)(i).

(ii) Capital reserve from transactions with minority shareholders in the current period mainly due to the acquisition of minority shareholders' equity.

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**4 Notes to the consolidated financial statements (Cont'd)**

(32) Capital reserve (Cont'd)

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Share premium				
- Capital contribution by shareholders	15,799,913	-	-	15,799,913
- Transfer of convertible corporate debentures to share capital	5,758,688	-	-	5,758,688
- Transfer of convertible corporate debentures issued by subsidiaries to share capital	1,980,870	-	-	1,980,870
- Capital reserve from transactions with minority shareholders	325,673	1,045,859	-	1,371,532
- Business combinations involving enterprises under common control	(76,633)	-	-	(76,633)
Other capital reserve				
- Share-based payments included in capital reserve	264,637	104,555	-	369,192
- Others	352,069	-	(5,855)	346,214
	<u>24,405,217</u>	<u>1,150,414</u>	<u>(5,855)</u>	<u>25,549,776</u>

(33) Treasury stock

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Treasury stock (i)	<u>394,993</u>	<u>1,899,241</u>	<u>(394,993)</u>	<u>1,899,241</u>
	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Treasury stock (i)	<u>394,993</u>	<u>-</u>	<u>-</u>	<u>394,993</u>



## S.F. HOLDING CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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#### 4 Notes to the consolidated financial statements (Cont'd)

##### (33) Treasury stock (Cont'd)

In accordance with the *Proposal of Repurchasing Shares by Centralised Price Bidding* approved in the 19th session of the fourth Board of Directors on 31 January 2019, the Company repurchased a portion of corporate shares for employee stock ownership plan or share-based incentive plan through centralised price bidding by self-owned funds. A total of 11,010,729 shares were repurchased, and treasury stock of RMB 394,993,000 was recognised.

According to the relevant laws and regulations and the Articles of Association, the above-mentioned repurchased shares should be transferred or cancelled within three years. Since the Company has not launched an employee stock ownership plan or equity incentive within three years after the implementation of the above-mentioned share repurchase, approved by the 21st meeting of the Board of Directors and the first extraordinary general meeting in 2022, the Company completed the fifth Board cancellation of the repurchased 11,010,729 shares, thereby offsetting the treasury shares of RMB 394,993,000, of which the share capital was reduced by RMB 11,011,000 and capital reserve was reduced by RMB 383,982,000.

In addition, in accordance with the *Proposal of Repurchasing Shares by Centralised Price Bidding* approved in the 22th session of the fifth Board of Directors on 2 March 2022, the Company repurchased a portion of A shares issued to the public for employee stock ownership plan or share-based incentive through centralised price bidding by self-owned funds. As at 30 June 2022, the Company repurchased a total of 36,769,955 shares, and recognised treasury stock of RMB 1,899,241,000.

##### (34) Special reserve

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Safety reserve	-	14,589	(14,589)	-
	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Safety reserve	-	12,520	(12,520)	-

Pursuant to the *Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Funds* (Cai Qi [2012] No. 16) issued by the Ministry of Finance and the State Administration of Work Safety on 14 February 2012, 1% of the income from the "Common cargo transportation business" which is operated by certain subsidiaries of the Group is appropriated to safety reserve. The safety reserve is recognised in profit or loss as the "Special reserve" item for the current period. When the accrued safety reserve is used under the prescribed conditions, it is written off against the original amount directly.

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**4 Notes to the consolidated financial statements (Cont'd)**

(35) Surplus reserve

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Statutory surplus reserve	<u>947,775</u>	<u>-</u>	<u>-</u>	<u>947,775</u>

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Statutory surplus reserve	<u>745,043</u>	<u>-</u>	<u>-</u>	<u>745,043</u>

(36) Retained earnings

	<u>For the six months ended 30 June</u>	
	2022	2021
Retained earnings at the beginning of the period	28,245,764	25,708,230
Add: Net profit attributable to shareholders of the parent company for the current period	2,512,397	759,921
Transfer from other comprehensive income to retained earnings	1	113,136
Less: Ordinary share dividends payable (a)	(874,518)	(1,499,992)
Appropriation to general risk reserve	-	(3,941)
Retained earnings at the end of the period	<u>29,883,644</u>	<u>25,077,354</u>

- (a) The Company held a shareholders' meeting on 29 April 2022. On the basis of the total share capital at the registration date on which the 2021 profit distribution plan was implemented less the special shares repurchased by the Company, a total of RMB 874,518,000 of cash dividends were distributed to all shareholders at RMB 1.8 (including tax) per 10 shares, without bonus shares being given or capital reserve being transferred into the share capital.

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**4 Notes to the consolidated financial statements (Cont'd)****(37) Revenue and cost of revenue**

	For the six months ended 30 June	
	2022	2021
Revenue from main operations (a)	129,885,642	88,203,059
Revenue from other operations (a)	178,491	140,871
<b>Total revenue</b>	<b>130,064,133</b>	<b>88,343,930</b>
Cost of revenue from main operations	113,673,926	79,334,614
Cost of revenue from other operations	104,384	86,740
<b>Total cost of revenue</b>	<b>113,778,310</b>	<b>79,421,354</b>

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

	For the six months ended 30 June 2022			
	Logistics and freight forwarding services	Sales of goods	Others	Total
Revenue from main operations				
Including: At a point in time	-	1,683,873	165,552	1,849,425
Over time	127,691,416	-	263,996	127,955,412
Lease income	-	-	80,805	80,805
	<b>127,691,416</b>	<b>1,683,873</b>	<b>510,353</b>	<b>129,885,642</b>
Revenue from other operations				
Including: At a point in time	-	-	32,161	32,161
Over time	-	-	43,967	43,967
Lease income	-	-	102,363	102,363
	<b>-</b>	<b>-</b>	<b>178,491</b>	<b>178,491</b>

**S.F. HOLDING CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
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[English translation for reference only]**4 Notes to the consolidated financial statements (Cont'd)**

(37) Revenue and cost of revenue (Cont'd)

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

	For the six months ended 30 June 2021			
	Logistics and freight forwarding services	Sales of goods	Others	Total
Revenue from main operations				
Including: At a point in time	-	563,159	145,262	708,421
Over time	87,099,464	-	337,312	87,436,776
Lease income	-	-	57,862	57,862
	<u>87,099,464</u>	<u>563,159</u>	<u>540,436</u>	<u>88,203,059</u>
Revenue from other operations				
Including: At a point in time	-	-	27,001	27,001
Over time	-	-	40,723	40,723
Lease income	-	-	73,147	73,147
	<u>-</u>	<u>-</u>	<u>140,871</u>	<u>140,871</u>

As at 30 June 2022, the Group's performance obligations that had been entered into but had not yet been performed or not been fully performed were part of a contract for an estimated period of not more than one year.

(38) Selling and distribution expenses

	For the six months ended 30 June	
	2022	2021
Outsourcing staff expenses	483,919	438,407
Employee benefits	427,663	462,049
Depreciation and amortisation expenses	164,762	84,733
Others	203,864	325,045
	<u>1,280,208</u>	<u>1,310,234</u>

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**4 Notes to the consolidated financial statements (Cont'd)****(39) General and administrative expenses**

	For the six months ended 30 June	
	2022	2021
Employee benefits	7,254,047	5,391,965
Depreciation and amortisation expenses	308,635	190,267
Others	1,327,412	946,814
	<u>8,890,094</u>	<u>6,529,046</u>

**(40) Research and development expenses**

	For the six months ended 30 June	
	2022	2021
Employee benefits	567,922	551,445
Depreciation and amortisation expenses	333,050	236,356
Others	114,882	219,416
	<u>1,015,854</u>	<u>1,007,217</u>

**(41) Financial costs**

	For the six months ended 30 June	
	2022	2021
Interest on borrowings	716,866	436,297
Add: Interest expenses on lease liabilities	316,308	236,898
Less: Capitalised interest (Note 4(12))	(258,959)	(6,593)
Interest expenses	<u>974,215</u>	<u>666,602</u>
Less: Interest income	(137,186)	(93,386)
Net gains or losses on exchange	14,160	18,966
Commission expenses and others	54,719	29,720
	<u>905,908</u>	<u>621,902</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(42) Expenses by nature

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

	For the six months ended 30 June	
	2022	2021
Transportation costs	37,700,578	9,568,946
Including: Aircraft maintenance costs	212,564	193,182
Outsourcing staff costs	35,293,193	34,297,906
Outsourcing transportation costs	16,502,888	17,508,995
Employee benefits	16,030,878	13,236,891
Depreciation and amortisation expenses	4,430,813	3,119,807
Depreciation expenses of right-of-use assets	3,595,877	2,326,094
Venue usage expenses	3,126,965	2,393,619
Others	8,283,274	5,815,592
	<u>124,964,466</u>	<u>88,267,850</u>

- (i) For the six months ended 30 June 2022, the Group's government grants which were offset against cost and expenses amounted to RMB 70,605,000 (for the six months ended 30 June 2021: RMB 228,710,000) and were fully offset against the cost of revenue. Therein, the amount that was recognised in non-recurring profit or loss amounted to RMB 36,464,000 (for the six months ended 30 June 2021: RMB 94,629,000).
- (ii) The Group directly recognises the lease payments of short-term leases and low value leases in profit or loss. The amount for the six months ended 30 June 2022 was RMB 1,228,609,000 (for the six months ended 30 June 2021: RMB 1,382,359,000).

