

S.F. HOLDING CO., LTD.



2023 INTERIM REPORT

Stock Abbr: SF Holding
Stock Code: 002352



S.F. Holding Co., Ltd.

2023 Interim Report



August 2023

Continuous Pursuit of High-quality Sustainable Development

Deepen Multifaceted Integration *Strive for Consistent Excellence
Foster Sustainable Development*Co-Create Enduring Values



Chapter 1 Important Information, Table of Content and Definition

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

Wang Wei, the Company's legal representative, Ho Chit, Chief Financial Officer (financial head), and Hu Xiaofei, the accounting director, hereby declare and warrant that the financial report contained herein is true, accurate, and complete.

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

In this Interim Report, the Company details the risk factors and countermeasures that may occur in the future. For more information, refer to "Risk and Responses" in "Section X. Risks Faced by the Company and Countermeasures" of "Chapter 3. Management Discussion and Analysis". Investors shall refer to this information.

The Company is required to comply with the disclosure requirements of "Express Service Industry" in the "Self-regulatory Guidelines No. 3 – Disclosure of Industry Information for Listed Companies on the Shenzhen Stock Exchange".

The Company intends to pay no cash dividend, no bonus shares and no conversion of equity reserve into share capital.

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List of Documents Available for Inspection

- (I) Financial statements signed and sealed by the legal representative, Chief Financial Officer (financial head) and the accounting director of the Company.
- (II) 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.
- (III) The original text of the 2023 Interim Report signed by the chairman of the Board of Directors.
- (IV) The place where the above documents are maintained: the office of the Company's Board of Directors.

Definitions

Term	Description
Reporting period	1 January 2023 to 30 June 2023
The same period of previous year	1 January 2022 to 30 June 2022
The Company, the listed Company, SF Holding, SF	S.F. Holding Co., Ltd.
RMB	Renminbi
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 holding subsidiary of S.F. Holding Co., Ltd..
SF Intra-city, Intra-city Industrial	Hangzhou SF Intra-city Industrial Co., Ltd., a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (09699.HK) and a holding subsidiary of S.F. Holding Co., Ltd..
SF REIT	SF Real Estate Investment Trust, listed on the Main Board of the Stock Exchange of Hong Kong Limited (02191.HK), 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
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, China	Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen, Guangdong Province, China
Tel No.	0755-36395338	0755-36395338
Fax	0755-36646688	0755-36646688
Email	sfir@sf-express.com	sfir@sf-express.com

Others

1. Company contact

Whether the Company's registered address, office address and its postal code, the Company's website and e-mail address have changed during the Reporting Period?

Applicable Not applicable

The Company's registered address	Room 101, Huaide South Road No. 46, Huaide Community, Fuyong Street, Bao'an District, Shenzhen
Postal code of the registered address	518103
The Company's office address	Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen, Guangdong Province, China
Postal code of the office address	518057
The Company's website	www.sf-express.com
e-mail address	sfir@sf-express.com
Date of access to the designated website for	19 November 2022

disclosure of temporary announcements (If any)	
Index of designated websites for disclosure of temporary announcements (If any)	www.cninfo.com.cn

2. Information disclosure and location where reports are kept

Whether information disclosure and the location where the report is kept changed during the Reporting Period?

Applicable Not applicable

The name of the newspaper selected by the Company for disclosure of information, the website designated by the China Securities Regulatory Commission (CSRC) on which the interim report is posted, and the location where the Company's interim report is kept were no changes during the Reporting Period, which can be referred to the Annual Report 2022 for details.

3. Other relevant information

Whether other relevant information changed during the Reporting Period?

Applicable Not applicable

II. Key Operating and Financial Data

Results Overview for the First Half of 2023

Revenue

RMB **124.4** billion ↓ **4.4%**

Total assets

RMB **218.0** billion ↑ **0.6%**

Gross profit

RMB **16.8** billion ↑ **3.2%**

Net assets attributable to the parent company³

RMB **89.9** billion ↑ **4.3%**

Net profit attributable to the parent company¹

RMB **4.18** billion ↑ **66.2%**

Basic earnings per share

RMB **0.86** /share ↑ **68.6%**

Net profit attributable to the parent company after deducting non-recurring profit or loss²

RMB **3.71** billion ↑ **72.5%**

Return on net asset⁴

4.72% + **1.72%**

Notes:

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

Volume ^①

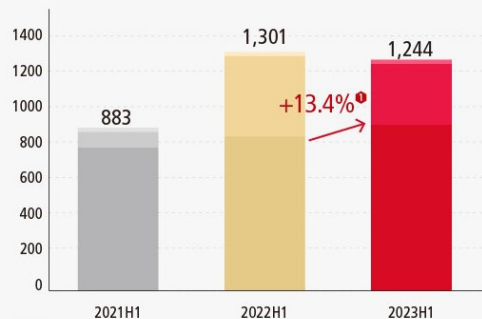
Unit: 100 million parcels



- ① The volume does neither include the volume of Kerry Logistics express shipments, nor does it include the business volume of the Company's international freight and freight forwarding, and supply chain
- ② Excluding Fengwang business, the volume of parcels increased by 18.3% year-on-year

Revenue

Unit: RMB100 million

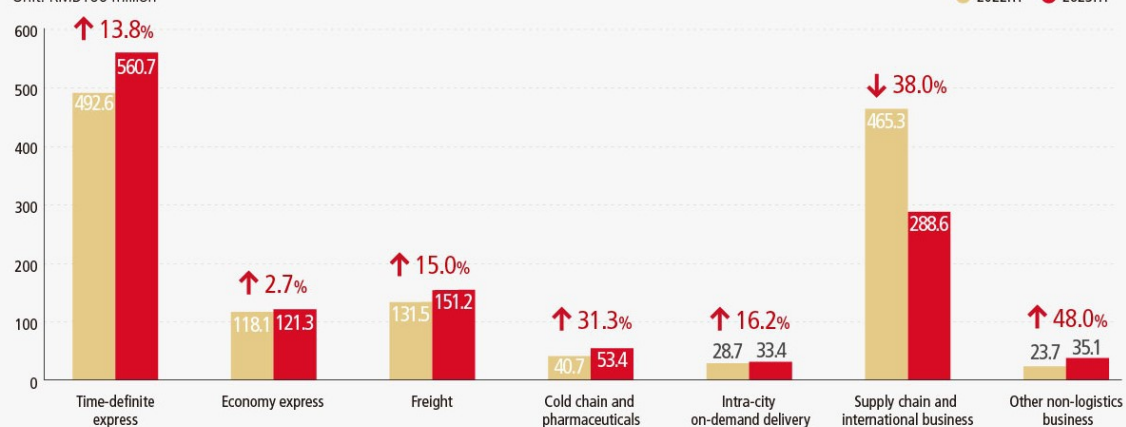


- Revenue from express logistics business
- Revenue from supply chain and international business
- Revenue from other non-logistics business
- ① This is the year-on-year growth rate of revenue from express logistics business

Revenue Breakdown by Segment

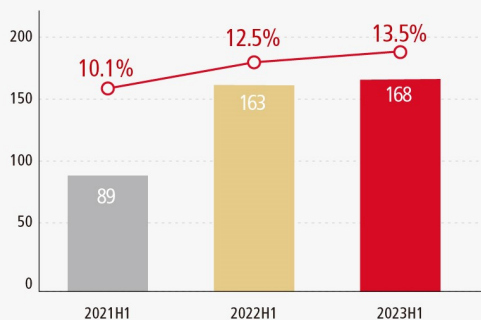


Unit: RMB100 million



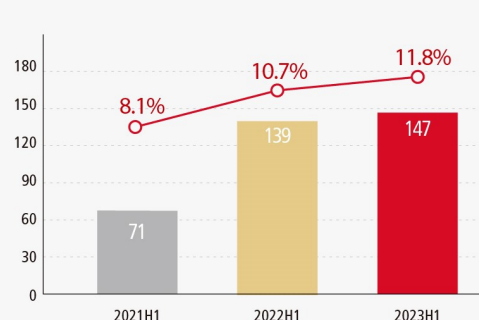
Gross profit

Units: RMB100 million



EBITDA

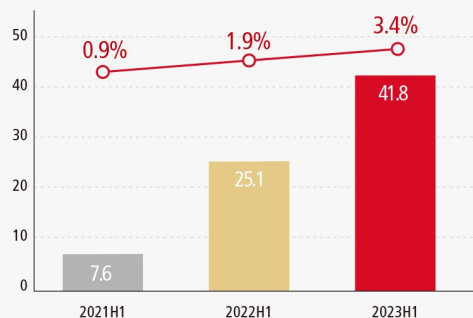
Units: RMB100 million



Net profit attributable to the parent company

Units: RMB100 million

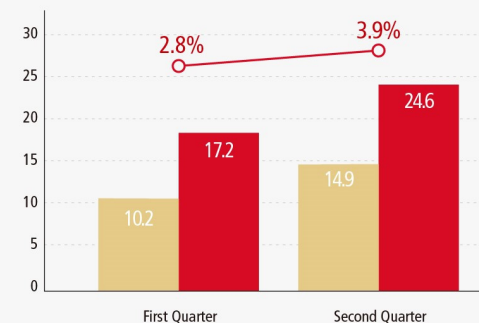
● Net profit attributable to the parent company
○ Net profit margin attributable to the parent company



Quarterly net profit attributable to the parent company

Units: RMB100 million

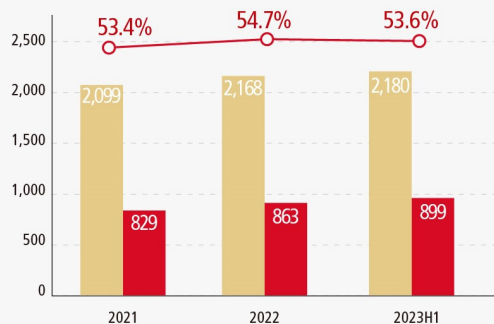
● Net profit attributable to the parent company of 2022
● Net profit attributable to the parent company of 2023
○ Net profit margin attributable to the parent company of 2023



Assets

Units: RMB100 million

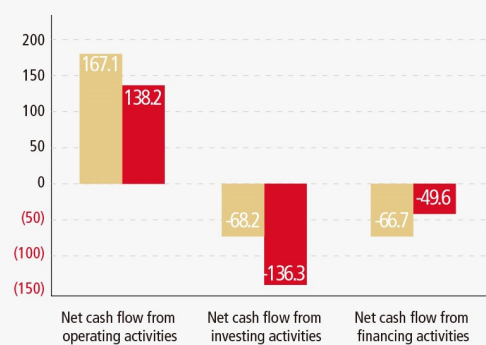
● Total assets
● Net assets attributable to the parent company
○ Debt/asset ratio



Net cash flow

Units: RMB100 million

● 2022H1
● 2023H1



Financial summary

1. Major accounting data and financial indicators

Whether the Company needs to retrospectively adjust or restate the accounting data of previous years?

Applicable Not applicable

Unit: RMB'000

	The Reporting Period	Same period of previous year	Increase/decrease during the Reporting Period over the same period of previous year
Revenue	124,365,598	130,064,133	-4.38%
Cost of revenue	107,555,280	113,778,310	-5.47%
Gross profit	16,810,318	16,285,823	3.22%
Net profit attributable to shareholders of the listed Company	4,176,282	2,512,397	66.23%
Net profit attributable to shareholders of the listed Company after deducting non-recurring profit or loss	3,705,309	2,147,856	72.51%
Net cash flow generated from operating activities	13,824,827	16,712,814	-17.28%

	End of the Reporting Period	End of the previous year	Increase/decrease at the end of Reporting Period as compared with the end of the previous year
Total assets	218,040,431	216,842,707	0.55%
Total liabilities	116,834,362	118,556,658	-1.45%
Net assets	101,206,069	98,286,049	2.97%
Net assets attributable to shareholders of the listed Company	89,943,838	86,263,741	4.27%
Gearing ratio(%)	53.58%	54.67%	A decrease of 1.09 percentage points

	The Reporting Period	Same period of previous year	Increase/decrease during the Reporting Period over the same period of previous year
Basic earnings per share (RMB/share)	0.86	0.51	68.63%
Diluted earnings per share (RMB/share)	0.86	0.51	68.63%
Weighted average return on net assets (%)	4.72%	3.00%	An increase of 1.72 percentage points

2. Major financial data of operating segments

Segment external revenue

Unit: RMB'000

	The Reporting Period	Same period of previous year	Increase/decrease during the Reporting Period over the same period of previous year
Express and freight delivery segment	90,058,986	79,027,014	13.96%
Intra-city on-demand delivery segment	3,406,837	2,938,274	15.95%
Supply chain and international segment	30,283,063	47,545,204	-36.31%
Undistributed units	616,712	553,641	11.39%
Total	124,365,598	130,064,133	-4.38%

Segment net profit

Unit: RMB'000

	The Reporting Period	Same period of previous year	Increase/decrease during the Reporting Period over the same period of previous year
Express and freight delivery segment	4,119,741	2,114,769	94.81%
Intra-city on-demand delivery segment	30,314	-143,940	121.06%
Supply chain and international segment	-308,075	1,689,467	-118.24%
Undistributed units	15,186	-368,555	104.12%
Inter-segment elimination	37,074	5,034	636.47%
Total	3,894,240	3,296,775	18.12%

Note:

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

(2) The corresponding relationship between the operating segments and the Company's principal business segments was: the express and freight delivery segment is mainly time-definite express and economic express business, freight, cold chain and pharmaceutical business; the intra-city on-demand delivery segment is mainly intra-city on-demand delivery business; the supply chain and international segment mainly is international express business, international freight and freight forwarding business, and supply chain business; the undistributed units mainly include segments of non-principal logistics and freight forwarding, 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	244,982	Please refer to Note 5 to Chapter 10 Financial Statement for details.
Non-current asset disposal gains and losses (including the write-off part of the provision for impairment of assets)	45,950	
Government subsidies included in the current profit and loss (except for government subsidies that are closely related to the Company's normal business operations, and are in line with national policies and are continuously granted on a certain standard or quantitative basis)	425,229	It mainly represents fiscal subsidies for the logistics industry, transport capacity subsidy, tax refund, grants for employment stabilisation, etc.
In addition to the effective hedging business related to the Company's normal business operations, the profit or loss from fair value changes in holding held-for-trading financial assets and held-for-trading financial liabilities, as well as the investment income from the disposal of held-for-trading financial assets and held-for-trading financial liabilities	6,787	
Reversal of provisions for impairment of accounts receivable that have been separately tested for impairment	31,217	
Other non-operating income and expenses other than the above	-63,322	
Less: Income tax impact	93,843	
Impact on minority shareholders' equity (after tax)	126,027	
Total	470,973	

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

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

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

Applicable Not applicable

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

Applicable Not applicable

Chapter 3 Management Discussion and Analysis

I. Business development of the Company

(I) Industry Review

1. Amidst the challenging global macroeconomic environment during first half of 2023, the Chinese economy stood out and registered stable growth with encouraging momentum, in tandem with the Chinese logistics industry in particular where strong signs of sectoral recovery was observed.

I) The macroeconomic condition in China has recorded gradual improvement and remarkable resilience. According to a report released by the World Bank in June this year, the global growth has slowed significantly from last year against the backdrop of high inflation, tightening monetary policies and tightened credit conditions, and the global GDP growth is projected to slow down from 3.1% in 2022 to 2.1% in 2023. Nonetheless, China has demonstrated a high degree of resilience in its economic operation amidst the challenges from the external environment and has become an important engine of global economic growth. Various macro indicators show that both individual consumption and business entities are showing a positive trend for better recovery in the domestic economy. In the first half of 2023, China achieved a total GDP of RMB 59.3 trillion, representing a year-on-year growth of 5.5% at constant prices.

II) Domestic industrial production and social consumption have bounced back, with increasingly optimized composition of import and export trading in goods. As the economy and society return to normal operation, and industrial production has been steadily recovering, the increment value delivered by the businesses above designated size across the nation in the first half of the year increased by 3.8% period-to-period. A series of policies to expand domestic demand and promote consumption have

taken into effect, and vitality has been gradually restored in the market. In particular, the total retail sales of consumer goods in the first half of the year amounted to RMB 22.8 trillion, with a period-to-period increase of 8.2%. In relation to online consumption, with the rapid rise of new social or live-stream e-commerce, the national online retail sales of physical goods increased by 10.8% period-to-period, accounting for 26.6% of the total retail sales of consumer goods, representing a period-to-period increase of 0.7 percentage points. Due to the weakening international market demand, the growth rate of import and export is under certain pressure, with the total import and export trading amounting to RMB20.1 trillion in the first half of the year, representing a period-to-period increase of 2.1%. However, the import and export to countries along the Belt and Road has increased by 9.8%, with the trading structure optimised on a continuous basis.

III) The ongoing evolution of the e-commerce ecosystem is driving the shift of the competitive focus of logistics players to integrated capabilities. Along with the recovery of market demand and social circulation, the logistics industry experienced period-to-period recovery to a certain extent. According to the data published by China Federation of Logistics & Purchasing, the average Logistics Prosperity Index of the first half of 2023 was 51.22%, up by 1.85 percentage points as compared to last year. The total domestic cost of social logistics was RMB8.6 trillion, representing a period-to-period increase of 3.7%, and accounted for 14.5% of the total cost of social logistics in GDP. In respect of the express sector, according to the data published by the State Post Bureau, 59.52 billion deliveries were made in China during the first half of 2023,

representing a period-to-period increase of 16.2%. The revenue of China's express delivery business in the first half of 2023 was RMB554.29 billion, representing a period-to-period increase of 11.3%. The Average Selling Price (ASP) was RMB9.31 per delivery, representing a slight period-to-period decrease and indicating increasing competition in the sector.

2. National policies and emerging market demands continue to drive the competition focus to service quality and capability of offering comprehensive logistics service.

I) National policies promote the high-quality development of the modern logistics industry. In February 2023, the CPC Central Committee and the State Council issued the Outline for Construction of a Quality State (《质量强国建设纲要》), for the purpose of promoting development of the domestic economy and industries in the direction of high quality and high level. Significant quality improvements have been witnessed in commerce, tourism, finance and logistics, and new requirements, including upgrading specialisation in production services, have been proposed. In particular, the following new requirements have been raised for the logistics sector, namely, to improve the quality of cold-chain logistics services through active development of multi-modal transport, smart logistics and supply chain logistics, optimise international logistics corridors, and facilitate customs clearance at ports. In the future, the logistics infrastructure will be improved continuously and the efficiency will be gradually enhanced so that the industry will be upgraded and the consumption potential will be further released. The policies will promote logistics enterprises to improve the quality and capability of logistics supply, accelerate the pace of digital transformation, make up for the shortcomings of international logistics, and gradually enhance the green and low-carbon operation, thus continuously improving the comprehensive competitiveness of logistics enterprises.

II) Emerging industries have been generating diversified logistics needs, and there is an urgent need for

high-quality, customised and integrated logistics services.

Emerging industries such as renewable energy, new retail and in-vitro diagnosis have grown rapidly in recent years, and due to their special characteristics, these industries have raised considerably high requirements for logistics services in terms of reliability, timeliness, temperature, cross-border capabilities and integrated solutions. It is difficult for logistics companies engaged in a single or standardised business to provide the corresponding services, thus creating a huge development opportunity for integrated logistics service providers. By tailoring high-quality, integrated and customised solutions for major customers satisfying the needs of the industry, integrated logistics service providers are able to rapidly expand the application of their solutions across the entire industry, thereby effectively capturing incremental market needs.

III) The ongoing evolution of the e-commerce ecosystem is driving the shift of the competitive focus of logistics players to integrated capabilities.

With the rise of emerging social, live stream e-commerce and local life services as well as the rapid development of the emerging industries, high speed has become a major trend for the logistics service. Enterprises, merchants and e-commerce platforms have been attaching increasing importance to the timeliness and quality of logistics performance, and consumers' demand for high-quality, time-sensitive logistics services is also rising rapidly. Enhancing service level and development quality has become the new theme of the industry. Logistics enterprises have actively promoted service subdivision and product classification, optimised service mode and expanded the breadth of services, perfected the operation process, improved the quality of terminal services, and enhanced the customer experience. Thus, the competition in the industry has been gradually transferred from the price competition for the past to the competition of service level and quality. In addition, with the complexity of the supply chain intensifies, Chinese enterprises propose increasing demand for one-stop logistics services from third-party service providers, and integrated logistics service providers enjoy the advantage of possessing platforms that can better meet the needs of integrated and

multi-scenarios service.

3. The local logistics market in intra-Asia and various countries in Southeast Asia and the intercontinental logistics market in Asia will maintain rapid growth, with huge development opportunities.

In recent years, with the growing presence of Asian emerging economies including countries in Southeast Asia in the global supply chain, the materialisation of the Regional Comprehensive Economic Partnership (RCEP), the deepening cooperation between China and ASEAN Free Trade Agreement (CAFTA), and the rapid development of cross-border and local e-commerce businesses, the intra-Asia trade volume and logistics demand is growing rapidly. According to Frost & Sullivan, the intra-Asia trade volume has accounted for 35% of global trade volume in 2022. In particular, the China-Southeast Asia trade chain is one of the largest trade chains within Asia with the fastest growth, and the trade volume of which accounts for 24% of intra-Asia cross-border logistics spending in 2022. According to the above study, the total logistics spending of the China-Southeast Asia trade chain reached USD56.3 billion in 2022, growing at a CAGR of up to 16.5% from 2017 to 2022, and is expected to maintain a high CAGR of 11.6% over the next five years. Looking ahead, China and Southeast Asia will form an effective complementary industrial structure, forming a new pattern of “China + Southeast Asia” integrated supply chain, which will bring great opportunities for the international business of Chinese logistics enterprises.

In addition to the intra-Asia market, the local logistics market of various countries in Southeast Asia also possesses great potential for development in line with economic growth, increasing urbanisation rate, rising local spending power, improved e-commerce penetration and continued improvement in infrastructure. According to Frost & Sullivan, the total local logistics spending of various countries in Southeast Asia has reached USD453.9 billion in 2022, and is expected to maintain at a CAGR of 7.1% over the next five years. The e-commerce express delivery service is the major growth driver for the industry in Southeast Asia, with e-commerce penetration rate increasing from 3.5% in 2017 to 15.4% in 2022, and is expected to further increase to 29.8% in 2027, resulting in considerable local logistics demand.

As the core nodes of import and export trading of Asia, China, together with Southeast Asia, creates huge market opportunities in Asia's intracontinental and intercontinental integrated cross-border logistics services, such as time-definite express, freight forwarding and supply chain resolution markets. For Chinese logistics enterprises that have pioneered in expanding business network to the Southeast Asia market, and are capable of providing the globe with logistics and freight forwarding service based in Asia, they will be more able to grasp the development opportunities under the background of industrial chain upgrading and reshaping, join hands with more Chinese brands to go abroad and help multinational brands reshape their supply chains, create a stable, efficient and end-to-end international supply chain, and realise the globalised layout of the logistics network portfolio.

(II) Principal business segments of the Company

SF Holding is the largest integrated logistics service provider¹ in China and Asia, and the fourth largest in the world. With the logistics ecosystem as a focal point, the Company has continually developed its portfolio of product and service capabilities, and has expanded to cover time-definite express, economy express, freight, cold chain and pharmaceuticals, intra-city on-demand delivery, international express, international freight and freight forwarding, and supply chain, to provide customers with domestic and international end-to-end one-stop supply chain services. Meanwhile, through leveraging leading technology and research and development capabilities, the Company strives to create a digital supply chain ecosystem, and become a front runner in global intelligent supply chain.

With the aim of sustainable and healthy development through visionary and forward-looking strategic planning, for the past three decades, the Company has accurately seized opportunities to expand its scale, maintain industry leadership, and has become the leading logistics company in China and Asia. The Company's flagship product, time-definite express, has dominant market leadership in China, and through leveraging the network resources and capabilities for its time-definite express, the Company has rapidly and efficiently expanded into new logistics service sub-segments, covering from small parcels to bulk and heavy cargoes, from standardized express delivery to be-spoke supply chain services, and from China to Asia and further to the world. In terms of revenue in 2022, the Company was the market leader in China across five logistics sub-segments including express, freight, cold chain, intra-city on-demand delivery² and supply chain³, and the market leader in Asia across four logistics sub-segments including express, freight, intra-city instant delivery² and international business⁴ in Asia¹.

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



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

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

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

⁴ Among the integrated logistics service providers in Asia

Business Segments

 <p>Time-definite Express</p>	<p>Express Logistics</p> <p>Provide time-definite and fast door-to-door delivery service for consumers, enterprises, and mid- to high-end brand merchants</p> <ul style="list-style-type: none"> Options of half-day delivery, same-day delivery, next morning/next day delivery, taking into account on shipping route and distance; addressing time-efficient and door-to-door delivery demands such as personal pieces, industrial and commercial pieces, mid- to high-end brand order fulfillment, parcel return services for e-commerce platforms, immediate response in JIT mode of production and distribution, and other scenarios.
 <p>Economy Express</p>	<p>Provide cost-effective and quality-guaranteed delivery services mainly for e-commerce platforms and merchants</p> <ul style="list-style-type: none"> We focus on serving e-commerce platforms and merchants with stringent requirement on user experience by virtue of our high-quality fulfillment capabilities, standing out in the market attributable to timeliness and door-to-door delivery; Integrated warehousing and distribution service to serve warehousing needs arising from differentiated service offering and pricing level, with nationwide sub-warehouses, smart cloud-based warehouses and integrated warehousing and distribution service.
 <p>Freight</p>	<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"> Large parcel land transport: Provide large parcels B2C delivery for e-commerce platforms and merchants, B2C store transport and allocation, less-than-truck-load freight transport and full-truck-load transport; Extended services: large parcel warehousing and distribution, moving, store distribution, delivery and installation integration, and other scenarios; SF Freight carried out through directly-operated network to serve mid- to high-end customers while SX Freight carried out through franchising network to serve a broad-based economy market.
 <p>Cold Chain and Pharmaceutical</p>	<p>Mainly for customers from three sectors: seasonal and fresh, frozen food and pharmaceutical</p> <ul style="list-style-type: none"> Seasonal and fresh food logistics: deliver seasonal agricultural products across China directly from place of origin to consumers; Cold chain food logistics: Provide high-standard end-to-end temperature-controlled cold chain logistics services including multi-temperature zone controlled storage, less-than-truckload/designated full-truck-load transport, and direct delivery to store/consumer; Pharmaceutical logistics: Serve clients throughout the entire pharmaceutical value chain, capable of conducting multi-temperature zone control and transportation (from -80°C to 25°), and GSP certified pharmaceutical cold storage service.
 <p>Intra-City On-demand Delivery</p>	<p>Provide on-demand distribution service mainly for restaurants, retail/e-commerce merchants, individuals and enterprises;</p> <ul style="list-style-type: none"> Provide exclusive, concessionary and value-added To B services, and To C service offering matrix integrating features of "Fetch for Me, Deliver for Me, Purchase for Me, Solve for Me" and city-wide on-demand delivery services within average 1 hour.
<p>Supply Chain and International</p>	
 <p>International Express</p>	<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 delivery and overseas warehousing services;</p> <ul style="list-style-type: none"> Cross-border standard express: Standard services with high timeliness that meet the needs of cross-border expedite delivery, including high-quality international standard express and cost-effective international special-offer products; Cross-border e-commerce delivery: Cost-effective and economical services that meet the needs of cross-border e-commerce platforms and merchants, including efficient international e-commerce express and economical international small parcels delivery; Overseas local express: Offered in Southeast Asian countries such as Thailand, Vietnam, Malaysia, Cambodia, Indonesia.
 <p>International Freight and Freight Forwarding</p>	<p>Provide customers with air, sea, railway, land and multi-modal freight transport solutions;</p> <ul style="list-style-type: none"> Air transport: provide air transport services such as pick-up at departure point, multiple integration, customs clearance, delivery to end customer; Sea freight: provide sea freight service including all kinds of traditional freight, FCL freight and LCL freight; Land transport: provide innovative and economical road and railway transport services across Europe and Asia.
 <p>Supply Chain</p>	<p>Provide customers in various industries with domestic and international end-to-end supply chain solutions;</p> <ul style="list-style-type: none"> Empowering customers with technology, leveraging SF's big data, IoT technology and software and hardware system integration capabilities to help customers establish the smart supply chain; SF DSC and New HAVI mainly provide local supply chain solutions in China; while Kerry Logistics mainly provide global integrated logistics services and supply chain solutions.

(III) Summary of business development

1. Customer operation⁵

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

I) Credit account clients

As of the end of June 2023, the number of active credit account clients⁶ amounted to approximately 1.90 million, an increase of 140,000 compared with the same period of the previous year.

(1) **SKA (strategic key accounts):** Orchestrating the Group's competitive advantages in both the comprehensive product offerings and well-established operational coverage across the supply chain solutions, enhancing SF's ability to provide highly integrated solutions to various customer verticals, continuously extending solutions coverage towards new logistics scenarios from upstream and downstream of the supply chain, fostering the growth of Group's customer wallet share throughout each part of the supply chain.

① **E-commerce platform customers: a. Positioned to serve new forms of e-commerce:** following the rapid emergence of new e-commerce platforms and livestreaming, the e-commerce platforms have been introducing novel business models in response to the shift in demand i.e. via the livestreaming or opinionating by top-tier streamers to drive the development pathway of e-commerce platforms. Combining its layered-structured products of multiple delivery timeliness and superior service capabilities, SF assists platforms to create their exclusive service models, while strengthening the supply chain capabilities of SF in the field of online supermarket and near-field e-commerce. **b. Continuously penetrate into parcel return services for e-**

commerce platforms: the Company further enhances its parcel return service capabilities for e-commerce platforms, creating a comprehensive and differentiated fulfilment experience through a variety of time-definite and value-added services, and provides value-added services throughout the whole process from collection to delivery, so as to promote the parcel return services for e-commerce platform return business to maintain rapid growth. **c. Facilitate cross-border e-commerce:** we facilitate the domestic e-commerce platforms to achieve concentrated transportation in China and direct shipment abroad, thereby to expand overseas market through integrating advantageous resources such as express delivery, freight, warehousing, international all-cargo flight, and logistics partners. During the first half of 2023, the Company witnessed rapid growth in the number of platform partners and parcel volume in the cross-border e-commerce business.

② **Communication and high-tech customers:**

In order to meet the domestic and international integrated logistics needs focusing on time-sensitive express delivery, bulk transportation, warehousing and cross-border transportation for customers in high-tech industry, the Company has built up integrated supply chain service capabilities focusing on upstream equipment and materials, midstream device manufacturing and downstream finished product distribution to help customers expand overseas footprint and enhance the efficiency of customers' supply chains both domestically and overseas. In addition, by integrating the Group's domestic and overseas supply chain resources, the Company has successfully implemented large-scale projects such as centralized warehouse for raw materials for one customer and intelligent warehousing for one customer, and has accumulated management capability and experience for large-scale integrated logistics projects, which has gained in-depth recognition from the customer, thus laying the foundation for further cementing the share of large customers' global business.

③ **Apparel, footwear, and hats customers:** The Company has gradually expanded the market share in the supply chain scenarios for apparel, footwear and clothing customers, and extended the business scenarios of serving international major brands from traditional B2C business to B2B and inter-warehouse logistics. Besides, with the trend

⁵ The statistics in this sub-section exclude the customer data of SF Supply Chain, New HAVI and Kerry Logistics

⁶ The number of active credit account clients refers to the customers that entered into business agreements with the Company and still transacted with the Company as of June 2023

of low-carbon environmental protection, the new demand for destruction of garments of international brands in an environment friendly way has been highlighted, and the Company has aggregated a number of internal business capabilities to provide customers with end-to-end solution covering the whole chain of "transport-storage-destruction" of garments, cooperating with customers to promote green and sustainable development.

④ Fast-moving consumer goods customers: Leveraging SF's intelligent supply chain warehouse network planning, integrated warehousing and distribution systems and comprehensive industry-tailored solutions capabilities, SF assisted a customer in its supply chain transformation and upgrade. During the first phase of cooperation, the Company brought the customer's online consumers fast fulfilment services which only took 12 to 48 hours from order placement to delivery, and the customer and the Company will carry out more efficient synergies in the second phase of cooperation to enhance customers' experience throughout all channels.

(2) KA (key accounts):

① Mechanism iteration: the Company has iterated its customer introduction and upgrade system based on customer needs through improving customer portrait. Meanwhile, it reviews business opportunity potential and cooperation progress, and then further subdivides the KAs into core KA, key KA and potential KA, and adopts differentiated customer management strategies in terms of resource support, operation and maintenance guarantee, solutions and other dimensions.

② Business focus: focusing on the breakthrough of new business scenarios in 9 major sub-industries, the Company promotes the integration and reuse of industry solutions to expand the scale of business. Customers of high potential are targeted by providing them tailored solutions based on their specific needs and guiding them to recognise the value of full-scenario services, thus realising business breakthrough.

③ Management refinement: the Company manages to achieve overall implementation of its service through focusing on customer image visualisation, solution capability upgrading, customer operation and maintenance upgrade, and team management capability enhancement, thus enhancing customers' experience.

(3) SME (small and medium-sized enterprises): The Company focuses on the three core strategies, namely, business innovation, customer satisfaction enhancement, and establishment of a well-built sales team, so as to improve service quality provided to the SME.

① Business expansion: we consolidate the existing customers through refined management, explore growth opportunities by developing new business scenarios, adopt technology solutions to support business development and offer a mixed portfolio of multiple products;

② Enhance customer satisfaction: we provide customers fast and customer-centric services under closed-loop end-to-end management to address customers' needs, improve response timeliness to their needs, and enhance customer satisfaction;

③ Sales capability enhancement: the Company further optimises the sales management system, and builds a well-established, professional and self-motivated sales team through overall management covering recruitment, cultivation, management and evaluation.

II) Retail customers

As of the end of June 2023, the number of retail customers amounted to 625 million, representing an increase of more than 40 million compared with the same period of the previous year. We increased touchpoints with retail customers through multiple channels, online and offline, to ensure the growth of our retail business:

(1) Online:

① External platforms: the Company continuously improves the coverage of external cooperation channels and launches more new service scenarios and functions, such as optimising enquiry for historical deliveries, upgrading user preference functions and value-added service functions, and launching more lifestyle scenarios services (e.g., laundry, recycling of used items), to enhance the stickiness of retail customers. The new customers of SF APP registered on WeChat/Alipay/Baidu platforms was approximately 28 million during the first half of 2023.

② SF APP: through new launch of short video capability and extending to more service scenarios, the Company has further strengthened channel building of SF APP. The number of new registered customer of SF APP for the first half of 2023 was approximately 13 million, with daily active users representing a period-to-period increase of 19.7%.

(2) Offline Channel: The Company is focusing on the strategic goal of "continuously deepening, expanding and increasing the density of the offline channels to enhance our competitiveness in the last 100-meter service": ① At the urban end, the Company will emphasize two major tasks, namely, the refined expansion and operation of channel management and the change of regional outsourcing models, targeting to further improve channel coverage and strengthening layered channel operation; ② At the rural end, the Company will continue to expand the cooperation channels, improve service standard requirements and strengthen operational control through visualized

management over the resources at county and lower levels, so as to consolidate our service competitive edges in the remote townships, and at the same time, the Company will grant township agents discount authorisation as appropriate, and carry out targeted marketing strategies in accordance with the business characteristics of different townships, so as to further seize the share in low-tier market. As of June 30, 2023, the aggregate number of courier stations and cooperation stations in other external channels of SF in China increased by 25% as compared with that by the end of the previous year.

2. Business development

I) Time-definite express

In the first half of 2023, the Company's time-definite express business achieved tax-exclusive revenue of RMB56.07 billion, representing a period-to-period increase of 13.8%. With the gradual recovery of social and economic activities and consumption in the domestic market, the Company recorded a rapid growth in the time-definite express business by taking advantages of self-operated network and strong control over respires, providing efficient and stable delivery for customers and consumers.

