



2018
S.F. Holding Co., Ltd.
Semi-Annual Report

S.F. Holding Co., Ltd.

2018 Semi-Annual Report



August 2018

Notice

The Company prepared its 2018 Semi-Annual Report in accordance with relevant regulations and guidelines set forth by the China Securities Regulatory Commission and the Shenzhen Stock Exchange, including the “Publicly Listed Company Information Disclosure Content and Format Guideline No. 3 –Semi-Annual Report Content and Format,” the “Shenzhen Stock Exchange Listing Rules,” the “Shenzhen Stock Exchange Standard Operating Guidelines for Small and Medium Enterprises,” and the “Small and Medium Enterprise Information Disclosure Memorandum No. 2 – Matters Related to Periodic Disclosures.” The Company’s 2018 Semi-Annual Report was prepared and published in Chinese and the below English version is for reference only. Should there be inconsistency between the Chinese version and the English version, the Chinese version shall prevail. Investors can access the Company’s 2018 Semi-Annual Report on Cninfo (www.cninfo.com.cn), which is designated by the China Securities Regulatory Commission for Publishing the Semi-Annual Report.

Chapter 1 Important Information, Table of Contents, and Definitions

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

Wang Wei, the Company's responsible person, NG Wai Ting, the person in charge of accounting work, and Wang Lixiu, the person in charge of the accounting department (accounting officer), hereby declare and warrant that the financial report within the Semi-Annual Report is true, accurate, and complete.

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

Forward-looking statements such as future development plans in this report do not constitute the company's promise to investors. Investors are advised to invest rationally and to take into account possible investment risks.

The company is required to comply with the disclosure requirements presented in the *Shenzhen Stock Exchange for Industrial Information Disclosure No.9 - Listed Companies Engaged in the Express Delivery Services Business*.

In this Semi-Annual Report, the company details the possible risk factors and countermeasures that may occur in the future. For more information, refer to "Section 10. Possible Risks and Countermeasures," found in "Chapter 4. Management Discussion and Analysis of Business Operation." Investors should refer to this information.

The company does not plan to issue cash or stock dividends, nor to convert capital reserve into share capital.

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Definitions

Term	Description
Reporting period	January 1, 2018 to June 30, 2018
The same period of last year	January 1, 2017 to June 30, 2017
The company, SF Holding	S.F. Holding Co., Ltd. The company is formerly known as Ma'anshan Dingtai Rare Earth & New Materials Co., Ltd. After completing a major asset restructuring (as defined below) in December 2016, it was officially renamed to S.F. Holding Co., Ltd. in February 2017.
RMB	Renminbi RMB
Mingde Holdings	Shenzhen Mingde Holdings Development Co., Ltd., the controlling shareholder of S.F. Holding Co., Ltd.
Dingtai New Materials	Ma'anshan Dingtai Rare Earth & New Materials Co., Ltd. The predecessor of S.F. Holding Co., Ltd., it was renamed to S.F. Holding Co., Ltd. in February 2017.
Taisen Holdings	Shenzhen S.F. Taisen Holdings (Group) Co., Ltd., a subsidiary of S.F. Holding Co., Ltd.
Shun Da Feng Run	Ningbo Shun Da Feng Run Investment Management Partnership (Limited Partnership)
Jia Qiang Shunfeng	Jia Qiang Shunfeng (Shenzhen) Equity Investment Partnership (Limited Partnership)
Zhao Guang Investment	Shenzhen Zhao Guang Investment Co., Ltd.
Oriza Shunfeng	Suzhou Industrial Park Oriza Shunfeng Equity Investment Company (Limited Partnership)
Gu Yu Qiu Chuang	Suzhou Gu Yu Qiu Chuang Equity Investment Partnership (Limited Partnership)
Shun Xin Feng He	Ningbo Shun Xin Feng He Investment Management Partnership (Limited Partnership)
The restructuring counterparties	Shenzhen Mingde Holdings Development Co., Ltd., Ningbo Shun Da Feng Run Investment Management Partnership (Limited Partnership), Jia Qiang Shunfeng (Shenzhen) Equity Investment Partnership (Limited Partnership), Shenzhen Zhao Guang Investment Co., Ltd., Suzhou Industrial Park Oriza Shunfeng Equity Investment Company (Limited Partnership), Suzhou Gu Yu Qiu Chuang Equity Investment Partnership (Limited Partnership), and Ningbo Shun Xin Feng He Investment Management Partnership (Limited Partnership)
Major asset restructuring	In December 2016, all assets and liabilities (exchange-out assets) of the company's predecessor, Dingtai New Materials, was replaced with the equivalent 100% equity (exchange-in assets) of Taisen Holdings held by all shareholders of Taisen Holdings as of December 31, 2015. The difference between the exchange-in assets and the exchange-out assets was purchased by Dingtai New Materials, the company's predecessor, from all shareholders of Taisen Holdings, in the form of issuing shares.
Exchange-out assets	All assets and liabilities of the company's predecessor, Dingtai New Materials, as of December 31, 2015.
Exchange-in assets	100% equity of Taisen Holdings as of December 31, 2015.

Term	Description
Hive Box Technology	Hive Box Technology Co., Ltd
SF Investment	Shenzhen SF Investment Co., Ltd. It is a subsidiary of S.F. Holding Co., Ltd.
Chengdu FengCheng	Chengdu FengCheng Logistics Co., Ltd. It is a subsidiary of S.F. Holding Co., Ltd.
SF Technology	SF Technology Co., Ltd. It is a subsidiary of S.F. Holding Co., Ltd.