(43) Other income

	For the six months ended 30 June		Related to assets/income
	2022	2021	
Tax preference	774,575	500,765	Related to income
Fiscal appropriation and subsidies	207,655	199,880	Related to income
Amortisation of deferred income (Note 4(29))	18,998	15,916	Related to assets
	<u>1,001,228</u>	<u>716,561</u>	

For the six months ended 30 June 2022, the amount of other income that was recognised in non-recurring profit or loss amounted to RMB 352,751,000 (for the six months ended 30 June 2021: RMB 268,245,000).

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**4 Notes to the consolidated financial statements (Cont'd)**

(44) Investment income

	For the six months ended 30 June	
	2022	2021
Investment income from financial assets held for trading	310,852	160,369
Share of net gains /(losses) of investees under equity method	41,689	(8,751)
Investment income from disposal of subsidiaries	32,314	942,964
Investment income from disposal of other investments	12,218	7,556
Investment income from dividends of financial assets not held for trading	6,188	22,455
Others	1,549	5,906
	<u>404,810</u>	<u>1,130,499</u>

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

(45) Non-operating income and expenses

(a) Non-operating income

	For the six months ended 30 June			
	2022	Amount recognised in non-recurring profit or loss in 2022	2021	Amount recognised in non-recurring profit or loss in 2021
Compensation income	16,527	16,527	12,863	12,863
Income from penalty	5,492	5,492	2,520	2,520
Government grants	2,884	2,884	20,471	20,471
Others	68,533	68,533	89,169	89,169
	<u>93,436</u>	<u>93,436</u>	<u>125,023</u>	<u>125,023</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(45) Non-operating income and expenses (Cont'd)

(b) Non-operating expenses

	For the six months ended 30 June			
	2022	Amount recognised in non-recurring profit or loss in 2022	2021	Amount recognised in non-recurring profit or loss in 2021
Compensation expenses	38,466	38,466	25,542	25,542
Losses on disposal of fixed assets and intangible assets	30,901	30,901	77,046	77,046
Penalties and overdue fines	15,889	15,889	11,900	11,900
Donation expenses	7,336	7,336	4,066	4,066
Others	14,425	14,425	7,542	7,542
	<u>107,017</u>	<u>107,017</u>	<u>126,096</u>	<u>126,096</u>

(46) Income tax expenses

	For the six months ended 30 June	
	2022	2021
Current income tax	1,919,041	926,732
Deferred income tax	(134,175)	(249,373)
	<u>1,784,866</u>	<u>677,359</u>



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**4 Notes to the consolidated financial statements (Cont'd)****(46) Income tax expenses (Cont'd)**

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

	For the six months ended 30 June	
	2022	2021
Total profit	5,081,641	1,093,149
Income tax expenses calculated at the standard tax rate of 25%	1,270,411	273,287
Income not subject to tax	(28,158)	(211,487)
Costs, expenses and losses not deductible for tax purposes	87,590	30,226
Effect of different tax rates among subsidiaries and branches on income tax expenses	(121,091)	(74,397)
Deductible tax losses and deductible temporary differences for which no deferred tax asset was recognised in the current period	642,041	671,511
Utilisation of deductible tax losses and deductible temporary differences for which no deferred tax asset was recognised in prior periods	(37,746)	(9,814)
Others	(28,181)	(1,967)
Income tax expenses	1,784,866	677,359

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**4 Notes to the consolidated financial statements (Cont'd)**

(47) Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares of the parent company:

	For the six months ended 30 June	
	2022	2021
Consolidated net profit attributable to ordinary shareholders of the parent company	2,512,397	759,921
Weighted average number of outstanding ordinary shares of the Company	4,880,213	4,545,430
Basic earnings per share (Yuan/share)	<u>0.51</u>	<u>0.17</u>
Including:		
- Basic earnings per share from continuing operations (Yuan/share)	0.51	0.17

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. For the six months ended 30 June 2022, the Company had dilutive potential ordinary shares due to the implementation of the share option incentive plan (for the six months ended 30 June 2021: the Company had no dilutive potential ordinary shares).

	For the six months ended 30 June	
	2022	2021
Consolidated net profit attributable to ordinary shareholders of the parent company	2,512,397	759,921
Adjusted consolidated net profit attributable to ordinary shareholders of the parent company for calculation of earnings per share	2,512,397	759,921
Weighted average number of outstanding ordinary shares of the Company	4,880,213	4,545,430
Add: Effect of the Group's share-based payments plan	1,690	-
Weighted average number of outstanding diluted ordinary shares	4,881,903	4,545,430
Diluted earnings per share	<u>0.51</u>	<u>0.17</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(48) Other comprehensive income

Other comprehensive income, the related income tax effect and the reclassifications to profit or loss for the six months ended 30 June 2022 and 2021:

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the six months ended 30 June 2022				
	31 December 2021	Attributable to the parent company in the current period - net of tax	Other comprehensive income transferred into retained earnings	30 June 2022	Amount incurred before income tax for the current period	Less: Income tax credits	Attributable to the parent company - net of tax	Attributable to minority shareholders - net of tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss								
Changes in fair value of investments in other equity instruments	2,974,557	7,488	(1)	2,982,044	(19,276)	955	7,488	(25,809)
Other comprehensive income items which will not be transferred to profit or loss under the equity method	(1,278)	(3)	-	(1,281)	(3)	-	(3)	-
Other comprehensive income items which will be reclassified subsequently to profit or loss								
Cash flow hedging reserve	(27,394)	(13,983)	-	(41,377)	(13,983)	-	(13,983)	-
Effect of translation of foreign currency financial statements	(328,654)	932,318	-	603,664	481,122	-	932,318	(451,196)
	<u>2,617,231</u>	<u>925,820</u>	<u>(1)</u>	<u>3,543,050</u>	<u>447,860</u>	<u>955</u>	<u>925,820</u>	<u>(477,005)</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(48) Other comprehensive income (Cont'd)

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the six months ended 30 June 2021			
	31 December 2020	Attributable to the parent company in the current period - net of tax	Other comprehensive income transferred into retained earnings	30 June 2021	Amount incurred before income tax for the current period	Less: Income tax credits	Attributable to the parent company - net of tax	Attributable to minority shareholders - net of tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss								
Changes in fair value of investments in other equity instruments	1,213,254	(76,804)	(113,136)	1,023,314	(81,333)	4,529	(76,804)	-
Other comprehensive income items which will not be transferred to profit or loss under the equity method	(1,187)	(88)	-	(1,275)	(88)	-	(88)	-
Other comprehensive income items which will be reclassified subsequently to profit or loss								
Cash flow hedging reserve	(22,858)	(5,528)	-	(28,386)	(5,528)	-	(5,528)	-
Effect of translation of foreign currency financial statements	(45,240)	(83,895)	-	(129,135)	(84,698)	-	(83,895)	(803)
	<u>1,143,969</u>	<u>(166,315)</u>	<u>(113,136)</u>	<u>864,518</u>	<u>(171,647)</u>	<u>4,529</u>	<u>(166,315)</u>	<u>(803)</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(49) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	For the six months ended 30 June	
	2022	2021
Inflows from cash collected on delivery service on behalf of other parties	39,254,423	40,790,510
Others	3,003,286	4,196,196
	<u>42,257,709</u>	<u>44,986,706</u>

(b) Cash paid relating to other operating activities

	For the six months ended 30 June	
	2022	2021
Outflows from cash collected on delivery service on behalf of other parties	39,355,833	41,106,595
Others	8,528,523	5,801,746
	<u>47,884,356</u>	<u>46,908,341</u>

(c) Net cash received from disposal of subsidiaries

	For the six months ended 30 June	
	2022	2021
Consideration arising from disposal of subsidiaries in the current period	233,639	2,987,200
Add: Cash and cash equivalents received in the current period for the disposal of subsidiaries in previous years	71,795	10,000
Less: Cash and cash equivalents received in the subsequent periods for the disposal of subsidiaries	-	(40,215)
Less: Cash and cash equivalents held by subsidiaries on the day of loss of control	(19,671)	(390,382)
Less: Shares of SF REITs acquired	-	(1,152,527)
	<u>285,763</u>	<u>1,414,076</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(49) Notes to the cash flow statement (Cont'd)

(d) Net cash paid to acquire subsidiaries

	For the six months ended 30 June	
	2022	2021
Consideration from acquisition of subsidiaries in the current period	2,311,903	236,555
Add: Cash paid in the current period for acquisition of subsidiaries in prior periods	87,076	-
Less: Cash to be paid in future periods(Note)	(1,235,038)	
Less: Cash and cash equivalents held by subsidiaries on the day of purchase	(120,632)	(37,013)
Total net cash paid to acquire subsidiaries	<u>1,043,309</u>	<u>199,542</u>

Note: Cash to be paid in future periods are mainly the unpaid purchase price of the Top-ocean's equity, which will be paid in two instalments in 2023 and 2024.

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

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

(f) Cash paid relating to other financing activities

	For the six months ended 30 June	
	2022	2021
Repayments of lease liabilities	3,645,552	2,479,710
Repurchase of shares	1,899,241	-
Acquisition of minority interests	3,584,014	50,038
Others	30,216	23,098
	<u>9,159,023</u>	<u>2,552,846</u>

For the six months ended 30 June 2022, the total cash outflows relating to leases paid by the Group amounted to RMB 5,002,526,000(for the six months ended 30 June 2021: RMB 3,945,408,000), except for the repayments of lease liabilities classified as cash paid relating to financing activities, the remaining was classified as cash paid relating to operating activities.