The Company continues to expand its top-notch time-definite services, improve service capabilities and cover more service scenarios: **(1) SF speedy express:** Taking "upgrading time-definite capabilities, enhancing customer experience and improving claims related service" as the three core focuses, the Company has improved the product offering capabilities and service quality of SF Express to further consolidate SF's leading position in high-end time-definite express market. **(2) Intra-city half-day delivery:** By fully integrating the quality resources within the same city, the Company launched the product of "intra-city delivery within half a day", focusing on the development of local consumption scenarios, exploring new local life market, optimising product structure of time-definite express segment, and enlarging the scale of time-definite business. During the first half of 2023, the product of "intra-city delivery within half a day" has been expanded to 130 cities. **(3) Cross-city expedite delivery:** In response to customer's demand for ultimate time-definite cross-city delivery in a short and medium distance, the Company has fully launched the product of "cross-city expedite delivery" by utilising high-speed rail road's resources to achieve the fastest cross-city delivery as fast as 4 hours. Currently, such service has been provided in 113 cities. **(4) Bulk express air transportation:** we capitalise SF all-cargo aircraft and abundant bulk parcel delivery resources to develop a unique operation model for bulk express delivery. The core cities capable of receiving and dispatching goods directly from the pick up and delivery ends have been expanded from 23 to 74 cities, and a variety of independent operation capabilities have been adopted in the transit process to reduce

transshipments and to achieve higher timeliness of time-definite delivery. **(5) E-commerce returns:** Benefiting from our leading strength in door-to-door collection, the continuous expansion of various cooperative e-commerce platforms as well as improvement in service satisfaction, our volume of parcel return services for e-commerce platforms in time-definite segment experienced a period-to-period increase of over 100% in the first half of 2023, helping the Company continuously increase the market share in parcel return services for e-commerce platforms market.

In addition, the Company has gradually switched part of the domestic air hub routes to Ezhou air cargo hub. It is expected that the air cargo hub will be put into operation successively in the third quarter of 2023. The Company gradually built a hub-and-spoke air transportation network with extensive coverage, low cost, and high efficiency, so as to achieve the optimisation and layout change of the Company's full-link network mode, bringing more time-definite business growth.

II) Economy express

In the first half of 2023, the Company's economy express business achieved tax-exclusive revenue of RMB12.13 billion, representing a period-to-period increase of 2.7%. Adhering to the tone of healthy operation and steady development, the Company is committed to providing high-quality fulfilment services to e-commerce platforms and e-commerce merchants, with steady growth in its main "e-commerce standard express" products, which meet the diversified needs of mid- to high-end customers in the economic express market. Meanwhile, the Company completed the sale of its franchising moded business, "Fengwang Express", in June this year, which is conducive for the Company to focus on more differentiated services at medium-to-high end level.

(1) E-commerce standard express: In 2023, in relation to the e-commerce express segment, the Company focused on the main business strategy of "leading the core market to

a large scale", and promoted the e-commerce standard express products to maintain steady growth and achieve proven benefits through selecting preferred business regions, developing customers of good quality, refined management, and cost reduction in all segments. The Company strengthened cooperation with each of e-commerce platforms and actively expanded new business scenarios of the platforms by virtue of its high-quality fulfilment service capabilities. In the first half of 2023, the Company cooperated with many major influential e-commerce platforms in new business scenarios, satisfying the platforms' demand for time-definite and consumer-oriented customised fulfilment services, helping them enhance the shopping experience and stickiness of their consumers, and promoting business development of the platforms' e-commerce segment. In terms of product efficiency, through enhancing product competitiveness and strengthening internal refined management, the e-commerce standard express products achieved a period-to-period increase in average revenue per parcel, a decrease in unit operating costs and a significant increase in profitability.

(2) Warehousing and distribution integration services: By virtue of the nationwide warehouse network resources, standardised warehousing and distribution products and solutions, professional operational team and end-to-end whole-chain systematic service capabilities, the Company provides customers with cost-effective integrated warehousing and distribution services. In 2023, the Company continues to enhance standardised warehousing and distribution operation and lean management, improves customer experience and operational innovation and upgrading, enhances the stickiness of existing customers, and

promotes both business and revenue growth revenue. ① **In-depth industry engagement:** the Company enables itself to achieve effect of synergy between the Group's warehousing and distribution integration and various supply chain service capabilities, and continues to enhance the Company's service capabilities in advantageous supply chain scenarios of various industries. ② **Optimisation of warehouse networks:** the Company continues to promote the integration of warehouse networks, and further deepens the multi-network integration and sites integration to support the model of "warehousing in the upper level and sorting in the lower level(上仓下中转)". In the first half of 2023, the Company reduced the empty warehouse area by 139,000m², promoting the connection between more than half of the e-commerce warehouses and sorting centers, so as to effectively improve the operational efficiency. ③ **Consolidate the fundamental business and innovate business models:** the Company optimises the coordination process between warehousing and distribution, plans such delivery routes as directly dispatched from warehouses, and implements cross-district direct delivery and stripping delivery for parcels within the same city, etc., so as to improve the overall operating efficiency and reduce overall cost.

III) Freight

In the first half of 2023, the Company recorded tax-exclusive revenue of RMB15.12 billion from freight business, representing a period-to-period increase of 15.0%.

In the first half of the year, as the domestic economy returned to normal with GDP growth rate rebounding, medical equipment, new energy vehicles, electronic communications equipment and other new high-end industries and consumer-end smart home industry recorded relatively rapid growth rates in demands even though the growth rate in the traditional manufacturing industry is relatively slow. The rapid growth of high-end industries has brought new growth momentum to the logistics industry, and also raised higher requirements for the quality of logistics services.

In respect of the freight business under the directly-operated network, the Company adheres to the tone of steady development and professional refinement oriented for customer demand. It adopts the policy of "adhere to time-definite, steady strategy and professional refinement" to create a leading edge in market competition. In the first half of the year, the size of large parcel business continued to grow, and through continuous investment in resources to improve delivery quality while accurately optimising cost structure, the Company achieved a substantial period-to-period increase in profit.

(1) Time-definite leading: Maintaining leadership in time-definite delivery is essential in competition of freight business. The Company has optimised its land freight business through multiple measures, including, among others, direct collection and direct distribution without centralised sorting, frequency enhancement and intensive bulk shifts, strategic investment in key routes, breakthroughs to differentiate traditional regional divisions to implement nearby transshipment, and bus cycling transportation mode under land network, so that the average delivery time consumed per each parcel of large parcel products has shortened by 0.7 hours, which enables the Company to

achieve refined management and increase its service advantage in addition to its leading position in the industry in terms of time-definite delivery of freight business.

(2) Stable marketing strategy: the Company endeavors to gain service engagements with its proven capabilities, and gain market share with the service quality. Instead of merely relying on competitive price, the Company stands out in market competition through its proven capabilities and quality service, and consolidate cooperation with customers based on stable market strategy and leading service standards.

(3) Professional refinement: in respect of To C scenario, the Company focuses on enhancing capability of serving life scenarios, and strengthens the competition barriers through differentiation advantages: ① Our self-established in-home installation service has covered 201 cities, and our designated staff responsible for delivery and installation services are more professional and efficient; ② Integrated warehousing and distribution service enhances customers' experience for their order delivery, and the home appliance warehouse with an area of 160,000 square meters has covered the core business districts and home appliance production and marketing places, to meet the needs of e-commerce industrialisation. **In respect of To B scenario, we consolidate fundamental service for production scenarios, and enhance the cost-effectiveness of service through flexible operation:** ① Over 5,000 tailboard trucks and more than 1,500 sets of new heavy-cargo operating equipment were invested by the Company to ensure prompt delivery through consolidating fundamental capability; ② Recycling of wooden packaging and pallets was promoted to ensure service quality and safety of large parcel cargoes; ③ The Company adopted innovative modes to reduce costs and increase efficiency, and integrated internal and external resources, reduced sorting under the model of centralised collection + direct delivery, and reduced loading and unloading, outlets involved and stops to fully shorten the service time during the whole process, resulting in cost reductions and efficiency and enhancing the delivery quality

and cost-effectiveness of goods of high kilograms.

SX Freight franchising network continued to expand its business scale, whose cargo volume increased by over 30% on period-to-period basis during the first half year, with the growth rate continuing to be the first in franchise market. Our scale of less-than-truckload transport stepped into the top three in the franchise express industry with rapid growth. SX Freight practices the operating approach of "user

management" for franchise operations, establishes a stable and sustainable franchisee ecology network, and focuses on building comprehensive competitiveness, aiming to further improve the overall quality of service and user experience, so as to win the wide recognition from the industry, franchisees and customers.

IV) Cold chain and pharmaceuticals

In the first half of 2023, the Company recorded tax-exclusive revenue of RMB5.34 billion from the cold chain and pharmaceutical business, representing a period-to-period increase of 31.3%.

According to China Federation of Logistics & Purchasing, the market size of China's cold chain logistics is expected to exceed RMB530.9 billion in 2023, representing a period-to-period increase of approximately 8%. New business modes such as live stream e-commerce and instant retailing are developing vigorously, and the penetration of diversified and near-field consumption of fresh food is accelerating. It has become an industry trend for fresh food retail channels to be integrated online and offline, and to be extended to far-field and near-field e-commerce. As a result, the market demand for cold chain logistics service with integrated network, high time-timeliness and high cost effectiveness is highlighted. In the medium and long term, favorable policies will facilitate stable industry development, and represent more developing opportunities for specialised and network-operated enterprises.

(1) Seasonal and fresh food logistics:

The upstream service network for the Company to facilitate sales of agricultural products has covered more than 2,700 county-level administrative districts, involving more than 6,000 fresh agricultural products under 226 major categories across China. ① **Refined service:** We integrated self-owned all-cargo aircraft, cold chain, warehousing and other external cooperation resources, matched agricultural products with different value hierarchy and time-definite needs, formulated differentiated operation modes and refined pricing hierarchy, and served a broader agricultural product market with more cost-effective service; ② **Propel production and sales:** We actively expanded live stream marketing and subdivision scenarios, and facilitated production and marketing of agricultural products via live broadcasting in the origins of the products. Besides, we cooperated closely with the local government, associations and leading brands in prepared dishes, lychee, cherry, prune and other subdivision scenarios, and jointly held industry press conferences to formulate industry supply chain solutions and promote the development of the industry; ③

Technology empowerment: Technology tools such as Xiaoguoguo (销果裹) management system, SF Harvest (丰收), drop shipping and SF Trace (丰溯) were invested to assist farmers in printing orders, promising origin-tracing, sales and marketing, and settlement based on the characteristics of agricultural products under different scenarios in terms of production, supply, transportation and marketing, developing a one-stop supply chain technology logistics solution; ④ **Brand building:** The Company established designated funds and provided subsidies to cooperate with the governments of the place of origin to jointly build 26 regional brands of agricultural products to help local brands stun the national market.

(2) Food cold chain logistics:

In the first half of 2023, the Company's food cold transportation business recorded rapid growth, and the profitability of the business continued to improve. ① **End-to-end warehousing and distribution guarantees time-definite enhancement:** The Company has planned and optimised the whole-chain process of the cold chain logistics, focused on exploration of enhancing the operation capability of the warehouse, upgraded the production model, extended the operation hours in warehouses, and provided customers with a wider range available for order-placement. Meanwhile, we have made brand-new upgrades and formulated programmes in terms of network planning, system research and development, on-site planning, and production shifts, so as to build up our capability of providing ultimate time-definite service, such as specified hours delivery, half-day delivery, next morning delivery, etc. ② **Expand 2B less-than-truckload transport business:** We made steady development in cold chain freight and focused on penetrating into core cities. Combining with the 2B door-to-door service capacity enhancement, we experienced a rapid growth in 2B light-weight business segment, which fully highlighted the advantages of our cold chain network services. In addition, in response to the continuous demand of catering chains to penetrate to low-tier markets, we expanded the scope of service through diversified resource and capabilities. making such service available in 165 cities by the end of June 2023, which was 50% higher than that by the end of 2022. ③ **Optimise and**

upgrade packaging materials: Taking into account product category, regional differences and seasonal temperature differences, we have developed more abundant and diversified packaging solutions to meet the differentiated packaging needs of different customers. Meanwhile, we constantly optimise the packaging materials based on market demands and seek the best price-performance packaging solutions to enhance our competitiveness in cold-chain logistics packaging and help our customers reduce costs and increase efficiency. **④ Improve quality:** In 2023, SF Cold Chain ranked first for the five consecutive times the title of Top 100 Cold Chain Logistics Enterprises in China. At the same time, we continuously improve industry service standards in various segments to establish a high-quality benchmark for cold chain services.

(3) Pharmaceutical logistics:

In the first half of 2023, the Company built the professional ability of marketing and operation in the field of pharmaceuticals, focusing on high profit sectors and establishing capability barriers of pharmaceutical supply chain. **① Pharmaceutical warehousing:** the Company built six GSP certified pharmaceutical warehousing centres, providing diversified solutions for drug & medical device manufacturing and distribution enterprises, vaccine manufacturers, disease control centres at all levels, pharmaceuticals, pharmaceutical e-commerce, pharmacies, etc., to facilitate successful implementation of a number of cooperation projects with customers. **② Precise temperature control less-than-truckload transport:** With respect to medical clinical segment, the Company endeavors to offer precise temperature controlled comprehensive less-

than-truckload transport service focusing on in vitro diagnostic (IVD) reagents, third party medical laboratories and other areas, and enhances its bulk collection and distribution service capability, which enables the number of new customers to increase by 77% on period-to-period basis.

③ Vaccine transport: We have made great efforts to expand the transport business of Category II vaccines, and introduced domestic HPV vaccine transport business for the first time for warehousing and distribution. **④ Upgrade pharmaceutical cold chain network:** In the first half of 2023, changes and upgrades were made to the pharmaceutical cold chain network to optimise the Group's network operation capacity in terms of improving time efficiency, expanding network coverage capacity, increasing frequency of shifts and improving carrying capacity, etc. Through increasing input of standard insulated containers, introducing temperature-controlled containers such as thermostatic mobile cabins and combining flexible operation with a variety of delivery resources, the Company has been able to satisfy the demand for small-quantity less-than-truckload transport in a more optimal resource mode. In the first half of the year, the overall definite time was shortened by 15.4 hours, the cost per ton-kilometre decreased, and the Group's network coverage expanded to 302 cities. **⑤ Establish industry standards:** The Company has been actively implementing the management requirements on national standards and industry standards. In the first half of the year, the Company participated in the declaration for the national standards under the "Cold Chain Logistics Operation Specification for Medical Testing of Biological Samples"*(《医学检验生物样本冷链物流运作规范》).

V) Intra-city on-demand delivery

In the first half of 2023, the Company recorded revenue (exclusive of tax) of RMB3.34 billion from intra-city on-demand delivery, representing a period-to-period increase of 16.2%.

In the first half of the year, the consumer market gradually rebounded, merchants continued to seek multi-scenario consumer traffic, and the consumption habit of "what you see is what you get" strengthened, which have accelerated merchant demand for high-quality and timely logistics services. During the reporting period, intra-city on-demand delivery recorded steady and high-quality growth in revenue. Through business structure optimization, economics of scale and network effects, intra-city on-demand delivery recorded a historically high gross profit margin, and recorded net profit as compared with historical net loss.

(1) Multiple drivers facilitate high-quality growth

To merchants, SF Intra-city is committed to providing an open and inclusive on-demand delivery network, together with professional, highly-efficient and all-scenario fulfillment solutions, to assist merchants establish logistics fulfillment capabilities: ① capture multi-scenario traffic opportunities – as one of the most extensive and in-depth third-party on-demand delivery platforms, establish closer strategic cooperation with private domain traffic, vertical platforms, live streaming e-commerce, and WeChat mini-programs, deepen service scenarios and scale, and launch service models and standards, to co-create a platform ecosystem; ② Multi-scenario service model and differentiated network capabilities are well-positioned to meet the diversified on-demand needs of merchants in the food and beverage and non-food industries. In the first half of 2023, local e-commerce, local services, and other high value-add scenarios achieved period-to-period revenue growth of over 38%. The growth rates of food and beverage chains, tea and beverages, pharmaceuticals, beauty and makeup, maternal and infant care, pets, and jewelry exhibited exceptional growth, which optimized order mix; ③ Cooperating with SF Dawang (顺丰大网) to create integrated solutions, in close synergy with various business lines, to help the Company expand its customer base and

increase customer stickiness.

To consumers, SF Intra-city is committed to providing industry-leading professional fulfilment services, as well as "Deliver for Me, Fetch for Me, Purchase for Me, Solve for Me" services covering personal work and life scenarios. By proactively capturing new opportunities in the consumer on-demand delivery market, drive revenue growth; optimise brand placement and channel marketing strategies, streamline user management and enhance our membership system, effectively improve customer acquisition efficiency and user conversion, and grow our own channels to become the key source of user acquisition. On this basis, SF Intra-city continues to extend personal service scenarios, which has encouraged retention and repurchases from core retail customers and shaped the consumers' mindset that "SF Intra-city is the best delivery choice for urgent and valuable items". The number of active customers continued to increase, reaching over 18.50 million in the last 12 months ended June 30, 2023, representing a period-to-period increase of 50.3%.

(2) Streamlined operations and dynamic network to achieve reliable delivery with reduced costs and improved efficiency

SF Intra-city had expanded rapidly and increased the density of its nationwide dynamic capacity network to strengthen the efficiency, reliability and differentiated delivery capabilities across all scenarios, categories and time periods. On one hand, the dynamic network can quickly meet the operational requirements of different customer types, and enable chain customers to quickly establish new stores and develop home delivery businesses in lower-tier markets, and effectively achieve integration of transportation networks, improve integrated efficiency, and better guarantee reliable fulfillment; on the other hand, it also has significant importance in accelerating all aspects of logistics service and providing personalised services, for example, launching the "half-day delivery" service in cooperation with SF Dawang, leverage the dynamic capacity network to support the establishment of hourly/minute-level delivery service capabilities, and drive the improvement of traditional express network's timeliness. SF Intra-city continues to strengthen its point-to-point on-demand four-wheeled

delivery capabilities and expand its "two-wheeled + four-wheeled" on-demand delivery to meet long-distance and heavy-weight delivery demands.

The well-established delivery capabilities, and high-quality dynamic network enables the company to fulfil its commitment to providing high-quality and reliable services even during exceptional time periods such as e-commerce shopping festivals, holiday seasons and extreme weather conditions, as well as address non-standard scenarios such as medium and long distance orders.

(3) Technology driven platform with open empowerment and personalized care

SF Intra-city' City Logistics System (CLS) specifically targets on-demand delivery scenarios to facilitate intelligent business planning and marketing management, rider scheduling and smart order distribution, and intelligent operation optimisation. As a neutral and open third-party platform, it continues to connect merchants with order

sources from different channels, platforms and private domains, and perform intelligent distribution and planning to help merchants improve the efficiency of their digital operations and generate revenues amidst the ongoing trend of decentralised traffic.

In addition, as a service platform for riders, SF Intra-city continues to optimise its scheduling and route planning capabilities to improve the efficiency of matching riders and orders, make delivery easier, and help riders effectively improve their efficiency and increase income. The system also assesses rider's rights to provide an improved rider experience through addressing unique difficulties faced by new riders, female riders and other demographics, to provide support and deliver corporate care.

In the future, along with the continuous innovation of local service scenarios and modes, SF Intra-city, as a third-party on-demand delivery platform, will continue to play an increasingly important role as fundamental infrastructure in urban life .

VI) Supply chain and international business

In the first half of 2023, the Company registered tax-exclusive revenue of RMB28.86 billion from the supply chain and international business, representing a period-to-period decrease of 38.0%, mainly due to sharp fall of the international air and sea freight demand and freight rates from the first half of 2022 to the level of three years ago under the normalisation of the market from the historic highs, resulting the effect on period-to-period revenue of the Company's international freight and freight forwarding business in the first half of the year, but the business is stabilised on quarter-on-quarter basis in the second quarter to some extent; at the same time, the international express and the supply chain business maintained a solid period-to-period growth.

(1) International express

① **Focus on Southeast Asia market:** The Company transform and upgrade the overseas express network based on the core countries in Southeast Asia, empower overseas express operation with the mature and leading network planning, operation system, operation management and other rich experience that SF has possessed in China, enhance overseas local express service quality, focus on providing high quality services to mid-to-high-end customers; at the same time, enhance aviation network planning and airside/port capacity building in key regions, gradually improve the coverage of overseas self-operated outlets and co-operative service points, and integrate domestic and overseas resources to provide customised industry solutions for customers and build Southeast Asia as a word-of-mouth flow; ② **Enhance customs clearance capabilities:** We continue to integrate self-operated and agency customs clearance resources. As of the end of the Reporting Period, we have licences or resources for clearances in approximate 70 customs clearance ports in the world, and the services radiate to major regions such as the Americas, Japan, South Korea, Southeast Asia, and Europe. The number of domestic AEO advanced certifications increased to eight, and the import and export customs clearance and end-to-end service capabilities were improved; ③ **Deeper coverage in scenarios and rule refinement:** We conduct in-depth study

the business scenarios of the whole life cycle of international delivery, refine the rules through scientific and technological means, and achieve the refined planning and operation of the whole chain of international business; we provide prediction and warning models to achieve the visualised closed-loop management and control of the whole process of international packages, and carry out in-depth optimisation of the key links according to the results of the dynamic operation to maintain the timeliness competitiveness of the international express products.

(2) International freight and freight forwarding

Due to macroeconomic factors including inflation and international relations, global consumer spending growth was weak, while the global logistics supply gradually recovered to normalised levels, international freight volume and freight rate fell significantly compared to the historical high in the first half of 2022, impacting the Company's revenue growth of international freight and freight forwarding business.

However, in the first half of 2023 as the global economy began to show early signs of gradual recovery, the company has actively explored new market opportunities, started new specialized routes, such as using Abu Dhabi as a freight transit hub in the Middle East to transport cargo to Europe, Africa and other countries, as well as pioneering new cargo routes between China and the United States. The company has also launched a global ocean freight less-than-container-load solution, which provides weekly direct shipping from major ports in Asia to destinations worldwide, to satisfy demand for small-volume and multi-lot cargo transportation. Overall, the Company's international cargo business performance in the second quarter of 2023 maintained stable as compared to that in the first quarter.

(3) Supply chain:

SF Supply Chain: Focusing on the three major industries, namely, automobile, fast-moving retail, and high-tech spare parts industry, SF Supply Chain invested more in

science and technology, attached importance to energy saving and emission reduction, and optimised its operational efficiency: ① **Automobile industry**: It has made every effort to develop the logistics market of new-energy vehicles, gradually obtained the relevant licences and qualifications, and developed a number of domestic well-known new-energy vehicle brand customers; ② **Fast moving consumer goods retail industry**: It enhanced the supply chain service capability through equipment investment and technological innovation, effectively improved the timeliness of operations during the 618 promotion period for customers in the fast-moving retail industry, and provided customers with solid sales logistics support; ③ **high-tech spare parts industry**: Supply chain services has expanded to the industry's leading companies engaged in key high-tech equipment and product design and production, maintaining stable business growth; ④ **Technology empowerment**: It differentiates and customises the deployment of technology products according to customer needs. In the first half of the year, it built a highly customised, fully automated, intelligent flagship warehouse for a customer, combining WMS, WCS, RPA digital staff and WES warehouse equipment control system, supplemented by intelligent hardware such as automated shuttle, AGV, robotic arms and conveyor belts, to empower the customer's digital ecosystem and intelligent upgrading, and to build an end-to-end, intelligent, integrated and convenient supply chain service system.

New HAVI: In the first half of 2023, supported by the rebound in the catering and food industry, New HAVI achieved a rapid rebound in revenue and profit by expanding and constructing its network chassis, strengthening its information system and automation capabilities, and "expanding the stock and exploring the incremental volume".

① It increases the density of its warehouse network in core cities and expands regional capacity pools, and its cold chain network can reach fourth- and fifth-tier cities across the country; ② Internally, it has comprehensively upgraded the self-developed core operation system, built a data middle platform, and continued to improve the level of digitisation and operation management; in terms of external services, it has accelerated the process of productisation of scientific and technological services in the fields of catering, the food cold chain and other areas of superiority, and has gradually provided scientific and technological products to its customers; ③ Supported by business chassis and technology, for existing customers, thanks to quality service and operational efficiency improvement, it has been able to provide services for more business areas and categories; in terms of new customer development, it has persisted and expanded its core western fast food chain service capability, realised breakthroughs for key customers, and successfully launched the warehousing, distribution and supply chain services in nearly half of the market in China.

Kerry Logistics, in the first half of 2023 the overall integrated logistics business performance remained stable, and along with the gradual increase in economic activities in Asia, it has propelled the growth of Kerry Logistics' integrated logistics services, especially in China and Thailand. The company continued to strengthen the integration and collaboration of multiple internal supply chain organisations to achieve and unlock complementary synergies, and utilise Kerry Logistics' international freight and supply chain solution capabilities to provide cross-border supply chain solutions for customers, connecting domestic and international network resources.

3. Operation optimisation

In the first half of 2023, the Company continued to adhere to the operating tone of sustainable and healthy development, continued to deepen integration and change, upgraded the four-network integration to multi-network integration (adding integration of business segments), further achieving the synergistic efficiency of the Group's overall resources; optimised in a multi-dimensional way such as site streamlining, routes straightening and loading rate enhancing, and combined with the optimisation of the operating model to further simplify the terminal operation and optimise the terminal network resource structure. Meanwhile, in terms of service and empowerment of deliverymen, in the first half of the year, the Company continued to increase the investment in digital and technological tools, improve the skills training and empowerment of the deliverymen, effectively reduce their labour intensity, and help them to provide customers with better quality services. Through the above initiatives, accompanied by the refinement of management into a new stage, the Company has further improved the efficiency of resource utilisation, resulting an ongoing cost optimisation.

I) Multi-network integration

Overall direction: Building on the integration initiatives of the past two years, we are exploring new opportunities for integrated scenarios, expanding the scope of business integration, enhancing the scale benefits of our business segment operations, and increasing efficiency while reducing costs.

(1) Distribution: ① **Site integration:** We promoted the coordination construction of transit depots, collection and dispatch points, and warehouses in various business networks, and planned for new site demands in a unified manner. In the first half of 2023, 77% of the new demand is in line with merit-based arrangement and construction based on three types, namely "the same site, the same park, the same region". ② **Operation integration:** We have further strengthened the operational integration of sites during peaks such as business peaks and holidays, concentrated on utilising small sites during business peaks, and temporarily suspended the operation of some directly operated large sites, for example, all directly operated large sites were shut down

during the Chinese New Year, and the number of large parcel sites that shut down has increased during the weekend peaks, which effectively saves the corresponding manpower and trunk and branch line capacity inputs, and improves the efficiency of the business during the holiday period. During the business peaks, we further deepened the final-leg operation of small and large-size parcels, in which 76% of the daily peak amount of the large parcels in the first half of the year were independently completed by the large-size transshipment network, thus releasing the production capacity of more than 1,000,000 parcels at sites for small parcels on a daily average basis and relieving the pressure of small parcels sorting. ③ **Coordination between warehousing and distribution:** By implementing the principle of "upper warehouses flowing to transits in the bottom" or proximity construction, we realised site integration of 82 warehouses and sorting centers in the first half of 2023, saving transportation shifts and transit operations, and improving the fulfilment efficiency of warehouse and distribution business. ④ **Personnel integration:** we integrated transit personnel of sites for small parcels and operators of supply chain warehouse or cold warehouse in the same park to reduce the number of temporary workers hired during peak hours and improve the professionalism of transit operations, which saves manpower costs.

(2) Transportation: ① **Routes integration:** We have integrated and shared the last truck of small and large parcels, improving loading rate for last truck; the integration of small and large parcels on the same lines promotes the intensive shipment of cargo volume, increasing transportation frequencies and timelines. ② **Warehouse filling for routes:** According to the difference between franchise service's demands of SX Freight for transportation timeliness and cost and that of the directly operated model, SX Freight can properly store goods and match the empty warehouse resource of the same line used by the self-owned direct network of the Company, thus filling the warehouses and shortening the empty warehouse cycle of the early input line of the self-owned direct network of the Company. ③ **Reuse of line-haul and short-haul resources:** We established the line-haul and short-haul resource pool and management,

unified scheduling of line-haul and short-haul resources, used line-haul route vehicles for bilateral tasks to undertake branch tasks in the idle time period before returning, thus to enhance the utilisation rate of the vehicle; at the same time, we introduced SX Freight's short-haul route resources to the capacity resource pool for the first time and piloted the use of idle branch line empty warehouse resources of franchisee, with modes being opened. We expected more spaces would be integrated in the future.

(3) Service outlet: ① **Construction of integrated networks:** We have continuously constructed integrated networks capable of collecting and dispatching small and large-size parcels and realised unified operation management at the service outlets of small and large-size parcels. ② **Collecting and dispatching collaboration:** We have integrated resources and business for couriers of small and large parcels at service outlets, giving full play to the functions of couriers of large parcels to take over branch transportation tasks in their spare time, go back and forth to outlets to pick up large and small pieces in their spare time, as well as collecting and transferring orders, group collaboration, container redeployment, etc., which have effectively promoted the growth of revenues from ultra-large parcels and released the pressure on couriers; moreover, we have increased the coverage of service outlets that can deliver large parcels to 93.8% by supplementing the ability of small outlets to operate large parcels, deploying short-haul route drivers to assist in dispatching, and integrating with SX Freight franchisees. ③ **Transit for direct dispatch:** By promoting the mode optimisation of sorting at the sorting centers + goods directly delivered to customers, we reduced the investment of service outlets resources in the coverage area of the transit depots. The average daily direct dispatch volume reached more than 7,400 tons.

II) Network optimisation

(1) Enhance transit capacity: We put into use 45 automation equipment projects in the first half of the year, accumulating a total of 131 sets of automation equipment, and reduced personnel inputs by lowering the labour intensity of operators, adopted unmanned and less manned regional operations. We combined lean management

initiatives such as sorting center diagnosis, process optimisation and resource integration to achieve a 6.4% period-to-period increase in per capita efficiency in the transit segment.

(2) Strengthen land transportation control: ① **Enhance land transportation utilisation rate:** We continuously enhanced the competitiveness of land transportation products by optimising the land network model and investing in competitive lines, combined with the business structure and scale growth, adding 1,230 direct-delivered line-haul routes, and 1,730 routes for frequency enhancement; at the same time, we adopted the mode of container fast-loading and fast-unloading, and opened land network bus lines to improve the efficiency of transshipment; while continuing to enhance the timeliness, we integrated the resources to enhance the utilisation rate and optimise more than 3,000 routes. ② **Optimise land transport structure:** We continued to improve the proportion of controllable capacity resources in trunk and branch lines and to promote a new model of cooperation with external individual drivers by combining fixed tasks and temporary waiting mode, on the one hand, to enhance the viscosity of cooperation between individual drivers and the Company, and on the other hand, to ensure that the Company has sufficient deployable capacity resources during peak periods, reducing the input of temporary capacity, and to promote standardised pricing in combination with branch lines, effectively reducing the cost of the Company's capacity resources.

(3) Optimise network layout: We adopted spray disinfection in outlets and optimised operating model, used central container to collect in bulks and promote direct sorting at the sorting centers and distributing to small outlets, so as to save the round-trip time couriers need, reduce their work intensity, improve the capacity of receiving customers and income-generating opportunities. At the same time, we promoted the return and rent reduction for service outlets areas, and diversion exit of the service outlets resources (e.g., connecting and warehouse management, etc.), so as to maximise the benefit of the service outlets.

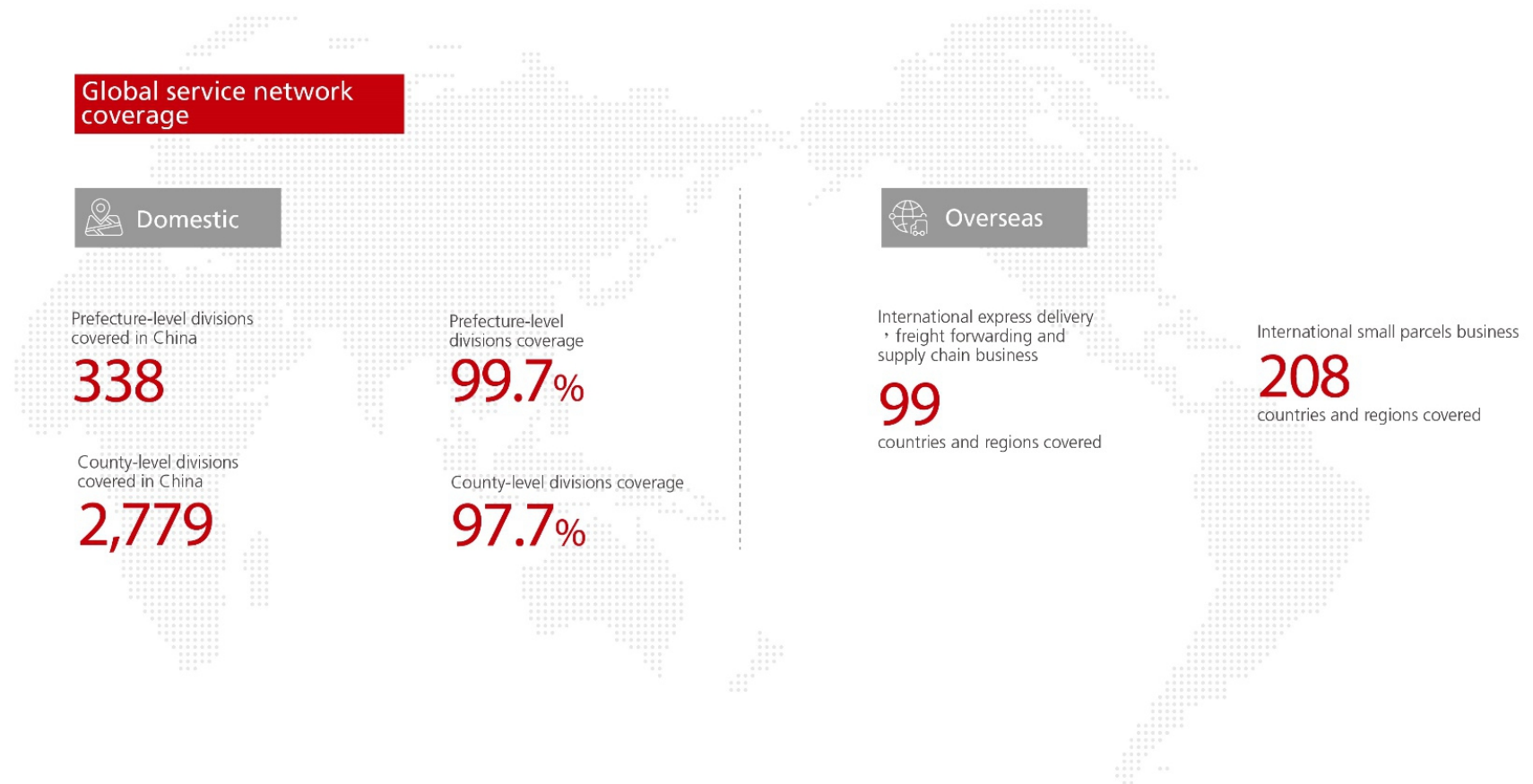
(4) Enhance the satisfaction of couriers: ① **Powered by online tools:** Based on the correlation analysis of the behaviour and results of online collection and dispatch operations, core service standards and supporting online

control tools such as accurate pre-dispatch call control, reminder of differences in collection information, and 100% implementation of customer preferences are launched to realise the online intelligent landing of service standards, improve customer experience, and improve the efficiency and income of couriers. ② **Protect the rights and interests of couriers:** a multi-equity system for the work and development of deliverymen was created. Couriers with better overall performance will be rated the higher level and have more access to rights and interests, such as: rights of working in higher income area by excellent couriers, customer discount distribution authority, free living welfare and rights, etc. ③ **Digital quality management:** This year, we pioneered a brand-new reward mechanism "Feng Dou

(丰豆)" for the process operation behaviour of couriers, so that every good behaviour is seen and encouraged. We have promoted a digital evaluation mechanism that correlates the service level of couriers with their income, driving them to self-manage and continuously improve their service level. ④ **Improved skillset training:** Based on the system data, we predict the collection and dispatching tasks of employees, and push accurate courses and front-end empowerment for the skills they lack experience in, which effectively reduces the risk of customer experience; we have added new interactive courses such as video clicking interaction and waybill simulation training, which improves the learning experience and efficiency of the employees.