Chapter 2 Company Profile and Key Financial Indicators

I. Company Profile

Stock Abbreviation	SF Holding	Stock Code	002352
Changed Stock Abbreviation (If Any)	SF Holding		
Listed Stock Exchange	Shenzhen Stock Exchange		
Chinese Name of the Company	顺丰控股股份有限公司		
Chinese Name Abbreviation of the Company	顺丰控股		
English Name of the Company (If Any)	S.F. Holding Co., Ltd.		
English Name Abbreviation of the Company (If Any)	SF Holding		
Legal Representative of the Company	Wang Wei		
Registered Address	Room 801, Floor 8, Wanfu Building, No. 303 Fuyong Avenue, Bao'an District, Shenzhen, China		
Zip Code of Registered Address	518103		
Office Address	Wanji Business Building, Xinzhou 11 th Street, Futian District, Shenzhen, Guangdong Province		
Zip Code of Office Address	518048		
Company Website	www.sf-express.com		
Email	sfir@sf-express.com		

II. Contacts and Contact Methods

	Board Secretary	Securities Affairs Representative
Name	Gan Ling	Zeng Jing
Address	Wanji Business Building, Xinzhou 11th Street, Futian District, Shenzhen, Guangdong Province	Wanji Business Building, Xinzhou 11th Street, Futian District, Shenzhen, Guangdong Province
Tel No.	0755-36395338	0755-36395338
Fax	0755-36646400	0755-36646400
Email	sfir@sf-express.com	sfir@sf-express.com

III. Other Information

1. Corporate Contact Information

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

Yes No

Registered Address	Room 801, Floor 8, Wanfu Building, No. 303 Fuyong Avenue, Bao'an District, Shenzhen, China
Zip Code of Registered Address	518103
Office Address	Wanji Business Building, Xinzhou 11th Street, Futian District, Shenzhen, Guangdong Province
Zip Code of Office Address	518048
Company Website	www.sf-express.com
Email	sfir@sf-express.com
Disclosure date on website (if available)	December 28, 2018; January 13, 2018
Website disclosure index (if available)	"Announcement of Eleventh Meeting of the Fourth Board of Directors" (release number 2017-083); "Announcement of Change to Registered Address and Revisions to Company By-Laws" (release number 2017-085); "Announcement of First 2018 Ad Hoc Shareholder's Meeting" (release number 2018-002)

2. Information Disclosure and Location of Report

Were there any changes to information disclosure and location during the reporting period?

Yes No

There were no changes to the name of the newspaper designated for information disclosure, to the address of website designated by the China Securities Regulatory Commission for semi-annual report publication, nor to the storage location of company's semi-annual report during the reporting period. Refer to the company's 2017 annual report for details.

IV. Key Accounting Information and Financial Indicators

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

Yes No

Rationale for retrospective adjustments or restatements

Business combination involving enterprises under common control

	Current reporting period	The same period of previous year		Increase/Decrease over the same period of previous year
		Before adjustment	After adjustment	After adjustment
Revenue (RMB)	42,503,599,511.93	32,160,932,363.81	32,160,932,363.81	32.16%
Net profit attributable to shareholders of the parent company (RMB)	2,233,730,274.21	1,883,626,237.90	1,883,626,237.90	18.59%
Net profit after deducting non-recurring profit or loss attributable to shareholders of the parent company (RMB)	2,090,372,413.37	1,793,923,471.79	1,793,923,471.79	16.53%
Net cash flow from operating activities (RMB)	2,280,581,118.96	1,805,856,072.13	1,805,856,072.13	26.29%
Basic earnings per share (RMB/share)	0.51	0.45	0.45	13.33%
Diluted earnings per share (RMB/share)	0.51	0.45	0.45	13.33%
Weighted average return on net assets	6.67%	8.84%	8.84%	-2.17%
	End of the current reporting period	End of previous year		Increase/Decrease Over Previous Year End
		Before adjustment	After adjustment	After adjustment
Total assets (RMB)	58,999,764,416.96	57,660,164,354.37	57,675,992,724.92	2.30%
Total equity attributable to shareholders of the parent company (RMB)	33,861,412,339.63	32,680,826,795.10	32,695,818,058.81	3.56%

Note: ROE fell 2.17% year over year, mainly due to the increase in capital during the third quarter of 2017.

V. Differences arising from accounting standard of the PRC and the International Accounting Standards

1. Differences between net profits and net assets disclosed in the financial reports in accordance with Chinese accounting standards and international accounting standards

Applicable Not applicable

There is no difference between the net profits and net assets disclosed in accordance with Chinese accounting standards and those disclosed in accordance with international accounting standards in the reporting period.

2. Differences between net profit and net assets disclosed in the financial reports in accordance with Chinese accounting standards and overseas accounting standards

Applicable Not applicable

There is no difference between the net profits and net assets disclosed in accordance with Chinese accounting standards and those disclosed in accordance with overseas accounting standards in the reporting period.

VI. Non-Recurring Profit or Loss

Applicable Not Applicable

Unit: RMB

	Amount	Note
Gains on disposals of non-current assets (including offsetting amount for the provision of impairment of assets)	83,365,835.91	
Government grants recognized in profit or loss for the current period (excluding government grants that are closely related to the company's business operations, in accordance with national uniform standards)	104,740,498.52	
Net profit or loss from the beginning of the period to the acquisition date arising from the business combination under common control	-13,494,110.16	
Gains or losses from changes in fair value of financial assets and liabilities held for trading and investment, the disposal of financial assets and liabilities held for trading, and available-for-sale financial assets, excluding hedging activities related to the normal business operations of the company	-7,644,717.08	
Net amount of other non-operating income and expenses	-11,214,444.33	
Less: Income tax effect	11,671,788.69	
Less: Profit or loss attributable to minority shareholders (after tax)	723,413.33	
Non-recurring profit or loss attributable to shareholders of parent company	143,357,860.84	--

Provide explanations for classifying non-recurring profit and loss items defined or listed in the *Explanatory Announcement No. 1 for Public Company Information Disclosures - Non-recurring Profits and Losses*, and for classifying non-recurring profit and loss items listed in the *Explanatory Announcement No. 1 for Public Company Information Disclosures - Non-recurring Profits and Losses* as recurring profit and loss items.

Applicable Not applicable

The company has not classified non-recurring profit and loss items defined or listed in the *Explanatory Announcement No. 1 for Public Company Information Disclosures - Non-recurring Gains and Losses* as recurring profit and loss items in the reporting period.

Chapter 3 Business Overview

I. Primary business activities during the reporting period

Is the company required to comply with disclosure requirement of a particular industry?