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**4 Notes to the consolidated financial statements (Cont'd)**

(50) Supplementary information to the cash flow statement

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

	For the six months ended 30 June	
	2022	2021
Net profit	3,296,775	415,790
Add: Asset impairment losses	3,838	592
Credit impairment losses	271,129	11,176
Depreciation of right-of-use assets	3,595,877	2,326,094
Depreciation of fixed assets	2,805,586	2,123,877
Depreciation of investment properties	72,765	20,264
Amortisation of intangible assets	1,013,384	591,905
Amortisation of long-term prepaid expenses	553,362	396,004
Losses on disposal of fixed assets and intangible assets	22,655	91,234
Gains or losses arising from changes in fair value	(6,719)	(29,589)
Financial costs	983,639	677,749
Investment income	(404,810)	(1,130,499)
Recognised expenses on share-based payments	83,204	122,361
Increase in deferred tax assets	(515,676)	(269,254)
Increase in deferred tax liabilities	381,501	19,881
Amortisation of deferred income	(18,998)	(15,916)
Increase/(Decrease) in inventories	(142,552)	4,629
Decrease/(Increase) in operating receivables	7,871,616	(2,659,996)
Increase in operating payables	(3,153,762)	1,635,329
Net cash flows from operating activities	16,712,814	4,331,631

(b) Cash and cash equivalents

	30 June 2022	31 December 2021
Cash on hand	17,893	48,513
Cash at bank that can be readily drawn on demand	38,077,476	34,633,427
Other cash balances that can be readily drawn on demand	125,122	50,988
Other balances that can be readily drawn on demand	67,455	80,840
	38,287,946	34,813,768

## S.F. HOLDING CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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#### 5 Changes in the consolidation scope

##### (1) Business combinations involving enterprises not under common control

Main business combinations involving enterprises not under common control for the six months ended 30 June 2022:

Acquiree	Acquisition cost	% of interest acquired	Method of acquisition	Basis for determining the acquisition date
Top-ocean(a)	1,937,762	100.00%	By cash	Completion of equity delivery
Pro-Med	45,040	51.00%	By cash	Completion of equity delivery
Suzhou Industrial Park Customs Declaration Co., Ltd.	89,485	66.00%	By cash	Completion of equity delivery
	<u>2,072,287</u>			

##### (a) In the first half of 2022, the Group completed the acquisition of 100% equity of Top-ocean, obtained the control of Top-ocean, and included Top-ocean in the scope of consolidation.

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

	Top-ocean
Consideration of acquisition	
- Cash	1,937,762
Less: Fair value of the identifiable net assets acquired(Note)	<u>(656,842)</u>
Goodwill	<u>1,280,920</u>

As of the date when this financial statement is approved for issuance, the assessment of Top-ocean's consideration of acquisition and fair value of identifiable net assets have not yet been completed. If the relevant evaluation work is completed, the consideration of acquisition and the fair value of identifiable net assets need to be adjusted, and the goodwill will be adjusted accordingly.



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**5 Changes in the consolidation scope (Cont'd)**

(2) Disposal of subsidiaries

Name of subsidiary	Proceeds from disposal	Disposal proportion	Method of disposal	Timing of losing control	Basis for judgement of timing of losing control	Difference between proceeds from disposal after deducting disposal costs and corresponding shares of net assets in the consolidated financial statements	Amount transferred from other comprehensive income etc. related to initial equity investment to investment income or loss
Changsha Industrial Park and its subsidiaries	232,939	100%	Sales of equity	24 June 2022	Transfer of control right	31,654	-
Yingyun Aolong Logistics (Zhanjiang) Co., Ltd.	700	60%	Sales of equity	30 June 2022	Transfer of control right	660	-
	<u>233,639</u>					<u>32,314</u>	<u>-</u>

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**5 Changes in the consolidation scope (Cont'd)**

(3) Other changes in the consolidation scope

(a) For the six months ended 30 June 2022, the Group set up the following major subsidiaries by cash:

Shenzhen Fengwang Information Technology Co., Ltd.  
Chongqing Fonair UAV Research Institution Co., Ltd.  
Beijing Shunlu Logistics Co., Ltd.  
Jiangsu Fongsu Logistics Co., Ltd.  
Tianjin Fengpai Technology Co., Ltd.  
Fujian Fengwang Express Co., Ltd.  
Liaoning Fengwang Express Co., Ltd.  
Suzhou Fengpai Technology Co., Ltd.  
Heilongjiang Fengwang Express Co., Ltd.  
Guangxi Fengwang Express Co., Ltd.  
Hangzhou Bingzhi Supply Chain Management Co., Ltd.  
SF INTERNATIONAL VIETNAM COMPANY LIMITED

(b) For the six months ended 30 June 2022, the Group cancelled the following major subsidiaries:

Xuzhou Fengtai Industrial Park Management Co., Ltd.  
Dalian Fengtai Industrial Park Operation and Management Co., Ltd.  
Jinan Hongtai Industrial Park Management Co., Ltd.  
Luohe Fengtai Industrial Park Management Co., Ltd.  
Yangzhou Fengyutai Enterprise Management Co., Ltd.  
Huai'an Shunheng Express Co., Ltd.

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**6 Interests in other entities**

(1) Interests in subsidiaries

(a) First-tier and second-tier subsidiaries of the Group are as follows:

	Place of registration	Major business location	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
Taisen Holdings	Shenzhen	Shenzhen	Investment holding	100.00%	-	Reverse acquisitions
S.F. Express Co., Ltd.	Shenzhen	Shenzhen	International freight forwarding, domestic and international express service, etc.	-	100.00%	Business combinations involving enterprises under common control
SF Technology	Shenzhen	Shenzhen	Technical maintenance and development service	-	100.00%	By new establishment
Shenzhen Shunlu Logistics Co., Ltd.	Shenzhen	Shenzhen	Cargo transportation and freight forwarding	-	100.00%	Business combinations involving enterprises under common control
Anhui S.F. Telecommunication Service Co., Ltd.	Anhui Province	Anhui Province	Value-added telecommunication service	-	100.00%	By new establishment
Shenzhen Yuhui Management Consulting Co., Ltd.	Shenzhen	Shenzhen	Consulting service	-	100.00%	Business combinations involving enterprises under common control
Shenzhen S.F. Supply Chain Co., Ltd.	Shenzhen	Shenzhen	Supply chain management and other services	-	100.00%	By new establishment
SF Airlines	Shenzhen	Shenzhen	Transport service of aviation cargo	-	100.00%	Business combinations involving enterprises under common control
Shenzhen Fengtai E-Commerce Industrial Park Asset Management Ltd.	Shenzhen	Shenzhen	E-commerce industrial park management	-	100.00%	Business combinations involving enterprises under common control
Shenzhen Fengtai Industrial Park Investment Ltd.	Shenzhen	Shenzhen	Management consulting	-	100.00%	By new establishment
Shenzhen S. F. Airport Investment Co., Ltd.	Shenzhen	Shenzhen	Industrial investment	-	100.00%	By new establishment
SF Holding Limited	Hong Kong SAR	Hong Kong SAR	Investment holding	-	100.00%	Business combinations involving enterprises under common control
Group Finance Company	Shenzhen	Shenzhen	Financing, wealth management and consulting services	-	100.00%	By new establishment

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**6 Interests in other entities (Cont'd)**

(1) Interests in subsidiaries (Cont'd)

(a) First-tier and second-tier subsidiaries of the Group are as follows (Cont'd):

	Place of registration	Major business location	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
Shenzhen SF Chuangxing Investment Co., Ltd.	Shenzhen	Shenzhen	Industrial investment	-	100.00%	By new establishment
Shenzhen Fengnong Technology Co., Ltd.	Shenzhen	Shenzhen	Retail	-	100.00%	By new establishment
Shenzhen Fenglang Supply Chain Co., Ltd.	Shenzhen	Shenzhen	Supply chain management and other services	-	100.00%	By new establishment
Shenzhen Shunfeng Runtai Management Consulting Co., Ltd.	Shenzhen	Shenzhen	Consulting service	-	100.00%	By new establishment
Shunyuan Financial Leasing	Tianjin	Tianjin	Leasing business	-	100.00%	By new establishment
SF Multimodal Co., Ltd.	Shenzhen	Shenzhen	Goods delivery and other services	-	100.00%	By new establishment
Shenzhen Shunxi Management Consulting Co., Ltd.	Shenzhen	Shenzhen	Management consulting	-	100.00%	By new establishment
S.F. Insurance Broker (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Insurance business	-	100.00%	By new establishment
S.F. Duolian Technology Co., Ltd.	Dongguan	Dongguan	Technology development	-	100.00%	By new establishment
Dongguan SF Taisen Enterprise Management Co., Ltd.	Dongguan	Dongguan	Property management	-	100.00%	By new establishment
SF Innovative Technology Co., Ltd.	Dongguan	Dongguan	Information technology service	-	100.00%	By new establishment
Shenzhen Shunheng Rongfeng Supply Chain Technology Co., Ltd.	Shenzhen	Shenzhen	Consulting service	-	100.00%	Business combinations involving enterprises under common control
Shenzhen Hengyi Logistics Service Co., Ltd.	Shenzhen	Shenzhen	Freight forwarding service	-	100.00%	Business combinations involving enterprises under common control
Shenzhen Lefeng Commercial Co., Ltd.	Shenzhen	Shenzhen	Factoring	-	100.00%	Business combinations involving enterprises under common control

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**6 Interests in other entities (Cont'd)**

(1) Interests in subsidiaries (Cont'd)