II. Core competitiveness

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





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

Note: For the data below, the time points are all as of June 30, 2023, and the periods are all from January 1, 2023 to June 30, 2023.

Total air cargo volume exceeds

990,000 tons

SF's domestic cargo volume accounted for

35.2% of the national air cargo and mail traffic

Average daily flights

>4,600 times

All-cargo aircraft

99

all-cargo aircraft in operation
83 aircraft self-operated

743

pilots in service

307

pairs of flight rights
63 domestic destinations,
49 international and regional destinations covered

120

routes operated worldwide
23,200 flights
52 international routes in operation
Over 3,400 flights

>460,000 tons

of cargo, of which more than 100,000 tons were shipped internationally

Bulk resources

>2,400

domestic routes

3,000

international routes

>810,000

flights

>520,000 tons

in shipments, of which over 160,000 tons were shipped internationally

As of end of June 2023, the sorting equipment installation and commissioning in SF's Ezhou cargo hub and logistics complex, and the whole-site joint commissioning with all links of the airport system have been basically completed. Currently, it is entering the stage of trial operation, and is planned to be put into official operation successively in the third quarter. The Company gradually plans and adjusts the aviation network to build a hub-and-spoke air network by leveraging Ezhou cargo hub. It is expected to further increase cities covered with high time-definite services and reduce the unit cost of aviation by adding large aircraft.

Leveraging the advantages brought by the air cargo hub, the Company can build an efficient aviation network to cover a vast area that accounts for 90% of China's total economic output in a 1.5-2 hour flight radiance. In the future, the airport city is expected to introduce high-end manufacturing, biotech, 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 realise the country's industrial upgrading and enhance the strength of the international supply chain.



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

Note: For the data below, the time points are all as of June 30, 2023, and the periods are all from January 1, 2023 to June 30, 2023.

 Land transport

>82,000

dry and feeder trucks under management worldwide

>150,000

domestic transport routes

>100,000

vehicles for end-of-line collection and distribution

 Rail transport

High-speed rail products with
1,276 flows

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

International trains
346
lines

Total volume of rail shipments
>1,530,000 tons

225

lines of general railway trains

33
countries and regions covered

 Sea freight

>10,000

maritime routes

>700

port terminals reached

168
countries and regions covered

Sea freight shipments
>530,000 TEU



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

Note: The data below are all as of June 30, 2023

 Service outlets

>35,000

domestic service outlets and other service stations

>8,000

overseas self-operated & joint-operated outlets

>430,000

network-wide couriers

>225,000

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

>40,000

overseas end-to-end cooperative service points

 Transit depots

Express depots

270

transit depots in operation

Freight depots

159

transit depots in operation

 Warehouses

1,951

operational warehouses

covering

>10 million sqm

93

franchised warehouses

covering

1.61 million sqm

104

food cold-warehouses covering

>0.74 million sqm

19

pharmaceutical warehouses covering

>0.16 million sqm

1,357

overseas warehouses covering

>2.90 million sqm

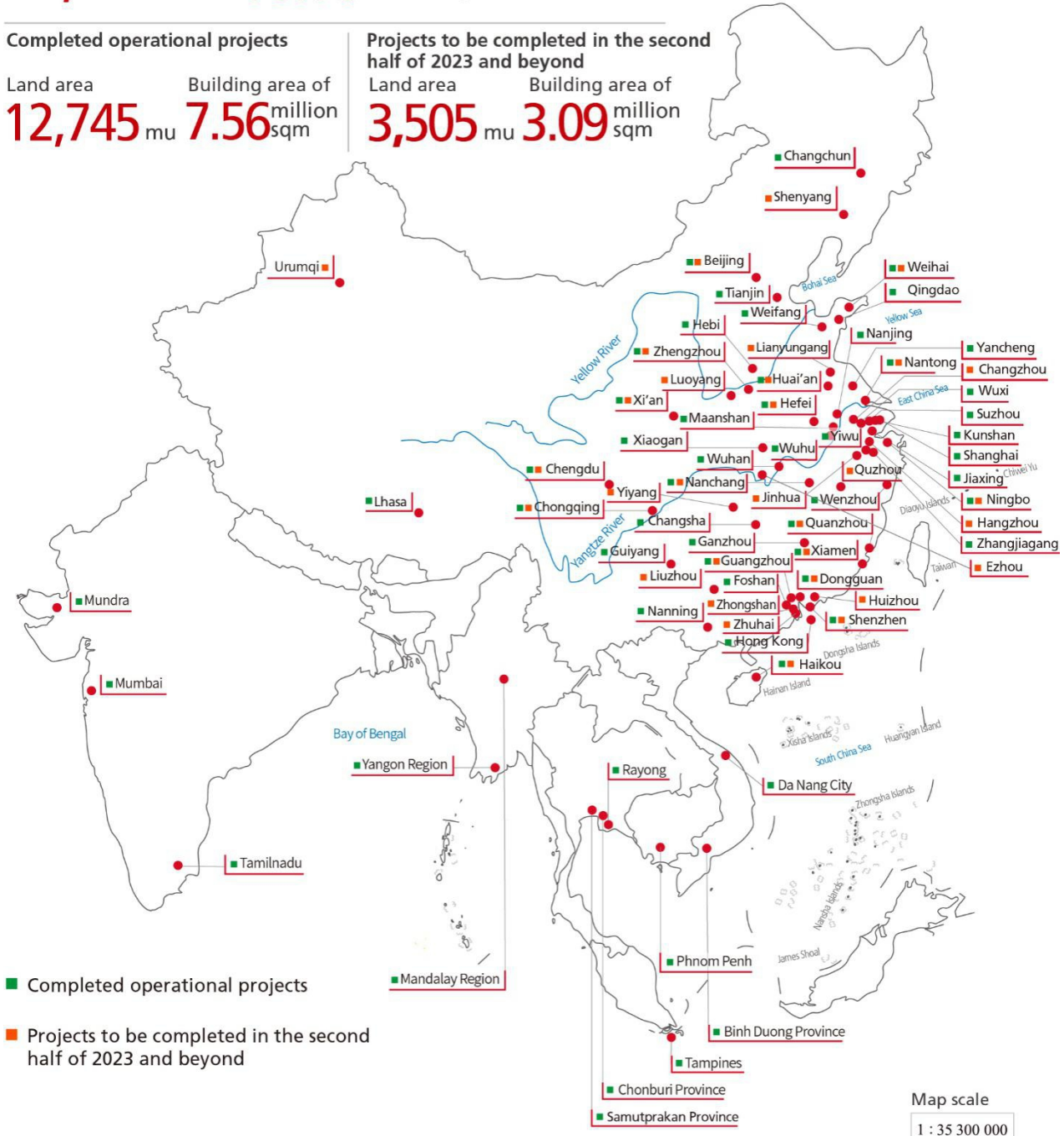


We possess numerous key site resources such as logistics parks and centers in countries including China and Southeast Asian, both through our direct ownership or via REITs

Note: The data below are all as of June 30, 2023

Total land area **15,831** mu Total building area of **10.16** million sqm

Completed operational projects		Projects to be completed in the second half of 2023 and beyond	
Land area	Building area of	Land area	Building area of
12,745 mu	7.56 million sqm	3,505 mu	3.09 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 real estate investment trusts and the logistics real estate development fund, which are operated and managed by the Company.

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

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

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

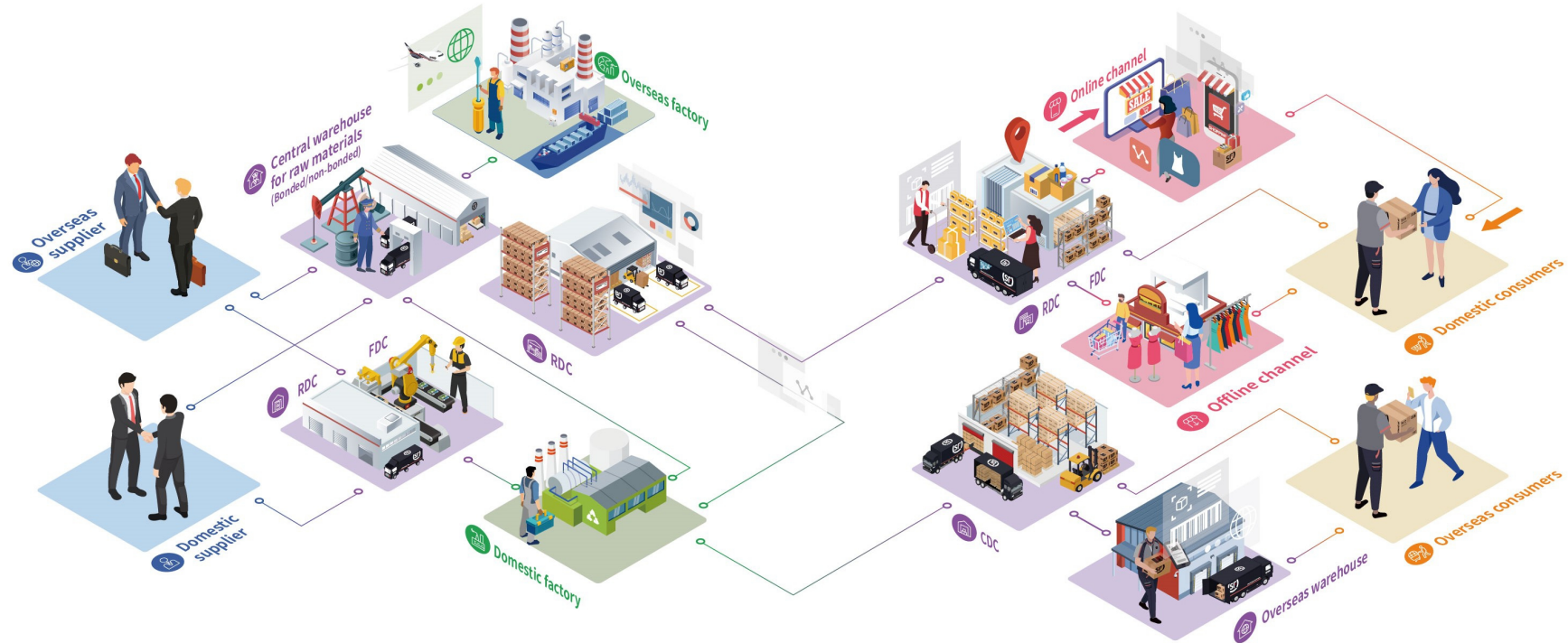
We provide end-to-end one-stop integrated logistics services for customers in various industries with our comprehensive service offerings and integrated capabilities. Adhering to the diversification-oriented strategic planning, and leveraging the well-established and efficient logistics network, through "internal incubation + external mergers and acquisitions", the Company horizontally branched out into new

businesses and acquired high-quality industry partners to gradually grow into largest integrated logistics service provider in China and Asia, and the the fourth largest in the world, with its service offerings covering time-definite express, economy express, freight, cold chain and pharmaceuticals, intra-city on-demand delivery, international express, international freight and freight forwarding, and supply chain, focusing on logistics ecosystem development as the top priority.

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

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

Industries



Supply chain service

Procurement

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

Production

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

Circulation

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

Consumption

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

Empowered by digital intelligence

Smart park

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

Supply chain base development

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

Smart transport

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

Smart warehousing

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

Omni-channel operations

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

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

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

As of the end of the Reporting Period, SF had 3,878 patents and 2,421 software copyrights in effect and in the process of filing, respectively, with invention patents accounting for 57.8% of all patents obtained. The Company actively cooperates with social organisations such as enterprises in the logistics and supply chain industry, government authorities and agencies, and universities, to enhance the social influence of SF Technology. The Company has won numerous awards, such as the "SSCL - Outstanding Supply Chain Innovation Award" in 2023, the International Organisation Award "World Internet of Things Ranking List" and the renowned award "Fortune's Most Influential IoT Innovation List".

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

Data middle platform system: Guided by its strategy, starting from its business operations, and driven by the operating data, the Company continued to strengthen its data middle platform system to ensure a sustainable and healthy business operations.

The Company is committed to developing a unified interoperable data system and a reliable data ecosystem to facilitate the operational improvements with speedy and precise data-based decision-making. Backed by its governance structure, the Company has continued to improve the corporate governance mainly in three aspects, namely, data application structure, data security and data quality, to ensure efficient, safe and high-quality data sharing and reduce duplications. The Company places great emphasis on data

security and complies with the relevant laws and regulations to ensure data privacy, integrity and security.

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

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

1) Digital intelligence of forecast & scheduling: Utilizing big data, operational research and intelligence, we created a universal intelligent decision-making system covering "forecast→early warning→scheduling→feedback".

① **Early forecast:** In order to ensure optimal and accurate resource scheduling and dispatching, our cargo flow forecast has achieved multi-dimensional extension, from the overall cargo volume to province-to-province, city-to-city and other flow dimensions, enabling us to conduct various forecasts, regardless of long-term, short-term, or dynamic as the case may be. Synchronised with these forecast results, our system can then adjust the pre-planning and on-going planning of various resources, thus ensure service quality and enhance resource utilisation and allocation efficiency.

② **Network planning:** We have been continuously improving our aviation and ground transportation network planning capabilities by establishing and consolidating our intelligent network planning system tools. By utilizing our digitalization capabilities, we have visualised the data of customer demand and market dynamics to guide the utilization

and adjustment of various types of sites under multi-network integration. With various product standards bearing in mind, we also accurately match aviation transportation resources according to the dynamic changes in volume demand of seasonal fresh food and other types of goods. Leveraging algorithm-backed dynamically-adjusted strategies and programs, we have built an integrated multi-network ground transportation system to support various service scenarios, such as new modes of ground transportation, ground-air resource coordination, and flexible routing and loading of oversized goods for air transportation, so as to maximise the efficiency of resources allocation and enhance the timeliness and competitiveness of our air and ground transportation products.

③ **Real-time scheduling:** Utilizing our universal operation monitoring system, we have achieved real-time monitoring, automated data capture and intelligence warnings of abnormal scenarios, such as weather anomalies, flight delays and traffic control, as well as the monitoring of our real-time operation status. Therefore, we would further recommend optimal adjustment plans intelligently and notify our frontier staff to intervene to safeguard the performance of our services in a timely manner, ensure consistent delivery of our product and provide proactive customer service.

II) Digitalised and intelligent sorting: We are committed to establishing automated, visualized and intelligent sorting centers, creating an efficient and intelligent logistics hub.

① **Automation:** In the first half of 2023, automation construction or upgrade projects in 45 sites have been completed, thus further improved the transit and sorting capacity and efficiency of the whole network.

② **Intelligence:** Build up digitalised production management capability for major processes on-site. The system can provide cargo forecast information and site capacity estimation about every 10-minute, and provide early warning of overcapacity on-site. Site managers can use the system to capture the potential risks of each process in advance and take measures to avoid them, make more refined deployment of equipment, personnel, vehicles and other resources, improve the timeliness of express delivery, and ensure the smooth and orderly operation of the site during peak hours.

③ **Visualization:** Leveraging image recognition and video recognition technology, the combination of technical defense and human defense guarantees the transportation safety of express in the production process as well as the personal safety of personnel in the business process, provides a safe production and working environment for parcels and personnel, thus solving problems of quality management and safety risk control in sorting centers.

III) Digitalised and intelligent transportation: We continuously improved the full-stack end-to-end digitalized and intelligent management across various transportation modes such as air, ground and rail transportation.

① **Air transportation:** In terms of all-cargo aircraft, we built up the capability related to abnormal scheduling and timeliness guarantee in hub scenarios; in terms of bulk flights, we improved the efficiency of procurement and the matching of resources and demand through the refinement of numerical and intellectual management tools to segregate procurement of demand and use, so as to guarantee the consistent availability of resources and meet the demand for timeliness.

② **Ground transportation:** We haul resource investments through intelligent route combination and resource structure optimisation to achieve strong control over resource investments and enhance resource efficiency to optimise transportation costs. Through digital intelligence to innovate the procurement, pricing and scheduling models, we have achieved pre-reserve of resources, multi-network resource integration, effective control of transportation costs, and enhanced resource resilience. Through measures including whole chain layered capacity task alert management, we have further enhanced transportation timeliness and customer satisfaction.

③ **Rail transportation:** We make full use of high-speed railways, regular trains and shuttle trains, focus on end-to-end standardised online management of railroad transportation, and improve the efficiency and operation quality of rail transportation.

IV) Digitalised and intelligent service outlet management: we further refined comprehensive digital operation and online management of collection and delivery at service outlets.

① **Collection and dispatching service capacity:** We

provide intelligent resource planning and dynamic scheduling suggestions at service outlets by combining factors such as forecasted parcel volume, operational difficulty, courier professional ability, and couriers' willingness to rest, so as to reasonably allocate collection and dispatch tasks and improve courier service ability, thus guaranteeing customer experience. We provide differentiated subsidies based on the difficulty of collection and delivery tasks, mode of operation, and scenario specificity, so that the couriers can get more reasonable compensation. We optimise the online delivery SOP, so that the system will quickly formulate personalised operational requirements and operational guidelines based on customer preferences, consignment characteristics, etc., and dynamically push them to the cell phones or handheld terminal devices of the couriers to enhance their operational standardisation. We have built packaging recommendation tools to accurately recommend corresponding eco-friendly packaging solutions and materials according to different consignments, to improve packaging quality, to protect the safety of customers' shipments, and to avoid over-packaging and waste.

② **Last-mile network construction:** We integrated and upgraded the last-mile capacity scheduling system and operational tools to achieve the integration of large and small parcel collectors and dispatchers, effectively strengthening the flexibility of the last-mile collection and delivery capacity. At the same time, we have upgraded our system capacity to further enhance the synergistic capability of various end channels, such as service outlets, HIVE Boxes and post stations, to meet the differentiated needs of customers for receiving and delivering parcels and to improve the customer experience while optimizing the resource utilisation of the entire last-mile network.

V) Digitalised and intelligent delivery safety: Technologies such as big data and algorithm were applied to intelligently capture security risks and improve delivery safety.

① We use big data and Internet of Things technology to simulate and monitor abnormal behaviours such as falling, squeezing, and disassembling of express shipments, identify risk nodes in the operation, build a risk management platform, and achieve end-to-end monitoring by building a sub-scenario early warning model and differentiated security control

strategy to establish a "3-layer firewall" security control system, which can reduce the risk of express shipments by identifying high-risk issues, highlighting the important links, and intervening in the operational process to help the business to identify and manage the lost and damaged warning links and optimise the process operation.

② We utilize IoT intelligent hardware to realise the whole-process of tracking and monitoring of express shipments and guarantee their safe arrival. Our self-developed intelligent security inspection platform can be combined with automation equipment to realise the synchronisation of security screening and sorting; at the same time, the mode of filtering high-risk shipments by system prejudgment and the final review by manual remote, greatly improve the efficiency of the security inspection and secure the safety of the enterprise's production and societal security. Moreover, our self-developed integrated high-speed photographic apparatus is equipped with functions such as video tracing of express status at the receiving and dispatching end, which, combined with the tracking data of express in other parts of the process, realises the whole process of tracking and monitoring of express, and allows us to quickly locate and analyse any blind spot in the process to ensure the safety of delivery.

VI) Digitalised and intelligent customer experience:

① **Build a customer service centre:** to provide customers with more convenient and unified digital tools for after-sales service, and to improve the customer experience in after-sales service in all aspects. We build a differentiated direct claim model for different claim scenarios, which helps employees improve operational efficiency while providing extremely fast service for quality customer claim requests. At the same time, we deeply analyse customer experience feedback information, fully explore the voice of customers, accurately insight into customer pain points, and improve customer experience.

② **Build a product and service platform for enterprise customers:** integrate online customer logistics service capabilities, and provide full-spectrum end-to-end online services from online customer acquisition to enterprise logistics management. Based on the trend of waybill, we deeply combine business scenarios to gain insights into the logistics potential and business trends in customers' business

flow, and complete the transformation of data phenomenon into data strategy.

VII) Digitalised and intelligent cost management and control:

Applying the digital solution of "full-stack integration", we opened a system base and set up a digital business analytics system covering "pre-testing – monitoring – post-analysis". During pre-testing, we provide the basis for front-end decision-making through end-to-end production measurement, residual capacity and marginal cost measurement and other digital intelligence tools; during monitoring, we generate multi-dimensional in-depth analysis boards based on multiple perspectives to meet the diversified monitoring and analysis needs of various organisations; during post-analysis, we intelligently locate potential cost reduction, profitability, and efficiency scenarios, and promote the improvement of benefit management and control by means of on-line modeling or system linkage. This system helps the Group to refine cost management and input allocation, visualise process analysis, and achieve close-loop of post-analysis, and escorts the Company's sustainable and healthy operation.

VIII) Digitalised international business:

Cross-border express network: digitalisation construction covers cross-border end-to-end core links such as collection, transit, customs clearance, air trunk lines and delivery. We provide overseas customers with a more convenient and friendly ordering experience through the establishment of overseas payment capacity and the upgrading of overseas customer service tools. Through digital technology, we provide real-time shipment tracking, fast collection and customs clearance services, and realise efficient cross-border transportation based on the "one global network" routing system formed by integrating with the domestic network, guaranteeing timely and smooth information flow and orderly coordination of agency services.

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

The Company integrates SF's exceptional technical capabilities and industrial experience to provide full-spectrum, fully-visualized, one-stop smart supply chain solutions, embed

digital intelligence capabilities into the customer value chain, and serve an end-to-end, full-spectrum, symbiotic and mutually beneficial supply chain cooperation ecology with sustainable development. Through the integration of production and logistics and the integration of marketing and logistics, the Company cooperates with the enterprises to build the long-term value of the industry chain's full-spectrum supply chain and helps various industries create a flexible and smart, sustainable supply chain system that responds efficiently to facilitate industrial upgrading, cost reduction and efficiency enhancement.

I) Smart supply chain Service:

SF provides whole chain 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 provide intelligent management of raw material supplies, and through circular pickup schemes, etc., automated route setting and loading optimisation; **② Production:** We integrated human management equipped with computer visualization tools and smart park solutions to ensure production efficiency and safety on-site; **③ Warehousing:** For design and implementation, we provide warehouse network planning, multi-level replenishment, online and offline omni-channel inventory management, and other solutions; at the in-warehouse execution level, we provide multiple services such as storage location optimisation 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:** On one hand, through the implementation of end-to-end supply chain base systems (OMS/TMS/WMS/BMS), we connect the business processes of ordering, warehousing, transportation, settlement, etc. to facilitate digitalised operations; We also provide an end-to-end supply chain control system to visualise the data throughout the entire process of business, so as to achieve dynamic monitoring, real-time risk warning beforehand, automatic abnormal cause analysis, and improvement proposals.

II) Smart supply chain integration products:

SF integrates the whole set of technological capabilities to form intelligent supply chain products - Feng Zhi Cloud

Chain (丰智云链), Feng Zhi Cloud Strategy (丰智云策) and Feng Zhi Cloud Tower (丰智云塔) - for different levels of customer demands.

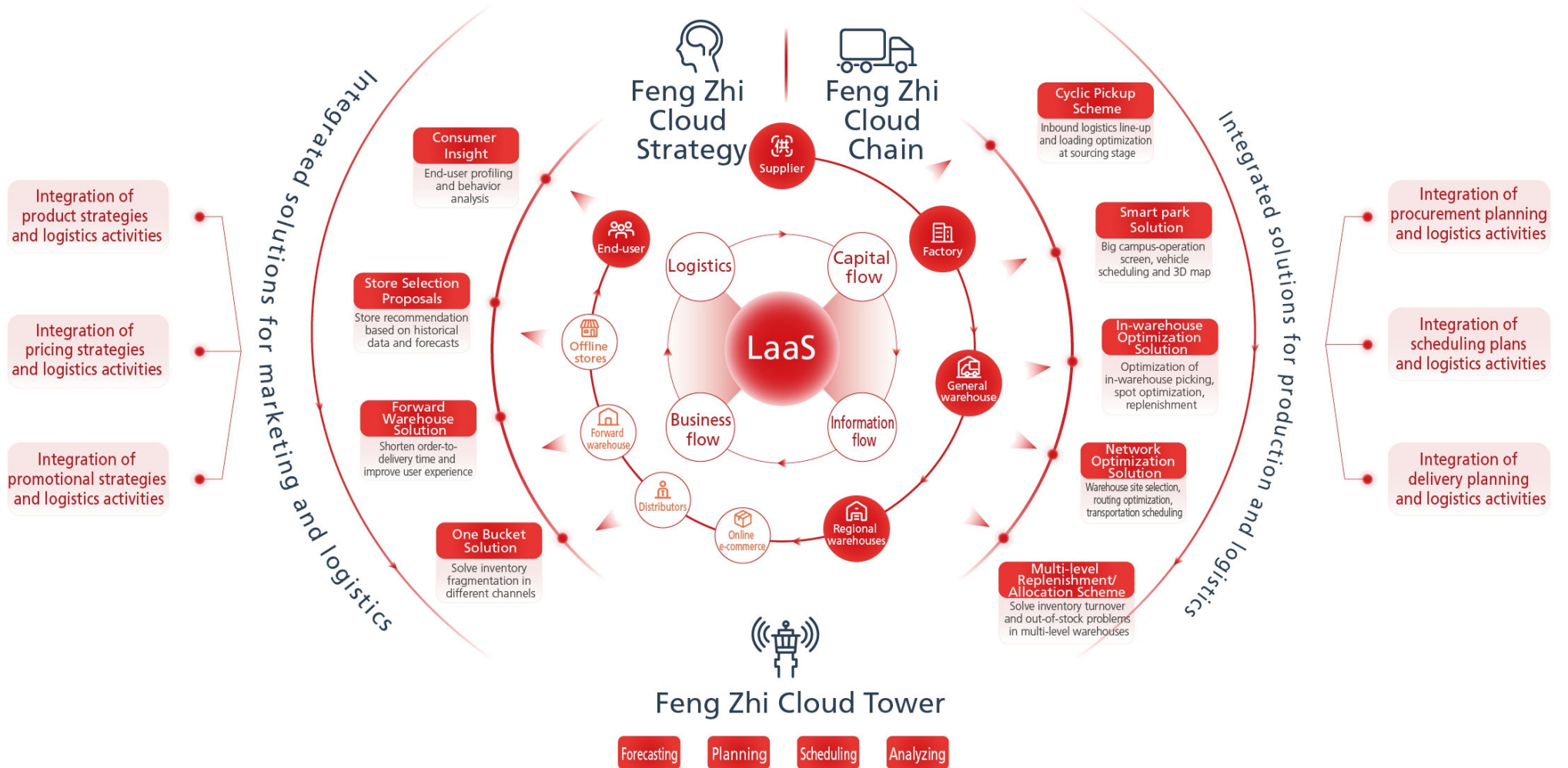
① **Feng Zhi Cloud Chain:** A supply chain operation execution system. Through modules such as ordering, warehousing, transportation and settlement, it assists enterprises to achieve the interegration of warehousing and distribution and provide a full-spectrum supply chain solutions, including intelligent storage and intelligent transportation.

② **Feng Zhi Cloud Strategy:** An intelligent planning/decision-making system for supply chain. It meets the intelligent decision-making needs of enterprise supply chain in different stages of preparing, planning and execution

through the capabilities of warehouse network planning, intelligent site selection, commodity layout, demand forecast, sales planning, plan coordination, inventory strategy optimisation/simulation, intelligent replenishment, route optimisation, capacity optimisation, execution monitoring, indicator system, root cause analysis, etc.

③ **Feng Zhi Cloud Tower:** A supply chain intelligent control system. It achieves visualized the entire process from order placement, warehousing, transportation, settlement and other data indicators; it achieves risk early warning, efficiency optimisation based on the core node data exploring and analysis; it helps business decision-making, and generates work order tasks, drives business collaboration through the macro perspective insight into the whole business.

SF Intelligent Supply Chain Products and Services



4. Build brand value with excellent service experience

SF has become the go-to brand for logistics and established itself as a well-recognised and reputable express delivery service provider through its 30 years of development. It has built a brand image of “reliable”, “reliable” and “customer-centric”, createomg great brand value through premiumy service, and is widely recognised by clients, the industry and the community.

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

State Post Bureau

1st

in Overall Customer Satisfaction
in the first half of 2023

1st

for 14 consecutive years

in Overall Customer Satisfaction in 2022

Fortune

377th

up 64 positions

among "2023 World Top 500
Companies"

5th

for 6 consecutive years
on the list

among "Most Admired Chinese
Companies" in 2022

for 2 consecutive years on the list

China ESG Impact List

Brand Finance

263rd

for 4 consecutive
years on the list

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

6th

for 5 consecutive years
on the list

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

III. Analysis of Principal Business

1. Overview

In the first half of 2023, as the domestic economy in China had wide recovery as a result of normalization, gradual improvement in industrial production and social consumption levels, and as a result the express logistics industry exhibited recovery momentum. In addition, with fuel price decreasing from the same period last year, the industry has witnessed steady growth and efficiency improvements. Nevertheless, due to global macroeconomic uncertainties, the express logistics industry continued to face supply-side growth pressure: on one hand, the effect of China's economic stimulus policies to boost domestic demand and consumption has yet to be fully realized, and the industry-wide business volume growth has slowed as competition intensifies; on the other hand, international trade demand and international air and sea freight prices significantly decreases after increasing in the second half of 2022, affecting the period-to-period growth performance of international freight forwarding business in the first half of 2023, but it has progressively stabilized on a month-on-month basis this year.

The Company has always been committed to the guidance of sustainable and healthy development through improving service quality, strengthening competitive advantages and streamlining operations to drive healthy revenue growth and cost-efficiency improvements through network integrations, to help deliver substantial profitability growth in the first half of 2023.

I) Revenue: In the first half of 2023, the Company's total parcel volume⁷ reached 5.88 billion orders, with a period-to-period increase of 14.6%. In particular, for the e-commerce express industry we have been focused on the mid-to-high-end market, and at the end of June this year

completed the disposal of Fengwang Express (丰网速运), which utilized a franchising model. If excluding Fengwang Express, the total parcel volume of the Company increased 18.3%. In the first half of 2023, the Company recorded a total revenue of RMB124.4 billion. Of which: (1) **The express logistics segment** contributed revenue of RMB92.0 billion, with a period-to-period increase of 13.4%. The Company pursued high-quality businesses and the revenue growth based on customer-centric and sustainable improvements in product competitiveness to build deeper relationships with customers and satisfy their multi-faceted needs through timely and high-quality services. If excluding Fengwang Express, the parcel volume of the express logistics segment increased 18.1% period-to-period, and the revenue recorded a period-to-period increase of 14.5%. (2) **The supply chain and international segment** generated revenue of RMB28.86 billion, representing a period-to-period decrease of 38.0%, which as mentioned earlier, was due a period-to-period decrease of international air and sea freight demands and rates, and the international freight forwarding business experienced significant decline in both revenue and profitability as compared with the same period last year. However, this has stabilised on a month-on-month basis since the second quarter of this year. Meanwhile, the Company has continued to incubate international express products with competitive timeliness and value in Southeast Asia, and achieved rapid growth in international express. In addition, the Company consolidated the strengths of each supply chain business organisation and continued to pioneer and tap into customers' upstream and downstream supply chain scenarios to promote the growth of the Company's supply chain business.

For details of each business development, please refer to (3) "Summary of business development" in the "I. Business development of the Company" section.

⁷ Neither including Kerry Logistics' volume of express pieces, nor the business volume of the international freight and freight forwarding and supply chain of the Company

II) Profit: The Company realised a net profit attributable to shareholders of the listed company of RMB4.18 billion in the first half of 2023, representing a period-to-period increase of 66.2%, and a net profit attributable to shareholders of the listed company of RMB3.71 billion after deducting non-recurring gains and losses, representing a period-to-period increase of 72.5%.

The Company witnessed a rapid period-to-period growth in business performance in the first half of 2023. On one hand, the Company realised high-quality growth on the revenue side, and on the other hand, the Company continued to promote multi-network integration on the cost side, by expanding the scope and scenarios of business integration with accurate resource planning and allocation, and deepening the transformation and innovation of our network to further optimise our cost structure, which jointly contributed to the further improvement of resource efficiency. At the same time, the Company took advantage of technology empowerment to further digitalise operations and management, and further develop end-to-end full-spectrum smart supply chain technology capabilities, which contributed to the revenue growth in business, and cost reduction and efficiency improvement of the Company. For details of the specific measures adopted for operation optimisation and technology empowerment, please refer to “4. Operation optimisation” under the section headed (3) “Summary of business development” in “I. Business development of the Company” and “3. Cutting-edge

technology for a digital, visual and intelligent supply chain” under the section headed “II. Core competitiveness analysis” in this section.

III) Capital structure: as of the end of the reporting period, the total assets of the Company were RMB218.0 billion; the net assets attributable to shareholders of the listed company was RMB89.9 billion; and the gearing ratio was 53.58%, a decrease of 1.09 percentage points from 54.67% at the end of previous year. The Company’s operating cash flow and capital structure remain solid and stable, and the net cash flow from operating activities amounted to RMB13.8 billion, achieving healthy cash flows.

In the first half of 2023, the Company invested RMB5.95 billion in fixed assets and other items (excluding equity investment); which accounted for 4.8% of total operating income, representing a decrease of 0.2 percentage points compared with that for the same period last year, which is a true reflection of the Company’s strategic focus on its core logistic business, streamlined resource planning and enhanced efficiency in resource management. Going forward, the Company will remain committed to its pursuit of a sustainable and healthy development, and deploy resources appropriately in building a differentiated set of core competencies and innovative modes of operandi. In the meantime, we will continue to promote multi-network integration to achieve better resource utilisation and efficiency. Capital expenditure as percentage of revenue will continue to remain within a reasonable level.

2. Period-on-period changes in key financial data

Unit: RMB'000

	The Reporting Period	Same period of previous year	Increase/decrease over the same period of previous year	Reason
Revenue	124,365,598	130,064,133	-4.38%	No major changes.
Cost of revenue	107,555,280	113,778,310	-5.47%	No major changes.
Selling and distribution expenses	1,392,755	1,280,208	8.79%	No major changes.
General and administrative expenses	8,940,581	8,890,094	0.57%	No major changes.
Financial costs	992,479	905,908	9.56%	No major changes.
Income tax expenses	1,526,110	1,784,866	-14.50%	No major changes.
Research and development investment	1,770,946	1,653,736	7.09%	No major changes.
Net cash flows from operating activities	13,824,827	16,712,814	-17.28%	No major changes.
Net cash flows from investing activities	-13,633,590	-6,824,871	-99.76%	Mainly due to the increase in net outflows of structured deposits.
Net cash flows from financing activities	-4,963,638	-6,665,207	25.53%	Mainly due to a decrease in the repurchase of the Company's shares and the acquisition of minority equity.
Net increase in cash and cash equivalents	-4,645,355	3,474,178	-233.71%	The specific reasons are detailed in the analysis of changes in cash flows from operating, investing and financing activities above.

There were no significant changes in the composition of Company's profit or source of profit during the Reporting Period.

3. Composition of revenue

Unit: RMB'000

	The Reporting Period		Same period of previous year		Change over the same period of previous year
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Total revenue	124,365,598	100%	130,064,133	100%	-4.38%
Categorised by industry					
Logistics and freight forwarding	120,855,099	97.18%	127,691,416	98.18%	-5.35%
Sales of goods ¹	2,754,076	2.21%	1,683,873	1.29%	63.56%
Others	756,423	0.61%	688,844	0.53%	9.81%
Categorised by business					

Time-definite express	56,069,720	45.09%	49,264,877	37.88%	13.81%
Economic express	12,129,430	9.75%	11,806,590	9.08%	2.73%
Freight	15,120,722	12.16%	13,149,344	10.11%	14.99%
Cold chain and pharmaceuticals	5,338,545	4.29%	4,066,199	3.13%	31.29%
Intra-city on-demand delivery	3,339,291	2.69%	2,873,634	2.21%	16.20%
Supply chain and international	28,857,391	23.20%	46,530,772	35.78%	-37.98%
Other non-logistics businesses	3,510,499	2.82%	2,372,717	1.82%	47.95%
Categorised by region					
Mainland China	107,339,757	86.31%	100,436,998	77.22%	6.87%
Hong Kong, Macao, and Taiwan, China	4,334,903	3.49%	5,695,764	4.38%	-23.89%
Overseas	12,690,938	10.20%	23,931,371	18.40%	-46.97%

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

Note 2: Any discrepancies between totals and sums of the numbers are due to rounding.