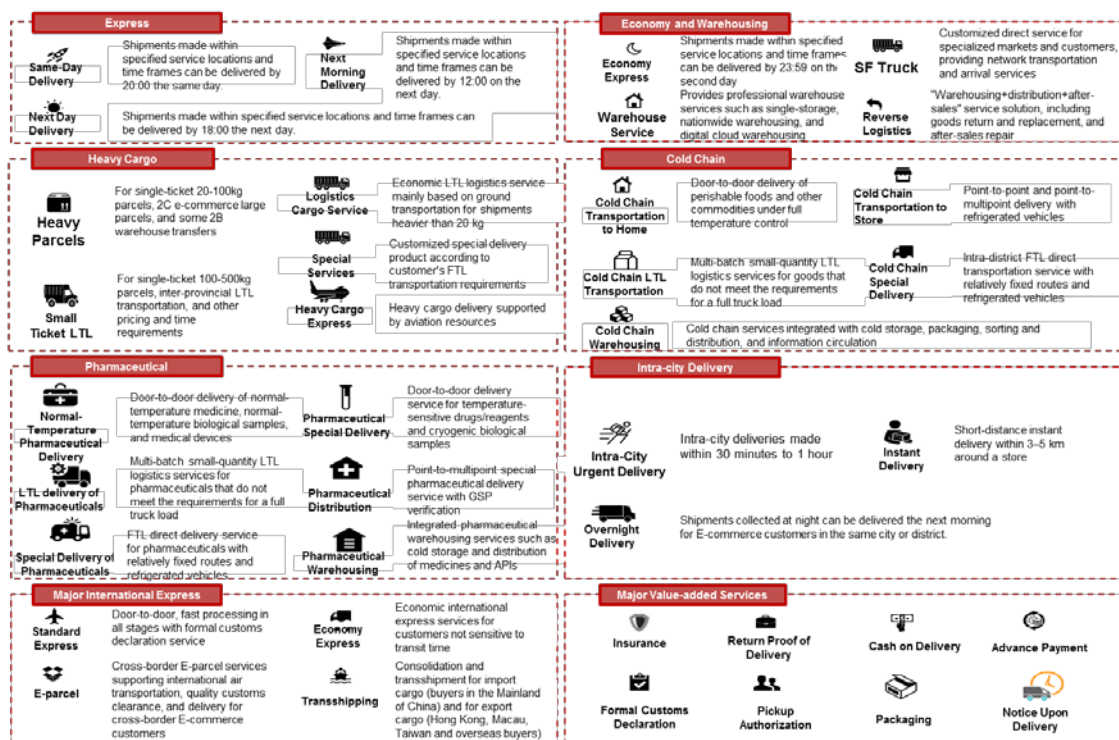
Yes

Express Delivery Service Industry

SF Holding is a leading integrated logistics service provider in China. Utilizing big data analytics and cloud computing technologies, SF provides its customers with integrated logistics services from transportation to warehousing management, from sales forecasting and data analytics to settlement and cash management, as well as supply chain management services. Our logistics products mainly include express services such as express delivery, economy express delivery, intra-city delivery, warehousing services, and international express delivery; heavy cargo transportation services such as logistics cargo and heavy cargo express; and cold chain transportation services for fresh produce and food products, and pharmaceutical industry customers. In addition, SF Holding provides value-added services such as insurance and Cash on Delivery (COD) to meet the specific needs of customers.

Based on the diverse needs of different industries and customers, SF Holding is upgraded to adopt a "customer-centric, demand-driven" product design philosophy, focus on each industry's unique characteristics and pain points, and drill into customer requirements for different use cases within the end-to-end process. Thus SF is able to design suitable products and services for customers while taking into account customization needs, creating value-added differentiation. Such product design subsequently drives internal resource allocation, optimizing the product system.

By focusing on customer needs, SF Holding is able to provide multiple product categories and comprehensive logistics services



SF Holding is also a smart logistics operator with network scale advantages. SF Holding has a vast logistics network both at home and abroad, including an "aviation network" consisting of all-cargo aircraft, commercial flight, and drones; a "ground network" consisting of service points, transit and distribution service points, land transportation networks, customer hotline networks, and last mile networks; and an "information network" consisting of various AI automation devices, AI recognition technology for voice and machine graphics, smart decision-making, SF Maps, big data ecosystems, digital warehouses, and smart packaging. The three networks are integrated into one "aviation + ground + information" network. This directly operated network has domestic and overseas coverage and is a comprehensive logistics network system with the most powerful network control, the highest stability, and the most unique resources in the industry domestically.

SF Holding adopts a direct operating model. The headquarter implements centralized operations and management of each branch office. It also centralizes collection, delivery, distribution, processing, transit, and transportation, and allocates network resources according to the actual needs of business development. At the same time, SF Holding uses a large number of information technologies to ensure that the entire network implements uniform standards and has established a number of industry-leading service information systems to ensure overall network operations quality. SF Holding is currently the first directly operated express delivery A-share company.

II. Major Changes in Key Assets

1. Major Changes in Key Assets

	Changes
Equity assets	Increased due to increased investment in joint ventures and associates
Available-for-sale financial assets	Increased due to increased investment
Fixed assets	Increased due to increase in electronic equipment, aircraft, and accessories
Intangible assets	Increased due to the purchase of land use rights and the completion of self-developed software
Construction in progress	Increased due to aircraft refit and other engineering projects
Cash at bank and on hand	Decreased due to the purchase of wealth management products and the purchase of long-term assets
Notes receivable and accounts receivable	No major changes
Other current assets	Increased due to the increase in wealth management products
Other non-current assets	Increased due to prepayment office buildings and aircraft purchases