(a) First-tier and second-tier subsidiaries of the Group are as follows (Cont'd):

	Place of registration	Major business location	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
Hangzhou SF Intra-city Industrial Co., Ltd.	Hangzhou	Hangzhou	Supply chain management and other services	-	56.76%	By new establishment
Shenzhen SF Express Zhongyuan Network Technology Co., Ltd.	Shenzhen	Shenzhen	Technology development and consulting services	-	100.00%	By new establishment
SF Sharing Precision Information Technology (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Information technology service	-	100.00%	By new establishment
Hangzhou Shuangjie Supply Chain Co., Ltd.	Hangzhou	Hangzhou	Supply chain management and other services	-	100.00%	By new establishment
Shenzhen S.F. Express Co., Ltd.	Shenzhen	Shenzhen	Business and supply chain management	-	87.80%	By new establishment
Huanggang Xiufeng Education Investment Co., Ltd.	Huanggang	Huanggang	Consulting services regarding business information and business management	-	100.00%	By new establishment
Junhe Information Technology (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Information technology and development services	-	100.00%	By new establishment
S.F. Digital Technology (Shenzhen) Services Co., Ltd.	Shenzhen	Shenzhen	Technology and consulting services	-	100.00%	By new establishment
Shenzhen S.F. International Industry Co., Ltd.	Shenzhen	Shenzhen	Information technology and consulting services	-	100.00%	By new establishment
Shenzhen S.F. Investment Co., Ltd.	Shenzhen	Shenzhen	Investment holding	-	100.00%	By new establishment
SF Cold Chain Logistics Co., Ltd.	Shenzhen	Shenzhen	Cargo transportation and freight forwarding	-	100.00%	By new establishment

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**6 Interests in other entities (Cont'd)**

- (1) Interests in subsidiaries (Cont'd)
- (b) Subsidiaries in which the Group has significant minority interests

	Proportion of ownership interest held by minority shareholders	Profit or loss attributable to minority shareholders for the six months ended 30 June 2022	Dividends paid to minority shareholders for the six months ended 30 June 2022	Minority interests as at 30 June 2022
Kerry Logistics and its subsidiaries	48.50%	1,097,705	(1,119,844)	12,293,656

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

	30 June 2022	31 December 2021
Current assets	24,498,975	22,058,645
Non-current assets	26,187,998	23,566,766
Total assets	<u>50,686,973</u>	<u>45,625,411</u>
Current liabilities	16,987,625	14,795,606
Non-current liabilities	11,493,388	6,645,860
Total liabilities	<u>28,481,013</u>	<u>21,441,466</u>
	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Revenue	39,826,024	Not applicable
Net profit (i)	1,984,687	Not applicable
Total comprehensive income (i)	1,883,429	Not applicable
Cash flows from operating activities	<u>2,243,418</u>	Not applicable

The above financial figures take into account the fair value of identifiable assets and liabilities at the point of acquisition of Kerry Logistics' equity and the adjustment effect of uniform accounting policies.

- (i) For Kerry Logistics, the net profit of attributable to shareholders of the Company for the six months ended 30 June 2022 was RMB 886,982,000, and the total comprehensive income attributable to shareholders of the Company for the six months ended 30 June 2022 was RMB 1,261,913,000.
- (2) Interests in joint ventures and associates

The Group's joint ventures and associates have no significant influence on the Group(Note 4(8)).

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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#### **7 Segment information**

The reportable segments of the Group are the business units that provide different logistics and freight forwarding services. Different businesses require different technologies and marketing strategies, and the Group, therefore, independently manages their operations and evaluates operating results, in order to make decisions about resources allocations and performance evaluations.

For the six months ended 30 June 2022, the Group mainly had four reportable segments, including:

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

The reportable segments of the Group in 2021 have changed, therefore, the segment information for the six months ended 30 June 2021 has been restated in accordance with the calibre for the six months ended 30 June 2022.

Inter-segment transfer prices are determined by reference to pricing policy of related party transactions.

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**7 Segment information (Cont'd)**

(a) Segment information as at and for the six months ended 30 June 2022 is as follows:

	Express segment	Freight segment	Supply chain and international segment	Intra-city segment	Undistributed units	Inter-segment elimination	Total
Revenue from external customers	63,969,177	15,057,837	47,545,204	2,938,274	553,641	-	130,064,133
Inter-segment revenue	7,315,303	927,530	300,863	1,543,129	5,737,967	(15,824,792)	-
Cost of revenue	61,005,294	15,150,203	42,592,555	4,300,885	5,579,205	(14,849,832)	113,778,310
Total profit/(loss)	2,968,706	118,579	2,395,916	(143,940)	(262,811)	5,191	5,081,641
Income tax expenses	858,118	109,835	706,449	-	105,744	4,720	1,784,866
Net profit/(loss)	2,110,588	8,744	1,689,467	(143,940)	(368,555)	471	3,296,775
Total assets	79,165,505	7,738,261	68,738,144	3,866,337	122,740,878	(69,781,748)	212,467,377
Total liabilities	51,244,460	8,422,212	56,055,883	844,924	55,085,848	(53,583,776)	118,069,551
Depreciation and amortisation expenses	3,166,674	149,213	749,536	38,824	335,202	(8,636)	4,430,813
Credit impairment losses	27,695	5,078	237,842	1,651	17,319	(18,456)	271,129

For the six months ended 30 June 2022, no revenue from a single customer exceeded 10% or more of the total revenue.



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**7 Segment information (Cont'd)**

(b) Segment information as at and for the six months ended 30 June 2021 is as follows:

	Express segment	Freight segment	Supply chain and international segment	Intra-city segment	Undistributed units	Inter-segment elimination	Total
Revenue from external customers	63,144,369	13,398,874	8,790,434	2,293,462	716,791	-	88,343,930
Inter-segment revenue	6,086,938	1,156,309	216,748	1,415,781	3,878,009	(12,753,785)	-
Cost of revenue	61,060,061	14,373,836	8,253,606	3,725,633	3,768,611	(11,760,393)	79,421,354
Total profit/(loss)	1,283,569	(507,552)	(57,069)	(406,588)	773,437	7,352	1,093,149
Income tax expenses	481,965	72,700	8,888	-	111,544	2,262	677,359
Net profit/(loss)	801,604	(580,252)	(65,957)	(406,588)	661,893	5,090	415,790
Total assets	73,659,394	10,023,797	14,176,953	2,578,400	96,977,857	(64,023,343)	133,393,058
Total liabilities	52,093,078	9,655,283	14,307,663	780,709	50,352,840	(51,102,303)	76,087,270
Depreciation and amortisation expenses	2,522,231	120,413	160,256	23,258	295,585	(1,936)	3,119,807
Credit impairment losses	5,723	5,532	10,412	2,772	(2,071)	(11,192)	11,176

For the six months ended 30 June 2021, no revenue from a single customer exceeded 10% or more of the total revenue.

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**8 Related parties and related party transactions**

(1) General information of the controlling shareholder and subsidiaries

The general information and other related information of the subsidiaries are set out in Note 6(1).

(a) General information of the controlling shareholder

	Place of registration	Nature of business
Mingde Holdings	Shenzhen	Investment

The Company's ultimate holding company is Mingde Holdings, and the ultimate controlling person is Wang Wei.

(b) The balances and changes of registered capital of the controlling shareholder

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Mingde Holdings	<u>113,406</u>	<u>-</u>	<u>-</u>	<u>113,406</u>

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

	30 June 2022		31 December 2021	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Mingde Holdings	<u>54.95%</u>	<u>54.95%</u>	<u>55.07%</u>	<u>55.07%</u>

## S.F. HOLDING CO., LTD.

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#### 8 Related parties and related party transactions (Cont'd)

##### (2) Nature of related parties that do not control/are not controlled by the Company

Major related parties are listed as follows:

	Relationship with the Company
Guangdong Fengxing Zhitu Technology Co., Ltd ("Fengxing Zhitu Technology") <sup>Note 1</sup>	Controlled by the ultimate controlling person of the Company
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	Controlled by the ultimate controlling person of the Company
Shenzhen Fengxiang Information Technology Co., Ltd.	Controlled by the ultimate controlling person of the Company
Shenzhen Shunshang Investment Co., Ltd.	Controlled by the ultimate controlling person of the Company
Hive Box Technology and its subsidiaries	Controlled by the ultimate controlling person of the Company
Guangdong Youxuanypin Commerce Co., Ltd. ("Youxuanypin Commerce Co., Ltd.") and its subsidiaries <sup>Note 2</sup>	Controlled by the ultimate controlling person of the Company before November 2020
Shenzhen Fengyi Technology Limited ("Fengyi Technology")	Controlling shareholder's associate
State Grid E-Commerce Yunfeng Logistics Technology (Tianjin) Co., Ltd.	The Group's associate
SCS Logistics Co., Ltd.	The Group's associate
Shenzhen Shunjie Fengda Express Co., Ltd. ("Shunjie Fengda and its subsidiaries") and its subsidiaries	The Group's associate
SF REITS and its subsidiaries	The Group's associate
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	The Group's associate
Qingdao Dakai Cargo Agency Co., Ltd.	The Group's associate
Beijing Dazhangfang Information Technology Co., Ltd. ("Dazhangfang Information Technology") and its subsidiaries	The Group's associate
Chongqing Boqiang Logistics Co., Ltd.	The Group's associate
Kin Shun Information Technology Limited	The Group's associate
KENGIC Intelligent Technology Co., Ltd. ("KENGIC Intelligent") and its subsidiaries	The Group's associate
Hubei Jiuzhou Tongda Technology Development Co., Ltd.	The Group's associate