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

	The Reporting Period	Same period of previous year	Change over the same period of previous year
Parcels (100 million)	58.4	51.0	14.5%
Average revenue per parcel (RMB)	15.8	15.9	-0.6%

Explanation of reasons for changes:

(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 parcel of the express & logistics segment did not include the data of the supply chain and the international business as well as other non-logistics business.

(2) The business volume of the express & logistics segment grew by 14.5%: with the steady recovery of domestic industrial production and social consumption, the Company continued to provide customers with timely and high-quality services by virtue of the stable service guarantee capability of its directly-operated network, which contributed to the good growth of the business. The Company has a comprehensive product matrix, which can meet the diversified needs of different customers, and the change in average revenue per shipment was mainly due to the change in product structure; the Company maintained a healthy product structure as a whole, and matched different products with appropriate operation modes and resources, so as to continuously improve the efficiency of the products.

4. Details on main industries

The industries accounting for more than 10% of the Company's revenue or operating profit are analysed 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	120,855,099	-5.35%	104,565,880	-6.38%	13.48%	Up 0.95 percentage points

The cost of revenue and gross profit are analysed as follows:

Unit: RMB'000

	The Reporting Period		Same period of previous year		Change over the same period of previous year	
	Amount	Proportion to revenue	Amount	Proportion to revenue	Growth rate(%)	Change as a percentage of revenue
Labour cost	49,141,500	40.66%	42,350,198	33.17%	16.04%	Up 7.49 percentage points
Transportation cost	39,307,703	32.52%	54,203,466	42.45%	-27.48%	Decrease of 9.93 percentage points
Other operating costs	16,116,677	13.34%	15,132,610	11.85%	6.50%	Up 1.49 percentage points
Gross profit	16,289,219	13.48%	16,005,142	12.53%	1.77%	Up 0.95 percentage points

Explanation for changes:

(1) Gross profit margin of the Company's supply chain and freight forwarding business was 13.48% in the first half of 2023, an increase of 0.95 percentage points over the same period last year. The cost structure of Kerry Logistics' international freight forwarding business is significantly different from that of the overall express logistics business of the Company, and the revenue of this business dropped significantly compared with the same period of the previous year primarily contribute to the large change in the proportion of the Company's various costs to its revenue ratio. If excluding Kerry Logistics, the Company's gross profit margin for the main business in logistics in the first half of 2023 amounted to 14.61%, representing an increase of 1.56 percentage points as compared with the same period last year, and change in the proportion of its major cost to revenue is analysed in (2) to (4) below;

(2) Labour cost as a percentage to revenue was up by 7.49 percentage points period-to-period, if excluding Kerry Logistics, it was up 2.29 percentage points period-to-period, mainly due to: the Company took initiatives to improve the competitiveness of frontline employee salaries, promoting effort-based compensation, to exhibit fairness and enhance employee satisfaction. In the first half of 2023, the Company improved its operational efficiency and mitigated the rise in labour costs by continuing to promote multi-network integration, investing in automation and optimising its modes of operandi, etc.;

(3) Transportation cost as a percentage of revenue decreased by 9.93 percentage points period-to-period, if excluding Kerry Logistics, it was down 3.79 percentage points period-to-period. This is mainly attributable to: ① the Company's optimisation of transportation resource mix to improve the utilisation rate of deployable transportation resources; ② the optimisation of the procurement mechanism for outsourced transportation and the increase in the total the number of outsourcing contracts on a period-to-period basis to support and stabilise transportation unit costs; ③ standardisation of feeder capacity pricing for branch route to

effectively control branch route costs; ④ continual push in multi-network integration, integrated and centralized route-planning for different business lines and streamlined routing by consolidating shipment deliveries to achieve economies of scale; ⑤ the period-to-period decrease in fuel price.

(4) Other operating costs as a percentage of revenue increased by 1.49 percentage points compared to the same period last year, if excluding Kerry Logistics, decreased by 0.06 percentage points compared to the same period last year. This is primarily achieved by the Company's enhanced effectiveness in managing resource deployment, which effectively controlled increase in investment in fixed assets (such as sites and equipment), and thus maintained a healthy level of capital expenditure as a percentage of revenue.

IV. Non-core Business Analysis

Unit: RMB'000

	Amount	Proportion to total profit	Reason
Other income	747,676	13.79%	Mainly including government grants related to daily activities.
Investment income	500,597	9.24%	Mainly including income from maturity structured deposits and income from the disposal of subsidiaries
Gains arising from changes in fair value	21,870	0.40%	
Reverse of credit impairment	64,802	1.20%	
Asset impairment losses	806	0.01%	
Non-operating income	130,193	2.40%	Mainly including compensation income and government grants unrelated to daily activities.
Non-operating expenses	188,954	3.49%	Mainly including losses on scrapping of assets and compensation expenses.

Explanation on sustainability

Except for the income from structural 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

	As at the end of the Reporting Period		As at the end of previous year		Increase/ decrease in proportion	Major changes
	Amount	Proportion to total assets	Amount	Proportion to total assets		
Cash at bank and on hand	36,389,283	16.69%	41,062,750	18.94%	-2.25%	For details, please refer to the explanation on changes in cash flow items in "2. Period-on-period changes in key financial data" in "III. Analysis of Principal Business" in this section.
Financial assets held for trading	14,267,643	6.54%	7,385,379	3.41%	3.13%	Mainly due to the increase in structured deposits.
Accounts receivables	23,444,103	10.75%	25,560,433	11.79%	-1.04%	Mainly due to changes in operations.
Contract assets	1,240,787	0.57%	1,522,996	0.70%	-0.13%	No major changes.
Inventories	2,036,256	0.93%	1,948,354	0.90%	0.03%	No major changes.
Investment properties	5,070,539	2.33%	4,875,366	2.25%	0.08%	No major changes.
Long-term equity investments	7,820,999	3.59%	7,858,000	3.62%	-0.03%	No major changes.
Fixed assets	49,779,635	22.83%	43,657,404	20.13%	2.70%	Mainly due to the transfer from construction in progress, such as industrial parks and transit depots.
Construction in progress	6,142,994	2.82%	11,149,860	5.14%	-2.32%	Mainly due to the transfer to fixed assets of projects, such as industrial parks and transit depots.
Right-of-use assets	14,705,206	6.74%	15,429,775	7.12%	-0.38%	No major changes.
Short-term borrowings	14,235,961	6.53%	12,837,870	5.92%	0.61%	Mainly due to new borrowings.
Accounts payable	22,746,521	10.43%	24,715,352	11.40%	-0.97%	Mainly due to changes in operations.
Contract liabilities	1,732,003	0.79%	1,244,418	0.57%	0.22%	No major changes.
Current portion of non-current liabilities	12,476,732	5.72%	11,173,650	5.15%	0.57%	Mainly due to the increase in long-term borrowings and debentures payable due within one year.
Other current liabilities	1,626,738	0.75%	5,122,276	2.36%	-1.61%	Mainly due to the repayments of extra-short term commercial notes and short-term corporate debentures.
Long-term borrowings	10,813,082	4.96%	7,472,010	3.45%	1.51%	Mainly due to new borrowings.
Lease liabilities	8,540,047	3.92%	8,582,372	3.96%	-0.04%	No major changes.

Retained earnings	36,334,035	16.66%	33,371,351	15.39%	1.27%	Mainly due to the good operating performance during the current period.
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2. Key overseas assets

√Applicable □Not applicable

Details of the Assets	Reason	Assets Scale (RMB'000)	Location	Operation Model	Control Measures for Ensuring Asset Security	Profiting Status (RMB'000)	Assets Overseas/ Net Assets of the Company	Whether There is Significant Impairment Risk
51.52% equity of Kerry Logistics	Equity acquisition	23,603,155	Hong Kong (China)	Integrated logistics, international freight forwarding and supply chain solutions	Note 1	102,409	23.32%	No
Other information	<p>1. "Asset scale" refers to net assets of Kerry Logistics;</p> <p>2. "Profiting status" refers to net profit contributed by Kerry Logistics in the first half of 2023, which is the net profit of Kerry Logistics, taking into account the fair value of identifiable assets and liabilities at the time of the acquisition of the equity of Kerry Logistics and the impact of adjustments arising from adopting the same accounting policy. The net profit attributable to shareholders of the parent was RMB83.039 million; profit or loss attributable to minority shareholders amounted to RMB19.370 million and net profit attributable to shareholders of the parent after deducting non-recurring profit or loss as contributed by Kerry Logistics amounted to RMB50.236 million.</p> <p>3. "Assets overseas/net assets of the Company" refers to net assets of Kerry Logistics/net assets of the Company.</p>							

Note 1: As a company listed on the Hong Kong Stock Exchange, Kerry Logistics, and the Company, on the basis of compliance with the A-share and H-share listing rules and other relevant regulatory regimes, have carried out integration at the levels of corporate governance, information disclosure and business cooperation, etc. since October 2021, Mr. Wang Wei, the Chairman of the Company, has been appointed as the chairman of the board of directors and a non-executive director of Kerry Logistics, while Mr. Ho Chit and Mr. Chan Fei, directors of the Company, have been appointed as non-executive directors of Kerry Logistics, participating in corporate governance and major operational decisions of Kerry Logistics. At the same time, both parties work closely on corporate governance and information disclosure to ensure that the disclosure of information of both parties complies with the regulatory rules for A-share and H-share listed companies. In addition, both parties will continue to explore the room for collaboration in business to fully complement each other's strengths and to work together in expanding the global logistics market.

3. Assets and liabilities measured at fair value

Unit: RMB'000

Item	Opening Balance	Changes in Fair Value Gains and Losses in Current Period	Accumulated Fair Value Changes Included In Equity	Provision for Impairment in Current Period	Amount of Purchase in Current Period	Amount of Sales in Current Period	Other Changes	Closing Balance
Financial assets								
1. Financial assets held	8,397,588	28,222	-	-	8,015,697	38,745	332,960	16,735,722

for trading (excluding derivative financial assets) ^{note 1}								
2. Derivative financial assets	-	-	10,229	-	-	-	516	10,745
3. Investments in other equity instruments	7,365,684	-	-53,984	-	36,411	133,680	240,128	7,454,559
Subtotal of financial assets	15,763,272	28,222	-43,755	-	8,052,108	172,425	573,604	24,201,026
Others	-	-	-	-	-	-	-	-
Total	15,763,272	28,222	-43,755	-	8,052,108	172,425	573,604	24,201,026
Financial liabilities	96,647	-	-13,763	-	-	-	3,373	86,257

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

(1) Other changes:

Other changes in financial assets held for trading are mainly investment income realised by matured structured deposits, and other changes in investments in other equity instruments are mainly due to exchange differences on translation of foreign currency financial statements.

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

4. Limitation of asset rights at the end of the Reporting Period

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

Unit: RMB'000

	Amount	Reasons for limitation
Cash at bank and on hand	854,252	Mainly statutory reserves in the Central Bank
Fixed assets	538,938	Bank borrowing mortgage
Intangible assets	267,554	Bank borrowing mortgage
Investment properties	108,394	Bank borrowing mortgage
Total	1,769,138	

VI. Investments Analysis

1. Overview

Investment amount during the Reporting Period (RMB'000)	Investment amount in the same period of last year (RMB'000)	Percentage change
8,341,109	8,489,690	-1.75%

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

Item	Investment Amount During the Reporting Period (RMB'000)
Sorting centre	2,866,718
Aircraft	940,397
Warehouse	628,845
Vehicle	516,844
Information & technology equipment	300,269
Office and buildings	220,626
Land	9,544
Equity investments	2,391,922
Others	465,944
Total	8,341,109

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	Opening book value	Gains and losses from changes in fair value during the period	Accumulated fair value changes included in equity	Purchase amount during the period	Sales amount during the period	Gains and losses during the period	Closing book value
Domestic and overseas stocks	300771	Zhilai Sci and Tech	21,377	Fair value measurement	88,844	-	-16,317	-	-	1,998	72,527
Domestic and overseas stocks	GB00BLH1QT30	Samarkand	28,800	Fair value measurement	12,170	-	-5,984	-	-	-	6,261
Other securities investments held at the end of the period			144,663	Fair value measurement	57,920	-	-20,616	-	-	-	38,206
Total			194,840	--	158,934	-	-42,917	-	-	1,998	116,994
Disclosure Date of Board Announcement in respect of Securities Investment Approval			Not applicable								
Disclosure Date of Shareholders Meeting Announcement in respect of Securities Investment Approval			Not applicable								

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

(2) Investments in derivatives

Unit: RMB'000

Type of derivatives Investment	Initial investment amount	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	Closing balance	Proportion of investment amount at the end of the period to net assets of the Company at the end of the Reporting Period
Forward Exchange	3,626,250	-4,095	-3,262	N/A	N/A	3,626,250	3.58%
Total	3,626,250	-4,095	-3,262	N/A	N/A	3,626,250	3.58%
Explanation of whether the accounting policies and accounting principles of hedging during the Reporting Period are significantly changes compared with the previous Reporting Period	No						
Description of actual gains/losses during the Reporting Period	The actual gains/losses during the reporting period refers to the change in fair value of derivative financial instruments included in equity during the period, and the actual gains for the period amounted to RMB23.992 million.						
Description of hedging effects	The Company's derivative investment business mainly consists of forward contracts purchased in 2020, with the underlying asset being the exchange rate and the currency involving USD/HKD. The main elements are: operation of forward forex hedging for the Company's US dollar bonds, which generates exchange losses on the US dollar bonds and gains on changes in the fair value of the forward exchange contracts when the USD strengthens against the HKD. By utilising the lock-in function of derivative transactions, the impact of exchange rate fluctuations on the Company's profit was effectively reduced.						
Source of fund for derivatives investment	Self-owned funds						
Risk analysis and control measures for derivatives positions during the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal	<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 refers to losses which may arise from changes in price of foreign exchange hedging products due to fluctuations in market prices of underlying exchange rates and interest rates.</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</p>						

risk, etc.)	<p>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 rolling forecasts for risk management. We are subject to the risk that the actual cash flow deviates from forecast, resulting in failure to fulfil obligations under relevant hedging contracts when due.</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	<p>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.</p>

should be disclosed)	
Lawsuit(if applicable)	N/A
Disclosure Date of Board Announcement in respect of Derivatives Investment Approval (if any)	24 March 2020, 31 March 2022, 29 March 2023
Disclosure Date of Shareholders Meeting Announcement in respect of Derivatives Investment Approval (if any)	N/A
Opinions of independent directors on the Company's derivatives investment and risk control	The independent directors believed that the Company had established an internal control system for foreign exchange hedging and effective risk control measures in accordance with the requirements stipulated by relevant laws. Under the premise of complying with national laws and regulations and ensuring that the Company's daily operation were not affected, the Company used its own funds to carry out foreign exchange hedging when appropriate, which was conducive to preventing interest rate and exchange rate risks, reducing the impact of market 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 proceeds

(1) Description of overall utilisation of proceeds

Unit: RMB'000

Year	Method of fundraising	Total of proceeds	Total proceeds used in the current period	Accumulative proceeds used (Note 1)	Total proceeds with usage altered in the Reporting Period	Accumulative proceeds with usage altered	Proportion of accumulative total proceeds with usage altered	Total unused proceeds	Usage and allocation of unused proceeds	Proceeds idle for over two years
2021	Non-public offering of shares	19,907,320	1,178,911	18,285,845	1,400,000	1,400,000	7.03%	1,898,316	The balance of structured deposit purchased as cash management of unused proceeds was RMB1,130 million with the remaining unused proceeds held in a special account	-
Total	--	19,907,320	1,178,911	18,285,845	1,400,000	1,400,000	7.03%	1,898,316	--	-
Description or of overall utilisation of proceeds										
As of 30 June 2023, the accumulated raised funds applied for the Express Delivery Equipment Automation Upgrade Project, the Construction Project of Hubei Ezhou Civil Airport Transit Centre, the Construction Project of Digital-intelligent Supply Chain System Solution, the Land Transport Capacity Improvement Project, the Aviation Materials Purchasing and Maintenance Project and used as Replenishment of Liquidity were RMB6,148,719,000, RMB2,167,791,000, RMB2,940,679,000, RMB1,925,410,000, RMB1,803,245,000 and RMB3,300,001,000, respectively.										

(2) Investment commitment in respect of proceeds

Unit: RMB'000

Project investment commitment and allocation of surplus proceeds	Whether project has been (or partially) altered	Total committed investment based on net proceeds	Total investment after alteration (1)	Investment in the current 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 in the current period	Whether expected benefits have been achieved	Whether the feasibility of project has changed significantly
Project investment commitment										

1. Express Delivery Equipment Automation Upgrade Project	No	6,000,000	6,942,579	106,140	6,148,719	88.57%	31 December 2023	Note 2	N/A	No
2. Construction Project of Hubei Ezhou Civil Airport Transit Centre	No	4,000,000	2,600,000	50,316	2,167,791	83.38%	31 December 2023	Note 3	N/A	No
3. Construction Project of Digital-intelligent Supply Chain System Solution	No	3,000,000	3,000,000	197,470	2,940,679	98.02%	31 December 2023	Note 4	N/A	No
4. Land Transport Capacity Improvement Project	No	2,000,000	2,000,000	197,075	1,925,410	96.27%	31 December 2023	Note 5	N/A	No
5. Aviation Materials Purchasing and Maintenance Project	No	1,907,320	1,907,320	327,910	1,803,245	94.54%	31 December 2023	Note 6	N/A	No
6. Replenishment of Liquidity	No	3,000,000	3,600,000	300,001	3,300,001	91.67%	N/A	Note 7	N/A	No
Subtotal of project investment commitments	--	19,907,320	20,049,899	1,178,911	18,285,845	--	--		--	--
Investment of surplus proceeds										N/A
Total	--	19,907,320	20,049,899	1,178,911	18,285,845	--	--		--	--
Description of the failure to achieve the planned progress, and the expected return and the reasons by project (including the reasons for choosing "N/A" in case of "achieving the expected benefit or not").	The above projects in which the Company promises to invest are aimed at improving the service capacity and operational efficiency of the overall logistics network, therefore it is not possible to directly quantify the benefits achieved by individual projects. See Note 2 to Note 7.									

Significant changes in the feasibility of projects	N/A
Amount, usage and use progress of surplus proceeds	N/A
Change in implementation location of investment projects funded by proceeds	N/A
Adjustment to implementation method of investment projects funded by proceeds	N/A
Upfront investment and replacement of investment projects funded by proceeds	After consideration and approval at the 19th meeting of the 5th Board of Directors and the 17th meeting of the 5th Supervisory Committee convened by the Company on 28 October 2021, and with the explicit consent from the sponsors, independent directors and the Supervisory Committee, the Company replaced with the proceeds the self-raised funds of an aggregated amount of RMB6,338,458,000 which was invested in advance for the Express Delivery Equipment Automation Upgrade Project, the Construction Project of Hubei Ezhou Civil Airport Transit centre, the Construction Project of Digital-intelligent Supply Chain System Solution, the Land Transport Capacity Improvement Project, and the Aviation Materials Purchasing and Maintenance Project. For details, please refer to the announcement dated 29 October 2021 (announcement No.: 2021-118) disclosed by the Company on Cninfo (www.cninfo.com.cn).
Supplementing working capital temporarily with idle proceeds	N/A
Balances of the proceeds during the project implementation and the reasons	N/A
Usage and allocation of the unused proceeds	The unused proceeds of the Company will be utilised for the express delivery equipment automation upgrade project, the construction project of Ezhou civil airport transit centre in Hubei, the construction project of digital-intelligent supply chain system solution, the land transport capacity improvement project, and the aviation materials purchasing and maintenance project under the investment commitment, which are all deposited in the special account for proceeds with the bank supervising the Company's proceeds. Besides, in order to improve the return of funds, the Company utilised part of the unused proceeds to purchase certain wealth management products with secured principal and fixed income according to the Resolution on the Use of Part Idle Proceeds for Cash Management as considered and approved by the Company at the 19th meeting of the 5th Board of Directors and the 17th meeting of the 5th Supervisory Committee on 28 October 2021. As of 30 June 2023, the unused proceeds of the Company were RMB1,664,054,000, together with the accumulated bank interest and wealth management income of RMB234,262,000, totaling RMB1,898,316,000. The Company has deposited the temporarily-unutilised proceeds of RMB1,130,000,000 by way of structured deposits and the remaining RMB768,316,000 was deposited as demand deposits with neither mortgage or pledge over the certificate of deposits nor

	subject to limited ownership or right of use.
Defects and other problems in utilisation and disclosure of the proceeds	N/A

(3) Statement of changes in projects funded by proceeds
 Applicable Not applicable

Unit: RMB'000

Project after change	Corresponding original commitment project	Total amount of proceeds to be invested in the project after change(1)	Actual investment during the Reporting Period	Actual cumulative investment as at the end of the period(2)	Investment progress at the end of the period (3)=(2)/(1)	Date of asset ready for intended use	Benefits achieved in the current period	Whether expected benefits have been achieved	Whether feasibility of altered project has changed significantly
Express delivery equipment automation and upgrades	The construction of the Ezhou airport transshipment centre project in Hubei	6,942,579	106,140	6,148,719	88.57%	31 December 2023	Note 2	N/A	No
Supplement of working capital		3,600,000	300,001	3,300,001	91.67%	N/A	Note 7	N/A	No
Total	--	10,542,579	406,141	9,448,720	--	--		--	--
Explanation of reasons for changes, decision-making procedures and disclosure of information (by specific items)		<p>As of 30 June 2023, the total amount of the usage-changed proceeds of the Company was RMB1,400 million, accounting for 7.03% of the total proceeds. In addition, the Company used RMB100 million of the accumulated wealth management returns and interest income generated through the proceeds to make additional investments in the original investment projects. Details are as follows:</p> <p>The 2nd meeting of the 6th session of the Board of Directors of the Company and the 2022 Annual General Meeting of the Company considered and passed the "Proposal on Changing Part of the Proceeds-financed Projects", and agreed that the Company would reduce the proceeds towards the "construction of the Ezhou civil airport transit centre project in Hubei ", and would use the above-decreased proceeds of RMB1,400 million, together with the wealth management returns and interest income generated through the proceeds of RMB100 million, totalling RMB1,500 million, to increase investment in the original proceeds-financed projects, namely the "express delivery equipment automation and upgrades "and "supplement of working capital ". For details, please refer to the announcement of the Company disclosed on cninfo (http://www.cninfo.com.cn) on 29 March 2023 (Announcement No. 2023-018).</p>							

Circumstances and reasons for not meeting planned progress or projected benefits (by specific items)	N/A
Description of significant changes in the feasibility of the changed project	N/A

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

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 optimise customer experience and satisfaction, so as to further reinforce the Company's core competitiveness. The benefits achieved are not directly quantifiable.

Note 3: The project aims to improve the Company's 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 listed Company and serving the development of the Company's main business and the realisation of long-term strategy. The benefits achieved are not directly quantifiable.

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

VII. Sale of Significant Assets and Equity

1. Sale of significant assets

Applicable Not applicable

The Company did not sell any significant assets during the Reporting Period.

2. Sale of significant equity

Applicable Not applicable

Counterparty	Disposed equity interest	Disposal date	transaction price (RMB 000)	Net profit contributed by the equity interest to the listed Company from the beginning of the period to the date of disposal (RMB 000)	Impact of the disposal on the Company	Proportion of net profit contributed by equity disposal to total net profit of listed Company	Pricing principles for equity disposal	Whether it is a related party transaction	Related party relationship with the counterparty	Whether the shareholding involved has been fully transferred	Whether it has been implemented as planned and on schedule, and if not, disclose the reasons and the measures taken by the Company	Date of disclosure	Index of disclosure
Shenzhen J&T Express Supply Chain Co., Ltd.	100% equity interest of Shenzhen Fengwang Information Technology Co. Ltd.	27 June 2023	1,183,000	-551,485	Will not have a significant impact on the Company's daily operating activities	3.72%	fair and equitable	No	No	Yes	Yes	13 May 2023	CNINFO(www.cninfo.com.cn)

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

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	Revenue	Operating Profit	Net Profit
Shenzhen S.F. Taisen Holding (Group) Co., Ltd.	Subsidiary	Investments in industrial businesses, investment consulting and other information consulting, supply chain management, asset management, capital management, investment management, etc.	2,020,000	66,643,254	42,530,808	2,957,667	519,458	448,532

(1) Description of Major Holding and Participating Companies

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

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

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

IX. Structured Entities Controlled by the Company

Applicable Not applicable

X. Risks Faced by the Company and Countermeasures

1. Market risk

Risk of macroeconomic fluctuations: The logistics industry plays a fundamental role in the development of the national economy but it is also significantly affected by domestic and global macroeconomic conditions. In recent years, China's macroeconomic growth has slowed down and China is undergoing a period of economic structure transition, and the macroeconomy is expected to move into a new phase of medium-slow growth; the overall economic environment still faces complicated challenges although domestic production and consumption activities recovered in the first half of 2023. Meanwhile, inflation, rising energy prices, weak consumer demand, unstable international relations and other negative factors have become obstacles to the growth of international trade. However, with the recovery of international transport capacity resources, and oversupply has led to the gradual decline of international air and sea transport prices from the historical high range to a relatively lower level of 2019. In addition, the international freight industry is highly competitive with narrower profit margin. The superposition of domestic and foreign economic factors may affect the logistics industry and the performance of the Company.

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

changes, it may face the risk of slowing revenue growth and declining market share.

Risk response: The Company keeps a close watch on the macroeconomic, analyses its impact on our main business, and adjusts our operation strategies in a timely manner to minimise the adverse impact on the Company's business and future development. The Company pays close attention to and studies industry development trends, analyses the market competition patterns, and deploys forward-looking strategic planning. The Company adheres to the multidimensional development of business, constantly improves the product matrix, deeply taps demands from customers' supply chain and provides integrated logistics solutions for various industries to achieve a differentiated service experience and enhance customer stickiness towards us. The Company also deeply integrates the business foundation in order to achieve the resources complementation and optimise network effectiveness. Meanwhile, the Company attaches great importance to science and technology investment, as it could empower product innovation, improve service quality, and 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 on Courier Service Operaiton Permits (《快递业务经营许可管理办法》), the Administrative Measures for Express Delivery Market (《快递市场管理办法》) and the Rules for Guiding the Operation of Express Business (《快递业务操作指导规范》). With a view to effectively regulating the development of the express delivery industry and enhancing service quality, competent departments at various levels successively introduced regulatory policies to regulate industry competition and service standards. Particular emphasis was placed on high-quality development of the industry, calling

on related parties to protect the legitimate rights and interests of couriers, improve the social security level of the couriers, implement the main responsibility of the couriers and standardize the enterprise franchise and labour management. With the stronger regulation, the compliance cost and violation risk of the express delivery industry may increase, which may have an impact on the development trend and market competition landscape of the express delivery industry, and may affect the future business growth and performance of the Company.

Risk response: The Company has established research teams for state and local policies in all business units to conduct in-depth analysis on relevant policies introduced, fully capitalising on 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 CO₂ emissions by 2030 and achieve carbon neutrality by 2060. It is foreseeable that China will issue subsequent policies on environmental protection, energy conservation and emission reduction. Such policies to be released may affect the service and operation pattern of express delivery companies, and may lead to increased expenses in relevant aspects such as environmental protection, energy conservation and emission reduction incurred by express delivery companies, which will pose adverse effect on the future performance of the Company. Meanwhile, if companies fail to fulfil their green environmental obligations in accordance with the laws, they will not only be liable to the relevant legal obligation, but also impair their corporate social images.

Risk response: The Company took into account the external environment and policy changes as well as took a keen insight into the development trend of the industry, so as to steer the direction of the industry and implement the forward-looking deployment and adjustment. The Company paid attention to its own impacts on the environment, and in

2021, the Company published the "SF Holding's White Paper for Carbon Emission Target" (《顺丰控股碳目标白皮书》), the industry's first white paper for carbon emission in China. Leveraging technological strength such as big data and algorithm, the Company adjusted the energy consumption structure, upgraded transportation and business models, implemented the reduction and recycling of express packaging, and then promoted the green and low-carbon reform.

3. Business risk

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

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

Risk from fuel price fluctuation: Transportation cost is one of the major costs of the express delivery industry, and fuel cost is an important component of transportation cost. Fluctuation of fuel price will have a certain impact on the

profitability of express delivery companies. If the price continues to rise, the Company will experience pressure of increased costs.

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

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

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

the Company increases the investment in scientific and technological resources, promotes the construction of international business informatisation, and facilitates making operational decisions in an efficient manner.

4. Exchange rate fluctuation risk

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

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

will devote its efforts to study and analyse exchange rates and interest rates, closely monitor changes in the global markets, issue early warnings in time, and take countermeasures accordingly.

5. Information system risk

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

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

Firstly, the Company continues to carry out operation and optimisation of the ISO27001 information security management system and the ISO27701 privacy information management system. The Company implements information security control and protection in all aspects according to established policies and strategies for information security, and continuously updates all procedures and systems for information security. It continuously reinforces risk awareness among staff members, conducts staff training on operation standards, develops internal information circulation

guidelines, implements rules of strong control over sensitive information, avoids unintentional violations, and constructs monitoring and pre-warning and response systems for abnormal behaviours, so as to eliminate information system security risks in their infancy.

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

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

protection and business system. Additionally, the Company has actively participated in the formulation and review of various information security standards of the National

Information Security Standardisation Technical Committee, and pilot work for implementation of policies.

Chapter 4 Corporate Governance

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

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

Meeting	Meeting Type	Investor Participation %	Date Convened	Disclosure Date	Meeting Resolutions
2022 Annual General Meeting	Annual General Meeting	67.2872%	27 April 2023	28 April 2023	"2022 Annual General Meeting Resolutions" (2023-035) disclosed by the Company on CNINFO (www.cninfo.com.cn)

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

Applicable Not applicable

II. Changes of Directors, Supervisors and Senior Executives of the Company

Applicable Not applicable

There were no changes of directors, supervisors and senior executives of the Company during the Reporting Period, please refer to Annual Report 2022 for details.

III. Profit Distribution & Conversion of Equity Reserve into Share Capital During the Reporting Period

Applicable Not applicable

The Company intends to pay no cash dividend, no bonus shares, and no conversion of equity reserve into share capital for the first half of the year.

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

Applicable Not applicable

There were no stock incentive plan, employee share ownership scheme, or other employee incentives and their execution during the Reporting Period.

Chapter 5 Environment and Social Responsibilities

I. Major Environment Issues

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

During the Reporting Period, the Company and its subsidiaries were not subject to administrative penalties for environmental issues.

Please refer to other environmental information disclosed by major pollutant discharge units.

Applicable Not applicable

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

SF is committed to achieving the unified integration of its corporate value and social value. As an enterprise with a sense of social responsibility, SF always adheres to the sustainable and healthy development philosophy, hoping to set itself as the benchmark case in the industry and bring a positive impact on the entire industry and even the whole society through the optimisation and upgrade of corporate operation. Guided by the implementation of the national dual carbon strategy, the Company takes environmental protection, energy conservation and emission reduction as the goal, and integrates addressing climate change into the Company's management and operation practice, so as to constantly improve the environmental management system. In order to actively build sustainable logistics, SF promotes low-carbon transportation, builds green industrial parks, practices sustainable packaging and green technology application and other measures to achieve green management covering the whole life cycle of logistics.

Leveraging its past achievements of carbon reduction, the Company published a "White Paper on Carbon Goals", which is the first publication on carbon goals in the industry. In the white paper, the Company promised to increase its carbon efficiency by 55% in 2030 as compared with that in 2021, and reduce carbon footprint per parcel by 70% as compared with that in 2021. For two consecutive years, SF has been awarded on the Fortune China ESG Impact List for its outstanding efforts in improving the environment, caring for employees, and engaging in public welfare and charity, and also the only non-state-owned express delivery company on the list in China.

1. Promoting low-carbon transportation

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

The Company has adopted various measures so that more new energy vehicles could be used for its logistics services. It jointly explored the efficient operation mechanism of new energy logistics vehicles with partners to improve the efficiency of transportation energy use and mitigate the impact on the environment. The transportation scenarios of new energy vehicles mainly cover intra-city short-haul routes, shuttling and end delivery, as well as first-and second-tier line-haul transportation across provinces and cities. By the end of the Reporting Period, SF has utilised more than 29,000 new energy vehicles for transportation, covering 234 cities. For long-distance transportation and transportation in cold areas in northern China, the Company conducted pilot by introducing hydrogen fuel and LNG natural gas vehicles.

2. Establishing green industrial parks

SF is committed to reestablishing green industrial parks. Through the construction of photovoltaic power stations and the optimisation of warehouse space layout, SF has promoted the improvement in transit efficiency and energy-saving efficiency, mitigating the environmental impact of logistics transit. The Company continuously strengthens the use of clean energy and actively develops renewable energy generation plans. By the end of the Reporting Period, the Company has completed construction of roof photovoltaic power stations in

12 industrial parks, with an overall installed capacity of over 58MW. In the first half of 2023, more than 7.3 million kWh of electricity was generated from renewable sources.

3. Implementing sustainable packaging

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

Minimum packaging: Express packaging is an important part of emission reduction along the whole logistics chain. SF continuously promoted the green packaging plan, and provided detailed packaging operation instructions for different types of consignments to implement the green packaging requirements. The Company conducts innovative research and development on the minimisation, standardisation and scene-based application of eight types of materials, including plastic bags, plastic papers, stickers and seals. In the first half of 2023, a total of approximately 21,000 tons of raw paper and approximately 77,500 tons of plastic were reduced.

Recycled packaging: Through the operation and management platform of recycled packaging and load devices, SF provides customers inside and outside the industry with total recycled packaging solutions, and uses well-developed products such as confidential transportation boxes, airport recycling boxes, recyclable transfer boxes for fragile goods, food recycling boxes, and solar photovoltaic panel recycling packages for different scenarios. By the end of June 2023, more than 1.25 million "π-boxes" (Recyclable Boxes) were launched and achieving more than 19 million recycling usages.

4. Developing green technology

Through the digitalisation of the whole chain operation of collection and delivery, transfer and transportation, combined with big data prediction, visual monitoring and early warning, SF achieved intelligent planning and scheduling, dynamic resource matching and efficient flat management in all areas; In addition, in order to improve the efficiency of network operation, SF increases investment in IoT, automation and

unmanned technologies to integrate the power of technology into the whole life cycle of each parcel, helping to improve the quality, efficiency, and low-carbon emission reduction of the whole process of "collection, transfer, transportation and delivery".

In the terminal collection and delivery process, SF expands the scope of business delivery and provides high-efficiency, high-economy and low-carbon logistics and transportation services through the application of intelligent technologies. In the transit process, SF has optimised the allocation of warehousing resources based on big data and introduced a fully automatic sorting and site management system to improve the efficiency of warehousing and transshipment and improve the efficiency of energy use. In terms of transportation, SF uses smart maps to plan the transportation route, and considering factors such as time limit and distance of the express, the Company provides route optimisation through smart algorithms. At the same time, relying on big data analysis and deep learning technology, SF integrated cargo routes and capacity resources to achieve accurate matching between vehicles and goods and improve transportation efficiency.

In addition, SF pioneered the benchmark case of green and low-carbon transformation in the industry and created the digitally intelligent carbon management platform "Fenghe Sustainable Development Platform". The platform covers packaging, transportation, transit, delivery and other links, with a total of more than 60 typical scenarios and more than 120 indicators, which can calculate carbon emissions from end-to-end links in real time. Based on the standardised carbon management strength of the platform, SF can help customers understand the greenhouse gas emissions in transportation and logistics related activities, and improve the transparency of carbon emission data in supply chain logistics, thus achieving effective identification and control in the operation process.