2. Key Overseas Assets

√ Applicable □ Not applicable

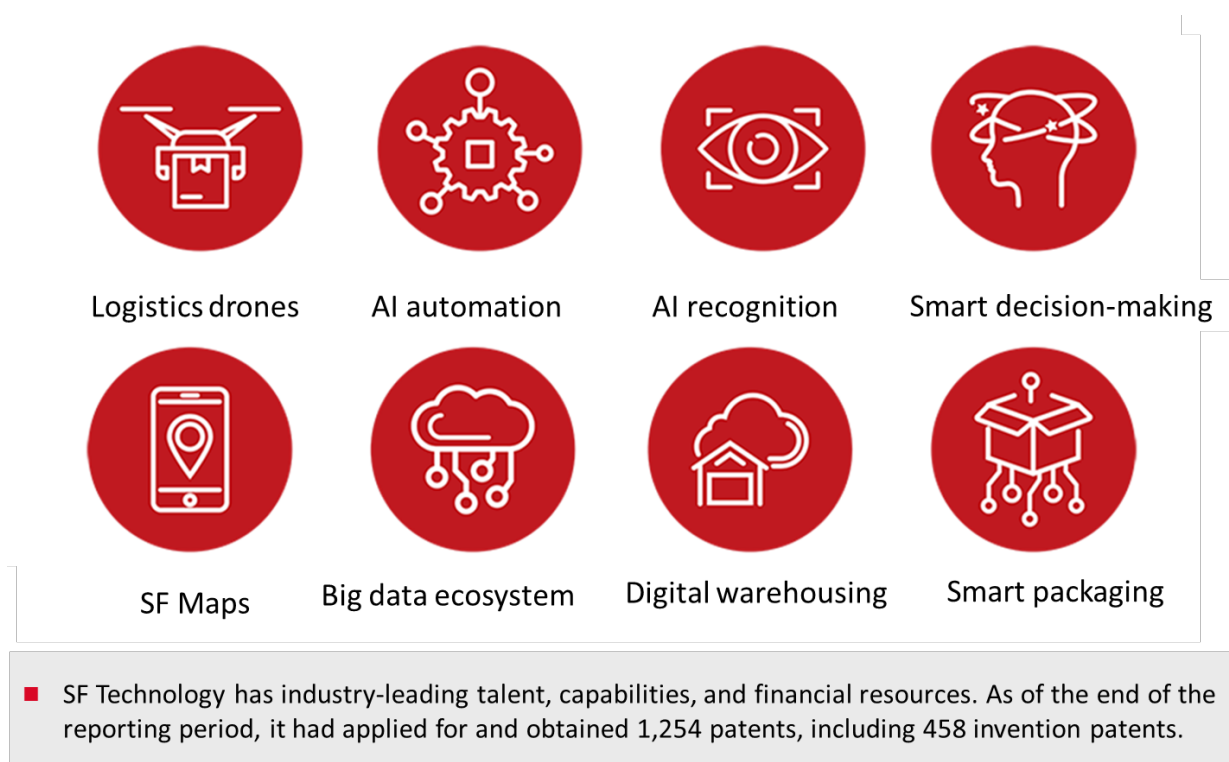
	Method of Formation	Asset Size (RMB)	Location	Operating Model	Controls	Net Profits (RMB)	Proportion of Company's Net Assets	Significant Risk of Impairment ?
Cui Yu Holding Limited and its subsidiaries	Acquisition	4,029,235,772.82	Hong Kong	Industrial park	—	10,297,681.61	11.90%	No

III. Core Competitiveness Analysis

Is the company required to comply with disclosure requirement of a particular industry?

Yes

Express Delivery Service Industry

(I) SF Holding has developed extensive technological capabilities

SF Holding continues to emphasize and proactively invest in its smart logistics infrastructure in order to integrate the application of technologies such as artificial intelligence, Internet of things, machine learning, and smart devices. Enabling the logistics industry to enter the new age of intelligence, digitization, visualization, and precision allows machines to relieve human labor, for artificial intelligence to aid in making decisions, and for smart devices to harness data while also improving operational efficiency, aligning with customers end to end, and increasing enterprise value.

Talent: As of the end of the reporting period, SF Holding employed 4,514 technology personnel, including outsourced labor. Of these, 64% hold bachelor's degrees, 16% hold master's or doctorate degrees, and dozens are expert consultants. In addition, SF Technology hired a large number of experts in high technology fields such as big data and artificial intelligence from 11 top tier universities domestically and overseas, including the Georgia Institute of Technology and the Hong Kong University of Science and Technology. Cooperation was also strengthened with 12 research enterprises to promote the formation of smart logistics teams and to promote technical exchange and integration.

Technology: As of June 30, 2018, SF Holding had obtained or applied for 1,254 patents, of which 458 were invention patents. Primary smart logistics projects include:

1. Logistics Drones

Logistics drones are the special forces of the logistics industry. Intelligent, efficient, flexible, and cost effective, logistics drones can help to solve the last-mile delivery of the express industry and provide high-quality, undifferentiated services for customers in the remote areas of the Midwest China. As a symbol of the logistics industry's entrance into the industry 4.0 era, logistics drones have become an important strategic product for logistics enterprises worldwide to strengthen their core competitiveness in the future.

SF Holding has a comprehensive plan for massive deployment of logistics drones for commercial purposes. It aims at building a standard management system for the R&D, flight-testing, and operations of logistics drones under various complex scenarios to complement the existing transportation capacity of the company and extend service coverage. Logistics drones are expected to carry out transportation tasks across mountains and rivers, achieve point-to-point transportation and even asynchronous handover, and resolve transportation challenges in various special scenarios. The independent UAV R&D team has mastered the core technology of logistics drones and been granted 220 patents, of which 118 are invention patents, covering drone design, cloud platform, operation management, and other logistics drone development and application-related fields. These outstanding achievements include two models of drone -- multicopters and VTOL fixed-wing drones, core avionics systems, ground control systems, and communication systems. On the production side, through cooperation with domestic and foreign advanced drone manufacturers, SF has produced a variety of civil drones with different loading capacities and flight distances for different geographical locations and operating scenarios.

In June 2017, the application of demonstration airspace for logistics drones operation that filed in conjunction with the government of Nankang District, Ganzhou City, Jiangxi Province, was officially approved. It was the first-ever of its kind granted in China that was jointly promoted by enterprise, regulatory agencies, and local governments. On June 29, 2017, the first operational flight was carried out in the approved airspace. In October 2017, SF became the first domestic pilot enterprise with legal business operations approved by CAAC, and the only enterprise delegated by CAAC to develop the Logistic Drone Industry Standard. On December 11, 2017, SF Holding formally registered its logistics drone operations enterprise, Jiangxi Fengyu Shuntu Technology Company, Ltd.. On March 27, 2018, the East China office of the CAAC awarded Jiangxi Fengyu Shuntu Technology Company, Ltd. the country's first drone operator (pilot) license. This means that delivery using logistics drones has entered into a legal operations stage in China, which is a milestone in the development of China's logistics drones.