## S.F. HOLDING CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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#### 8 Related parties and related party transactions (Cont'd)

##### (2) Nature of related parties that do not control/are not controlled by the Company (Cont'd)

Major related parties are listed as follows:

	Relationship with the Company
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	The Group's associate
Shenzhen Fenglian Technology Co., Ltd. <sup>Note 3</sup>	The Group's associate
Beijing Beijiantongcheng International Logistics Co., Ltd.	The Group's associate
SUNWAY EXPRESS	The Group's associate
Chiwan Container Terminal Co.	The Group's associate
CR-SF International Express Co., Ltd.	The Group's joint venture
Beijing Wulian Shuntong Technology Co., Ltd. ("Wulian Shuntong") and its subsidiaries	The Group's joint venture
ZBHA and its subsidiaries	The Group's joint venture
Shenzhen Shenghai Information Service Co., LTD ("Shenghai Information")	The Group's joint venture
Hubei International Logistics Airport Co., Ltd.	The Group's joint venture
Golden Arches (China) Co., Ltd. ("Golden Arches") and its subsidiaries	Significantly influenced by the key management of the Company

Note 1: Once a subsidiary of the Group; the Group transferred the holding shares of Fengxing Zhitu Technology to the controlling shareholder of the Company, on 28 October 2021, hence losing the control right of Fengxing Zhitu Technology. The actual control of Fengxing Zhitu Technology ceased and being out of the scope of consolidation. The company has become an enterprise controlled by the controlling shareholder. The transactions with Fengxing Zhitu Technology from January to June 2021 disclosed in this financial statement were listed as "Not applicable".

Note 2: The Company's original name was S. F. Holding (Group) Commerce Co., Ltd., which was disposed by the Group's ultimate controlling person in November 2020. Pursuant to the *Listing Rules of Shenzhen Stock Exchange*, it was not a related party of the Group since November 2021. The transactions with Youxuanpin Commerce Co., Ltd. disclosed in this financial statement from January to June 2022 were listed as "Not applicable".

Note 3: Once a subsidiary of the Group; the Group disposed its 19% holding shares of Fenglian Technology on 31 December 2021, hence losing the control right of Fenglian Technology. The actual control of Fenglian Technology ceased and being out of the scope of consolidation. The Company has become an associate of the Group. Therefore, the transactions with Fenglian Technology disclosed in this financial statement from January to June 2021 were listed as "Not applicable".

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**8 Related parties and related party transactions (Cont'd)**

(3) Related party transactions

(a) Pricing policies

The pricing method of transactions and transaction price between the Group and related parties are determined, following arm's length principle, by making reference to the market price or through negotiation between both parties.

(b) Rendering of services/Sales of goods

	Nature of the transaction	For the six months ended 30 June	
		2022	2021
Golden Arches and its subsidiaries	Rendering of services	761,269	768,085
Fengxing Zhitu Technology	Rendering of services	36,015	Not applicable
Hive Box Technology and its subsidiaries	Rendering of services	16,224	13,039
Fengyi Technology	Rendering of services	11,098	38,938
State Grid E-Commerce Yunfeng Logistics Technology (Tianjin) Co., Ltd.	Rendering of services	5,559	3,084
CR-SF International Express Co., Ltd.	Rendering of services	3,444	92,117
Others	Rendering of services	31,996	32,571
		<u>865,605</u>	<u>947,834</u>

	Nature of the transaction	For the six months ended 30 June	
		2022	2021
Shenzhen Fengxiang Information Technology Co., Ltd.	Sales of goods	5,888	-
Others	Sales of goods	8,548	3,487
		<u>14,436</u>	<u>3,487</u>

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**8 Related parties and related party transactions (Cont'd)**

(4) Receivables from and payables to related parties (Cont'd)

(c) Receipt of services/Purchase of goods

	Nature of the transaction	For the six months ended 30 June	
		2022	2021
CR-SF International Express Co., Ltd.	Receipt of services	234,712	291,232
Wulian Shuntong and its subsidiaries	Receipt of services	187,620	182,455
Fengxing Zhitu Technology	Receipt of services	157,236	Not applicable
Shenzhen Shunjie Fengda and its subsidiaries	Receipt of services	130,954	139,252
SCS Logistics Co., Ltd.	Receipt of services	128,136	140,806
Hive Box Technology and its subsidiaries	Receipt of services	77,550	96,876
ZBHA and its subsidiaries	Receipt of services	55,172	82,050
SF REITS and its subsidiaries	Receipt of services	26,817	7,939
Shenghai Information	Receipt of services	12,542	12,994
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	Receipt of services	10,610	4,157
Qingdao Dakai Cargo Agency Co., Ltd.	Receipt of services	8,392	7,307
Dazhangfang Information Technology and its subsidiaries	Receipt of services	6,187	34,522
Chongqing Boqiang Logistics Co., Ltd.	Receipt of services	5,314	6,325
Others	Receipt of services	36,755	52,802
		<u>1,077,997</u>	<u>1,058,717</u>

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**8 Related parties and related party transactions (Cont'd)**

(4) Receivables from and payables to related parties (Cont'd)

(c) Receipt of services/Purchase of goods (Cont'd)

	Nature of the transaction	For the six months ended 30 June	
		2022	2021
KENGIC Intelligent and its subsidiaries	Purchase of goods	174,141	142,703
Shenzhen Fengxiang Information Technology Co., Ltd.	Purchase of goods	110,576	1,583
Hubei Jiuzhou Tongda Technology Development Co., Ltd.	Purchase of goods	43,443	874
Fengyi Technology	Purchase of goods	584	92,684
Youxuanypin Commerce Co., Ltd. and its subsidiaries	Purchase of goods	Not applicable	22,289
Others	Purchase of goods	2,480	35,068
		<u>331,224</u>	<u>295,201</u>

(d) Leases

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

	Type of the leased asset	For the six months ended 30 June	
		2022	2021
SF REITS and its subsidiaries	Buildings	107,153	974,664
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	Buildings	42,749	3,397
Shenzhen Shunshang Investment Co., Ltd.	Buildings	-	15,214
		<u>149,902</u>	<u>993,275</u>

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**8 Related parties and related party transactions (Cont'd)**

(4) Receivables from and payables to related parties (Cont'd)

(d) Leases (Cont'd)

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

	Type of the leased asset	For the six months ended 30 June	
		2022	2021
SF REITS and its subsidiaries	Buildings	107,565	36,288
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	Buildings	4,199	3,168
Shenzhen Shunshang Investment Co., Ltd.	Buildings	3,814	14,393
Others	Buildings	-	150
		<u>115,578</u>	<u>53,999</u>

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

	Type of the leased asset	For the six months ended 30 June	
		2022	2021
Fengyi Technology	Buildings	1,652	907
Others	Buildings	1,109	800
		<u>2,761</u>	<u>1,707</u>

(e) The Group as the guarantor

guaranteed party	Guaranteed amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	126,420	31 December 2020	23 December 2033	No
Hubei International Logistics Airport Co., Ltd.(Note)	<u>782,000</u>	29 September 2021	29 April 2055	No
	<u>908,420</u>			

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



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**8 Related parties and related party transactions (Cont'd)**

(4) Receivables from and payables to related parties (Cont'd)

(f) Sales of equity

	For the six months ended 30 June	
	2022	2021
SF REITS and its subsidiaries	232,939	-
Mingde Holdings	-	40,000
	<u>232,939</u>	<u>40,000</u>

For the six months ended 30 June 2022, the Group earned a total of RMB 31,654,000 in investment income from related parties from the above equity transactions(31 December 2021: Nil).

(g) Remuneration of key management

	For the six months ended 30 June	
	2022	2021
Remuneration of key management	<u>16,018</u>	<u>16,700</u>

(4) Receivables from and payables to related parties

(a) Accounts receivable

	30 June 2022	31 December 2021
Golden Arches and its subsidiaries	117,254	206,275
Fengyi Technology	15,429	23,464
Fengxing Zhitu Technology	8,820	20,628
SF REITS and its subsidiaries	7,541	1,689
Others	23,927	26,367
	<u>172,971</u>	<u>278,423</u>

(b) Advances to suppliers

	30 June 2022	31 December 2021
CR-SF International Express Co., Ltd.	15,430	-
Hive Box Technology and its subsidiaries	15,153	22,679
Others	4,887	4,612
	<u>35,470</u>	<u>27,291</u>

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[English translation for reference only]**8 Related parties and related party transactions (Cont'd)**

## (4) Receivables from and payables to related parties (Cont'd)

## (c) Loans and advances

	30 June 2022	31 December 2021
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	13,988	-
Kin Shun Information Technology Limited	46	-
	<u>14,034</u>	<u>-</u>

## (d) Other receivables

	30 June 2022	31 December 2021
Hive Box Technology and its subsidiaries	331,906	371,433
Chiwan Container Terminal Co.	81,796	-
SF REITS and its subsidiaries	50,905	48,898
Golden Arches and its subsidiaries	35,678	40,229
Beijing Beijiantongcheng International Logistics Co., Ltd.	12,795	12,821
SUNWAY EXPRESS	11,109	4,972
Others	12,548	13,704
	<u>536,737</u>	<u>492,057</u>

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

	30 June 2022	31 December 2021
KENGIC Intelligent and its subsidiaries	9,374	27,455
Hubei Jiuzhou Tongda Technology Development Co., Ltd.	-	26,340
Others	488	488
	<u>9,862</u>	<u>54,283</u>