While promoting green and low-carbon transformation with the power of technology, SF also hopes to extend the green value to the supply chain. Therefore, it advocates and cooperates with upstream and downstream partners to accelerate low-carbon transformation, and jointly assume the responsibility of protecting the planet, so as to achieve green development and build a zero-carbon future.

II. Social Responsibilities

Industry services for rural revitalisation: As one of the earliest express enterprises focusing on the delivery of agricultural products, SF adheres to the principle of "racing against time", with countless couriers stationed in the first kilometre of the journey starting from the places of origin, and its business model from "farms" to the "dining tables" has gained widespread recognition from consumers. In the process of further advancing the development of "agriculture, rural areas and farmers", a large number of high-quality agricultural products from the places of origin encounter various challenges in the circulation process, such as vulnerability, difficult to package, complex distribution channels, and inability to achieve economies of scale. They are also faced with marketing-related problems such as limited number of channels available, monotonous presentation, limited target audience size and inability to create a brand effect. As a result, good agricultural products are blocked in the "farms", and farmers have been struggling to increase their income. Although the market demand is huge, it is difficult for agricultural products to be sold to the broader market. SF adheres to the concept of not only distributing quality agricultural products to the market, but also promoting the exceptional brands of agricultural products to the market.

SF sets up agricultural produce collection outlets in farm fields, develops and invests in mobile sorting vehicles suitable for small-batch allocation, launches fresh products pretreatment centres close to the places of origin, and customises design for the packaging of various fresh products. In the harvest season of characteristic agricultural products, in addition to air transport capacity, high-speed railway and cold chain transport capacity are superimposed to ensure efficient and high-speed transport of agricultural products across the country. Furthermore, the Company has set up a special project team in the "fresh season" to monitor and give timely warning of all links such as collection, transfer, transportation, delivery and after-sales service with the help of the visualisation system based on scientific and technological big data, aiming to ensure the service quality in the whole process. SF has been helping farmers transport high-quality agricultural products from the fields and mountains, delivering them to millions of households' dining tables.

Leveraging its robust logistics network, top-notch packaging technology, and exceptional delivery capability, the

Company has overcome one after another high degree difficulties in the transportation of fresh products, helping hairy crab, live fish, seafood, beef and lamb, litchi, cherry, waxberry, strawberry, matsutake and other agricultural products transport to all parts of the country with a direct delivery mode. Through the establishment of efficient, safe and traceable whole-link logistics services, SF provides a robust guarantee and support for the production, circulation and sales of agricultural products, and promotes the protection of agricultural products and their development. SF allows more consumers to know agricultural products' true value and promotes regional iconic agricultural products to become household names. SF continues to expand service categories and business scenarios through logistics model innovation, efficiency enhancement through cost reduction, and market-based pricing. Besides, backed by technology empowerment, the Company developed and invested in various convenient technology tools such as Xiaoguoguo management system, Fengshou and drop shipping, to assist farmers in achieving one-stop efficient operation covering sales, shipment and settlement.

China kept on propelling rural revitalisation in 2023 in a comprehensive manner. In order to actively cooperate with the national strategy, continuously to consolidate and extend the achievements in poverty alleviation, we will actively cooperate with local governments, rural cooperatives and other institutions to promote the synergetic development of the upstream and downstream of the agricultural industry chain through reasonable transportation prices and high-quality services, so as to promote farmers' income and achieve common prosperity. The Company also extended to cooperate with local governments to build regional agricultural brands and help branding construction in addition to providing express logistics services. SF has established a designated fund subsidy mechanism for customisation of packaging materials for regional brands and invested RMB3.0 million as designated funds thereof. In the first half of 2023, SF collaborated with local governments to obtain brand licences, design brand packaging and co-build a total of 26 regional brands for agricultural products, generating revenue for local farmers. Also, SF adhered to fulfill the social responsibility by making active response to the concept of green logistics and adopting green and environment friendly packaging materials for agricultural products for pilot trials, which made the Company win high degree of recognition from users. In addition, with the development of the Internet Plus economy, the Company relies

on its own platform to conduct systematic and impactful dissemination of agricultural products. It also leverages external resources to build agricultural product brands and sales ecosystems. The Company conducts livestreaming sales activities in cooperation with the governments, anchors from the customers, and local fruit farmers. Additionally, it utilises the power of its brand marketing and collaborates with Internet celebrities (KOLs) and influencers to boost live broadcasts at the places of origins. In the process of agricultural digital upgrading and transformation, SF provides a series of technology services such as product traceability and "one QR code for each store" to show its contribution to rural revitalisation, allowing more local brands of featured agricultural products to be known, tasted and recognised by people all over the country. Up to now, the upstream service network of agricultural products assisted by SF has covered more than 2,700 county-level administrative districts, serving a total of 226 types of characteristic agricultural products of three-level categorisation, with a total of more than 6,000 kinds. In the first half of 2023, the Company has delivered 2.31

million tons of characteristic agricultural products, contributing to rural revitalisation.

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 three-level rural logistics co-distribution service network in counties, towns and villages. As of June 2023, SF has established over 100,000 cooperative stations at the village level, gradually forming a relatively complete rural express delivery network with a service coverage of over 90% of villages. SF handles a daily volume of 1.86 million parcels in townships. Based on high-quality logistics services, the Company has extended services from the front end of the industrial chain to the entire process, enabling rural households to enjoy more convenient and efficient express delivery services right in their villages.

Chapter 6 Significant Events

I. Commitments Made by the Company's Actual Controllers, Shareholders, Related Parties, Purchasers, the Company and Others that Were Fulfilled During the Reporting Period and Those Not Fulfilled before the Expiry as of the End of the Reporting Period

Applicable Not applicable

During the Reporting Period, there were no commitments made by the Company's actual controllers, shareholders, related parties, purchasers, the Company and others that were fulfilled during the Reporting Period and those not fulfilled before the expiry as of the end of the Reporting Period

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

Applicable Not applicable

During the Reporting Period, no controlling shareholders or other related parties used capital of the listed Company for non-operating purposes.

III. Non-compliant Provision of External Guarantees

Applicable Not applicable

There was no non-compliant provision of external guarantees of the Company during the Reporting Period.

IV. Details Regarding Engagement and Removal of Accountant Firm

Whether the interim financial report has been audited?

Yes No

The interim report of the Company has not been audited.

V. Explanations Provided by the Board of Directors and 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" of the Previous Year

Applicable Not applicable

VII. Bankruptcy and Reorganisation

Applicable Not applicable

There were no bankruptcy or reorganisation related matters of the Company as at the end of the Reporting Period.

VIII. Lawsuit

Significant lawsuit or arbitration

Applicable Not applicable

There was no significant lawsuit or arbitration related matters of the Company during the Reporting Period.

Other legal proceedings

Applicable Not applicable

As of 30 June 2023, 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 RMB412,469,000.
2. Cases not yet resolved during the Reporting Period include: Cases involving the listed Company and its subsidiaries as defendants amounted to RMB547,977,000, accounting for 0.64% of audited net assets attributable to shareholders of the listed Company at the end of 2022. The above-mentioned litigation matters mainly related to a number of independent cases with small amounts involved in each single case, most of which were transportation service cases. The listed Company and its subsidiaries have already purchased commercial insurance for operating vehicles, transportation and other business activities. Cases involving the listed Company and its subsidiaries as plaintiffs amounted to RMB518,558,000, accounting for 0.60% of audited net assets attributable to shareholders of the listed Company at the end of 2022. Such legal proceedings will not have a material adverse effect on the Company's financial status and ability to continue operations.

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	Related-party transaction price	Transaction amount (RMB'000)	Proportion of same category of transactions	Approved transaction quota (RMB'000)	Approved quota exceeded or not	Related-party transaction settlement method	Market price of similar transactions available	Disclosure date	Disclosure index
Mingde Holding and its subsidiaries	Controlling shareholder of the Company	Provide services to related parties	Courier service, communication service, technology services, agent services, etc.	Fair pricing based on market prices following the principle of independent transactions.	Contract price	45,129	0.04%	150,000	No	Settlement based on the settlement period and terms in the contract	Not applicable	19 November 2022	Announcement on the "Proposal on Estimated Routine Related-party Transaction Amount in 2023" released by the Company on the Cninfo website (www.cninfo.com.cn)
Mingde Holding and its subsidiaries	Controlling shareholder of the Company	Receive services from related parties	Technology services, agent services, etc.			223,842	0.21%	500,000	No		Not applicable	19 November 2022	
Mingde Holding and its subsidiaries	Controlling shareholder of the Company	Purchase of goods/equipment from related parties	Purchase of goods/equipment			140,628	0.13%	280,000	No		Not applicable	19 November 2022	
Other companies controlled by the actual controller of the Company	Other companies controlled by the actual controller of the Company other than "Mingde Holding and its subsidiaries"	Receive services from related parties	Agent services, advertisement services, etc.			89,288	0.08%	250,000	No		Not applicable	19 November 2022	

	subsidiaries"											
CR-SF International Express Co., Ltd.	A former senior manager of the Company serves as a director of CR-SF International Express Co., Ltd.	Receive services from related parties	Transportation services, etc.			356,336	0.33%	750,000	No		Not applicable	19 November 2022
M China Management Limited and its subsidiaries and its franchisees	A former director of the Company serves as a director of the parent company of M China Management Limited	Provide services to related parties	Supply chain service and distribution service, etc.			950,938	0.76%	2,100,000	No		Not applicable	19 November 2022
Total				--	--	1,806,161	--	4,030,000	--	--	--	--
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's thirtieth meeting of the fifth Board of Directors held on 18 November 2022 and the twenty-fifth meeting of the fifth Supervisory Committee and the Third Extraordinary General Meeting of Shareholders of 2022 on 20 December 2022, respectively, reviewed and approved the "Proposal on Estimated Routine Related-party Transaction Amount in 2023." The amount incurred by aforementioned related-party transactions is within the estimated range.								
Reason for significant discrepancy between the transaction price and the market price (if applicable)				Not applicable								

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 were no related-party transactions with joint investment of the Company as at the end of the Reporting Period.

4. Credits and liabilities with related parties

Applicable Not applicable

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

5. Transactions between the Company and financial companies with related party relationship

Applicable Not applicable

There were no deposits, loans, credits or other financial business of the Company between the Company and financial companies with related party relationship.

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

Applicable Not applicable

There were 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

There were no other significant related-party transactions of the Company during the Reporting Period.

XII. Significant Contracts and Their Execution

1. Trusteeships, contracts, and leases

(1) Trusteeships

Applicable Not applicable

There were no material trusteeships of the Company that should be disclosed during the Reporting Period.

(2) Contracts

Applicable Not applicable

There were no material contracts of the Company that should be disclosed during the Reporting Period.

(3) Leases

Applicable Not applicable

There were no material leases of the Company that should be disclosed 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)										
Guaranteed party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Exact date of occurrence	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Period of guarantee	Fulfilled or not	Guarantee for a related party or not
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	24 March 2020	147,000	31 December 2020	107,213	Joint and several liability guarantee	Zhuhai project land	Yes	15 January 2021 to 23 December 2033	No	No
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	24 March 2020	147,000	31 December 2020	6,162	Joint and several liability guarantee	Zhuhai project land	Yes	15 January 2021 to 23 June 2023	Yes	No
Hubei International Logistics Airport Co., Ltd.	24 March 2020	3,500,000	25 February 2021	25,300	Joint and several liability guarantee	Nil	Nil	29 September 2021 to 29 April 2055	No	No
Hubei International Logistics Airport Co., Ltd.	24 March 2020	3,500,000	25 February 2021	50,600	Joint and several liability guarantee	Nil	Nil	30 November 2021 to 29 April 2055	No	No
Hubei International Logistics Airport Co., Ltd.	24 March 2020	3,500,000	25 February 2021	20,700	Joint and several liability guarantee	Nil	Nil	8 October 2021 to 29 April 2055	No	No
Hubei International Logistics Airport Co., Ltd.	24 March 2020	3,500,000	25 February 2021	96,600	Joint and several liability guarantee	Nil	Nil	29 November 2021 to 29 April 2055	No	No
Hubei International	24 March 2020	3,500,000	25 February	36,800	Joint and	Nil	Nil	1 December	No	No

Logistics Airport Co., Ltd.			2021		several liability guarantee			2021 to 29 April 2055			
Hubei International Logistics Airport Co., Ltd.	24 March 2020	3,500,000	25 February 2021	46,000	Joint and several liability guarantee	Nil	Nil	3 December 2021 to 29 April 2055	No	No	
Hubei International Logistics Airport Co., Ltd.	24 March 2020	3,500,000	25 February 2021	276,000	Joint and several liability guarantee	Nil	Nil	1 January 2022 to 29 April 2055	No	No	
Hubei International Logistics Airport Co., Ltd.	24 March 2020	3,500,000	25 February 2021	23,000	Joint and several liability guarantee	Nil	Nil	4 January 2022 to 29 April 2055	No	No	
Hubei International Logistics Airport Co., Ltd.	24 March 2020	3,500,000	25 February 2021	69,000	Joint and several liability guarantee	Nil	Nil	5 January 2022 to 29 April 2055	No	No	
Hubei International Logistics Airport Co., Ltd.	24 March 2020	3,500,000	25 February 2021	46,000	Joint and several liability guarantee	Nil	Nil	27 May 2022 to 29 April 2055	No	No	
Hubei International Logistics Airport Co., Ltd.	24 March 2020	3,500,000	25 February 2021	69,000	Joint and several liability guarantee	Nil	Nil	30 May 2022 to 29 April 2055	No	No	
Hubei International Logistics Airport Co., Ltd.	24 March 2020	3,500,000	25 February 2021	23,000	Joint and several liability guarantee	Nil	Nil	31 May 2022 to 29 April 2055	No	No	
Total guarantee quota approved for external parties during the Reporting Period (A1)			220,000	Total actual amount of guarantees for external parties during the Reporting Period (A2)							-
Total guarantee quota approved for external parties at the end of the Reporting Period (A3)			3,493,393	Total actual guarantee balance for external parties at the end of the Reporting Period (A4)							889,213
The Company's guarantees to subsidiaries											

Guaranteed party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Exact date of occurrence	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Period of guarantee	Fulfilled or not	Guarantee for a related party or not	
SF HOLDING INVESTMENT LIMITED	28 December 2017	3,626,250	26 July 2018	3,626,250	Joint and several liability guarantee	Nil	Nil	26 July 2018 to 26 July 2023	No	No	
SF HOLDING INVESTMENT LIMITED	4 January 2019	6,000,000	20 February 2020	5,076,750	Joint and several liability guarantee	Nil	Nil	20 February 2020 to 20 February 2030	No	No	
SF Holding Investment 2021 Limited	10 February 2021	18,000,000	17 November 2021	2,901,000	Joint and several liability guarantee	Nil	Nil	17 November 2021 to 17 November 2026	No	No	
SF Holding Investment 2021 Limited	10 February 2021	18,000,000	17 November 2021	2,175,750	Joint and several liability guarantee	Nil	Nil	17 November 2021 to 17 November 2028	No	No	
SF Holding Investment 2021 Limited	10 February 2021	18,000,000	17 November 2021	462,620	Joint and several liability guarantee	Nil	Nil	17 November 2021 to 17 November 2031	No	No	
SF Holding Investment 2021 Limited	10 February 2021	18,000,000	18 January 2022	2,901,000	Joint and several liability guarantee	Nil	Nil	18 January 2022 to 17 November 2026	No	No	
SF Holding Investment 2021 Limited	10 February 2021	18,000,000	18 January 2022	2,175,750	Joint and several liability guarantee	Nil	Nil	18 January 2022 to 17 November 2031	No	No	
Total guarantee quota approved for subsidiaries during the Reporting Period (B1)		100,200		Total actual amount of guarantees for subsidiaries during the Reporting Period (B2)				-			
Total guarantee quota approved for the subsidiaries at the end of the Reporting Period (B3)		24,419,320		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)				19,319,120			

Subsidiary's guarantees to subsidiaries										
Guaranteed party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Exact date of occurrence	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Period of guarantee	Fulfilled or not	Guarantee for a related party or not
Subsidiaries of SF Holding (with gearing ratio of 70% or above)	16 March 2019 24 March 2020 18 March 2021	61,182,992	Subject to the actual guarantee contract	19,270,237	Joint and several liability guarantee	Nil	Part	Subject to the actual guarantee contract	Partially fulfilled	No
Subsidiaries of SF Holding (with gearing ratio below 70%)	7 January 2022 31 March 2022 29 March 2023	15,549,876	Subject to the actual guarantee contract	6,152,610	Joint and several liability guarantee	Nil	Part	Subject to the actual guarantee contract	Partially fulfilled	No
Total guarantee quota approved for subsidiaries during the Reporting Period (C1)		54,679,800		Total actual amount of guarantees for subsidiaries during the Reporting Period (C2)			6,765,405			
Total guarantee quota approved for the subsidiaries at the end of the Reporting Period (C3)		74,231,304		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (C4)			17,697,002			
Total guarantee amount provided by the Company (namely total of the first three major items)										
Total guarantee quota approved during the Reporting Period (A1+B1+C1)		55,000,000		Total actual amount of guarantee during the Reporting Period (A2+B2+C2)			6,765,405			
Total guarantee quota approved at the end of the Reporting Period (A3+B3+C3)		102,144,017		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)			37,905,335			
Total guarantee amount (A4+B4+C4) to net assets of the Company at the end of the Reporting Period				42.14%						
Of which:										
Balance of guarantee for shareholders, actual controller, and affiliates thereof (D)				-						
Balance of debt guarantee provided for guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)				23,930,744						
Amount of total guarantee in excess of 50% of net assets (F)				-						
Total amount of the above three guarantees (D+E+F)				23,930,744						
Explanation on guarantee liabilities occurred or possible joint and several liabilities of repayment with evidence during the Reporting Period (if any) for unexpired guarantee contracts				Not applicable						

Explanation on provision of guarantees for external parties in violation of the prescribed procedure (if any)	Not applicable
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3. Wealth managed under trustApplicable 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	22,170,000	13,370,000	-	-
Others	Self-owned funds	34,194	-	-	-
Bank wealth management products	Raised proceeds	2,330,000	830,000	-	-
Total		24,534,194	14,200,000	-	-

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, non capital guaranteed, high risk wealth management products

Applicable Not applicable

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

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

There were no significant contracts of the Company in the Reporting Period.

XIII. Other Significant EventsApplicable Not applicable**(I) Subscription of perpetual convertible bonds issued by Kerry Logistics**

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

Kerry Logistics through its wholly-owned subsidiary. Based on the initial conversion price of HK\$18.8/share, and assuming full conversion of the convertible bonds in the future, the Company's shareholding ratio in Kerry Logistics will increase to 52.61%.

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

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

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

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

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

On August 21, 2023, the Company submitted the application for the Issue and Listing to the Hong Kong Stock Exchange and published the application proof for the Issue and Listing on the website of the Hong Kong Stock Exchange on the same day. The Issue and Listing of the Company is subject to the approval, ratification or filing by the relevant governmental authorities, regulatory authorities and stock exchanges such as the China Securities Regulatory Commission and the Hong Kong Stock Exchange, and is still subject to uncertainties. The Company will fulfill its information disclosure obligations in a timely manner according to the progress of the aforementioned matter.

The disclosure index of the above events is as follows:

Interim announcement	Date of disclosure	Website for disclosure
Announcement on the Results of the Issuance of the First Tranche of Super & Short-term Commercial Papers for 2023 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	21 February 2023	CNINFO (www.cninfo.com.cn)
Announcement on Subscription of Perpetual Convertible Bond Issued by Controlling Subsidiary Kerry Logistics	29 March 2023	CNINFO (www.cninfo.com.cn)
Announcement on the Results of the Issuance of the Second Tranche of Super & Short-term Commercial Papers for 2023 by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	4 April 2023	CNINFO (www.cninfo.com.cn)
Announcement on Matters Related to Planning for the issuance and listing of H shares	2 August 2023	CNINFO (www.cninfo.com.cn)

Announcement on Submission of Application for Issue and Listing of Overseas-Listed Foreign Shares (H Shares) to the Stock Exchange of Hong Kong Limited and Publication of Application Materials	2 August 2023	CNINFO (www.cninfo.com.cn)
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XIV. Significant Events of Subsidiaries

Applicable Not applicable

Chapter 7 Share Changes and Shareholder Details

I. Changes in Shares

1. Changes in shares

Unit: number of shares

	Before Change		Increase or Decrease (+or-)					After Change	
	Number of shares	Proportion	New shares issued	Bonus shares	Conversion of capital reserve into share capital	Others	Subtotal	Number of shares	Proportion
I. Shares subject to restricted sales	53,950,335	1.10%	-	-	-	-20,370,000	-20,370,000	33,580,335	0.69%
1. Shares held by state	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal person	-	-	-	-	-	-	-	-	-
3. Other shares held by domestic capital	53,950,335	1.10%	-	-	-	-20,370,000	-20,370,000	33,580,335	0.69%
Of which: Other shares held by domestic legal person	-	-	-	-	-	-	-	-	-
Other shares held by domestic natural person	53,950,335	1.10%	-	-	-	-20,370,000	-20,370,000	33,580,335	0.69%
4. Shares held by overseas capital	-	-	-	-	-	-	-	-	-
Of which: Other shares held by overseas legal person	-	-	-	-	-	-	-	-	-
Other shares held by overseas natural person	-	-	-	-	-	-	-	-	-
II. Shares not subject to restricted sales	4,841,252,038	98.90%	-	-	-	20,370,000	20,370,000	4,861,622,038	99.31%
1. RMB-denominated ordinary shares	4,841,252,038	98.90%	-	-	-	20,370,000	20,370,000	4,861,622,038	99.31%
III. Total number of shares	4,895,202,373	100.00%	-	-	-	-	-	4,895,202,373	100.00%

Reasons for share changes

 Applicable Not applicable

Approval of share changes

Applicable Not applicable

Transfer of share ownership

Applicable Not applicable

Implementation progress of share repurchase

Applicable Not applicable

The Company convened the 28th meeting of the fifth session of the Board on 22 September 2022, at which the Proposal on the Plan for Share Repurchase by way of Centralised Bidding was considered and approved. Under the proposal, the Company was approved to repurchase its certain shares for the employee stock ownership plan or equity incentive with its own funds. The total amount of repurchase shall not be less than RMB1,000 million but not exceed RMB2,000 million, and the repurchase price shall not exceed RMB70 per share with a repurchase period of 12 months from the date of consideration and approval of the repurchase plan by the Board of Directors of the Company. During the Reporting Period, the Company repurchased 1,107,928 shares by way of centralised bidding. As of 30 June 2023, the Company repurchased a total of 1,943,128 shares at a total cost of RMB100,407,837.88 (excluding transaction costs), accounting for 0.04% of the current total share capital of the Company. The average repurchase price was RMB51.67 per share (the highest repurchase price was RMB54.42 per share, and the lowest repurchase price was RMB48.12 per share). As of 10 August 2023, the Company repurchased a total of 20,674,084 shares, with a total repurchase amount of RMB1,000,328,880.44 (excluding transaction costs), and the number of shares repurchased accounted for 0.42% of the Company's current total share capital, with an average trading price of RMB48.39/share (with the highest trading price of RMB54.42/share and the lowest trading price of RMB45.70/share).

Implementation of share repurchase reduction through centralised bidding

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

2. Changes in restricted shares

Applicable Not applicable

Unit: number of shares

Name of shareholder	Restricted shares at the beginning of the period	Number of restricted shares 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 unlocking restricted shares
Liu Jilu	41,912,835	8,370,000	-	33,542,835	lock-up shares for supervisor	8,370,000 lock-up shares were unlocked at the beginning of 2023
Lin Zheyang	12,000,000	25,000,000	13,000,000	-	lock-up shares for director within six months after resignation	2023/6/20
Wang Xin	37,500	-	-	37,500	lock-up shares for	-

					director	
Total	53,950,335	33,370,000	13,000,000	33,580,335	--	--

II. Issuance and Listing of Securities

Applicable Not applicable

III. Total Number of Shareholders and their Holdings

Unit: number of shares

Total number of ordinary shareholders at the end of Reporting Period		195,881	Total number of preferred shareholders with voting rights restored (if any)		-			
Ordinary shareholders holding more than 5% of shares or shares of the top ten 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	Amount
Shenzhen Mingde Holding Development Co., Ltd.	Domestic non-state-owned legal person	48.56%	2,376,927,139	-113,000,000	-	2,376,927,139	Pledged	703,500,000
Hong Kong Securities Clearing Company Ltd	Overseas legal person	5.31%	260,025,952	-4,392,438	-	260,025,952	-	-
Mingde Holding – Huatai United Securities – 21 Mingde EB Guarantee and Trust Property Special Account	Domestic non-state-owned legal person	4.09%	200,000,000	-	-	200,000,000	Pledged	200,000,000
Shenzhen Zhaoguang Investment Co., Ltd.	State-owned legal person	3.88%	189,716,864	-3,558,296	-	189,716,864	-	-
Ningbo Shunda Fengrun Investment Management Partnership (Limited Partnership)	Domestic non-state-owned legal person	2.06%	100,914,904	-1,420,000	-	100,914,904	-	-
Shenzhen Weishun Enterprise Management Co., Ltd.	Domestic non-state-owned legal person	2.04%	100,000,000	100,000,000	-	100,000,000	-	-
Liu Jilu	Domestic natural person	0.85%	41,453,780	-3,270,000	33,542,835	7,910,945	Pledged	5,830,000

Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Caizhi Fund	Other	0.80%	39,383,422	34,000	-	39,383,422	-	-
Lin Zheyang	Domestic natural person	0.51%	25,000,000	13,000,000	-	25,000,000	-	-
Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Yingzhi Fund	Other	0.42%	20,412,381	1,000,000	-	20,412,381	-	-
Strategic investor or general legal person becomes the top ten ordinary shareholder due to the placement of new shares (if any)				Not applicable				
Explanation on associated relationship or persons acting in concert between the above-mentioned shareholders				<p>Shenzhen Mingde Holding Development Co., Ltd. holds a total of 2,676,927,139 shares in the Company, accounting for 54.68% of the Company's total share capital, of which 2,376,927,139 shares are directly held, 100,000,000 shares are held through its wholly-owned subsidiary Shenzhen Weishun Enterprise Management Co., Ltd., and 200,000,000 shares are held through the "Mingde Holding – Huatai United Securities – 21 Mingde EB Guarantee and Trust Property Special Account", a special account for guarantee and trust opened for the issuance of exchangeable bonds (EB).</p> <p>The Company is not certain as to whether there is an associated relationship between the other above-mentioned shareholders and whether they are acting in concert.</p>				
Explanation on the above-mentioned shareholders' involvement in entrustment/entrusted voting rights and abstaining from voting rights				Not applicable				
Special explanation on the top ten shareholders having special repurchase accounts (if any)				At the end of the Reporting Period, the "Special Securities Account for Repurchase of S.F. Holding Co., Ltd." held 40,740,183 shares not subject to trading restrictions on sales. According to relevant regulations, the repurchase account is not included in the presentation of top ten ordinary shareholders and the top ten ordinary shareholders not subject to trading restrictions on sales.				
Top ten ordinary shareholders holding unrestricted shares								
Name of shareholder	Number of unrestricted ordinary shares held at the end of the Reporting Period	Type of shares						
		Type of shares	Number					
Shenzhen Mingde Holding Development Co., Ltd.	2,376,927,139	RMB-denominated ordinary shares	2,376,927,139					
Hong Kong Securities Clearing Company Ltd.	260,025,952	RMB-denominated ordinary shares	260,025,952					
Mingde Holding – Huatai United Securities – 21 Mingde EB Guarantee and Trust Property Special Account	200,000,000	RMB-denominated ordinary shares	200,000,000					
Shenzhen Zhaoguang Investment Co., Ltd.	189,716,864	RMB-denominated ordinary shares	189,716,864					
Ningbo Shunda Fengrun Investment Management Partnership (Limited Partnership)	100,914,904	RMB-denominated ordinary shares	100,914,904					
Shenzhen Weishun Enterprise Management Co., Ltd.	100,000,000	RMB-denominated ordinary shares	100,000,000					

Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Caizhi Fund	39,383,422	RMB-denominated ordinary shares	39,383,422
Lin Zheyang	25,000,000	RMB-denominated ordinary shares	25,000,000
Shanghai Chongyang Strategic Investment Co., Ltd.- Chongyang Strategy Yingzhi Fund	20,412,381	RMB-denominated ordinary shares	20,412,381
NSF Portfolio #112	17,580,372	RMB-denominated ordinary shares	17,580,372
Explanation on associated relationship or persons acting in concert between the top ten unrestricted ordinary shareholders, and between the top ten unrestricted ordinary shareholders and the top ten ordinary shareholders	Shenzhen Mingde Holding Development Co., Ltd. holds a total of 2,676,927,139 shares in the Company, accounting for 54.68% of the Company's total share capital, of which 2,376,927,139 shares are directly held, 100,000,000 shares are held through its wholly-owned subsidiary Shenzhen Weishun Enterprise Management Co., Ltd., and 200,000,000 shares are held through the "Mingde Holding – Huatai United Securities – 21 Mingde EB Guarantee and Trust Property Special Account", a special account for guarantee and trust opened for the issuance of exchangeable bonds (EB). The Company is not certain as to whether there is an associated relationship between the other above-mentioned shareholders and whether they are acting in concert.		
Explanation of the top ten ordinary shareholders' participation in margin financing and securities lending business (if any)	Not applicable		

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

Applicable Not applicable

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

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

Applicable Not applicable

Name	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 shares granted at the beginning of the period (share)	Quantity of restricted shares granted in the current period (share)	Quantity of restricted shares granted at the end of the period (share)
Liu Jilu	Supervisor	Current	44,723,780	-	-3,270,000	41,453,780	-	-	-
Total	--	--	44,723,780	-	-3,270,000	41,453,780	-	-	-

V. Change of Controlling Shareholders or Actual Controllers

Change of controlling shareholders during the Reporting Period

Applicable Not applicable

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

Change of actual controller during the Reporting Period

Applicable Not applicable

There was no change in the actual controller of the Company during the Reporting Period.

Chapter 8 Preferred Shares

Applicable Not applicable

There were no preferred shares in the Company during the Reporting Period.

Chapter 9 Bonds

Applicable Not applicable

Review Report

PwC ZT Yue Zi (2023) No.0067

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 2023, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in equity for the 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

Lin Chongyun

Shanghai, the People’s Republic of China
28 August 2023

Signing CPA

Liu Yufeng

S.F. HOLDING CO., LTD.

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2023**

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

ASSETS	Note	30 June 2023 Consolidated (Unaudited)	31 December 2022 Consolidated
Current assets			
Cash at bank and on hand	4(1)	36,389,283	41,062,750
Financial assets held for trading	4(2)	14,267,643	7,385,379
Notes receivable		225,538	236,244
Accounts receivable	4(3)	23,444,103	25,560,433
Receivables financing		85,396	63,310
Advances to suppliers	4(4)	3,013,501	3,464,911
Loans and advances		54,846	34,212
Other receivables	4(5)	3,480,280	3,341,237
Inventories		2,036,256	1,948,354
Contract assets		1,240,787	1,522,996
Current portion of non-current assets	4(7)	380,975	440,739
Other current assets	4(6)	5,233,062	5,612,928
Total current assets		89,851,670	90,673,493
Non-current assets			
Long-term receivables	4(7)	482,941	631,278
Long-term equity investments	4(8)	7,820,999	7,858,000
Investments in other equity instruments	4(9)	7,454,559	7,365,684
Other non-current financial assets		2,478,824	1,012,209
Investment properties	4(10)	5,070,539	4,875,366
Fixed assets	4(11)	49,779,635	43,657,404
Construction in progress	4(12)	6,142,994	11,149,860
Right-of-use assets	4(13)	14,705,206	15,429,775
Intangible assets	4(14)	18,784,689	19,176,684
Capitalised development expenditures	4(15)	318,560	311,757
Goodwill	4(16)	9,744,762	9,345,744
Long-term prepaid expenses	4(17)	2,921,277	3,097,621
Deferred tax assets	4(30)	1,780,327	1,632,964
Other non-current assets		703,449	624,868
Total non-current assets		128,188,761	126,169,214
TOTAL ASSETS		218,040,431	216,842,707

S.F. HOLDING CO., LTD.

**CONSOLIDATED BALANCE SHEET (CONT'D)
AS AT 30 JUNE 2023**

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

LIABILITIES AND EQUITY	Note	30 June 2023 Consolidated (Unaudited)	31 December 2022 Consolidated
Current liabilities			
Short-term borrowings	4(19)	14,235,961	12,837,870
Deposits from customers		9,868	20,670
Financial liabilities held for trading		86,257	96,647
Notes payable		113,596	32,699
Accounts payable	4(20)	22,746,521	24,715,352
Advances from customers		39,990	49,035
Contract liabilities		1,732,003	1,244,418
Employee benefits payable	4(21)	5,067,670	6,276,551
Taxes payable	4(22)	1,977,241	2,761,146
Other payables	4(23)	12,073,261	13,346,595
Current portion of non-current liabilities	4(24)	12,476,732	11,173,650
Other current liabilities	4(25)	1,626,738	5,122,276
Total current liabilities		<u>72,185,838</u>	<u>77,676,909</u>
Non-current liabilities			
Long-term borrowings	4(26)	10,813,082	7,472,010
Debentures payable	4(27)	19,147,783	18,927,508
Lease liabilities	4(28)	8,540,047	8,582,372
Long-term payables		222,875	209,675
Long-term employee benefits payable		80,033	114,024
Deferred income	4(29)	963,443	860,791
Deferred tax liabilities	4(30)	4,819,318	4,657,954
Provisions		61,943	55,415
Total non-current liabilities		<u>44,648,524</u>	<u>40,879,749</u>
Total liabilities		<u>116,834,362</u>	<u>118,556,658</u>
Equity			
Share capital	4(31)	4,895,202	4,895,202
Capital reserve	4(32)	44,134,055	43,996,237
Less: Treasury stock	4(33)	(2,100,313)	(2,040,377)
Other comprehensive income	4(48)	5,177,558	4,538,027
General risk reserve		493,048	493,048
Surplus reserve	4(35)	1,010,253	1,010,253
Retained earnings	4(36)	36,334,035	33,371,351
Total equity attributable to shareholders of the Company		<u>89,943,838</u>	<u>86,263,741</u>
Minority interests	6(1)(b)	11,262,231	12,022,308
Total equity		<u>101,206,069</u>	<u>98,286,049</u>
TOTAL LIABILITIES AND EQUITY		<u>218,040,431</u>	<u>216,842,707</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 2023**

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

ASSETS	Note	30 June 2023 Company (Unaudited)	31 December 2022 Company
Current assets			
Cash at bank and on hand	17(1)	1,127,042	812,181
Financial assets held for trading	17(2)	833,089	2,335,319
Advances to suppliers		345	121
Other receivables	17(3)	15,107,371	15,191,464
Other current assets		456	-
Total current assets		17,068,303	18,339,085
Non-current assets			
Long-term equity investments	17(4)	58,355,476	58,217,914
Construction in progress		146,960	144,726
Intangible assets		361,653	368,381
Other non-current assets		271	459
Total non-current assets		58,864,360	58,731,480
TOTAL ASSETS		75,932,663	77,070,565

S.F. HOLDING CO., LTD.**COMPANY BALANCE SHEET (CONT'D)
AS AT 30 JUNE 2023**

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

LIABILITIES AND EQUITY	Note	30 June 2023 Company (Unaudited)	31 December 2022 Company
Current liabilities			
Employee benefits payable		182	227
Other payables		15,855	29,191
Taxes payable		3,577	10,804
Total current liabilities		<u>19,614</u>	<u>40,222</u>
Non-current liabilities			
Deferred tax liabilities		696	1,253
Total non-current liabilities		<u>696</u>	<u>1,253</u>
Total liabilities		<u>20,310</u>	<u>41,475</u>
Equity			
Share capital	4(31)	4,895,202	4,895,202
Capital reserve		71,881,510	71,743,948
Less: Treasury stock	4(33)	(2,100,313)	(2,040,377)
Surplus reserve		857,208	857,208
Retained earnings		378,746	1,573,109
Total equity		<u>75,912,353</u>	<u>77,029,090</u>
TOTAL LIABILITIES AND EQUITY		<u>75,932,663</u>	<u>77,070,565</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 2023**

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

Item	Note	For the six months ended 30 June			
		2023 Consolidated (Unaudited)	2022 Consolidated (Unaudited)	2023 Company (Unaudited)	2022 Company (Unaudited)
1. Revenue	4(37)	124,365,598	130,064,133	-	-
Less: Cost of revenue	4(37)	(107,555,280)	(113,778,310)	-	-
Taxes and surcharges		(212,453)	(244,573)	(100)	(3)
Selling and distribution expenses	4(38)	(1,392,755)	(1,280,208)	-	-
General and administrative expenses	4(39)	(8,940,581)	(8,890,094)	(10,161)	(3,383)
Research and development expenses	4(40)	(1,174,970)	(1,015,854)	-	-
Financial (costs)/income	4(41)	(992,479)	(905,908)	16,200	8,428
Including: Interest expenses		(1,092,673)	(974,215)	-	(43)
Interest income		292,849	137,186	16,216	8,481
Add: Other income	4(43) 4(44)	747,676	1,001,228	-	-
Investment income	17(5)	500,597	404,810	22,167	119,941
Including: Investment (losses)/income from associates and joint ventures		(13,486)	41,689	-	-
Gains/(Losses) arising from changes in fair value		21,870	6,719	(2,230)	(13,155)
Reversal of/(Losses on) credit impairment		64,802	(271,129)	(5)	1
Asset impairment losses		(806)	(3,838)	-	-
Gains on disposal of assets		47,892	8,246	-	-
2. Operating profit		5,479,111	5,095,222	25,871	111,829
Add: Non-operating income	4(45)(a)	130,193	93,436	-	-
Less: Non-operating expenses	4(45)(b)	(188,954)	(107,017)	-	-
3. Total profit		5,420,350	5,081,641	25,871	111,829
Less: Income tax expenses	4(46)	(1,526,110)	(1,784,866)	(6,618)	(27,864)
4. Net profit		3,894,240	3,296,775	19,253	83,965
Classified by continuity of operations:					
Net profit from continuing operations		3,894,240	3,296,775	19,253	83,965
Net profit from discontinued operations		-	-	-	-
Classified by ownership of the equity:					
Attributable to shareholders of the Company		4,176,282	2,512,397	Not applicable	Not applicable
Minority interests		(282,042)	784,378	Not applicable	Not applicable

S.F. HOLDING CO., LTD.