Based on its practical application of logistics drones, SF Holding explores new business and transportation models, such as farm fresh delivery and regional specialty products distribution. Currently, SF Holding is using logistics drones to perform pilot distribution services in Nankang District, Ganzhou City, Jiangxi Province.

The company hopes to connect its aviation networks to the spokes of its hubs through logistics drones, providing aviation network coverage for cities categorized as third-tier and below, thus greatly improves logistics efficiency. In the near future, shipments are expected to arrive at any place throughout the country within 36 hours by a three-segment air transport network inter-woven by “large, normal flights + large drones spokes + last-mile small drones”, covering complex terrain and remote areas.

2. AI automation

Incorporating elements of AI is an important cornerstone of our efforts to lead the industry into the information age. It means reducing the daily high demand for manpower in an efficient, automated, and smart way for the entire express delivery process while maximizing user experience, ensuring produce safety, guaranteeing delivery timeliness, and improving employee comfort. Ultimately, it promotes the transformation of the logistics industry from labor-intensive to smart and more pleasant to employees. As an important symbol of smart logistics, AI automation will be an indicator of logistics companies’ ability to serve customers and enhance user stickiness. Based on real-world business settings in all stages of logistics, SF Holding has created a comprehensive layout of AI automation capabilities to enhance the fault tolerance of logistics systems, improve the ability to solve complex problems, and reduce the impact of human errors on the quality of logistics services.

(1) Automated sorting equipment

Fully harnessing its ability to conduct independent research and development, SF Holding’s AI automation team applied smart transit and automated sorting technology to deploy automated express delivery and logistics sorting equipment. This enabled 24-hour continuous, high-speed package processing, effectively improving on-site processing capacity, lowering sorting error rates, and improving customer service quality.

Currently, SF Holding has developed low-cost, reliable, medium-speed push-arm manual sorting systems, balance wheel sorting systems, and cross-belt sorting systems to serve various sorting needs. Fully developed in-house, from hardware and structure to control algorithms and system software, these solutions have been deployed in batches in transit centers.

(2) Smart devices

By implementing smart devices, multi-sensor data integration, machine vision, and other technologies, SF Holding achieves “customized” applications through “generalized” solutions. With flexible deployment, differentiated delivery, low costs, and high compatibility, the smart device service transformation improves collection staff satisfaction and operational efficiency.

1) Smart hand-held terminals

The company’s seventh generation smart hand held terminals (HHT7) are customized based on the Android 8.1 operating system. By collecting information in advance, information can travel faster than cargo while also guiding and monitoring the flow of cargo. The high scalability and compatibility of the terminals allow them to support first- and second-line employees in accessing peripherals, which are highly compatible with business needs while allowing on-demand configuration. In addition, the terminals’ features include industrial-grade security standards, updated designs, and convenient human-machine interactions.

Currently, SF Holding has already completed HHT7 development and testing. Compared to the sixth generation smart hand held terminals, there are several upgrades and improvements including in mobile internet comprehensiveness, high speed mobile scanning, and operating system optimization. At the same time, accessories are more compatible, which reduces production costs by decreasing research and development costs and certification costs.

2) Smart locks

SF Holding has developed smart locks in-house. Smart locks can decrease the level of investment in traditional disposable car seals and mechanical padlocks, allowing keyless management, saving energy and protecting the environment, and reducing operating costs. At the same time, as carriers of data, the routing information of express mail can be connected seamlessly. By being able to lock and un-lock delivery vehicles, the goals of digitizing task transfer, standardizing processes, improving operational efficiency are achieved Smart locks are already widely in use in Shenzhen.

3) Smart bluetooth headset “FengYa”

Smart Bluetooth Headsets, “FengYa”, are smart devices for couriers to provide customized voice wake-up and noise reduction. The built-in voice assistant of “Fengya” is able to identify couriers’ voice instructions to help them handle routine work and contact customers. The built-in battery capacity is able to support couriers’ work throughout the day, and the updated customized voice instructions can provide more intelligent experience for

couriers without replacing current hardware. The unique neck-mounted design takes into account the comfort of couriers, liberates the hands of couriers, and enhances their work efficiency.

3. AI recognition

(1) Voice recognition

SF Holding's ASR robot provides a complete solution to improve efficiency and lower costs in the vertical scene of the logistics industry. In the customer service scenario of the SF Call Center, smart voice customer service robot will replace human customer service to guide customers to answer key information, identify their intentions, clean key information, provide standard response to customer issues and fulfill their needs. Not only is the service loop closed, the solution brings customers more smart and humanized service experience, improves employees' effectiveness and lowers costs. Meanwhile, under the working scenario of couriers, the customized voice assistant services will recognize voice instructions of couriers and assist them in completing simple and routine operations, thus reducing workloads and improving the overall efficiency and experience of couriers.

Currently, SF Holding's ASR robot is already in use in Hefei and Shenzhen. The success rate in ordering is equal to that of human-provided customer service. The average ordering time of the robot is 55 seconds per call, less than half of that of human-provided customer services while being able to provide continuous, 24-hour service.

(2) Computer image recognition

SF Holding integrates technologies, such as computer vision and deep learning, to analyze the digital images or videos, so as to detect and track logistics-related goods and vehicles, as well as predict anomaly. These analysis realizes the smart management and scheduling, avoids goods damage effectively and increases productivity. These capabilities include smart loading rate measurement, operating behavior detection, cargo volume measurement, and X-ray detection of illegal goods. In addition, the information black hole of smart logistics is cleared through analyzing different business settings, automating surveillance video content analysis, and implementing smart classification, detection, tracking, and understanding. Smart loading rate measurement technology collects video by binocular cameras, transmits the footage to a back-end server in real-time, and analyses the video automatically. This allows real-time loading rate calculations, license plate recognition, personnel effectiveness analysis, arrival and departure time card recording, key event analysis, etc. All activities related to loading and time cards can be quantitatively analyzed, and resource utilization efficiency and operational efficiency can be improved. Operational behavior detection technology deeply mines business needs and adds high-performance

computing resources to all existing monitoring systems of the entire network in order to realize real-time and accurate operational behavior detection. Upon discovering abnormal activity, notification is sent to managers at all levels through text, enterprise messaging apps, and other notification channels. This achieves unified standards and processes throughout the entire network, and discovers as well as prevents problems in a timely manner. Cargo volume measurement technology is able to obtain three-dimensional information by simulating the depth perception of human vision. This technology is able to calculate cargo volume within one second, and provide basic information for subsequent transportation scheduling and storage management.