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

	30 June 2022	31 December 2021
Shenzhen Shunjie Fengda and its subsidiaries	4,484	5,207
Fengyi Technology	433	-
Hive Box Technology and its subsidiaries	239	235
	<u>5,156</u>	<u>5,442</u>

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**8 Related parties and related party transactions (Cont'd)**

(4) Receivables from and payables to related parties (Cont'd)

(g) Deposits from customers

	30 June 2022	31 December 2021
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	14,187	6,509
Shenzhen Fenglian Technology Co., Ltd.	10,368	-
Others	1	1
	<u>24,556</u>	<u>6,510</u>

(h) Accounts payable

	30 June 2022	31 December 2021
SCS Logistics Co., Ltd.	87,596	58,979
CR-SF International Express Co., Ltd.	71,134	50,439
Wulian Shuntong and its subsidiaries	66,240	98,917
Fengxing Zhitu Technology	41,107	72,497
Shenzhen Shunjie Fengda and its subsidiaries	36,918	41,184
Hive Box Technology and its subsidiaries	14,735	9,936
Hubei Jiuzhou Tongda Technology Development Co., Ltd.	13,562	15,561
Shenzhen Fengxiang Information Technology Co., Ltd.	12,690	25,256
ZBHA and its subsidiaries	10,783	8,146
SF REITS and its subsidiaries	7,361	4,390
Others	21,544	30,519
	<u>383,670</u>	<u>415,824</u>

(i) Contract liabilities

	30 June 2022	31 December 2021
Fengyi Technology	7,729	2,689
Others	1,252	2,584
	<u>8,981</u>	<u>5,273</u>

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**8 Related parties and related party transactions (Cont'd)****(4) Receivables from and payables to related parties (Cont'd)****(j) Other payables**

	30 June 2022	31 December 2021
KENGIC Intelligent and its subsidiaries	194,829	240,661
Golden Arches and its subsidiaries	19,584	24,087
Fengyi Technology	8,312	472
Hubei Jiuzhou Tongda Technology Development Co., Ltd.	4,922	13,734
Others	11,184	198,036
	<u>238,831</u>	<u>476,990</u>

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

	30 June 2022	31 December 2021
SF REITS and its subsidiaries	659,748	816,579
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	45,186	9,330
Others	-	3,936
	<u>704,934</u>	<u>829,845</u>

**(5) Commitments in relation to related parties**

**(a)** As at 30 June 2022, the Group had no significant lease-out commitments in relation to related parties. (31 December 2021: Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.: RMB 49,970,000)

**(b) Provide guarantee**

	30 June 2022	31 December 2021
Hubei International Logistics Airport Co., Ltd.	<u>2,384,180</u>	<u>2,890,180</u>

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

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#### 9 Share-based payments

##### (1) Overview of share-based payments

Expenses recognised for the period arising from share-based payments were as follows:

	For the six months ended 30 June	
	2022	2021
Equity-settled share-based payments	83,204	122,361
Cash-settled share-based payments	24,733	32,338
	<u>107,937</u>	<u>154,699</u>

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

###### (a) Information on share-based payments of the Company

In May 2022, the Company held the 25th meeting of the 5th Board of Directors in 2022, at which proposals such as *the Stock Option Incentive Plan* (“2022 Stock Option Incentive Plan”) were approved. The Company granted no more than 60,000,000 share options to eligible incentive recipients, and the exercise price of the share option is RMB 42.61. If the company meets the predetermined performance conditions and the incentive recipients meet the performance evaluation indicators, the four quarters of the total share options received by the grantee will come into effect from 30 May 2022 after 12 months, 24 months, 36 months and 48 months respectively.

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

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

On 30 June 2022, the Company has 47,892,000 stock options outstanding.

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

As at 30 June 2022, the equity-settled share-based payments recognised by the Company accumulated to RMB 57,038,000 (31 December 2021: 23,633,000). For the six months ended 30 June 2022, the amount of expenses recognised by the Company for the equity-settled share-based payments was RMB 33,405,000 (for the six months ended 30 June 2021: Nil).

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#### 9 Share-based payments (Cont'd)

(2) Information on equity-settled share-based payments (Cont'd)

(b) Information on share-based payments of the Company's subsidiaries

The Group granted some equities or share options of several subsidiaries, to the senior management and other employees of the aforesaid companies or other subsidiaries within the Group respectively.

As at 30 June 2022, the equity-settled share-based payments of these subsidiaries recognised by the Group accumulated to RMB 669,113,000 (31 December 2021: RMB 619,314,000), including accumulated amounts attributable to shareholders of the parent company of RMB 574,826,000 (31 December 2021: RMB 528,557,000). For the six months ended 30 June 2022, expenses recognised for equity-settled share-based payments amounted to RMB 49,799,000 (for the six months ended 30 June 2021: RMB 122,361,000). The fair value at the grant date was recognised based on the discount cash flow model and the binomial tree model, etc.

(3) Information on cash-settled share-based payments

Certain subsidiaries of the Group use their shares or the Company's shares as the calculation basis to grant cash-settled share-based payments to eligible employees of those subsidiaries.

As at 30 June 2022, liabilities arising from the cash-settled share-based payments accumulated to RMB 328,577,000 (31 December 2021: RMB 328,607,000). For the six months ended 30 June 2022, the Group's expenses confirmed for cash-settled share-based payments amounted to RMB 24,733,000 (for the six months ended 30 June 2021: Expenses confirmed RMB 32,338,000). The fair value at the balance sheet date was recognised based on the discount cash flow model and the binomial tree model, etc.

#### 10 Commitments

(1) Capital commitments

(a) Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	30 June 2022	31 December 2021
Buildings, machinery and equipment	6,385,857	10,432,197
Investment contracts that have been signed but not fulfilled or not absolutely fulfilled (Note)	4,185,963	3,134,839
Others	4,149	11,067
	<u>10,575,969</u>	<u>13,578,103</u>

Note: As at 30 June 2022, the foreign investment contracts that have been signed but not yet performed or not fully performed include an investment of approximately RMB 2,727,544,000 for the acquisition of K-APEX LOGISTICS (HK) The investment amount of 21% equity by Kerry Logistics.

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#### 10 Commitments (Cont'd)

##### (2) Other commitments

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

At the end of each three years, the manager of the above Special Scheme accepts open-ended withdrawal and subscription of preferred securities within the withdrawal registering period. If the preferred securities shares that have not completed open-ended withdrawal are less than 20% of total undistributed principal of the preferred securities of RMB 788 million, at the extension operation announcement date, Taisen Holdings will purchase such preferred securities.

- (ii) In September 2019, the Group issued asset-backed securities through the Special Scheme set up by Huatai Securities (Shanghai) Asset Management Co., Ltd. by using three logistics industrial parks held by it as underlying assets. Shenzhen Fengtai E-Commerce Industrial Park Property Service Ltd., Yiwu Fengyutai Enterprise Management Co., Ltd. and Huai'an Fengtai Enterprise Management Co., Ltd. (collectively "Property Operators"), wholly-owned subsidiaries of the Group, worked as the property operators of the Special Scheme. In case that the actual operating income of the property assets does not reach 90% but is not lower than 80% of the target amount, the Property Operators were committed to compensate the insufficient part of the target amount with Taisen Holdings providing guarantee for the compensation obligation.

At the end of each three years, the manager of the above Special Scheme accepts open-ended withdrawal and subscription of preferred securities within the withdrawal registering period. If the preferred securities shares that have not completed open-ended withdrawal are less than 20% of total undistributed principal of the preferred securities of RMB 765 million, at the extension operation announcement date, Taisen Holdings will purchase such preferred securities.

#### 11 Contingency

As stated in Note 8(3)(e), subsidiaries of the Group provide loan guarantees to related parties. On 30 June 2022, the total guarantee amount was RMB 908,420,000 (31 December 2021: RMB 402,420,000).

In addition, the subsidiaries of the Group provide guarantees to the third party Compañía Auxiliar al Cargo Expres, S.A. On 30 June 2022, the guarantee amount was RMB 39,385,000 (31 December 2021: RMB 39,385,000).

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#### 12 Operating lease proceeds after the balance sheet date

As the lessor, the Group's undiscounted lease proceeds receivable after the balance sheet date are as follows:

	30 June 2022
Within 1 year (inclusive)	162,620
1 to 2 years (inclusive)	126,597
2 to 3 years (inclusive)	61,711
3 to 4 years (inclusive)	47,026
4 to 5 years (inclusive)	27,294
Over 5 years	4,397
	<hr/> <u>429,645</u>

#### 13 Business combinations

Refer to Note 5(1).

#### 14 Financial instruments and relevant risks

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The above financial risks and the Group's risk management policies to mitigate the risks are as follows:

The Board of Directors is responsible for planning and establishing the Group's risk management framework, formulating the Group's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has established risk management policies to identify and analyse the risks faced by the Group. These risk management policies specify the risks such as market risk, credit risk and liquidity risk management. The Group regularly evaluates the market environment and changes in the Group's operating activities to determine whether to update the risk management policies and systems or not. The Group's risk management is carried out by the Risk Management Committee under policies approved by the Board of Directors. The Risk Management Committee encourages the departments of the Group to work closely together to identify, evaluate and avoid relevant risks. The internal audit department of the Group conducts periodical audit to the controls and procedures for risk management and reports the audit results to the Audit Committee of the Group.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Some operational activities are carried out in regions/countries including Hong Kong SAR, America and Europe and relevant transactions are settled in HKD, USD and EUR. Therefore, the Group is exposed to foreign exchange risk arising from the recognised financial assets and liabilities denominated in non-recording currency, and future transactions denominated in foreign currencies. Management is responsible for monitoring the amount of financial assets and liabilities, and transactions denominated in non-recording currencies, to reduce foreign exchange risk to the greatest extent.