**CONSOLIDATED AND COMPANY INCOME STATEMENTS (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

Item	Note	For the six months ended 30 June			
		2023 Consolidated (Unaudited)	2022 Consolidated (Unaudited)	2023 Company (Unaudited)	2022 Company (Unaudited)
5. Other comprehensive income, net of tax		429,802	448,815	-	-
Attributable to shareholders of the Company, net of tax		639,549	925,820	-	-
Other comprehensive income items which will not be reclassified subsequently to profit or loss		(30,021)	7,485	-	-
Changes in fair value of investments in other equity instruments	4(48)	(30,021)	7,488	-	-
Other comprehensive income items which will not be transferred to profit or loss under the equity method	4(48)	-	(3)	-	-
Other comprehensive income items which will be reclassified subsequently to profit or loss		669,570	918,335	-	-
Cash flow hedging reserve		8,740	(13,983)	-	-
Other comprehensive income items which will be transferred to profit or loss under the equity method		9,171	-	-	-
Exchange differences on translation of foreign currency financial statements	4(48)	651,659	932,318	-	-
Attributable to minority interests, net of tax	4(48)	(209,747)	(477,005)	-	-
6. Total comprehensive income		4,324,042	3,745,590	19,253	83,965
Attributable to shareholders of the Company		4,815,831	3,438,217	Not applicable	Not applicable
Attributable to minority interests		(491,789)	307,373	Not applicable	Not applicable
7. Earnings per share					
Basic earnings per share (RMB Yuan)	4(47)(a)	0.86	0.51	Not applicable	Not applicable
Diluted earnings per share (RMB Yuan)	4(47)(b)	0.86	0.51	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 2023**

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

[English translation for reference only]

Item	Note	For the six months ended 30 June			
		2023 Consolidated (Unaudited)	2022 Consolidated (Unaudited)	2023 Company (Unaudited)	2022 Company (Unaudited)
1. Cash flows from/(used in) operating activities					
Cash received from sales of goods or rendering of services		132,394,329	138,579,490	-	-
Net decrease in deposits with central banks		25,504	-	-	-
Net increase in deposit-taking and interbank payments		-	12,141	-	-
Refund of taxes and levies		495,991	4,960,635	-	10,265
Cash received relating to other operating activities	4(49)(a)	45,314,783	42,257,709	27,767	9,014
Sub-total of operating cash inflows		178,230,607	185,809,975	27,767	19,279
Cash paid for goods and services		(91,339,990)	(100,397,500)	-	-
Net increase in loans to customers		(17,638)	(15,167)	-	-
Net decrease in deposit-taking and interbank payments		(10,799)	-	-	-
Net increase in deposits with central banks		-	(17,906)	-	-
Cash paid to and on behalf of employees		(17,243,035)	(16,578,976)	(2,715)	(1,861)
Payments of taxes and levies		(3,442,293)	(4,203,256)	(23,542)	(22,998)
Cash paid relating to other operating activities	4(49)(b)	(52,352,025)	(47,884,356)	(11,412)	(2,586)
Sub-total of operating cash outflows		(164,405,780)	(169,097,161)	(37,669)	(27,445)
Net cash flows from/(used in) operating activities	4(50)(a)	13,824,827	16,712,814	(9,902)	(8,166)
2. Cash flows (used in)/from investing activities					
Cash received from disposal of investments		170,533	1,134,725	-	-
Cash received from returns on investments		433,485	387,630	523,497	2,127,137
Cash received from disposal of fixed assets and other long-term assets		119,817	79,564	-	-
Net cash received from disposal of subsidiaries and other business units	4(49)(c)	358,587	285,763	-	-
Cash received relating to other investing activities	4(49)(e)	48,950,000	80,839,024	5,620,000	24,300,010
Sub-total of investing cash inflows		50,032,422	82,726,706	6,143,497	26,427,147
Cash paid to acquire fixed assets and other long-term assets		(5,454,090)	(6,494,255)	(14,309)	(89,879)
Cash paid to acquire investments		(1,463,367)	(952,126)	-	-
Net cash paid to acquire subsidiaries	4(49)(d)	(928,555)	(1,043,309)	-	-
Cash paid relating to other investing activities	4(49)(e)	(55,820,000)	(81,061,887)	(4,529,904)	(22,093,334)
Sub-total of investing cash outflows		(63,666,012)	(89,551,577)	(4,544,213)	(22,183,213)
Net cash flows (used in)/from investing activities		(13,633,590)	(6,824,871)	1,599,284	4,243,934

S.F. HOLDING CO., LTD.

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

Item	Note	For the six months ended 30 June			
		2023 Consolidated (Unaudited)	2022 Consolidated (Unaudited)	2023 Company (Unaudited)	2022 Company (Unaudited)
3. Cash flows used in financing activities					
Cash received from capital contributions		56,892	94,723	-	-
Including: Cash received from capital contributions by minority interests of subsidiaries		56,892	94,723	-	-
Cash received from borrowings and issue of debentures		17,116,577	27,108,612	-	-
Cash received relating to other financing activities		7,639	4,550	-	-
Sub-total of financing cash inflows		17,181,108	27,207,885	-	-
Cash repayments of borrowings		(15,113,136)	(22,208,994)	-	-
Cash payments for interest expenses and distribution of dividends or profits		(2,451,109)	(2,505,075)	(1,213,616)	(874,518)
Cash paid relating to other financing activities	4(49)(f)	(4,580,501)	(9,159,023)	(61,530)	(1,899,259)
Sub-total of financing cash outflows		(22,144,746)	(33,873,092)	(1,275,146)	(2,773,777)
Net cash flows used in financing activities		(4,963,638)	(6,665,207)	(1,275,146)	(2,773,777)
4. Effect of foreign exchange rate changes on cash and cash equivalents		127,046	251,442	-	-
5. Net (decrease)/increase in cash and cash equivalents		(4,645,355)	3,474,178	314,236	1,461,991
Add: Cash and cash equivalents at the beginning of the period	4(50)(b)	40,279,947	34,813,768	812,181	226,112
6. Cash and cash equivalents at the end of the period	4(50)(b)	35,634,592	38,287,946	1,126,417	1,688,103

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 2023**

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

[English translation for reference only]

For the six months ended 30 June 2022 (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
Balance at 1 January 2022	4,906,213	46,200,598	(394,993)	2,617,231	420,638	-	947,775	28,245,764	14,972,021	97,915,247
Movements for the six months ended 30 June 2022										
Total comprehensive income										
Net profit	-	-	-	-	-	-	-	2,512,397	784,378	3,296,775
Other comprehensive income	-	-	-	925,820	-	-	-	-	(477,005)	448,815
Capital contribution and withdrawal by shareholders										
Capital contribution by shareholders	-	591	-	-	-	-	-	-	94,132	94,723
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	9	-	79,674	-	-	-	-	-	3,530	83,204
Others		-	(1,986,036)	-	-	-	-	-	(1,616,458)	(3,602,494)
Business combinations involving enterprises not under common control										
Profit distribution										
Distribution to shareholders	4(36)	-	-	-	-	-	-	(874,518)	(1,119,844)	(1,994,362)
Transfer within equity										
Transfer from other comprehensive income to retained earnings		-	-	-	(1)	-	-	1	-	-
Movements in other capital reserve										
Safety reserve										
Appropriation		-	-	-	-	14,589	-	-	-	14,589
Utilisation		-	-	-	-	(14,589)	-	-	-	(14,589)
Balance at 30 June 2022	4,895,202	43,927,329	(1,899,241)	3,543,050	420,638	-	947,775	29,883,644	12,679,429	94,397,826

S.F. HOLDING CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

		For the six months ended 30 June 2023 (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
Balance at 1 January 2023	4,895,202	43,996,237	(2,040,377)	4,538,027	493,048	-	1,010,253	33,371,351	12,022,308	98,286,049
Movements for the six months ended 30 June 2023										
Total comprehensive income										
	-	-	-	-	-	-	-	4,176,282	(282,042)	3,894,240
	-	-	-	639,549	-	-	-	-	(209,747)	429,802
Capital contribution and withdrawal by shareholders										
Capital contribution by shareholders										
	-	890	-	-	-	-	-	-	59,056	59,946
Share repurchase	4(33)	-	(59,936)	-	-	-	-	-	-	(59,936)
Share-based payments included in equity	9	151,413	-	-	-	-	-	-	2,048	153,461
Others	-	(11,444)	-	-	-	-	-	-	(3,728)	(15,172)
Business combinations involving enterprises not under common control										
	-	-	-	-	-	-	-	-	52,226	52,226
Profit distribution										
Distribution to shareholders	4(36)	-	-	-	-	-	-	(1,213,616)	(377,890)	(1,591,506)
Transfer within equity										
Transfer from other comprehensive income to retained earnings										
	-	-	-	(18)	-	-	-	18	-	-
Movements in other capital reserve										
	-	(3,041)	-	-	-	-	-	-	-	(3,041)
Safety reserve										
Appropriation	-	-	-	-	-	18,568	-	-	-	18,568
Utilisation	-	-	-	-	-	(18,568)	-	-	-	(18,568)
Balance at 30 June 2023	4,895,202	44,134,055	(2,100,313)	5,177,558	493,048	-	1,010,253	36,334,035	11,262,231	101,206,069

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 STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

		For the six months ended 30 June 2022 (Unaudited)					
Note	Share capital	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	Total equity	
Balance at 1 January 2022	4,906,213	71,907,104	(394,993)	794,730	1,885,321	79,098,375	
Movements for the six months ended 30 June 2022							
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 9(1)(a)	-	33,405	-	-	-	33,405	
Profit distribution							
Distribution to shareholders 4(36)	-	-	-	-	(874,518)	(874,518)	
Balance at 30 June 2022	4,895,202	71,556,527	(1,899,241)	794,730	1,094,768	76,441,986	
		For the six months ended 30 June 2023 (Unaudited)					
Note	Share capital	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	Total equity	
Balance at 1 January 2023	4,895,202	71,743,948	(2,040,377)	857,208	1,573,109	77,029,090	
Movements for the six months ended 30 June 2023							
Total comprehensive income							
Net profit	-	-	-	-	19,253	19,253	
Capital contribution and withdrawal by shareholders	-	-	-	-	-	-	
Share repurchase 4(33)	-	-	(59,936)	-	-	(59,936)	
Share-based payments included in equity 9(1)(a)	-	137,562	-	-	-	137,562	
Profit distribution							
Distribution to shareholders 4(36)	-	-	-	-	(1,213,616)	(1,213,616)	
Balance at 30 June 2023	4,895,202	71,881,510	(2,100,313)	857,208	378,746	75,912,353	

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 2023 (All amounts in RMB'000 Yuan unless otherwise stated) [English translation for reference only]

1 General information

S.F. Holding Co., Ltd. (formerly “Ma’anshan Dingtai Rare Earth and New Materials Co., Ltd.”, hereinafter “S.F. Holding” or “the Company”), formerly known as Ma’anshan Dingtai Science & Technology Co., Ltd., was established by 11 natural persons including Liu Jilu and the Labour Union of Ma’anshan Dingtai Metallic Products Co., Ltd. by cash contribution on 13 May 2003. 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 2023**
(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

On November 30, 2022, the Ministry of Finance issued the Notice on the Issuance of Interpretation of Accounting Standards for Business Enterprises No.16 (Cai Kuai [2022] No. 31)(hereinafter referred to as "Interpretation No.16"). It provides for the accounting treatment of the initial recognition exemption of deferred income tax related to assets and liabilities arising from individual transactions, the accounting treatment of the income tax impact of dividends related to financial instruments that the issuer classifies as equity instruments, and the accounting treatment of share payments settled in cash to share payments settled in equity. The Group has prepared the interim financial statements in accordance with Interpretation No. 16 above and Interpretation No. 16 has no material impact on the interim financial statements of the Group and the Company.

During the reporting period, except for the above-mentioned changes in accounting policies, the accounting policies adopted for the interim financial statements are consistent with those adopted by the Group for preparing the financial statements for the year ended 31 December 2022. The interim financial statements shall be read in conjunction with the Group's financial statements for the year ended 31 December 2022.

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 2023 (All amounts in RMB'000 Yuan unless otherwise stated) [English translation for reference only]

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%, 24%, 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.

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023
 (All amounts in RMB'000 Yuan unless otherwise stated)
 [English translation for reference only]

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	30 June 2023	31 December 2022
Cash on hand	18,177	18,437
Cash at bank	16,677,144	16,629,310
Balances with central bank from Group		
Finance Company	819,309	848,392
Including: statutory reserve (a)	811,738	837,242
excess reserve (b)	7,571	11,150
Balances with other banks from Group		
Finance Company	18,741,582	23,378,727
Other cash balances (c)	109,173	165,126
Interest receivable	23,898	22,758
	<u>36,389,283</u>	<u>41,062,750</u>
Including: Overseas deposits	<u>7,026,245</u>	<u>9,471,675</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 2023, other cash balance of RMB 11,890,000 (31 December 2022: RMB 11,086,000) was used to guarantee general bank credit; RMB 1,832,000 (31 December 2022: RMB 1,832,000) was the security deposit for the Group to apply for a letter of guarantee from the bank; and RMB 28,792,000 (31 December 2022: RMB 24,759,000) 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
FOR THE SIX MONTHS ENDED 30 JUNE 2023
 (All amounts in RMB'000 Yuan unless otherwise stated)
 [English translation for reference only]

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

(2) Financial assets held for trading

	30 June 2023	31 December 2022
Structured deposits	14,256,424	7,351,158
Forward exchange contracts	10,746	-
Fund investments	473	34,221
	<u>14,267,643</u>	<u>7,385,379</u>

(3) Accounts receivable

	30 June 2023	31 December 2022
Accounts receivable	24,901,791	27,120,677
Less: Provision for bad debts	(1,457,688)	(1,560,244)
	<u>23,444,103</u>	<u>25,560,433</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 2023	31 December 2022
Within 1 year (inclusive)	23,691,771	26,162,778
1 to 2 years (inclusive)	763,861	653,524
Over 2 years	446,159	304,375
	<u>24,901,791</u>	<u>27,120,677</u>

(b) As at 30 June 2023, the five largest accounts receivable aggregated by debtor were summarised and analysed as follows:

	30 June 2023		
	Book balance	Provision for bad debts	% of total balance
Sum of the five largest accounts receivable	<u>2,753,252</u>	<u>(7,048)</u>	<u>11.06%</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 2023, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts	Reason
Receivables from related parties	-	-	-	
Receivables from non-related parties	693,130	100.00%	(693,130)	The debtor encountered financial distress, etc.
	<u>693,130</u>		<u>(693,130)</u>	

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

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

As at 30 June 2023, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Related party grouping	276,814	-	-
Non-related party grouping	23,931,847	3.19%	(764,558)
	<u>24,208,661</u>		<u>(764,558)</u>

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

	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Related party grouping	237,028	-	-
Non-related party grouping	26,164,061	3.21%	(840,656)
	<u>26,401,089</u>		<u>(840,656)</u>

(d) For the six months ended 30 June 2023, the Group's comprehensive provision and reversal for bad debts amounted to a reversal of RMB 65,858,000 (for the six months ended 30 June 2022: RMB 252,871,000 for comprehensive provision and reversal), and the impairment test provision for bad debts reversed individually was RMB 28,975,000 (for the six months ended 30 June 2022: RMB 61,096,000 for reversal of impairment test provision for receivables individually) (Note 4(18)).

(e) For the six months ended 30 June 2023, the provision for bad debts of accounts receivable that were written off amounted to RMB 51,717,000 (for the six months ended 30 June 2022: 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 2023		31 December 2022	
	Amount	% of total balance	Amount	% of total balance
Within 1 year (inclusive)	2,834,613	94.06%	3,339,817	96.39%
1 to 2 years (inclusive)	136,165	4.52%	94,873	2.74%
Over 2 years	42,723	1.42%	30,221	0.87%
	<u>3,013,501</u>	<u>100.00%</u>	<u>3,464,911</u>	<u>100.00%</u>

As at 30 June 2023, advances to suppliers with ageing over one year were mainly prepayment to suppliers, etc. That is because relevant business transactions were still being performed.

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(4) Advances to suppliers (Cont'd)

- (b) As at 30 June 2023, the five largest advances to suppliers aggregated by debtor were summarised and analysed as follows:

	30 June 2023	
	Amount	% of total balance
Sum of the five largest advances to suppliers	<u>435,967</u>	<u>14.47%</u>

(5) Other receivables

	30 June 2023	31 December 2022
Receivables from related parties (Note 8(4)(d))	590,716	521,494
Guarantees and deposits	1,534,336	1,532,034
Cash to collect on behalf of customers	664,264	330,427
Tax paid on behalf of others	174,551	208,441
Employee borrowings and advances	89,045	106,828
Receivables from equity transfer	76,500	77,455
Receivables from airlines subsidies and financial rebates	40,648	99,389
Prepaid social insurance premium	37,510	33,519
Entrusted loan principal receivables	27,000	27,000
Others	487,569	643,773
	<u>3,722,139</u>	<u>3,580,360</u>
Less: Provision for bad debts	<u>(241,859)</u>	<u>(239,123)</u>
	<u>3,480,280</u>	<u>3,341,237</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 2023	31 December 2022
Within 1 year (inclusive)	2,651,993	2,572,195
1 to 2 years (inclusive)	435,738	385,523
Over 2 years	634,408	622,642
	<u>3,722,139</u>	<u>3,580,360</u>

As at 30 June 2023, other receivables with ageing over 1 year mainly represented deposits and guarantees, entrusted loans receivable and receivables from equity transfer.

(b) Provision for losses and changes in book 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	
	Expected credit losses in the following 12 months (grouping)	Lifetime expected credit losses (credit impaired)	Total
31 December 2022	10,998	228,125	239,123
Provision/Reversal in the current period	4,935	(1,000)	3,935
Write off in the current period	-	(955)	(955)
Other decreases in the current period	(244)	-	(244)
30 June 2023	<u>15,689</u>	<u>226,170</u>	<u>241,859</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 book balance statements (Cont'd)

(i) (Cont'd)

As at 30 June 2023 and 31 December 2022, the Group did not have any other receivables at Stage 1 for which the related provision for bad debts was provided on the individual basis.

As at 30 June 2023, other receivables at Stage 1 for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Book balance	Expected credit loss rate in the following 12 months	Provision for bad debts	Reason
Provided on the grouping basis:				
Related party grouping	590,716	-	-	
Non-related party grouping	2,882,965	0.54%	(15,689)	Expected credit loss method
	<u>3,473,681</u>		<u>(15,689)</u>	

As at 31 December 2022, other receivables at Stage 1 for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Book balance	Expected credit loss rate in the following 12 months	Provision for bad debts	Reason
Provided on the grouping basis:				
Related party grouping	521,494	-	-	
Non-related party grouping	2,808,453	0.39%	(10,998)	Expected credit loss method
	<u>3,329,947</u>		<u>(10,998)</u>	

As at 30 June 2023 and 31 December 2022, 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 2023, other receivables at Stage 3 for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime expected credit losses	Provision for bad debts	Reason
Provided on the individual basis:				
Receivables from equity transfer	76,500	100.00%	(76,500)	The debtor encountered financial distress
Guarantees and deposits	48,425	76.28%	(36,937)	The debtor encountered financial distress
Entrusted loans receivable	27,000	60.00%	(16,200)	The debtor encountered financial distress
Others	96,533	100.00%	(96,533)	The debtor encountered financial distress
	<u>248,458</u>		<u>(226,170)</u>	

As at 31 December 2022, other receivables at Stage 3 for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime expected credit losses	Provision for bad debts	Reason
Provided on the individual basis:				
Receivables from equity transfer	77,455	100.00%	(77,455)	The debtor encountered financial distress
Guarantees and deposits	49,425	76.76%	(37,937)	The debtor encountered financial distress
Entrusted loans receivable	27,000	60.00%	(16,200)	The debtor encountered financial distress
Others	96,533	100.00%	(96,533)	The debtor encountered financial distress
	<u>250,413</u>		<u>(228,125)</u>	

As at 30 June 2023 and 31 December 2022, the Group did not have any other receivables at Stage 3 for which the related provision for bad debts was provided on the grouping basis.

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

(5) Other receivables (Cont'd)

(c) For the six months ended 30 June 2023, the Group's provision and reversal for bad debts amounted to RMB 3,935,000 (for the six months ended 30 June 2022: RMB 21,960,000 for provision), and the provision for bad debts reversed was RMB1,000,000 (for the six months ended 30 June 2022: Nil) (Note 4(18)).

(d) For the six months ended 30 June 2023, the provision for bad debts of other receivables that were written off amounted to RMB 955,000 (for the six months ended 30 June 2022: RMB 11,955,000) (Note 4(18)) and no other receivables with amounts that were individually significant were written off (for the six months ended 30 June 2022: Nil).

(e) As at 30 June 2023, the five largest other receivables aggregated by debtor were summarised and analysed as follows:

	Nature of business	Ageing	30 June 2023		
			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	483,632	-	12.99%
Tim Hortons (China) Holdings Co., Ltd.	Agency collection and payment	Within 1 year	96,100	-	2.58%
Goodear Development Co., Ltd.	Guarantees and deposits	1 to 2 years, over 2 years	53,334	-	1.43%
Suzhou Lake District Development Co., Ltd	Guarantees and deposits	Over 2 years	40,000	-	1.08%
Wuhan TianHe International Airport	Airline subsidies and financial rebates	Within 1 year	29,078	-	0.78%
			<u>702,144</u>	<u>-</u>	<u>18.86%</u>

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

(6) Other current assets

	30 June 2023	31 December 2022
Input VAT to be offset	4,675,973	4,840,499
Prepaid enterprise income tax	542,094	768,131
Others	14,995	4,298
	<u>5,233,062</u>	<u>5,612,928</u>

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

	30 June 2023	31 December 2022
Finance lease receivables	537,799	692,204
Deposits for house purchase	277,904	277,904
Loans to employees	56,595	112,662
Others	9,055	8,860
Less: Provision for bad debts	(17,437)	(19,613)
Current portion of long-term receivables	<u>(380,975)</u>	<u>(440,739)</u>
	<u>482,941</u>	<u>631,278</u>

(8) Long-term equity investments

	Joint ventures	Associates	Total
31 December 2022	3,648,376	4,209,624	7,858,000
Increase/(Decrease) in investments	12,197	(3,895)	8,302
Investment (loss)/income recognised under the equity method	(37,988)	24,502	(13,486)
Other comprehensive income and changes in equity recognised under the equity method	(13)	7,896	7,883
Cash dividends/profits distributed	-	(149,215)	(149,215)
Effect of translation of foreign currency financial statements	5,638	103,877	109,515
30 June 2023	<u>3,628,210</u>	<u>4,192,789</u>	<u>7,820,999</u>
Including: Balance of provision for impairment loss at the end of the period	<u>4,472</u>	<u>226,222</u>	<u>230,694</u>

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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 2023	Balance of provision for impairment loss at the end of the period
	Carrying amount as at 31 December 2022	Increase in investments	Share of net profit/(loss) under equity method	Other changes in equity	Effect of translation of foreign currency financial statements		
Hubei International Logistics Airport Co., Ltd.	2,227,947	-	(53,670)	-	-	2,174,277	-
Gem-shunxin Industrial Technology Co., Ltd.	497,197	-	1,782	(13)	-	498,966	-
Jinfeng Borun (Xiamen) Equity Investment Partnership (Limited Partnership)	317,029	-	10,155	-	-	327,184	-
ZBHA Group Co., Ltd. ("ZBHA")	236,210	-	2,018	-	-	238,228	-
CC SF China Logistics Properties Investment Fund,L.P.	108,106	12,197	(3,011)	-	4,795	122,087	-
Others	261,887	-	4,738	-	843	267,468	4,472
	<u>3,648,376</u>	<u>12,197</u>	<u>(37,988)</u>	<u>(13)</u>	<u>5,638</u>	<u>3,628,210</u>	<u>4,472</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 2023	Balance of provision for impairment loss at the end of the period
	Carrying amount as at 31 December 2022	Decrease in investments	Share of net profit/(loss) under equity method	Other changes in equity	Cash dividends/profits distributed	Effect of translation of foreign currency financial statements		
SF Real Estate Investment Trust ("SF REITs")	1,183,667	-	4,088	9,166	(34,488)	38,064	1,200,497	-
Chiwan Container Terminal Co., Ltd.	964,318	-	28,746	-	(72,069)	15,843	936,838	-
Giao Hang Tiet Kiem Joint Stock Company	408,610	-	32,587	-	(38,192)	20,919	423,924	-
Amass Freight International Co., Ltd.	263,526	-	2,380	-	-	-	265,906	-
PT. Puninar SaranaRaya	233,613	-	3,861	-	-	23,178	260,652	-
Zhejiang Galaxis Technology Group Co., Ltd.	210,966	-	(17,591)	-	-	-	193,375	-
Others	944,924	(3,895)	(29,569)	(1,270)	(4,466)	5,873	911,597	226,222
	<u>4,209,624</u>	<u>(3,895)</u>	<u>24,502</u>	<u>7,896</u>	<u>(149,215)</u>	<u>103,877</u>	<u>4,192,789</u>	<u>226,222</u>

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[English translation for reference only]**4 Notes to the consolidated financial statements (Cont'd)****(9) Investments in other equity instruments**

	30 June 2023	31 December 2022
Equity of listed companies	116,994	158,936
Equity of unlisted companies	<u>7,337,565</u>	<u>7,206,748</u>
	<u>7,454,559</u>	<u>7,365,684</u>
	30 June 2023	31 December 2022
Equity of listed companies		
- Costs	194,840	187,763
- Accumulated changes in fair value	<u>(77,846)</u>	<u>(28,827)</u>
	<u>116,994</u>	<u>158,936</u>
Equity of unlisted companies		
- Costs	3,886,151	3,885,789
- Accumulated changes in fair value	<u>3,451,414</u>	<u>3,320,959</u>
	<u>7,337,565</u>	<u>7,206,748</u>

Including: the changes in cost and accumulated fair value of RMB 134,756,000 and RMB 133,950,000 respectively 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 2022	3,926,281	1,162,192	5,088,473
Net transfer into other long-term assets in the current period (Note 4(11), (12)(iii), (14))	149,751	62,995	212,746
Addition in the current period	19,236	-	19,236
Effect of translation of foreign currency financial statements	2,487	203	2,690
30 June 2023	<u>4,097,755</u>	<u>1,225,390</u>	<u>5,323,145</u>
Accumulated depreciation			
31 December 2022	138,503	74,604	213,107
Provision of depreciation	41,955	16,299	58,254
Net transfer in/out to other long-term assets in the current period (Note 4(11), (14))	(26,900)	5,471	(21,429)
Effect of translation of foreign currency financial statements	1,532	1,142	2,674
30 June 2023	<u>155,090</u>	<u>97,516</u>	<u>252,606</u>
Carrying amount			
30 June 2023	<u>3,942,665</u>	<u>1,127,874</u>	<u>5,070,539</u>
31 December 2022	<u>3,787,778</u>	<u>1,087,588</u>	<u>4,875,366</u>

- (i) As at 30 June 2023, the Group was still in the process of applying for certificates of ownership for certain buildings and Land use rights with carrying amount of RMB 616,724,000 (31 December 2022: carrying amount of RMB 815,717,000).
- (ii) As at 30 June 2023, investment properties with carrying amount of RMB 108,394,000 (31 December 2022: RMB 104,571,000) were pledged as collateral for long-term borrowings (Note 4(26)(c)).
- (iii) As at 30 June 2023 and 31 December 2022, 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
Cost							
31 December 2022	20,737,655	7,360,813	5,145,818	13,343,778	11,050,506	10,964,878	68,603,448
Transfer from construction in progress (Note 4(12))	4,188,753	399	54,552	1,392,241	2,544,708	13,833	8,194,486
Transfer from investment properties in the current period (Note 4(10))	368,510	-	-	-	-	-	368,510
Addition in the current period	19,537	458,468	266,826	178,505	103,449	148,527	1,175,312
Business combinations involving enterprises not under common control	70,861	3,543	320	-	8,647	3,376	86,747
Transfer to investment properties in the current period (Note 4(10))	(345,405)	-	-	-	-	-	(345,405)
Decrease due to disposal of subsidiaries in the current period	-	(1,206)	(3,802)	-	(14,122)	(37,874)	(57,004)
Other decreases in the current period	(15,295)	(553,217)	(148,689)	(88,057)	(251,619)	(237,340)	(1,294,217)
Effect of translation of foreign currency financial statements	121,196	44,860	18,693	-	75,167	(3,025)	256,891
30 June 2023	<u>25,145,812</u>	<u>7,313,660</u>	<u>5,333,718</u>	<u>14,826,467</u>	<u>13,516,736</u>	<u>10,852,375</u>	<u>76,988,768</u>
Accumulated depreciation							
31 December 2022	2,208,458	4,843,978	3,595,671	5,577,042	3,210,478	5,480,050	24,915,677
Transfer from investment properties in the current period (Note 4(10))	36,510	-	-	-	-	-	36,510
Provision in the current period	321,627	494,245	372,768	627,401	522,665	801,255	3,139,961
Business combinations involving enterprises not under common control	17,347	3,171	220	-	7,520	2,974	31,232
Transfer to investment properties in the current period (Note 4(10))	(9,610)	-	-	-	-	-	(9,610)
Decrease due to disposal of subsidiaries in the current period	-	(787)	(2,131)	-	(3,740)	(10,312)	(16,970)
Other decreases in the current period	(9,686)	(513,877)	(126,957)	(59,853)	(81,489)	(191,656)	(983,518)
Effect of translation of foreign currency financial statements	(7,162)	21,970	15,033	-	40,643	(5,000)	65,484
30 June 2023	<u>2,557,484</u>	<u>4,848,700</u>	<u>3,854,604</u>	<u>6,144,590</u>	<u>3,696,077</u>	<u>6,077,311</u>	<u>27,178,766</u>
Provision for impairment loss							
31 December 2022	-	-	-	-	1,633	28,734	30,367
Increase in the current year	-	-	-	-	-	-	-
30 June 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,633</u>	<u>28,734</u>	<u>30,367</u>
Carrying amount							
30 June 2023	<u>22,588,328</u>	<u>2,464,960</u>	<u>1,479,114</u>	<u>8,681,877</u>	<u>9,819,026</u>	<u>4,746,330</u>	<u>49,779,635</u>
31 December 2022	<u>18,529,197</u>	<u>2,516,835</u>	<u>1,550,147</u>	<u>7,766,736</u>	<u>7,838,395</u>	<u>5,456,094</u>	<u>43,657,404</u>

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

(11) Fixed assets (Cont'd)

- (i) As at 30 June 2023, the Group's holdings of housing buildings included freehold land that did not require depreciation.
- (ii) For the sixth months ended 30 June 2023, the aggregate amount of depreciation expenses charged to cost of revenue, selling and distribution expenses, general and administrative expenses and research and development expenses was RMB 3,133,243,000 (For the sixth months ended 30 June 2022: RMB 2,805,586,000).
- (iii) As at 30 June 2023, fixed assets with carrying amount of RMB 538,938,000 (31 December 2022: RMB 486,847,000) 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 2023			Carrying amount
	Cost	Accumulated depreciation	Provision for impairment loss	
Buildings	<u>6,116,680</u>	<u>(115,084)</u>	<u>-</u>	<u>6,001,596</u>
31 December 2022				
	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Buildings	<u>4,147,265</u>	<u>(93,939)</u>	<u>-</u>	<u>4,053,326</u>

In addition, as at 30 June 2023, buildings with carrying amount of RMB 18,858,000 (31 December 2022: carrying amount of RMB 19,562,000) 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 2023			
Reason for disposal	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount	
Aircraft rotables	Scrapped	5,668	(2,255)	3,413	
Aircraft rotables	Sold	478	(201)	277	
High-value maintenance tools	Scrapped	4,884	(3,211)	1,673	
		<u>11,030</u>	<u>(5,667)</u>	<u>5,363</u>	
		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>1,983</u>	

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

(12) Construction in progress

	30 June 2023	31 December 2022
Industrial Park Projects	4,262,316	7,055,896
Project of Distribution Hubs	633,433	2,082,661
Aircraft import and refit	444,860	1,106,470
Qianhai S.F. Headquarters Office	-	158,959
Others	802,385	745,874
	<u>6,142,994</u>	<u>11,149,860</u>
Including: Balance of provision for impairment loss at the end of the period	-	1,145

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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 2022	Increase in the current period	Transfer to other long-term assets in the current period (iii)	Other decreases in the current year	30 June 2023	% of project investment in budget (ii)	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	18,769,378	7,055,896	1,229,184	(4,022,540)	(224)	4,262,316	86.77%	86.77%	180,977	62,470	2.75%	Self-owned funds and loans from financial institutions
Project of Distribution Hubs	19,552,952	2,082,661	1,323,496	(2,772,319)	(405)	633,433	72.93%	72.93%	-	-	-	Self-owned funds
Aircraft import and refit	1,572,937	1,106,470	762,174	(1,414,501)	(9,283)	444,860	48.46%	48.46%	-	-	-	Self-owned funds
Qianhai S.F. Headquarters Office	1,075,268	158,959	9,597	(168,556)	-	-	100.00%	100.00%	91,777	-	-	Self-owned funds and loans from financial institutions
Others		745,874	341,924	(273,488)	(11,925)	802,385			-	-	-	Self-owned funds
		11,149,860	3,666,375	(8,651,404)	(21,837)	6,142,994			272,754	62,470		

- (i) As at 30 June 2023, the Group assessed that no impairment loss should be recognised for construction in progress.
- (ii) 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.
- (iii) The construction in progress transferred to long-term assets for the current period amounted to RMB 8,651,404,000, including RMB 8,194,486,000 transferred to fixed assets, RMB172,856,000 transferred to investment properties and RMB284,062,000 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	Motor vehicles	Machinery and equipment and others	Total
Cost				
31 December 2022	27,068,199	671,644	63,117	27,802,960
Increase in the current period	3,118,534	46,061	27,773	3,192,368
Decrease in the current period	(1,150,642)	(214,385)	(4,502)	(1,369,529)
Effect of translation of foreign currency financial statements	121,317	3,588	2,071	126,976
30 June 2023	<u>29,157,408</u>	<u>506,908</u>	<u>88,459</u>	<u>29,752,775</u>
Accumulated depreciation				
31 December 2022	12,093,629	255,382	24,174	12,373,185
Provision in the current period	3,517,226	84,600	6,314	3,608,140
Decrease in the current period	(818,397)	(149,937)	(2,498)	(970,832)
Effect of translation of foreign currency financial statements	38,190	(1,410)	296	37,076
30 June 2023	<u>14,830,648</u>	<u>188,635</u>	<u>28,286</u>	<u>15,047,569</u>
Carrying amount				
30 June 2023	<u>14,326,760</u>	<u>318,273</u>	<u>60,173</u>	<u>14,705,206</u>
31 December 2022	<u>14,974,570</u>	<u>416,262</u>	<u>38,943</u>	<u>15,429,775</u>

As at 30 June 2023 and 31 December 2022, the Group considered 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 2022	7,443,805	870,092	6,312,249	4,887,350	5,855,067	337,155	25,705,718
Transfer from other long-term assets in the current period (Note 4(10) and Note 4(15))	32,152	-	561,705	-	-	-	593,857
Business combinations involving enterprises not under common control increased	23,582	-	-	-	28,259	-	51,841
Addition in the current period	-	68,632	-	20	-	5,448	74,100
Transfer to other long-term assets in the current year (Note 4(10))	(95,147)	-	-	-	-	-	(95,147)
Decrease due to disposal of subsidiaries in the current period	-	-	(103,911)	-	-	-	(103,911)
Other disposal in the current period	-	(127,770)	-	(67)	-	(1,113)	(128,950)
Effect of translation of foreign currency financial statements	23,369	8,694	-	162,973	192,238	4,408	391,682
30 June 2023	<u>7,427,761</u>	<u>819,648</u>	<u>6,770,043</u>	<u>5,050,276</u>	<u>6,075,564</u>	<u>345,898</u>	<u>26,489,190</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 2022	694,232	620,438	3,593,934	584,365	793,438	178,022	6,464,429
Transfer from other long-term assets in the current period (Note 4(10))	2,565	-	-	-	-	-	2,565
Business combinations involving enterprises not under common control increased	5,110	-	-	-	-	-	5,110
Provision in the current period	94,620	48,390	768,650	121,590	166,839	16,762	1,216,851
Transfer to other long-term assets in the current year (Note 4(10))	(8,036)	-	-	-	-	-	(8,036)
Decrease due to disposal of subsidiaries in the current period	-	-	(38,590)	-	-	-	(38,590)
Other disposal in the current period	-	(39,502)	(19,074)	(13)	-	(714)	(59,303)
Effect of translation of foreign currency financial statements	(2,743)	4,354	-	24,010	32,176	3,466	61,263
30 June 2023	<u>785,748</u>	<u>633,680</u>	<u>4,304,920</u>	<u>729,952</u>	<u>992,453</u>	<u>197,536</u>	<u>7,644,289</u>
Provision for impairment loss							
31 December 2022	-	-	64,595	4	-	6	64,605
Increase in the current period	-	-	-	-	-	-	-
Decrease in the current period	-	-	(4,393)	-	-	-	(4,393)
30 June 2023	<u>-</u>	<u>-</u>	<u>60,202</u>	<u>4</u>	<u>-</u>	<u>6</u>	<u>60,212</u>
30 June 2023	<u>6,642,013</u>	<u>185,968</u>	<u>2,404,921</u>	<u>4,320,320</u>	<u>5,087,111</u>	<u>148,356</u>	<u>18,784,689</u>
31 December 2022	<u>6,749,573</u>	<u>249,654</u>	<u>2,653,720</u>	<u>4,302,981</u>	<u>5,061,629</u>	<u>159,127</u>	<u>19,176,684</u>

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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 2023, the aggregate amount of amortisation expenses charged to cost of revenue, selling and distribution expenses, general and administrative expenses and research and development expenses was RMB 1,156,248,000 (For the sixth months ended 30 June 2022: RMB 1,013,384,000).
- (b) As at 30 June 2023, intangible assets with carrying amount of RMB 267,554,000 (31 December 2022: RMB 247,556,000) 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 2023, the Group was still in the process of applying for certificates of ownership for land use rights with carrying amount of RMB411,143,000 (31 December 2022: carrying amount of RMB 51,120,000).
- (d) As at 30 June 2023, the intangible assets developed by the Group accounted for 12.80% (31 December 2022: 13.84%) of the carrying amount of intangible assets.