4. Smart decision-making

(1) Smart networks and route planning

SF Holding has built a comprehensive network and route planning algorithm for different business scenarios in the logistics industry. The system, integrating network design, route planning, resource optimization, and stochastic simulation, helps improve service levels and reduce transportation costs. These are mainly reflected in:

1) Network design and resource optimization can appropriately design network structures according to multiple addresses, warehouses, hubs, and other location-based information to meet customized demands, taking account of various key indicators of the network. Taking the decision making about transportation allocations within distribution hubs as an example, the network and route planning system can take inbound and outbound flow, location allocation optimization, and warehouse storage optimization into account to improve distribution hubs decisions by effectively predicting volumes and locating hubs. With better decision-making, the efficiency of the distribution hubs is increased, and service level within the coverage area is improved.

2) The location allocation and route planning models can be used to design optimal transportation routes. For example, the intra-city express delivery takes large shipment volumes, concentrated delivery time windows and tight timeliness. Through the model, large-scale decentralized transportation routes will be generated, satisfying the dynamic routing and tight timeliness requirements for the intra-city express delivery.

3) Through vehicle-driver optimization algorithms, transportation resources could be effectively utilized to better manage the drivers' schedules. As a result, less vehicles and sounder drivers' schedules will be planned while completing as many transportation tasks as possible. Specially, for the complicated branch-line/main-line networks with short transportation time, highly frequent and flexible deliveries, multiple factors can be integrated to make more dynamic and intelligent decisions through vehicle-driver optimization algorithms, thus improving

network resource utilization rates.

(2) Demand forecasting

Precise and efficient demand forecasting is a fundamental problem in the logistics industry's transition from traditional decision-making to smart decision-making. It is difficult for traditional demand forecasting models to support the business needs of SF Holding because of issues such as low precision and slow speeds when attempting to solve prediction problems related to holidays, the effects of multiple business periods, complicated growth trends, and seasonal product.

SF Holding, by combining advanced research of deep learning , machine learning, and traditional time series technology, has built a business demand forecasting system highly compatible with the special characteristics of the logistics industry to create business forecasts that are highly effective, accurate, and complete on multiple time dimensions, including hourly , daily, and monthly. This service can be used to support smart scheduling, service point and transit center simulations, peak demand direction and dispatching, and other business needs to direct resource investment, improve resource investment, better match resource investment with business cycles, helping to reduce costs and improve efficiency.

(3) Location selection and planning

In the logistics industry, the appropriate selection of operations centers plays a crucial role in the effectiveness of logistics networks and in operating costs. Traditional logistics industry site selection is a manual process based on personnel experience and contains inherent problems such as insufficient support from data and logic, scientifically poor decision-making, labor-intensive, and time-intensive, which are not able to support the high growth business needs of SF Holding.

SF Holding has constructed a location planning system suitable to the needs of the logistics industry using advanced planning optimization algorithms, machine learning technology, and large-scale optimization solvers combined with actual business constraints and comprehensive consideration of various factors such as package delivery timing, site rental fees, transportation costs, and construction costs. This system has solved transit center, distribution point, connection point, service point site selection planning, and other problems. This service not only has high value for solving the site selection problems of SF's various central transit, receiving, and dispatch points but also that of other external customers. The site selection planning system has decreased labor investment, significantly lowered operating costs, and increased corporate operating effectiveness. Through

visualization, location plan details can be seen at a glance and the site layout easily seen.

(4) Smart scheduling

The smart scheduling system aims to optimize personnel resource scheduling management and to make resource investment planning more scientific, more precise, and more flexible by taking resource management information online, standardizing it, and applying to it smart technology. At the same time, it combines the various attributes and management characteristics of each position to build a universal, multi-position online management platform. Its core functions include forecasting business and personnel needs, weekly and monthly scheduling recommendations and next-day shift management based on business attributes and individual employee resting needs, and resource utility assessment analysis. The system precisely manages tasks and work hours, creates a data foundation for optimizing and improving operational services, weakens dependence on personnel experience, scientifically supports management decision-making, and thus improves employee satisfaction.

Currently, the systems helps fulfill real business resource scheduling needs by covering the company's roles in package receiving, customer service, and operations; supporting basic daily and monthly scheduling management; making smart recommendations for monthly scheduling; and serving as a reference for forecasting future personnel needs.

5. SF Maps

SF Holding is constructing a smart logistics map for AI based on GIS technology, big data, artificial intelligence, and other technologies. SF Maps provides an enterprise-grade smart position decision-making service to the logistics industry by providing a smart logistics map service featuring precise address, high precision, and location decision services.

SF Maps has built a precise smart address service platform to provide **precise address services** based on SF's daily average of billion-level map data resources and relying on core technology advantages such as 18-level Chinese address segmentation. The precise address service platform uses precise address matching services such as two-way geocoding, input prompts, address reachability, and network address queries to help users complete address information entry, improve the address input user experience, and improve customer address input completion.

SF Maps provides **high-precision map services** through a route planning service that closely tracks actual logistics environments with nationwide coverage based on "last-mile" trail and main-road truck trajectory big

data. The service improves logistics distribution efficiency by estimating shipping time, mileage, and planned routes based on different shipping capabilities. At the same time, a dispatch difficulty decision-making system based on LBS, precise address data, various dispatch difficulty levels, and actual shipping needs, allows customers to enjoy more value-added services and the company to realize more value-added revenues.

SF Maps provides a location decision-making service through GPS, wifi, base station positioning, and trajectory services. A high-performing technology that has low energy consumption requirements, this service provides a series of location-based services aimed at solving the location-acquiring needs of SF's couriers, transportation vehicles, and terminal equipment. At the same time, by combining the acquisition of user locations and electronic fences, high-precision information is pushed, and benefits are maximized through rational regional distribution.