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**14 Financial instruments and relevant risks (Cont'd)**

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

(i) Foreign exchange risk of companies with RMB as recording currency

As at 30 June 2022 and 31 December 2021, the Group's companies whose recording currency is RMB held financial assets and liabilities denominated in non-recording currencies (mainly USD, HKD and EUR) held by companies that are not related parties within the Group, of which the equivalent amounts in RMB are listed as below:

	30 June 2022			Total (RMB)
	USD (RMB)	HKD (RMB)	EUR (RMB)	
Financial assets				
Cash at bank and on hand	618,435	38,117	1,165	657,717
Receivables	1,892,558	89,530	42,096	2,024,184
	<u>2,510,993</u>	<u>127,647</u>	<u>43,261</u>	<u>2,681,901</u>
Financial liabilities				
Payables	<u>863,152</u>	<u>62,910</u>	<u>93,856</u>	<u>1,019,918</u>
	31 December 2021			Total (RMB)
	USD (RMB)	HKD (RMB)	EUR (RMB)	
Financial assets				
Cash at bank and on hand	381,815	5,889	720	388,424
Receivables	644,070	38,046	3,408	685,524
	<u>1,025,885</u>	<u>43,935</u>	<u>4,128</u>	<u>1,073,948</u>
Financial liabilities				
Payables	<u>170,486</u>	<u>8,393</u>	<u>5,663</u>	<u>184,542</u>

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**14 Financial instruments and relevant risks (Cont'd)**

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

(i) Foreign exchange risk of companies with RMB as recording currency (Cont'd)

In light of that the functional currencies of the subsidiaries within the Group are different, even though the transactions and balances within the Group are offset, foreign exchange risk arising from the use of different functional currencies still exists. As at 30 June 2022 and 31 December 2021, companies whose recording currency is RMB held financial assets and liabilities denominated in non-recording currencies (mainly USD and HKD) held by other subsidiaries within the Group, of which the equivalent amounts in RMB are listed as below:

	30 June 2022		
	USD (RMB)	HKD (RMB)	Total (RMB)
Financial assets			
Receivables	16,946	161	17,107
Financial liabilities			
Payables	95,819	34,401	130,220
	31 December 2021		
	USD (RMB)	HKD (RMB)	Total (RMB)
Financial assets			
Receivables	10,994	-	10,994
Financial liabilities			
Payables	153,835	45,386	199,221

As at 30 June 2022, if the RMB had appreciated/depreciated by 5% (31 December 2021: 5%) against the USD while all other variables had been held constant, the Group's profit before tax would have been approximately RMB 78,448,000 (31 December 2021: approximately RMB 35,628,000) lower/higher for the above various financial assets and liabilities denominated in USD.

The changes in exchange rate of other foreign currencies against RMB have no significant influence on the Group's operating activities.

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

As at 30 June 2022 and 31 December 2021, the foreign exchange exposure of financial assets and liabilities denominated in non-recording currency held by companies located in Hong Kong SAR with HKD being their recording currency was mainly derived from the USD. Because the HKD and the USD are linked exchange rates, the foreign exchange risks faced by the above-mentioned companies using HKD as their recording currency are not significant.

As at 30 June 2022, the Group's overseas subsidiaries, except for those operating in Hong Kong SAR, held no significant financial assets and liabilities denominated in non-recording currency.

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#### 14 Financial instruments and relevant risks (Cont'd)

- (1) Market risk (Cont'd)
- (b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing debts including long-term bank borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2022, the Group's long-term interest bearing debts were mainly related to floating rate long-term borrowings, and fixed rate debentures payable. Among them, floating rate long-term borrowings amounted to RMB 7,663,398,000 (31 December 2021: RMB 3,510,829,000); the contract amount of fixed rate debentures payable denominated in RMB was RMB 500,000,000 (31 December 2021: RMB 500,000,000), and the contract amount of fixed rate debentures payable denominated in USD was USD 3,100,000,000, equivalent to RMB 20,805,340,000 (31 December 2021: USD 2,400,000,000, equivalent to RMB 15,301,680,000).

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new interest bearing borrowings and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. Management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk.

As at 30 June 2022, if interest rates on borrowings had increased/decreased by 50 basis points while all other variables had been held constant, the Group's profit before tax would have decreased/increased by approximately RMB 38,317,000 (31 December 2021: RMB 17,554,000).

- (c) Other price risk

The Group's other price risk arises mainly from movements in price of various investments in equity instruments measured at fair value that will not be sold within 1 year.

As at 30 June 2022, if the price of various investments in equity instruments had risen/fallen by 10% while all other variables had been held constant, the Group's profit before tax and other comprehensive income before tax would have been approximately RMB 111,324,000 (31 December 2021: approximately RMB 87,802,000) and RMB 753,170,000 (31 December 2021: approximately RMB 681,077,000) higher/lower respectively.

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#### 14 Financial instruments and relevant risks (Cont'd)

##### (2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, notes receivable, accounts receivable, factoring receivables, loans and advances, other receivables, contract assets, current portion of non-current assets, long-term receivables, investments in debt instruments measured at fair value through profit or loss that are not included in the assessment of impairment, etc. At the balance sheet date, the Group's maximum exposure to credit risk represents the carrying amount of the Group's financial assets, except that the maximum exposure to credit risk of long-term receivables represents the aggregate of its undiscounted contractual cash flows.

The Group expects that there is no significant credit risk associated with cash at bank and on hand since they are mainly deposits at state-owned banks and other medium or large size listed banks with good reputation and a higher credit rating. The Group does not expect that there will be any significant losses from non-performance by these counterparties.

The Group's notes receivable, accounts receivable, other receivables, contract assets, current portion of non-current assets and long-term receivables include receivables from related parties and receivables from non-related parties. In respect of receivables from related parties, the Group considers that they have low credit risk; in respect of receivables from non-related parties, the Group will develop relevant policies to control the exposure to credit risk. The Group evaluates customers' credit quality based on their financial position, possibility of obtaining guarantees from third parties, credit history and such other factors as current market conditions, and determines the credit term based on the evaluation results. The credit term of accounts receivable ranges from 30 days to 90 days. The Group monitors customers' credit history on a regular basis. In respect of customers with a poor credit history, the Group will use payment reminders, or shorten or cancel credit terms, to ensure the overall credit risk of the Group is limited to a controllable extent.

The Group's notes receivable, accounts receivable and contract assets mainly arise from rendering of logistics and freight forwarding services and other related services or sales of goods, while other receivables, current portion of non-current assets and long-term receivables represent advances, cash on delivery service, deposits and guarantees, interest-free loans to employees and finance lease receivables arising from rendering of logistics and freight forwarding services. Management maintains ongoing evaluation on debtors' financial position, but generally does not require debtors' mortgage for outstanding debts. The Group monitors and reviews expected credit losses on outstanding amounts on a regular basis, and takes into account important macroeconomic assumptions and parameters in the calculation of expected credit losses, including the risk of economic downturn, external market conditions, changes in customer conditions, gross domestic product and the consumer price index. Management makes the provision for bad debts based on the evaluation results thereof. Where it is impossible for the Group to reasonably estimate the recoverable amount, the relevant outstanding amount shall be written off accordingly. Indicators for impossibility to reasonably estimate the recoverable amount include debtors' failure to make contract payments as planned or make overdue contract payments, significant financial difficulties, bankruptcy liquidation, etc.

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#### 14 Financial instruments and relevant risks (Cont'd)

##### (2) Credit risk (Cont'd)

For factoring receivables and loans and advances, the Group developed credit policies and operational implementation rules in accordance with the requirements of relevant state regulatory authorities, and implemented standardised management over the entire process of credit granting. In addition, the Group further improved the systems for credit risk monitoring and early warning and defective credit extension management. The Group actively responded to the changes in the credit environment, regularly analysed the situation and dynamic of credit risks and took risk control measures on a forward-looking basis. The Group also established an optimisation management mechanism for defective credit and accelerated the optimisation progress of defective credit to avoid non-performing loans.

As at 30 June 2022, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2021: Nil).