(15) Capitalised development expenditures

	31 December 2022	Increase in the current period	Transfer to intangible assets in the current period (Note 4(14))	Other decreases in the current period	30 June 2023
System development	<u>311,757</u>	<u>570,201</u>	<u>(561,705)</u>	<u>(1,693)</u>	<u>318,560</u>

As at 30 June 2023 and 31 December 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 2022	Increase in the current period (a)	Effect of translation of foreign currency financial statements	30 June 2023
Cost:				
Kerry Logistics	5,708,450	85,219	199,582	5,993,251
SF Supply Chain Business	3,033,680	-	101,503	3,135,183
SF/HAVI China Logistics (Cayman islands) ("HAVI")	362,117	-	12,111	374,228
Guangdong Shunxin Freight Co., Ltd.	149,587	-	-	149,587
Others	94,345	-	603	94,948
	<u>9,348,179</u>	<u>85,219</u>	<u>313,799</u>	<u>9,747,197</u>
Less: Provision for impairment loss (Note 4(18))				
Others	(2,435)	-	-	(2,435)
	<u>9,345,744</u>	<u>85,219</u>	<u>313,799</u>	<u>9,744,762</u>

(a) Goodwill increased in the current period arose from acquisition of the 51.00% equity interests in a third-party logistics enterprise(Note 5(1)(a)).

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

(16) Goodwill (Cont'd)

- (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 2023.
- (c) During the goodwill impairment assessment, the Group compares the carrying amount of the relevant assets or sets of asset groups (including goodwill) with their recoverable amount. If the recoverable amount is lower than the carrying amount, the difference shall be included in profit or loss for the current period. As at 30 June 2023 and 31 December 2022, the Group assessed that no impairment loss should be recognised for goodwill.

(17) Long-term prepaid expenses

	31 December 2022	Increase in the current period	Amortisation in the current period	Other decreases in the current period	30 June 2023
Improvements to right-of-use assets	2,096,403	342,339	(482,764)	(45,320)	1,910,658
Settling-in allowance and introduction fee for pilots	836,956	56,763	(51,258)	(7,057)	835,404
Others	164,262	39,871	(24,220)	(4,698)	175,215
	<u>3,097,621</u>	<u>438,973</u>	<u>(558,242)</u>	<u>(57,075)</u>	<u>2,921,277</u>

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

(18) Credit/Asset impairment and provision for losses

	31 December 2022	Provision/(Reversal)	Write-off	Others	Effect of translation of foreign currency financial statements	30 June 2023
Provision for bad debts	1,818,980	(64,101)	(52,672)	(244)	15,021	1,716,984
Including: Provision for bad debts of accounts receivable (Note 4(3))	1,560,244	(65,858)	(51,717)	-	15,019	1,457,688
Provision for bad debts of other receivables (Note 4(5))	239,123	3,935	(955)	(244)	-	241,859
Provision for bad debts of long-term receivables (Note 4(7))	19,613	(2,178)	-	-	2	17,437
Provision for impairment of factoring receivables	123,815	-	-	-	-	123,815
Provision for bad debts of loans and advances	36,451	(701)	-	-	1,131	36,881
Sub-total	1,979,246	(64,802)	(52,672)	(244)	16,152	1,877,680
Provision for impairment of long-term equity investments (Note 4(8))	248,017	-	-	(17,323)	-	230,694
Provision for impairment of fixed assets (Note 4(11))	30,367	-	-	-	-	30,367
Provision for impairment of intangible assets (Note 4(14))	64,605	-	-	(4,393)	-	60,212
Provision for decline in the value of inventories	3,539	2,026	-	(2,006)	136	3,695
Provision for impairment of contract assets	3,400	(1,220)	-	(111)	-	2,069
Provision for impairment of goodwill (Note 4(16))	2,435	-	-	-	-	2,435
Provision for impairment of construction in progress (Note 4(12))	1,145	-	-	(1,145)	-	-
Sub-total	353,508	806	-	(24,978)	136	329,472
	2,332,754	(63,996)	(52,672)	((25,222)	16,288	2,207,152

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

(19) Short-term borrowings

	30 June 2023	31 December 2022
Unsecured borrowings	10,845,931	8,512,438
Guaranteed borrowings (a)	3,341,513	4,224,863
Secured borrowings (b)	48,517	82,496
Pledged borrowings	-	18,073
	<u>14,235,961</u>	<u>12,837,870</u>

(a) As at 30 June 2023, guaranteed borrowings of RMB 3,341,513,000 (31 December 2022: RMB 4,224,863,000) were guaranteed by subsidiaries within the Group.

(b) As at 30 June 2023, secured borrowings of RMB 48,517,000 (31 December 2022: RMB 82,496,000) was secured by the following assets respectively:

	Carrying amount of secured assets	Including: also secured for long-term borrowings
Fixed assets	538,938	538,938
Intangible assets	134,462	134,462
	<u>673,400</u>	<u>673,400</u>

(c) As at 30 June 2023, the interest rate range of the Group's major short-term borrowings was 2.20% to 7.21% per annum (December 31, 2022: 2.20% to 5.39%).

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

(20) Accounts payable

	30 June 2023	31 December 2022
Payables to related parties (Note 8(4)(h))	409,019	505,241
Payables for services and purchases	22,337,502	24,210,111
	<u>22,746,521</u>	<u>24,715,352</u>

As at 30 June 2023, accounts payable with ageing over 1 year amounted to RMB 294,910,000 (31 December 2022: RMB 93,260,000), 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.

(21) Employee benefits payable

	30 June 2023	31 December 2022
Short-term employee benefits payable (a)	4,931,962	6,093,655
Defined contribution plans payable (b)	135,708	182,896
	<u>5,067,670</u>	<u>6,276,551</u>

(a) Short-term employee benefits

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Wages or salaries, bonus, allowances and subsidies	5,483,052	14,087,661	(15,230,553)	4,340,160
Employee welfare	52,797	229,424	(222,627)	59,594
Social security contributions	76,124	385,360	(391,548)	69,936
Including: Medical insurance	68,888	340,891	(347,668)	62,111
Work injury insurance	6,772	36,436	(35,964)	7,244
Maternity insurance	464	8,033	(7,916)	581
Housing funds	9,467	211,485	(212,832)	8,120
Labour union funds and employee education funds	409,693	256,801	(258,399)	408,095
Non-monetary benefits	48,862	660,150	(681,596)	27,416
Others	13,660	198,763	(193,782)	18,641
	<u>6,093,655</u>	<u>16,029,644</u>	<u>(17,191,337)</u>	<u>4,931,962</u>

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

(21) Employee benefits payable (Cont'd)

(a) Short-term employee benefits (Cont'd)

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 2022	Increase in the current period	Decrease in the current period	30 June 2023
Basic pensions	177,465	651,979	(699,092)	130,352
Unemployment insurance	5,431	21,128	(21,203)	5,356
	<u>182,896</u>	<u>673,107</u>	<u>(720,295)</u>	<u>135,708</u>

(22) Taxes payable

	30 June 2023	31 December 2022
Enterprise income tax payable	1,079,281	1,630,863
Unpaid VAT	735,536	928,371
Others	162,424	201,912
	<u>1,977,241</u>	<u>2,761,146</u>

(23) Other payables

	30 June 2023	31 December 2022
Accounts payable to related parties (Note 8(4)(j))	148,208	220,322
Engineering equipment payable	4,893,455	5,557,664
Deposits payable	1,774,793	1,933,887
Payables of cash collected on delivery service on behalf of other parties	1,271,495	1,200,321
Recharge payable	957,913	405,579
Payables to banks for supply chain finance products/re-factoring	906,282	992,178
Warranty payments payable	489,057	441,138
Management fees payable	200,399	137,748
Professional service fees payable	150,996	78,339
Dividends payable	142,494	165,014
Payable for equity acquisition	138,577	1,045,334
Others	999,592	1,169,071
	<u>12,073,261</u>	<u>13,346,595</u>

As at 30 June 2023, other payables with ageing over 1 year amounted to RMB 1,075,905,000 (31 December 2022: RMB 991,380,000), mainly the undue deposits of continuing business and the unsettled engineering equipment funds.

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

(24) Current portion of non-current liabilities

	30 June 2023	31 December 2022
Current portion of lease liabilities		
(Note 4(28))	5,951,175	6,596,956
Current portion of debentures payable (a)	4,302,962	3,661,225
Current portion of long-term borrowings		
(Note 4(26))	1,727,127	600,680
Current portion of cash-settled share-based payments	453,778	296,703
Current portion of long-term payables	41,690	18,086
	<u>12,476,732</u>	<u>11,173,650</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 2022	Interest accrual	Amortisation of premium/ discount	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 2023
Overseas debentures denominated in USD of 2018	3,547,743	82,423	3,765	-	(84,133)	139,796	3,689,594
Green Corporate Debentures of 2021 (1st instalment)	12,844	-	-	509,321	(18,950)	-	503,215
Other debentures interest payable	100,638	-	-	259,060	(251,397)	1,852	110,153
	<u>3,661,225</u>	<u>82,423</u>	<u>3,765</u>	<u>768,381</u>	<u>(354,480)</u>	<u>141,648</u>	<u>4,302,962</u>

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

(25) Other current liabilities

	30 June 2023	31 December 2022
Extra-short term commercial notes (a)	1,509,936	4,041,584
Short-term corporate debentures	-	1,020,773
Others	116,802	59,919
	<u>1,626,738</u>	<u>5,122,276</u>

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

	Par value	Date of issue	Term	Interest rate
The First Phase of 2023	500,000	17 February 2023	260 days	2.40%
The Second Phase of 2023	1,000,000	31 March 2023	270 days	2.30%

(26) Long-term borrowings

	30 June 2023	31 December 2022
Guaranteed borrowings (a)	4,921,683	5,901,392
Pledged borrowings (b)	2,017,797	1,487,597
Unsecured borrowings	5,057,624	553,843
Secured borrowings (c)	543,105	129,858
	<u>12,540,209</u>	<u>8,072,690</u>
Less: Current portion of long-term borrowings (Note 4(24))		
Guaranteed borrowings	(10,142)	(50,087)
Pledged borrowings	(619,652)	(461,929)
Unsecured borrowings	(1,058,848)	(52,249)
Secured borrowings	(38,485)	(36,415)
	<u>(1,727,127)</u>	<u>(600,680)</u>
	<u>10,813,082</u>	<u>7,472,010</u>

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

- (a) As at 30 June 2023, the Group's guaranteed borrowings of RMB 4,891,683,000 (31 December 2022: RMB 5,865,597,000) were guaranteed by subsidiaries within the Group and guaranteed borrowings of RMB 30,000,000 (31 December 2022: RMB 35,795,000) were guaranteed by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd. ("Taisen Holdings") and Havi.
- (b) As at 30 June 2023, 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 2,017,797,000 (31 December 2022: RMB 1,487,597,000). As at 30 June 2023, balance of receivables pledged was RMB 2,244,388,000 (31 December 2022: RMB 1,670,516,000).
- (c) As at 30 June 2023, secured borrowings of RMB 543,105,000 were secured by the following assets respectively:

	Carrying amount of secured assets	Including: also secured for short-term borrowings
Fixed assets	538,938	538,938
Intangible assets	267,554	134,462
Investment properties	108,394	-
	<u>914,886</u>	<u>673,400</u>

As at 31 December 2022, secured borrowings of RMB 129,858,000 were secured by the following assets respectively:

	Carrying amount of secured assets	Including: also secured for short-term borrowings
Fixed assets	486,847	486,847
Intangible assets	247,556	113,059
Investment properties	104,571	-
	<u>838,974</u>	<u>599,906</u>

Besides, as at 30 June 2023, Taisen Holdings provided a full joint and several liability guarantee for RMB 497,000,000 of the above secured borrowings (31 December 2022: RMB 3,000,000).

- (d) As at 30 June 2023, the range of annual interest rates of major long-term borrowings was 2.20% to 6.35% (31 December 2022: 3.02% to 5.77%).

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

(27) Debentures payable

	31 December 2022	Interest accrual	Amortisation of premium/ discount	Effect of translation of foreign currency financial statements	Current portion of debentures payable (Note 4(24))	30 June 2023
Overseas debentures denominated in USD of 2020	4,829,576	68,573	3,433	189,742	(68,573)	5,022,751
Green Corporate Debentures of 2021 (1st instalment)	499,677	9,523	121	-	(509,321)	-
Overseas debentures denominated in USD of 2021	8,306,504	118,194	4,729	325,997	(118,194)	8,637,230
Overseas debentures denominated in USD of 2022	4,792,189	65,375	7,854	188,120	(65,375)	4,988,163
Smooth Freight Logistics Debentures (1st instalment)	499,562	6,918	77	-	(6,918)	499,639
	<u>18,927,508</u>	<u>268,583</u>	<u>16,214</u>	<u>703,859</u>	<u>(768,381)</u>	<u>19,147,783</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	26 April 2021	3 years	500,000	3.79%
Overseas debentures denominated in USD of 2020	SF Holding Investment Limited	USD	700,000	20 February 2020	10 years	5,058,060	2.88%
Overseas debentures denominated in USD of 2021	SF Holding Investment 2021 Limited	USD	400,000	17 November 2021	5 years	2,890,320	2.38%
Overseas debentures denominated in USD of 2021	SF Holding Investment 2021 Limited	USD	300,000	17 November 2021	7 years	2,167,740	3.00%
Overseas debentures denominated in USD of 2021	SF Holding Investment 2021 Limited	USD	500,000	17 November 2021	10 years	3,612,900	3.13%
Overseas debentures denominated in USD of 2022	SF Holding Investment 2021 Limited	USD	400,000	28 January 2022	5 years	2,890,320	2.38%
Overseas debentures denominated in USD of 2022	SF Holding Investment 2021 Limited	USD	300,000	28 January 2022	10 years	2,167,740	3.13%
Smooth Freight Logistics Debentures (1st instalment)	Taisen Holdings	RMB	500,000	22 September 2022	3 years	500,000	2.79%

(28) Lease liabilities

	30 June 2023	31 December 2022
Lease liabilities	14,491,222	15,179,328
Less: Current portion of lease liabilities (Note 4(24))	(5,951,175)	(6,596,956)
	<u>8,540,047</u>	<u>8,582,372</u>

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

(29) Deferred income

	31 December 2022	Increase in the current period	Amount recognised in other income in the current period (Note 4(43))	30 June 2023	Asset/revenue related
Government grants					
Government support funds for industrial park	359,122	114,327	(3,051)	470,398	Related to assets
Huanggang Baitan Lake Organising Committee Project	419,578	-	(10,380)	409,198	Related to assets
Grant for maintenance of aircraft engines	7,331	-	(793)	6,538	Related to assets
Others	74,760	15,840	(13,291)	77,309	Related to assets
	<u>860,791</u>	<u>130,167</u>	<u>(27,515)</u>	<u>963,443</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 2023		31 December 2022	
	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Deductible tax losses	4,067,977	899,790	3,090,230	699,863
Depreciation and amortisation differences	2,272,267	515,076	2,175,284	502,343
Accrued expenses	2,035,119	494,148	2,288,228	551,443
Lease liabilities	13,540,448	3,107,431	13,965,422	3,187,174
Provision for asset impairment	784,589	174,144	700,865	167,412
Unrealised profits from internal transactions	505,731	126,433	579,524	144,881
Others	271,948	64,326	301,226	70,426
	<u>23,478,079</u>	<u>5,381,348</u>	<u>23,100,779</u>	<u>5,323,542</u>
Including:				
Expected to be recovered within one year (inclusive)		2,060,646		2,219,959
Expected to be recovered after one year		<u>3,320,702</u>		<u>3,103,583</u>
		<u>5,381,348</u>		<u>5,323,542</u>

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

	30 June 2023	31 December 2022
Deductible tax losses (c)	21,273,603	20,086,770
Deductible temporary differences	<u>1,120,175</u>	<u>1,133,829</u>
	<u>22,393,778</u>	<u>21,220,599</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 2023	31 December 2022
2023	751,697	793,083
2024	1,416,065	1,568,941
2025	4,416,935	4,764,110
2026	4,972,158	5,702,895
2027	3,245,959	4,334,208
2028 and subsequent years	6,470,789	2,923,533
	<u>21,273,603</u>	<u>20,086,770</u>

(d) Deferred tax liabilities before offsetting

	30 June 2023		31 December 2022	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Appreciation in asset value arising from business combinations involving enterprises not under common control	12,892,899	3,119,643	12,956,677	3,137,944
Depreciation and amortisation differences	7,821,992	1,811,691	7,153,559	1,691,289
Changes in fair value of financial assets	1,455,877	363,969	1,424,987	356,247
Right-of-use assets	12,978,881	2,978,743	13,379,139	3,052,235
Others	654,059	146,293	548,082	110,817
	<u>35,803,708</u>	<u>8,420,339</u>	<u>35,462,444</u>	<u>8,348,532</u>
Including:				
Expected to be recovered within one year (inclusive)		1,848,850		2,073,413
Expected to be recovered after one year		6,571,489		6,275,119
		<u>8,420,339</u>		<u>8,348,532</u>

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

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

	30 June 2023	31 December 2022
Deferred tax assets, net	<u>1,780,327</u>	<u>1,632,964</u>
Deferred tax liabilities, net	<u>4,819,318</u>	<u>4,657,954</u>

(31) Share capital

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Ordinary shares denominated in RMB	<u>4,895,202</u>	<u>-</u>	<u>-</u>	<u>4,895,202</u>

	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>

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

(32) Capital reserve

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Share premium				
- Capital contribution by shareholders	34,978,720	890	-	34,979,610
- Transfer of convertible corporate debentures to share capital	5,758,688	-	-	5,758,688
- Capital reserve from transactions with minority shareholders	225,677	-	(11,444)	214,233
- 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	675,189	151,413	-	826,602
- Others	453,726	-	(3,041)	450,685
	<u>43,996,237</u>	<u>152,303</u>	<u>(14,485)</u>	<u>44,134,055</u>

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Share premium				
- Capital contribution by shareholders (Note 4(33))	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	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>

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

(33) Treasury stock

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Treasury stock	<u>2,040,377</u>	<u>59,936</u>	<u>-</u>	<u>2,100,313</u>
	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Treasury stock	<u>394,993</u>	<u>1,899,241</u>	<u>(394,993)</u>	<u>1,899,241</u>

- (i) In accordance with the *Proposal of Repurchasing Shares by Centralised Price Bidding* approved in the 19th session of the fourth Board of Directors on 31 January 2019, the Company used its own funds to repurchase 11,010,729 shares through centralized bidding. The company's shares were used for employee stock ownership plan or equity incentive, and a total of RMB 394,993,000 of Treasury stocks were recognised.

According to the relevant laws and regulations and the *Articles of Association*, the above-mentioned repurchased shares should be transferred or cancelled within three years. Since the Company has not launched an employee stock ownership plan or equity incentive within three years after the implementation of the above-mentioned share repurchase, approved by the 21st meeting of the fifth Board of Directors and the first extraordinary general meeting in 2022, the Company completed the cancellation of the repurchased 11,010,729 shares, thereby offsetting the treasury stocks 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 and in the 28th session of the fifth Board of Directors on 22 September 2022, the Company repurchased a portion of A shares issued to the public for employee stock ownership plan or equity incentive through centralised price bidding by self-owned funds. As at 30 June 2023, the Company repurchased a total of 40,740,183 shares, and recognised treasury stock of RMB 2,100,313,000.

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

(34) Special reserve

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Safety reserve	-	18,568	(18,568)	-
	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Safety reserve	-	14,589	(14,589)	-

Pursuant to the Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Funds (Cai Zi [2022] No. 136) issued by the Ministry of Finance and the State Administration of Work Safety on 21 November 2022, 1% of the income from the "Common cargo transportation business" which is operated by certain subsidiaries of the Group is appropriated to safety reserve. The safety reserve is recognised in profit or loss as the "Special reserve" item for the current period. When the accrued safety reserve is used under the prescribed conditions, it is written off against the original amount directly.

(35) Surplus reserve

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Statutory surplus reserve	1,010,253	-	-	1,010,253
	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Statutory surplus reserve	947,775	-	-	947,775

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(36) Retained earnings

	For the six months ended 30 June	
	2023	2022
Retained earnings at the beginning of the period	33,371,351	28,245,764
Add: Net profit attributable to shareholders of the parent company for the current period	4,176,282	2,512,397
Transfer from other comprehensive income to retained earnings	18	1
Less: Ordinary share dividends payable (a)	(1,213,616)	(874,518)
Retained earnings at the end of the period	<u>36,334,035</u>	<u>29,883,644</u>

- (a) The Company held a shareholders' meeting on 27 April 2023. On the basis of the total share capital at the registration date on which the 2022 profit distribution plan was implemented less the special shares repurchased by the Company, a total of RMB 1,213,616,000 of cash dividends were distributed to all shareholders at RMB 2.50 (including tax) per 10 shares, without bonus shares being given or capital reserve being transferred into the share capital.

(37) Revenue and cost of revenue

	For the six months ended 30 June	
	2023	2022
Revenue from main operations (a)	124,148,438	129,885,642
Revenue from other operations (a)	217,160	178,491
Total revenue	<u>124,365,598</u>	<u>130,064,133</u>
Cost of revenue from main operations	107,411,483	113,673,926
Cost of revenue from other operations	143,797	104,384
Total cost of revenue	<u>107,555,280</u>	<u>113,778,310</u>

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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:

For the six months ended 30 June 2023				
	Logistics and freight forwarding services	Sales of goods	Others	Total
Revenue from main operations				
Including: At a point in time	-	2,754,076	198,951	2,953,027
Over time	120,855,099	-	188,156	121,043,255
Lease income	-	-	152,156	152,156
	<u>120,855,099</u>	<u>2,754,076</u>	<u>539,263</u>	<u>124,148,438</u>
Revenue from other operations				
Including: At a point in time	-	-	33,265	33,265
Over time	-	-	75,201	75,201
Lease income	-	-	108,694	108,694
	<u>-</u>	<u>-</u>	<u>217,160</u>	<u>217,160</u>
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
	<u>127,691,416</u>	<u>1,683,873</u>	<u>510,353</u>	<u>129,885,642</u>
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
	<u>-</u>	<u>-</u>	<u>178,491</u>	<u>178,491</u>

As at 30 June 2023, 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.

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(38) Selling and distribution expenses

	For the six months ended 30 June	
	2023	2022
Outsourcing staff expenses	449,632	483,919
Employee benefits	390,973	427,663
Depreciation and amortisation expenses	183,934	164,762
Others	368,216	203,864
	<u>1,392,755</u>	<u>1,280,208</u>

(39) General and administrative expenses

	For the six months ended 30 June	
	2023	2022
Employee benefits	7,407,612	7,254,047
Depreciation and amortisation expenses	279,889	308,635
Outsourcing staff expenses	240,235	231,723
Others	1,012,845	1,095,689
	<u>8,940,581</u>	<u>8,890,094</u>

(40) Research and development expenses

	For the six months ended 30 June	
	2023	2022
Employee benefits	627,894	567,922
Depreciation and amortisation expenses	431,138	333,050
Outsourcing staff expenses	12,481	14,336
Others	103,457	100,546
	<u>1,174,970</u>	<u>1,015,854</u>

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

(41) Financial costs

	For the six months ended 30 June	
	2023	2022
Interest on borrowings	866,130	716,866
Add: Interest expenses on lease liabilities	289,013	316,308
Less: Capitalised interest (Note 4(12))	(62,470)	(58,959)
Interest expenses	1,092,673	974,215
Less: Interest income	(292,849)	(137,186)
Net gains or losses on exchange	133,258	14,160
Commission expenses and others	59,397	54,719
	<u>992,479</u>	<u>905,908</u>

(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	
	2023	2022
Transportation costs	21,120,397	37,700,578
Including: Aircraft maintenance costs	209,844	212,564
Outsourcing staff expenses	41,999,886	35,293,193
Outsourcing transportation costs	18,187,306	16,502,888
Employee benefits	16,270,441	16,030,878
Depreciation and amortisation expenses	4,889,967	4,430,813
Depreciation expenses of right-of-use assets	3,608,140	3,595,877
Venue usage expenses	3,381,074	3,126,965
Others	9,606,375	8,283,274
	<u>119,063,586</u>	<u>124,964,466</u>

- (i) For the six months ended 30 June 2023, the Group's government grants which were offset against costs and expenses amounted to RMB 97,625,000 (For the six months ended 30 June 2022: RMB 70,605,000). Therein, the amount that was recognised in non-recurring profit or loss amounted to RMB 68,977,000 (For the six months ended 30 June 2022: RMB 36,464,000).

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

(42) Expenses by nature (Cont'd)

(ii) The Group directly recognises the lease payments of short-term leases and low value leases in profit or loss. For the six months ended 30 June 2023, the amount was RMB 1,774,416,000 (For the six months ended 30 June 2022: RMB 1,228,609,000).

(43) Other income

	For the six months ended 30 June		Related to assets/income
	2023	2022	
Tax preference	534,683	774,575	Related to income
Fiscal appropriation and subsidies	185,478	207,655	Related to income
Amortisation of deferred income (Note 4(29))	27,515	18,998	Related to assets
	747,676	1,001,228	

For the six months ended 30 June 2023, the amount of other income that was recognised in non-recurring profit or loss amounted to RMB 351,691,000 (For the six months ended 30 June 2022: RMB 352,751,000).

(44) Investment income

	For the six months ended 30 June	
	2023	2022
Investment income from financial assets held for trading	253,799	310,852
Investment income from disposal of subsidiaries	244,982	32,314
Investment income from disposal of other investments	12,269	12,218
Investment income from dividends of financial assets not held for trading	2,535	6,188
Share of net gains/(losses) of investees under equity method(13,486)		41,689
Others	498	1,549
	500,597	404,810

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(45) Non-operating income and expenses

(a) Non-operating income

	For the six months ended 30 June			
	2023	Amount recognised in non-recurring profit or loss	2022	Amount recognised in non-recurring profit or loss
Compensation income	20,715	20,715	16,527	16,527
Income from penalty	5,355	5,355	5,492	5,492
Government grants	4,561	4,561	2,884	2,884
Others	99,562	99,562	68,533	68,533
	<u>130,193</u>	<u>130,193</u>	<u>93,436</u>	<u>93,436</u>

(b) Non-operating expenses

	For the six months ended 30 June			
	2023	Amount recognised in non-recurring profit or loss	2022	Amount recognised in non-recurring profit or loss
Losses on disposal of fixed assets and intangible assets	112,632	112,632	30,901	30,901
Compensation expenses	40,973	40,973	38,466	38,466
Donation expenses	5,552	5,552	7,336	7,336
Others	29,797	29,797	30,314	30,314
	<u>188,954</u>	<u>188,954</u>	<u>107,017</u>	<u>107,017</u>

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

(46) Income tax expenses

	For the six months ended 30 June	
	2023	2022
Current income tax	1,606,404	1,919,041
Deferred income tax	(80,294)	(134,175)
	<u>1,526,110</u>	<u>1,784,866</u>

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	
	2023	2022
Total profit	<u>5,420,350</u>	<u>5,081,641</u>
Income tax expenses calculated at the standard tax rate of 25%	1,355,088	1,270,410
Income not subject to tax	(105,771)	(28,157)
Costs, expenses and losses not deductible for tax purposes	82,601	87,590
Effect of different tax rates among subsidiaries and branches on income tax expenses	(139,095)	(121,091)
Deductible tax losses and deductible temporary differences for which no deferred tax asset was recognised in the current period	571,816	642,041
Utilisation of deductible tax losses and other deductible temporary differences for which no deferred tax asset was recognised in prior periods	(139,328)	(37,746)
Tax preference	(78,994)	(2,071)
Others	(20,207)	(26,110)
Income tax expenses	<u>1,526,110</u>	<u>1,784,866</u>

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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	
	2023	2022
Consolidated net profit attributable to ordinary shareholders of the parent company	4,176,282	2,512,397
Weighted average number of outstanding ordinary shares of the Company	4,854,831	4,880,213
Basic earnings per share (Yuan/share)	<u>0.86</u>	<u>0.51</u>

Including:

- Basic earnings per share from continuing operations (Yuan/share)

0.86

0.51

(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 2023 and 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	
	2023	2022
Consolidated net profit attributable to ordinary shareholders of the parent company	4,176,282	2,512,397
Adjusted consolidated net profit attributable to ordinary shareholders of the parent company for calculation of earnings per share	<u>4,176,282</u>	<u>2,512,397</u>
Weighted average number of outstanding ordinary shares of the Company	4,854,831	4,880,213
Add: Effect of the Group's share-based payments plan	<u>10,250</u>	<u>1,690</u>
Weighted average number of outstanding diluted ordinary shares	4,865,081	4,881,903
Diluted earnings per share	<u>0.86</u>	<u>0.51</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 2023 and 30 June 2022:

	Other comprehensive income in the balance sheet				Other comprehensive income in income statement for the six months ended 30 June 2023			
	31 December 2022	Attributable to the parent company in the current year - net of tax	Other comprehensive income transferred into retained earnings	30 Jun 2023	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	2,965,732	(30,021)	(18)	2,935,693	(53,984)	1,244	(30,021)	(22,719)
Other comprehensive income items which will not be transferred to profit or loss under the equity method	(2,764)	-	-	(2,764)	-	-	-	-
Other comprehensive income items which will be reclassified subsequently to profit or loss								
Cash flow hedging reserve	(12,002)	8,740	-	(3,262)	8,740	-	8,740	-
Other comprehensive income items which will be transferred to profit or loss under the equity method	(18,740)	9,171	-	(9,569)	9,171	-	9,171	-
Effect of translation of foreign currency financial statements	1,605,801	651,659	-	2,257,460	464,631	-	651,659	(187,028)
	<u>4,538,027</u>	<u>639,549</u>	<u>(18)</u>	<u>5,177,558</u>	<u>428,558</u>	<u>1,244</u>	<u>639,549</u>	<u>(209,747)</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 income statement for the six months ended 30 June 2022				
	31 December 2021	Attributable to the parent company in the current year - 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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[English translation for reference only]**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	
	2023	2022
Inflows from cash collected on delivery service on behalf of other parties	42,809,014	39,254,423
Others	2,505,769	3,003,286
	<u>45,314,783</u>	<u>42,257,709</u>

(b) Cash paid relating to other operating activities

	For the six months ended 30 June	
	2023	2022
Outflows from cash collected on delivery service on behalf of other parties	42,788,819	39,355,833
Others	9,563,206	8,528,523
	<u>52,352,025</u>	<u>47,884,356</u>

(c) Net cash received from disposal of subsidiaries

	For the six months ended 30 June	
	2023	2022
Consideration arising from disposal of subsidiaries	547,980	233,639
Add: Cash and cash equivalents received in the current period for the disposal of subsidiaries in previous years	-	71,795
Less: Cash and cash equivalents received in the subsequent periods for the disposal of subsidiaries	-	-
Less: Cash and cash equivalents held by subsidiaries on the day of loss of control	(189,393)	(19,671)
	<u>358,587</u>	<u>285,763</u>

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[English translation for reference only]**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	
	2023	2022
Consideration from acquisition of subsidiaries in the current period	141,000	2,311,903
Add: Cash paid in the current period for acquisition of subsidiaries in prior periods	800,227	87,076
Less: Cash to be paid in future periods	(9,774)	(1,235,038)
Less: Cash and cash equivalents held by subsidiaries on the day of purchase	(2,898)	(120,632)
Total net cash paid to acquire subsidiaries	<u>928,555</u>	<u>1,043,309</u>

(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 structured deposits.