SF Maps has already deeply penetrated into the entire logistics process and has provided customers a wealth of smart logistics map services such as placing orders, smart dispatching, transit and sorting, transportation planning, terminal distribution, and logistics management. Among these, the smart routing service provides the most suitable routing plan for each package and estimates information such as the stopping points along the package's route, its transit centers, and delivery network, providing preliminary data to enable order dispatching, smart scheduling, sorting support, and volume estimates. The smart routing service recognition rate is 98.7%, and its accuracy rate is 99.7%. It has decreased customer dispatches by more than 32% and reduced the number of manual transit shipments by more than 60%. The current average daily request volume for smart logistics map-related services has surpassed 230 million.

6. Construction of big data ecosystem

SF Holding, through many years of in-house research and development, has established a complete big data ecosystem as the "glue" of SF's aviation network, ground network, and information network. As of June 30, 2018, SF Holding had completed the construction of data acquisition and synchronization, data storage and integration, data analysis and mining, machine learning, data visualization, and other platforms, covering finance, market, personnel, customer, car net, Internet of Things, and other data sources. Collected business data has surpassed the petabyte level, and average daily data volume grows at the terabyte level.

In establishing the base levels of the platform, SF Holding has already integrated big data and artificial intelligence, using them widely in express shipping, warehousing, cold chain, medicine, commerce, financial, international, and other business areas. The constructed big data products and systems include smart management platforms, smart decision platforms, Internet of Things real-time monitoring platforms, smart warehouse systems,

and data lighthouses.

7. Digital Warehousing

As a major part of digital SF, SF Holding has achieved online end-to-end warehouse and precipitated data through upgrading and updating its warehouse system, tools, management practices. With algorithms, such as big data and route planning, data application in warehouse management visualization, operational efficiency, operation standardization, decision-making support and other aspects has enhanced the overall digital operation and management capabilities of SF warehouse, introducing new operation modes and completing technical reserves for the modernization construction of SF warehouse.

As of 30th June, 2018, SF Holding has promoted digital warehouse in 11 core E-commerce warehouses, with order operating efficiency increasing by 20% and abnormal operations falling more than 50%.

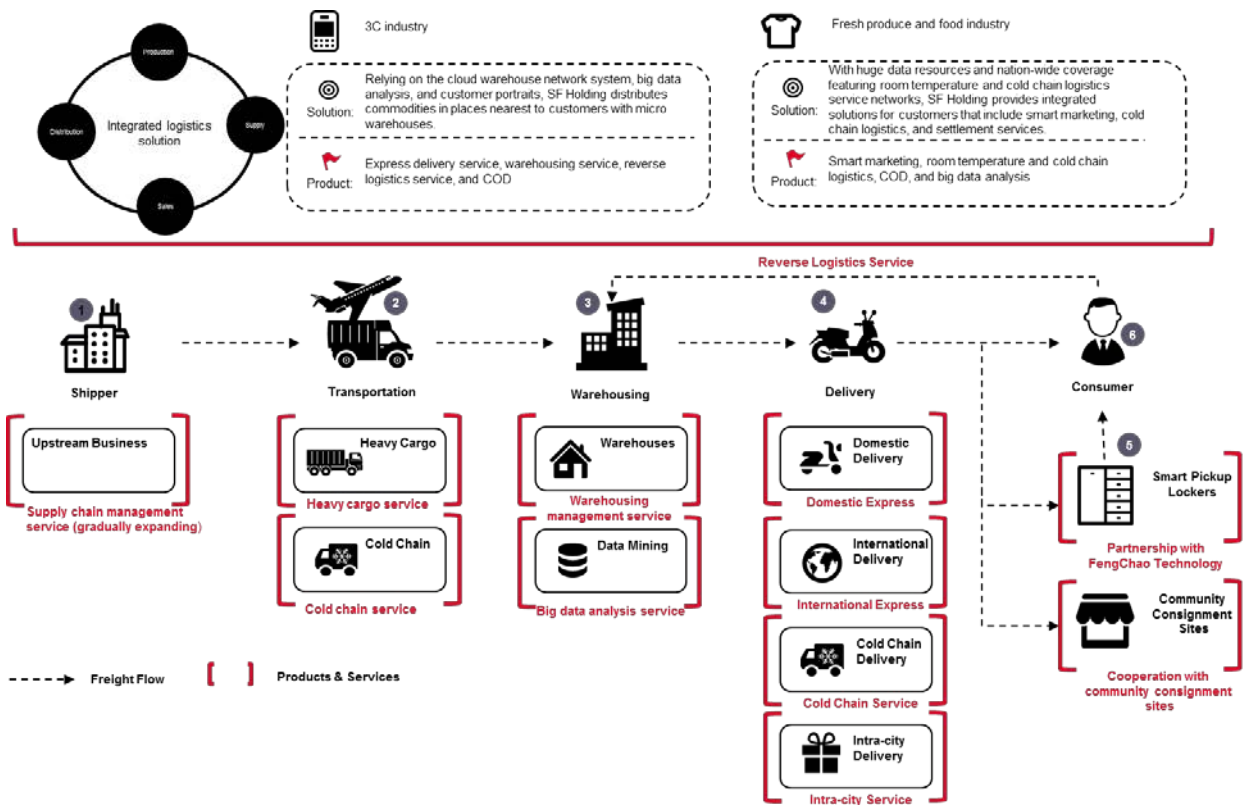
8. Smart packaging

SF Holding is committed to the research, development, and application of sustainable packaging. It has established a sustainable packaging recycling system and smart system to create an industry-influenced sustainable packaging research, development, and testing center.

Currently, the company has created the country's first smart packaging platform to speed up the unification and standardization of the express delivery and logistics industry's packaging categories in order to increase the industry's packaging material production and processing efficiency and to decrease resources wasted from excessive packaging. At the same time, a packaging laboratory was built to quantify the physical and chemical properties of the express delivery and logistics environment and the packaging materials used in express delivery, which provide a scientific basis for the quantitative design of express packaging, and ultimately optimizes the design with a parametric design platform. In addition, a carbon emissions evaluation system was established to design a comprehensive carbon footprint measurement plan for the entire chain of the express delivery and logistics industry. Relevant information and data were collected for analysis, which established a scientific basis for the company's evaluation of its green packaging and contributed towards the country's environmental protection standards.