##### (3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group. The Group monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2022				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Deposits					
from customers	24,617	-	-	-	24,617
Accounts payable	24,196,534	-	-	-	24,196,534
Other payables	12,814,130	-	-	-	12,814,130
Short-term borrowings	15,072,239	-	-	-	15,072,239
Other current liabilities	4,634,846	-	-	-	4,634,846
Current portion of non-current liabilities	8,443,593	-	-	-	8,443,593
Long-term borrowings	164,447	2,788,259	4,958,463	46,261	7,957,430
Debentures payable	663,823	4,421,041	6,927,546	13,391,433	25,403,843
Long-term payables	18,263	635,808	28,316	-	682,387
Lease liabilities	-	3,886,128	4,051,538	1,917,645	9,855,311
	<u>66,032,492</u>	<u>11,731,236</u>	<u>15,965,863</u>	<u>15,355,339</u>	<u>109,084,930</u>

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**14 Financial instruments and relevant risks (Cont'd)****(3) Liquidity risk (Cont'd)**

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows (Cont'd):

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

Cash flows derived from leases not yet commenced to which the Group was committed were analysed by maturity at the balance sheet date:

	30 June 2022	31 December 2021
Within 1 year (inclusive)	1,315,635	888,382
1 to 2 years (inclusive)	439,422	182,883
2 to 3 years (inclusive)	328,863	131,357
Over 3 years	996,970	109,290
	<u>3,080,890</u>	<u>1,311,912</u>

**15 Fair value estimates**

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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**15 Fair value estimates (Cont'd)****(1) Financial assets and liabilities measured at fair value on a recurring basis**

As at 30 June 2022, the financial assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets held for trading -				
Structural deposits	-	-	9,996,994	9,996,994
Fund investments	77	240,798	-	240,875
Other non-current financial assets -				
Industry				
fund investments	-	-	754,424	754,424
Special scheme equity-class securities	-	-	235,821	235,821
Others	-	-	122,995	122,995
Investments in other equity instruments -				
Equity instruments available for sale	359,584	374,937	6,797,177	7,531,698
<b>Total financial assets</b>	<b>359,661</b>	<b>615,735</b>	<b>17,907,411</b>	<b>18,882,807</b>

As at 31 December 2021, the financial assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets held for trading -				
Structural deposits	-	-	9,730,665	9,730,665
Fund investments	76	653,752	-	653,828
Other non-current financial assets -				
Industry				
fund investments	-	-	552,130	552,130
Special scheme equity-class securities	-	-	235,821	235,821
Others	-	-	90,072	90,072
Investments in other equity instruments -				
Equity instruments available for sale	241,936	401,726	6,167,109	6,810,771
<b>Total financial assets</b>	<b>242,012</b>	<b>1,055,478</b>	<b>16,775,797</b>	<b>18,073,287</b>

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**15 Fair value estimates (Cont'd)**

(1) Financial assets and liabilities measured at fair value on a recurring basis (Cont'd)

As at 30 June 2022, the financial liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities - Others	<u>-</u>	<u>896</u>	<u>75,718</u>	<u>76,614</u>

As at 31 December 2021, the financial liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities - Others	<u>-</u>	<u>7,658</u>	<u>-</u>	<u>7,658</u>

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There were no transfers between different levels for the period.



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**15 Fair value estimates (Cont'd)**

(1) Financial assets and liabilities measured at fair value on a recurring basis (Cont'd)

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable company model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier, liquidity discount, etc.

The changes in Level 3 assets are analysed below:

	Financial assets held for trading	Other non-current financial assets	Other non-current financial assets - Special scheme equity-class securities	Other non-current financial assets - Others	Other equity instruments - Equity instruments available for sale
31 December 2021	9,730,665	552,130	235,821	90,072	6,167,109
Increase in the current period	81,069,100	210,480	-	31,069	334,567
Decrease in the current period	(81,111,950)	(14,957)	-	-	-
Gains recognised in profit or loss for the current period	309,179	677	-	-	-
Gains recognised in other comprehensive income	-	-	-	-	13,352
Effect of translation of foreign currency financial statements	-	6,094	-	1,854	282,149
30 June 2022	<u>9,996,994</u>	<u>754,424</u>	<u>235,821</u>	<u>122,995</u>	<u>6,797,177</u>

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**15 Fair value estimates (Cont'd)**

(1) Financial assets and liabilities measured at fair value on a recurring basis (Cont'd)

	Financial assets held for trading  - Structural deposits	Other non-current financial assets - Special scheme equity-class securities	Other non-current financial assets - Industry fund investments	Other equity instruments - Equity instruments available for sale
31 December 2020	6,276,848	390,391	441,135	4,136,330
Increase in the current period	50,185,100	-	13,943	-
Decrease in the current period	(46,614,183)	-	(10,569)	(40,000)
Gains or losses recognised in profit or loss for the current period	176,578	-	12,193	-
Gains recognised in other comprehensive income	-	-	-	2,885
Effect of translation of foreign currency financial statements	-	-	(273)	(40,008)
30 June 2021	<u>10,024,343</u>	<u>390,391</u>	<u>456,429</u>	<u>4,059,207</u>

## S.F. HOLDING CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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#### 15 Fair value estimates (Cont'd)

##### (2) Financial assets and liabilities not measured at fair value but disclosed

The Group's financial assets and liabilities measured at amortised cost mainly include cash at bank and on hand, receivables, factoring receivables, loans and advances, current portion of non-current assets, long-term receivables, short-term borrowings, payables, lease liabilities, long-term borrowings, debentures payable, current portion of non-current liabilities, other current liabilities, long-term payables, etc.

The carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value. The fair value of financial assets and liabilities over one year is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, and categorised within Level 3 of the fair value hierarchy.

#### 16 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is calculated as "shareholders' equity" as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements.

As at 30 June 2022 and 31 December 2021, the Group's gearing ratio were as follows:

	30 June 2022	31 December 2021
Gearing ratio	<u>55.57%</u>	<u>53.35%</u>

#### 17 Notes to the Company's financial statements

##### (1) Cash at bank and on hand

	30 June 2022	31 December 2021
Cash at bank	<u>1,688,103</u>	<u>226,112</u>

##### (2) Financial assets held for trading

	30 June 2022	31 December 2021
Structural deposits	<u>4,817,063</u>	<u>9,200,219</u>

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**17 Notes to the Company's financial statements (Cont'd)****(3) Other receivables**

	30 June 2022	31 December 2021
Dividends receivable from Taisen Holdings	-	2,000,000
Funds raised by convertible corporate debentures granted to subsidiaries	4,630,849	5,460,859
Funds raised by a non-public offering of shares granted to subsidiaries	79,933	10,814,434
Others	910	200
	<u>4,711,692</u>	<u>18,275,493</u>
Less: Provision for bad debts	-	(1)
	<u>4,711,692</u>	<u>18,275,492</u>

The ageing of other receivables is analysed as follows:

	30 June 2022	31 December 2021
Within 1 year (inclusive)	80,843	12,814,634
1 to 2 years (inclusive)	3,284,121	3,284,121
Over 2 years	1,346,728	2,176,738
	<u>4,711,692</u>	<u>18,275,493</u>

**(4) Long-term receivables**

	30 June 2022	31 December 2021
Funds raised by a non-public offering of shares granted to subsidiaries	<u>13,727,768</u>	<u>-</u>

The above funds granted to subsidiaries constitute substantially a long-term equity in the net investment in the subsidiaries.

**(5) Long-term equity investments**

	30 June 2022	31 December 2021
Subsidiaries (a)	51,030,493	50,997,088
Less: Provision for impairment of long-term equity investments	-	-
	<u>51,030,493</u>	<u>50,997,088</u>

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

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**17 Notes to the Company's financial statements (Cont'd)**

(5) Long-term equity investments (Cont'd)

(a) Subsidiaries

	Accounting method	31 December 2021	Movements in the current period	30 June 2022	Shareholding (%)	Voting rights (%)	Explanation of disparity between percentages of shareholding and voting rights	Provision for impairment	Cash dividends declared in the current period
Taisen Holdings	Cost method	50,997,088	33,405	51,030,493	100.00%	100.00%	Not applicable	-	-

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**17 Notes to the Company's financial statements (Cont'd)**

(6) Investment income

	For the six months ended 30 June	
	2022	2021
Investment income from financial assets held for trading	119,941	2,665

**S.F. HOLDING CO., LTD.****SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS  
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**1 Statement of non-recurring profit or loss**

	For the six months ended 30 June	
	2022	2021
Investment income from disposal of subsidiaries	32,314	942,964
Gains/(Losses) on disposal of other non-current assets	20,464	(6,632)
Government grants recognised in profit or loss for the current period (government grants recognised in non-operating income, other income and deducted against related cost and expenses)	392,099	383,344
Gains or losses arising from changes in fair value of financial assets and liabilities held for trading and investment income arising from disposal of financial assets and liabilities held for trading	15,933	21,622
Income generated where investment cost of enterprises' acquisition of subsidiaries is less than the share of the fair value of the investee's identifiable net assets at the time of acquisition of investment	-	2,375
Reversal of impairment provision for receivables individually assessed for impairment	64,090	18,565
Net amount of other non-operating income and expenses	(16,465)	(23,918)
Sub-total	508,435	1,338,320
Less: Income tax effect	(102,319)	(94,158)
Less: Non-recurring profit or loss attributable to minority shareholders	(41,575)	(7,152)
Non-recurring profit or loss attributable to shareholders of the parent company	364,541	1,237,010
Including: Non-recurring profit or loss from continuing operations	364,541	1,237,010

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

Pursuant to the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No. 1 - Non-recurring Profit or Loss* (2008) issued by China Securities Regulatory Commission, non-recurring profit or loss refers to profit or loss arising from transactions and events those are not directly related to the company's normal course of business, also from transactions and events those even are related to the company's normal course of business, but will interfere with the right judgement of users of the financial statements on the company's operation performance and profitability due to their special nature and occasional occurrence.

**S.F. HOLDING CO., LTD.**

**SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS  
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**2 Return on net assets and earnings per share**

	Weighted average Return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021	2022	2021
Net profit attributable to ordinary shareholders of the Company	3.00%	1.34%	0.51	0.17	0.51	0.17
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	2.57%	(0.84%)	0.44	(0.10)	0.44	(0.10)
Including: - Continuing operations						
Net profit attributable to ordinary shareholders of the Company	3.00%	1.34%	0.51	0.17	0.51	0.17
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	2.57%	(0.84%)	0.44	(0.10)	0.44	(0.10)