(f) Cash paid relating to other financing activities

	For the six months ended 30 June	
	2023	2022
Repayments of lease liabilities	3,891,543	3,645,552
Acquisition of minority interests	132,490	3,584,014
Repurchase of shares	59,936	1,899,241
Others	496,532	30,216
	<u>4,580,501</u>	<u>9,159,023</u>

For the six months ended 30 June 2023, the total cash outflows relating to leases paid by the Group amounted to RMB 5,645,946,000 (For the six months ended 30 June 2022: RMB 5,002,526,000), 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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[English translation for reference only]**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	
	2023	2022
Net profit	3,894,240	3,296,775
Add: Asset impairment losses	806	3,838
Credit impairment (reversal)/losses	(64,802)	271,129
Depreciation of right-of-use assets	3,608,140	3,595,877
Depreciation and amortisation	4,889,967	4,445,097
Losses on disposal of long-term assets	64,740	22,655
Losses/(Gains) arising from changes in fair value	(21,870)	(6,719)
Financial costs	1,225,931	983,639
Investment income	(500,597)	(404,810)
Recognised expenses on share-based payments	153,461	83,204
Increase in deferred tax assets	(127,417)	(515,676)
Decrease in deferred tax liabilities	47,123	381,501
Amortisation of deferred income	(27,515)	(18,998)
Increase in inventories	(87,948)	(142,552)
Decrease in operating receivables	3,737,276	7,871,616
Increase in operating payables	(2,966,708)	(3,153,762)
Net cash flows from operating activities	<u>13,824,827</u>	<u>16,712,814</u>

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

(50) Supplementary information to the cash flow statement (Cont'd)

(b) Cash and cash equivalents

	30 June 2023	31 December 2022
Cash on hand	18,177	18,437
Cash at bank that can be readily drawn on demand	35,414,407	40,008,101
Other cash balances that can be readily drawn on demand	78,549	138,535
Other balances that can be readily drawn on demand	123,459	114,874
	<u>35,634,592</u>	<u>40,279,947</u>

(51) Monetary items denominated in foreign currency

- (a) As at 30 June 2023 and 31 December 2022, the Group's companies whose recording currency is RMB held financial assets and liabilities denominated in non-recording currencies (mainly USD, HKD and EUR), excluding financial assets and liabilities denominated in non-recording currencies held by subsidiaries within the Group, of which the equivalent amounts in RMB (presentation currency of these financial statements) are listed as below:

	30 June 2023		
	Amount in the original currency	Exchange rate to RMB	Equivalent to RMB
Cash at bank and on hand -			
USD	32,715	7.2258	236,390
HKD	71,833	0.9220	66,229
EUR	91	7.8771	720
Receivables -			
USD	206,742	7.2258	1,493,879
HKD	45,835	0.9220	42,259
EUR	3,189	7.8771	25,118
Payables -			
USD	75,823	7.2258	547,884
HKD	24,065	0.9220	22,187
EUR	6,295	7.8771	49,587
SGD	498	5.3442	2,660

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

(51) Monetary items denominated in foreign currency (Cont'd)

(a) (Cont'd)

	31 December 2022		
	Amount in the original currency	Exchange rate to RMB	Equivalent to RMB
Cash at bank and on hand -			
USD	81,868	6.9646	570,178
HKD	35,511	0.8933	31,722
EUR	163	7.4229	1,210
Receivables -			
USD	272,999	6.9646	1,901,329
HKD	96,310	0.8933	86,034
EUR	6,544	7.4229	48,575
Payables -			
USD	140,907	6.9646	981,361
HKD	73,704	0.8933	65,840
EUR	14,303	7.4229	106,170
SGD	2,009	5.1831	10,413

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

(51) Monetary items denominated in foreign currency (Cont'd)

- (b) As at 30 June 2023 and 31 December 2022, the Group's overseas subsidiaries, except for those operating in Hong Kong, held no significant financial assets or liabilities denominated in non-recording currencies. Those companies operating in Hong Kong with HKD as recording currency held financial assets and liabilities denominated in non-recording currencies (mainly USD, RMB and EUR), excluding financial assets and liabilities denominated in non-recording currencies held by subsidiaries within the Group, of which the equivalent amounts in HKD (recording currency of companies operating in Hong Kong) and RMB (presentation currency of these financial statements) are listed as below:

	30 June 2023			
	Amount in the original currency	Exchange rate to HKD	Equivalent to HKD	Equivalent to RMB
Cash at bank and on hand -				
RMB	65,372	1.0846	70,903	65,372
USD	45,835	7.8373	359,220	331,200
EUR	4,242	8.5437	36,246	33,419
Accounts receivable -				
RMB	259,506	1.0846	281,460	259,506
USD	333,772	7.8373	2,615,875	2,411,834
Accounts payable -				
RMB	62,239	1.0846	67,505	62,239
USD	192,746	7.8373	1,510,610	1,392,781
EUR	103	8.5437	879	810

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

(51) Monetary items denominated in foreign currency (Cont'd)

(b) (Cont'd)

	31 December 2022			
	Amount in the original currency	Exchange rate to HKD	Equivalent to HKD	Equivalent to RMB
Cash at bank and on hand -				
RMB	59,509	1.1195	66,620	59,509
USD	99,358	7.7967	774,665	692,008
EUR	4,734	8.3098	39,339	35,142
Accounts receivable -				
RMB	251,686	1.1195	281,762	251,686
USD	231,573	7.7967	1,805,505	1,612,858
Accounts payable -				
RMB	32,985	1.1195	36,927	32,985
USD	203,672	7.7967	1,587,969	1,418,533
EUR	1,930	8.3098	16,038	14,327

5 Changes in the consolidation scope

(1) Business combinations involving enterprises not under common control

Main business combinations involving enterprises not under common control for the six months ended 30 June 2023:

Acquiree	Acquisition cost	% of interest acquired	Method of acquisition	Acquisition date	Basis for determining the acquisition date
A third-party logistics enterprise	132,016	51.00%	By cash	31 January 2023	Completion of equity delivery

The total operating income, net profit, operating activities generated net cash flow of the above company from the purchase date to the end of the year are RMB 21,757,000, RMB 3,021,000, RMB 2,800,000 and RMB 2,800,000, respectively.

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5 Changes in the consolidation scope (Cont'd)

(2) Disposal of subsidiaries

(a) Information relating to the disposal of major subsidiaries during the period is as follows:

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
Shenzhen Fengwang Information Technology Co., Ltd. ("Fengwang Information Technology")(i)	460,930	100%	Sales of equity	27 June 2023	Transfer of control right	243,378	-
Shanghai Fengzhan Technology Co., Ltd.(ii)	85,188	100%	Sales of equity	10 May 2023	Transfer of control right	-	-

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5 Changes in the consolidation scope (Cont'd)

(2) Disposal of subsidiaries(Cont'd)

(i) On 12 May 2023, Shenzhen Fengwang Holdings Co., Ltd. ("Fengwang Holdings"), an indirectly-owned subsidiary of the Company, entered into an equity transfer agreement with Shenzhen J&T Express Supply Chain Co., Ltd. to transfer its 100% equity interests in the subsidiary Fengwang Information Technology and its subsidiaries at the consideration of RMB 1.183 billion. After the completion of the transaction, the Group would lose control of Fengwang Information Technology and its subsidiaries, and exclude them from the scope of consolidation.

In accordance with the transfer agreement, the profit or loss of Fengwang Information Technology and its subsidiaries for the period from the date of signing of equity transfer agreement to the settlement date was owned or borne by Fengwang Holdings and the adjusted disposal price was RMB 461 million. The Group recognised investment income of RMB 243,378,000 for transaction completed on 27 June 2023, including amounts attributable to the shareholders of the parent company of RMB 155,153,000.

(ii) On 10 May 2023, the Group transferred 100% equity interest in Shanghai Fengzhan Technology Company Limited to Shenzhen Fengxiang Information Technology Company Limited, a company that is also controlled by the ultimate controller, by using its share of the net assets of Shanghai Fengzhan Technology Company Limited amounting to RMB85,188,000 as the transaction consideration. After the completion of the transaction, the Group would lose control of Shanghai Fengzhan Technology Co., Ltd., and exclude them from the scope of consolidation.

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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 Co., Ltd.	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 Management service 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	-	70.00%	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
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 Supply Chains 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
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 2023	Dividends paid to minority shareholders for the six months ended 30 June 2023	Minority interests as at 30 June 2023
Kerry Logistics and its subsidiaries	48.48%	19,370	(375,165)	11,099,181

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

	30 June 2023	31 December 2022
Current assets	19,237,384	21,821,593
Non-current assets	26,305,032	25,615,187
Total assets	<u>45,542,416</u>	<u>47,436,780</u>
Current liabilities	12,441,328	14,196,749
Non-current liabilities	9,497,933	10,240,832
Total liabilities	<u>21,939,261</u>	<u>24,437,581</u>
	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Revenue	22,462,886	39,826,024
Net profit (i)	102,409	1,984,687
Total comprehensive income (i)	153,958	1,883,429
Cash flows from operating activities	<u>1,449,579</u>	<u>2,243,418</u>

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 attributable to shareholders of the parent company for the six months ended 30 June 2023 was RMB 83,039,000 (for the six months ended 30 June 2022: RMB 886,982,000), and the total comprehensive income attributable to shareholders of the parent company for the six months ended 30 June 2023 was RMB 348,315,000 (for the six months ended 30 June 2022: RMB 1,261,913,000).

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6 Interests in other entities (Cont'd)

(2) Interests in joint ventures and associates

The Group's joint ventures and associates have no significant influence on the Group (Note 4(8)).

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 2023, the Group mainly had three reportable segments, including:

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

We restructured our segments in 2023 by combining the two segments formerly known as the express delivery segment and the freight delivery segment into the express and freight delivery segment. Accordingly, segment information for the six-month period ended June 30, 2022 has been restated.

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 2023 is as follows:

	Express and freight delivery segment	Supply chain and international segment	Intra-city on demand segment	Undistributed units	Inter-segment elimination	Total
Revenue from external customers	90,058,986	30,283,063	3,406,837	616,712	-	124,365,598
Inter-segment revenue	5,283,237	314,393	2,355,281	7,209,639	(15,162,550)	-
Cost of revenue	81,392,677	28,052,376	5,377,625	6,659,244	(13,926,642)	107,555,280
Total profit/(loss)	5,412,546	(221,230)	31,344	146,029	51,661	5,420,350
Income tax expenses	1,292,805	86,845	1,030	130,843	14,587	1,526,110
Net profit/(loss)	4,119,741	(308,075)	30,314	15,186	37,074	3,894,240
Total assets	100,203,287	64,443,045	3,888,569	152,920,781	(103,415,251)	218,040,431
Total liabilities	68,606,705	51,662,519	986,574	84,017,974	(88,439,410)	116,834,362
Depreciation of right of use	2,993,058	854,228	13,137	40,982	(293,265)	3,608,140
Depreciation and amortisation expenses	3,587,688	819,313	30,545	465,391	(12,970)	4,889,967
Credit impairment losses	(82,372)	34,806	3,921	40,848	(62,005)	(64,802)

For the six months ended 30 June 2023, 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 2022 is as follows:

	Express and freight delivery segment	Supply chain and international segment	Intra-city on demand seg ment	Undistributed units	Inter-segment elimination	Total
Revenue from external customers	79,027,014	47,545,204	2,938,274	553,641	-	130,064,133
Inter-segment revenue	2,736,066	300,863	1,543,129	5,737,967	(10,318,025)	-
Cost of revenue	70,662,580	42,592,555	4,300,885	5,579,205	(9,356,915)	113,778,310
Total profit/(loss)	3,081,201	2,395,916	(143,940)	(262,811)	11,275	5,081,641
Income tax expenses	966,432	706,449	-	105,744	6,241	1,784,866
Net profit/(loss)	2,114,769	1,689,467	(143,940)	(368,555)	5,034	3,296,775
Total assets	83,548,137	68,738,144	3,866,337	122,740,878	(66,426,119)	212,467,377
Total liabilities	56,329,943	56,055,883	844,924	55,085,848	(50,247,047)	118,069,551
Depreciation of right-of-use Depreciation and amortisation expenses	2,900,854 3,315,887	802,187 749,536	9,689 38,824	61,611 335,202	(178,464) (8,636)	3,595,877 4,430,813
Credit impairment losses	32,773	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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8 Related parties and related party transactions

(1) General information of the controlling shareholder and subsidiaries

The general information and other related information of the subsidiaries are set out in Note 6(1).

(a) General information of the controlling shareholder

	Place of registration	Nature of business
Mingde Holdings	Shenzhen	Investment

The Company's ultimate holding company is Mingde Holdings, and the ultimate controlling person is Wang Wei.

(b) The balances and changes of registered capital of the controlling shareholder

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
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 2023		31 December 2022	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Mingde Holdings	<u>54.68%</u>	<u>54.68%</u>	<u>54.95%</u>	<u>54.95%</u>

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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")	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
Hive Box Technology and its subsidiaries Shenzhen Fengyi Technology Limited ("Fengyi Technology")	Controlled by the ultimate controlling person of the Company
State Grid E-Commerce Yunfeng Logistics Technology (Tianjin) Co., Ltd.	Controlling shareholder's associate
Shanghai Jiaxing Logistics Co., Ltd.	The Group's associate
Shenzhen Shunjie Fengda and its subsidiaries ("Shunjie Fengda") 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
KENGIC Intelligent Technology Co., Ltd. ("KENGIC Intelligent") and its subsidiaries	The Group's associate
Zhejiang Galaxis Technology Group Co., Ltd.	The Group's associate

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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(Cont'd):

	Relationship with the Company
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	The Group's associate
Shenzhen Fenglian Technology Co., Ltd.	The Group's associate
Yihai Shunfeng (Shanghai) Supply Chain Technology Co., Ltd.	The Group's associate
Giao Hang Tiet Kiem Joint Stock Company	The Group's associate
Shanghai Tingdi Logistics Service Co., Ltd.	The Group's associate
Global Connect Holding Limited	The Group's joint venture
Ezhou China Communications SF Airport Industrial Park Investment Development Co., Ltd	The Group's joint venture
CR-SF International Express Co., Ltd.	The Group's joint venture
Beijing Wulian Shuntong Technology Co., Ltd. ("Wulian Shuntong") and its subsidiaries	The Group's joint venture
ZBHA and its subsidiaries	The Group's joint venture
Hubei International Logistics Airport Co., Ltd.	The Group's joint venture
Golden Arches (China) Co., Ltd. ("Golden Arches ") and its subsidiaries	Significantly influenced by the key management of the Company

(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

		For the six months ended 30 June	
	Nature of the transaction	2023	2022
Entities significantly influenced by the key management of the Company	Rendering of services	952,548	763,683
Entities controlled by the ultimate controlling person of the Company	Rendering of services	63,315	65,026
Associates of the Group	Rendering of services	29,979	20,607
Associates of Mingde Holding	Rendering of services	6,643	7,950
Joint ventures of the Group	Rendering of services	5,989	8,016
Mingde Holding	Rendering of services	203	323
		1,058,677	865,605

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8 Related parties and related party transactions (Cont'd)

(3) Related party transactions (Cont'd)

(b) Rendering of services/Sales of goods (Cont'd)

	Nature of the transaction	For the six months ended 30 June	
		2023	2022
Associates of the Group	Sales of goods	2,548	7,288
Entities controlled by the ultimate controlling person of the Company	Sales of goods	353	7,126
Associates of Mingde Holding	Sales of goods	3	22
		<u>2,904</u>	<u>14,436</u>

(c) Receipt of services/Purchase of goods

	Nature of the transaction	For the six months ended 30 June	
		2023	2022
Joint ventures of the Group	Receipt of services	621,191	500,338
Associates of the Group	Receipt of services	582,813	337,793
Entities controlled by the ultimate controlling person of the Company	Receipt of services	314,156	239,866
Entities significantly influenced by the key management of the Company	Receipt of services	41	-
Associates of Mingde Holding	Receipt of services	25	-
		<u>1,518,226</u>	<u>1,077,997</u>

	Nature of the transaction	For the six months ended 30 June	
		2023	2022
Entities controlled by the ultimate controlling person of the Company	Purchase of goods	141,500	146,964
Associates of the Group	Purchase of goods	127,211	183,579
Associates of Mingde Holding	Purchase of goods	816	585
Joint ventures of the Group	Purchase of goods	327	96
		<u>269,854</u>	<u>331,224</u>

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8 Related parties and related party transactions (Cont'd)

(3) Related party transactions (Cont'd)

(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	
		2023	2022
Entities controlled by the ultimate controlling person of the Company	Buildings	27,183	42,749
Associates of the Group	Buildings	12,093	107,153
		<u>39,276</u>	<u>149,902</u>

(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	
		2023	2022
Associates of the Group	Buildings	113,054	107,565
Entities controlled by the ultimate controlling person of the Company	Buildings	5,938	8,013
		<u>118,992</u>	<u>115,578</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	
		2023	2022
Associates of Mingde Holding	Buildings	1,565	1,652
Associates of the Group	Buildings	1,116	134
Entities controlled by the ultimate controlling person of the Company	Buildings	809	584
Mingde Holding	Buildings	341	-
Joint ventures of the Group	Buildings	304	391
		<u>4,135</u>	<u>2,761</u>

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(3) Related party transactions (Cont'd)

(e) The Group as the guarantor

Guaranteed party	Guaranteed amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Associates of the Group	107,213	31 December 2020	23 December 2033	No
Joint ventures of the Group	782,000	29 September 2021	29 April 2055	No
	<u>889,213</u>			

(f) Sales of equity

	For the six months ended 30 June	
	2023	2022
Entities controlled by the ultimate controlling person of the Company	85,188	-
Associates of the Group	-	232,939
	<u>85,188</u>	<u>232,939</u>

For the six months ended 30 June 2023, the Group earned a total of RMB 31,654,000 in investment income from related parties from the above equity transactions.

(g) Remuneration of key management

	For the six months ended 30 June	
	2023	2022
Remuneration of key management	<u>26,241</u>	<u>16,018</u>

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(4) Receivables from and payables to related parties

(a) Accounts receivable

	30 June 2023	31 December 2022
Entities significantly influenced by the key management of the Company	220,988	176,682
Entities controlled by the ultimate controlling person of the Company	28,780	27,951
Associates of the Group	17,468	24,184
Associates of Mingde Holding	6,687	6,527
Joint ventures of the Group	2,776	1,677
Mingde Holding	115	7
	<u>276,814</u>	<u>237,028</u>

(b) Advances to suppliers

	30 June 2023	31 December 2022
Associates of the Group	12,559	12,404
Entities controlled by the ultimate controlling person of the Company	5,424	10,913
Joint ventures of the Group	3,151	641
Entities significantly influenced by the key management of the Company	7	2,039
Associates of Mingde Holding	2	3
	<u>21,143</u>	<u>26,000</u>

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(4) Receivables from and payables to related parties (Cont'd)

(c) Loans and advances

	30 June 2023	31 December 2022
Associates of the Group	<u>53,667</u>	<u>32,920</u>

(d) Other receivables

	30 June 2023	31 December 2022
Entities controlled by the ultimate controlling person of the Company	484,449	406,426
Associates of the Group	64,625	53,756
Entities significantly influenced by the key management of the Company	40,462	51,920
Joint ventures of the Group	628	8,747
Associates of Mingde Holding	366	645
Mingde Holding	186	-
	<u>590,716</u>	<u>521,494</u>

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

	30 June 2023	31 December 2022
Associates of the Group	32,049	1,497
Entities controlled by the ultimate controlling person of the Company	-	488
Entities significantly influenced by the key management of the Company	-	120
	<u>32,049</u>	<u>2,105</u>

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(4) Receivables from and payables to related parties (Cont'd)

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

	30 June 2023	31 December 2022
Associates of the Group	61,802	68,429
Associates of Mingde Holding	208	260
Entities controlled by the ultimate controlling person of the Company	17	-
Joint ventures of the Group	15	-
	<u>62,042</u>	<u>68,689</u>

(g) Deposits from customers

	30 June 2023	31 December 2022
Associates of the Group	<u>8,077</u>	<u>20,587</u>

(h) Accounts payable

	30 June 2023	31 December 2022
Associates of the Group	152,990	184,386
Joint ventures of the Group	143,572	155,916
Entities controlled by the ultimate controlling person of the Company	112,257	164,570
Associates of Mingde Holding	191	349
Entities significantly influenced by the key management of the Company	9	20
	<u>409,019</u>	<u>505,241</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)****(i) Contract liabilities**

	30 June 2023	31 December 2022
Joint ventures of the Group	51,955	74
Associates of Mingde Holding	4,117	4,111
Associates of the Group	2,861	397
Entities controlled by the ultimate controlling person of the Company	794	250
Entities significantly influenced by the key management of the Company	712	2,178
	<u>60,439</u>	<u>7,010</u>

(j) Other payables

	30 June 2023	31 December 2022
Associates of the Group	116,766	194,620
Entities significantly influenced by the key management of the Company	24,455	20,839
Associates of Mingde Holding	3,294	2,829
Joint ventures of the Group	1,772	978
Entities controlled by the ultimate controlling person of the Company	1,739	1,039
Mingde Holding	182	17
	<u>148,208</u>	<u>220,322</u>

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

	30 June 2023	31 December 2022
Associates of the Group	692,313	784,767
Entities controlled by the ultimate controlling person of the Company	69,610	45,379
	<u>761,923</u>	<u>830,146</u>

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8 Related parties and related party transactions (Cont'd)

(5) Commitments in relation to related parties

(a) Guarantees provided

	30 June 2023	31 December 2022
Joint ventures of the Group	<u>2,384,180</u>	<u>2,384,180</u>

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

9 Share-based payments

(1) Overview of share-based payments

Expenses recognised for the period arising from share-based payments were as follows:

	For the six months ended 30 June	
	2023	2022
Equity-settled share-based payments	153,461	83,204
Cash-settled share-based payments	<u>190,592</u>	<u>24,733</u>
	<u>344,053</u>	<u>107,937</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 47,892,100 share options to 1,449 eligible incentive recipients on 30 May 2022, 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.

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9 Share-based payments (Cont'd)

(2) Information on equity-settled share-based payments(Cont'd)

(a) Information on share-based payments of the Company (Cont'd)

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 2023, the equity-settled share-based payments recognised by the Company accumulated to RMB 382,047,000 (31 December 2022: RMB 244,485,000). For the six months ended 30 June 2023, the amount of expenses recognised by the Company for the equity-settled share-based payments was RMB 137,562,000 (for the six months ended 30 June 2022: RMB 33,405,000).

(b) Information on share-based payments of the Company's subsidiaries

The Group granted some equities or share options of several subsidiaries, to the senior management and other employees of the aforesaid companies or other subsidiaries within the Group respectively.

As at 30 June 2023, the equity-settled share-based payments of these companies recognised by the Group accumulated to RMB 523,934,000 (31 December 2022: RMB 508,035,000), including accumulated amounts attributable to shareholders of the parent company of RMB 445,585,000 (31 December 2022: RMB 431,320,000). For the six months ended 30 June 2023, the expenses recognised for the equity-settled share-based payments amounted to RMB 15,899,000 (for the six months ended 30 June 2022: RMB 49,799,000). The fair value at the grant date was recognised based on the discount cash flow model and the binomial tree model.

(3) Information on cash-settled share-based payments

Certain subsidiaries of the Group use their shares or the Company's shares as the calculation basis to grant cash-settled share-based payments to eligible employees of those subsidiaries.

As at 30 June 2023, liabilities arising from the cash-settled share-based payments accumulated to RMB 458,365,000 (31 December 2022: RMB 334,757,000). For the six months ended 30 June 2023, the expenses recognised by the Group for cash-settled share-based payments amounted to RMB 190,592,000 (for the six months ended 30 June 2022: RMB 24,733,000). The fair value at the balance sheet date was recognised based on the discount cash flow model and the binomial tree model.

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10 Commitments

(1) Capital commitments

- (a) As at the balance sheet date, capital expenditures contracted for but not yet necessary to be recognised by the Group in the balance sheet are as follows:

	30 June 2023	31 December 2022
Buildings, machinery and equipment	2,429,797	3,571,632
Investment contracts that have been signed but not fulfilled or not absolutely fulfilled	1,883,228	1,811,611
	<u>4,313,025</u>	<u>5,383,243</u>

(2) Other commitments

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.

11 Contingency

As stated in Note 8(3)(e), subsidiaries of the Group provide loan guarantees to related parties. On 30 June 2023, the total guarantee amount was RMB 889,213,000 (31 December 2022: RMB 895,374,000).

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12 Operating lease payments after the balance sheet date

As the lessor, the Group's undiscounted lease payments receivable after the balance sheet date are as follows:

	30 June 2023	31 December 2022
Within 1 year (inclusive)	322,969	228,038
1 to 2 years (inclusive)	222,068	185,848
2 to 3 years (inclusive)	153,997	134,539
3 to 4 years (inclusive)	114,049	179,036
4 to 5 years (inclusive)	93,249	60,581
Over 5 years	514,292	246,444
	<u>1,420,624</u>	<u>1,034,486</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.

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14 Financial instruments and relevant risks (Cont'd)

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in the Chinese mainland and a majority of the transactions are denominated in RMB. Some operational activities are carried out in regions/countries including Hong Kong SAR, USA, 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 currencies, and future transactions denominated in foreign currencies. Management is responsible for monitoring the amount of financial assets and financial liabilities, and transactions denominated in non-recording currencies to reduce foreign exchange risk to the greatest extent.

(i) Foreign exchange risk of companies with RMB as recording currency

As at June 30, 2023 and December 31, 2022, the foreign exchange exposure of non-local currency financial assets and financial liabilities held by the Group's companies with RMB as the local currency of account as shown in Note 4(51)(a) was mainly sourced from the U.S. dollar, the Hong Kong dollar and the euro.

As at 30 June 2023, if the RMB had appreciated/depreciated by 5% against the USD while all other variables had been held constant, the Group's profit before tax would have been approximately RMB 47,752,000 higher/lower (31 December 2022: approximately RMB 74,507,000 lower/higher) for the above various financial assets and financial 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 2023 and 31 December 2022, the foreign exchange exposure of financial assets and financial liabilities denominated in non-recording currencies held by companies located in Hong Kong SAR with HKD being their recording currency was mainly derived from the USD. Because the HKD and the USD are linked exchange rates, the foreign exchange risks faced by the above-mentioned companies using HKD as their recording currency are not significant.

(iii) As at 30 June 2023 and December 31, 2022, the Group's overseas subsidiaries, except for those operating in Hong Kong SAR, held no significant financial assets or financial liabilities denominated in non-recording currencies.

(iv) In view of the different recording currencies of subsidiaries within the Group, there is still foreign exchange risk arising even if transactions and balances within the Group are offset. As at 30 June 2023 and 31 December 2022, such foreign exchange risks are not material.

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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 2023, the Group's long-term interest bearing debts were mainly related to floating rate long-term borrowings, and fixed rate debentures payable. Among them, floating rate long-term borrowings amounted to RMB 10,813,082,000 (31 December 2022: RMB 7,472,010,000); the contract amount of fixed rate debentures payable denominated in RMB was RMB 1,000,000,000 (31 December 2022: RMB 1,000,000,000), and the contract amount of fixed rate debentures payable denominated in USD was USD 2,600,000,000, equivalent to RMB 18,787,080,000 (31 December 2022: USD 2,600,000,000, equivalent to RMB 18,107,960,000).

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new interest bearing debts 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 2023, if interest rates on borrowings had increased/decreased by 50 basis points while all other variables had been held constant, the Group's profit before tax would have decreased/increased by approximately RMB 54,065,000 (31 December 2022: RMB 37,360,000).

(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 2023, if the price of various investments in equity instruments had risen/fallen by 10% while all other variables had been held constant, the Group's profit before tax and other comprehensive income before tax would have been approximately RMB 247,882,000 (31 December 2022: approximately RMB 101,221,000) and RMB 745,456,000 (31 December 2022: approximately RMB 736,568,000) 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, 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 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 2023, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2022: Nil).

(3) Liquidity risk

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 2023				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Deposits from customers	9,868	-	-	-	9,868
Accounts payable	22,746,521	-	-	-	22,746,521
Other payables	12,073,261	-	-	-	12,073,261
Short-term borrowings	14,427,024	-	-	-	14,427,024
Other current liabilities	1,524,121	-	-	-	1,524,121
Current portion of non-current liabilities	12,359,342	-	-	-	12,359,342
Long-term borrowings	180,975	2,794,446	8,083,481	550,404	11,609,306
Debentures payable	1,078,138	562,511	7,303,495	12,970,172	21,914,316
Long-term payables	-	222,875	-	-	222,875
Lease liabilities	-	4,255,475	3,249,391	1,850,779	9,355,645
	<u>64,399,250</u>	<u>7,835,307</u>	<u>18,636,367</u>	<u>15,371,355</u>	<u>106,242,279</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 2022				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Deposits from customers	20,670	-	-	-	20,670
Accounts payable	24,715,352	-	-	-	24,715,352
Other payables	13,346,595	-	-	-	13,346,595
Short-term borrowings	12,963,318	-	-	-	12,963,318
Other current liabilities	5,118,489	-	-	-	5,118,489
Current portion of non-current liabilities	11,448,352	-	-	-	11,448,352
Long-term borrowings	161,001	3,101,351	4,660,180	85,488	8,008,020
Debentures payable	581,461	1,068,586	7,373,540	13,179,071	22,202,658
Long-term payables	-	210,501	-	-	210,501
Lease liabilities	-	4,179,191	3,797,852	1,976,864	9,953,907
	<u>68,355,238</u>	<u>8,559,629</u>	<u>15,831,572</u>	<u>15,241,423</u>	<u>107,987,862</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 2023	31 December 2022
Within 1 year (inclusive)	1,028,185	986,197
1 to 2 years (inclusive)	302,016	259,841
2 to 3 years (inclusive)	278,029	200,248
Over 3 years	2,812,365	192,415
	<u>4,420,595</u>	<u>1,638,701</u>

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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.

(1) Financial assets and financial liabilities measured at fair value on a recurring basis

As at 30 June 2023, the financial assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets held for trading -				
Structured deposits	-	-	14,256,424	14,256,424
Fund investments	77	396	-	473
Others	-	10,746	-	10,746
Receivables financing -				
Notes receivable	-	85,396	-	85,396
Other non-current financial assets -				
Industry fund investments	-	-	765,315	765,315
Special Scheme equity class securities	-	-	116,286	116,286
Others	-	-	1,597,223	1,597,223
Investments in other equity instruments -				
Equity of listed companies	116,994	-	-	116,994
Equity of unlisted companies	-	-	7,337,565	7,337,565
Total financial assets	<u>117,071</u>	<u>96,538</u>	<u>24,072,813</u>	<u>24,286,422</u>

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15 Fair value estimates (Cont'd)**(1) Financial assets and financial liabilities measured at fair value on a recurring basis (Cont'd)**

As at 31 December 2022, the financial assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets held for trading -				
Structured deposits	-	-	7,351,158	7,351,158
Fund investments	77	34,144	-	34,221
Receivables financing -				
Notes receivable	-	63,310	-	63,310
Other non-current financial assets -				
Industry fund investments	-	-	770,637	770,637
Special Scheme equity-class securities	-	-	116,286	116,286
Others	-	-	125,286	125,286
Investments in other equity instruments -				
Equity of listed companies	158,936	-	-	158,936
Equity of unlisted companies	-	127,564	7,079,184	7,206,748
Total financial assets	159,013	225,018	15,442,551	15,826,582

As at 30 June 2023, the financial liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities -				
Others	-	86,257	-	86,257

As at 31 December 2022, the financial liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities:				
Others	-	96,647	-	96,647

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There were no transfers between different levels for the period.

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15 Fair value estimates (Cont'd)

(1) Financial assets and financial 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 and discount for lack of liquidity.

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 2022	7,351,158	770,637	116,286	125,286	7,079,184
Increase in the current period	55,820,000	9,412	-	1,384,772	36,411
Decrease in the current period	(49,198,870)	(4,092)	-	(697)	-
Gains recognised in profit or loss for the current period	284,136	(25,154)	-	18,306	-
Gains recognised in other comprehensive income	-	-	-	-	(11,090)
Effect of translation of foreign currency financial statements	-	14,512	-	69,556	233,060
30 June 2023	<u>14,256,424</u>	<u>765,315</u>	<u>116,286</u>	<u>1,597,223</u>	<u>7,337,565</u>

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15 Fair value estimates (Cont'd)

(1) Financial assets and financial liabilities measured at fair value on a recurring basis (Cont'd)

	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)

(2) Financial assets and financial liabilities not measured at fair value but disclosed

The Group's financial assets and financial 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 and long-term payables.

The carrying amount of financial assets and financial liabilities not measured at fair value is a reasonable approximation of their fair value. The fair value of financial assets and financial 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 2023 and 31 December 2022, the Group's debt-to-asset ratio was as follows:

	30 June 2023	31 December 2022
Debt-to-asset ratio	<u>53.58%</u>	<u>54.67%</u>

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(1) Cash at bank and on hand

	30 June 2023	31 December 2022
Cash at bank	<u>1,127,042</u>	<u>812,181</u>

(2) Financial assets held for trading

	30 June 2023	31 December 2022
Structured deposits	<u>833,089</u>	<u>2,335,319</u>

(3) Other receivables

	30 June 2023	31 December 2022
Funds allocated to subsidiaries	15,105,771	14,689,829
Dividends receivable from Taisen Holdings	-	500,000
Others	1,613	1,643
	<u>15,107,384</u>	<u>15,191,472</u>
Less: Provision for bad debts	<u>(13)</u>	<u>(8)</u>
	<u>15,107,371</u>	<u>15,191,464</u>

The ageing of other receivables is analysed as follows:

	30 June 2023	31 December 2022
Within 1 year (inclusive)	5,303,634	2,753,246
1 to 2 years (inclusive)	2,105,361	10,764,477
Over 2 years	7,698,389	1,673,749
	<u>15,107,384</u>	<u>15,191,472</u>

(4) Long-term equity investments

	30 June 2023	31 December 2022
Subsidiaries (a)	58,355,476	58,217,914
Less: Provision for impairment of long-term equity investments	-	-
	<u>58,355,476</u>	<u>58,217,914</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)

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

(a) Subsidiaries

	Accounting method	31 December 2022	Movements in the current period	30 June 2023	Shareholding (%)	Voting rights (%)	Provision for impairment	Cash dividends declared in the current period
Taisen Holdings	Cost method	58,217,914	137,562	58,355,476	100%	100%	-	-

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17 Notes to the Company's financial statements (Cont'd)

(5) Investment income

	For the six months ended 30 June	
	2023	2022
Investment income from financial assets held for trading	22,167	119,941

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	
	2023	2022
Investment income from disposal of subsidiaries	244,982	32,314
Gains on disposal of other non-current assets	45,950	20,464
Government grants recognised in profit or loss for the current period (government grants recognised in non-operating income, other income and deducted against related costs and expenses)	425,229	392,099
Gains arising from changes in fair value of financial assets and financial liabilities held for trading and investment income arising from disposal of financial assets and financial liabilities held for trading	6,787	15,933
Reversal of impairment provision for receivables individually assessed for impairment	31,217	64,090
Net amount of other non-operating income and expenses	(63,322)	(16,465)
Sub-total	690,843	508,435
Less: Income tax effect	(93,843)	(102,319)
Less: Non-recurring profit or loss attributable to minority shareholders	(126,027)	(41,575)
Non-recurring profit or loss attributable to shareholders of the parent company	470,973	364,541
Including: Non-recurring profit or loss from continuing operations	470,973	364,541

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
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

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	
	2023	2022	2023	2022	2023	2022
Net profit attributable to ordinary shareholders of the Company	4.72%	3.00%	0.86	0.51	0.86	0.51
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	4.19%	2.57%	0.76	0.44	0.76	0.44
Including:						
- Continuing operations						
Net profit attributable to ordinary shareholders of the Company	4.72%	3.00%	0.86	0.51	0.86	0.51
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	4.19%	2.57%	0.76	0.44	0.76	0.44

DELIVERY ON OUR EVERY PROMISE

S.F. Holding Co., Ltd.

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