"Feng Box," the re-usable packaging box researched and developed in-house by SF Holding, is already being piloted in Shenzhen, Guangzhou, Shanghai, Zhongshan, Dongguan, Xiong'an New District, Shanxi, and other areas. The box can currently be re-used 50 times, and a single use of the box represents 2% of other packaging materials' carbon emissions volume. Its carbon footprint is less than 10% of that of single-use cardboard boxes.

(2) Efficient integration of industry solutions



The ability to provide a comprehensive logistics solution will be one of the core competitive advantages in the industry. After years of development, SF Holding has the ability to provide customers with all-around integrated solutions that not only provide high-quality logistics services at delivery, but also extends services to the front end of the value chain, to production, supply, sales, distribution, and other segments. A growth strategy centered around the consumer and of deeply understanding the customer, it firmly grasps the true pain points of the supply chain, helping companies cope with the market’s rapid changes and the uncertainty of demand, helping them improve the responsiveness of their supply chains.

Based on the resource capabilities of SF Holding and the entire SF Express Group in logistics, technology, commerce, and finance, SF Holding provides end-to-end integrated logistics solutions to benchmark industries, leading the digital upgrade of supply chains and promoting the sustainable and healthy development of the industrial chain. Using SF Internet of Things, big data, artificial intelligence, recognition, robots, and other new technologies, and through omnichannel data collection and insight, SF creates enterprise, consumer, and merchant profiles based on data and algorithm-driven models. By conducting diagnostic analyses on business operations and integrating digital warehouses, smart transportation, and financial services, SF fulfils the diverse needs and experiences of customers and consumers; improves corporate decision-making, execution, and management; and

builds an early warning system for risks. SF helps corporations continue to reduce costs and increase efficiency, improve profitability and revenues, improve product and customer experiences, increase customer and personnel satisfaction, and build a consumer-driven digital supply chain.

As of the end of the reporting period, the industries to which SF Holding has provided integrated industry solutions include:

Fresh produce and seafood industry: The fresh produce and seafood industry crosses China's agriculture, manufacturing, and service industries. SF Holding strives to solve the pain points of the fresh produce and seafood and agricultural products industries such as sales difficulties, transportation difficulties, and low brand awareness while helping farmers boost their incomes by promoting the transformation and upgrading of the industries. SF Holding has a nationwide room temperature + cold chain logistics and transportation network with direct access to the C-side merchandise sales platform as well as an expansive network of service points and big data resources. In 2018, SF Holding focused on a number of fresh produce sub-sectors such as flowers, aquatic products, fruits, and meat and formulated a comprehensive industry solution that integrates sales, logistics, finance, data, technology, and branding by focusing on the needs of industry customers. In terms of logistics and transportation, SF Holding has provided end-to-end traceability for room temperature + cold chain logistics services, overcome the stringent requirements of fresh products on logistics and transportation conditions, improved logistics timeliness, and assisted in the rapid distribution of products from the upstream production regions to the entire country. In terms of expanding sales channels and brand promotion, SF Holding has helped farmers and agricultural companies expand their sales through integrating internal and external online and offline sales channels and has carried out smart marketing to help local governments build awareness of fresh produce, seafood, and agricultural products, driving the industry's upgrade and providing the ultimate shopping experience to consumers around the country.

Apparel industry: The apparel industry is a highly competitive traditional industry. Along with the development of the Internet and the changes of consumption habits, SF Holding has focused on the full channel transformation and upgrading of traditional clothing brand enterprises in 2018, promoting the digital upgrade of the industry chain, infusing technology throughout the chain, and redefining the end-to-end, online and offline consumer supply chain. By integrating the technological capabilities of warehouse networks, branch and land resource allocation, IT systems, green sustainability, and end-consumer experience, and by applying data solutions, we simplify and integrate supply chain processes, enhance the end-customer experience, shorten product cycles, and support the company's goal of sustainable, high-speed growth. By digitizing inventory systems, we upgrade clothing brand customers' inventory management system, helping manage customer product launches, distribution,

replenishment, and promotion in a comprehensive way and helping the apparel industry improve supply chain transparency, agility, responsiveness, offline store conversion rate, and customers' online shopping product receiving experience. At the same time, by focusing on pain points such as the wide variety of products in the apparel industry, inflexible inventory turnover, and weak data analysis support, SF Holding has upgraded and launched a digital upgrade business for D2R online and offline store logistics based on an integrated warehouse and distribution solution. By focusing on refining customer profiles and iterative solutions, we can provide online and offline omni-channel sales and inventory sharing, intra-city express distribution, warehouse-store/intra-store transfers, and store distribution services to promote the digital transformation of the industry and to upgrade the value chain.

3C industry: At present, the domestic 3C industry is growing rapidly while growth in traditional industries such as mobile phones, laptop computers, and digital cameras have slowed down and competition increases daily. Under this backdrop, the major manufacturers have continuously improved the quality, cost, and efficiency of logistic supply chain services while promoting the need to deepen channels and go international. Faced with continuing customer demand for improved service standards, SF Holding relies on its network advantages, big data analysis, and customer profiling to help customers establish end-to-end, personalized supply chain solutions. At the same time, based on resource frameworks such as warehouse and transportation capacity and the key element of data, further supplemented by frontier planning technologies and strategy optimization models, SF realizes closed-loop finished product logistics, capital logistics platforms, and post-sales service platforms for the 3C industry, helping industry customers build an efficient supply chain system that precisely matches their business strategy.

Grocery, food and beverage industry: SF uses its rich network resources, collaborative big data platform, intra-city technology, and warehouse research and development center technology capability to create a digital convenience store food and beverage supply chain system. Leveraging big data and AI technology to place the right products at the right times and at the right locations, the system cooperates with intra-city logistics to construct a new retail OMS-WMS-TMS smart and visual management platform. Change management teams help customers transform and upgrade, helping them realize the goal of "everything online." At the management level, customers can do everything online, from communicating in real-time to conducting business planning, monitoring operations, and managing KPI, increasing operating efficiency and lowering management costs. On the operations side, at the systems levels, the system provides customers with WMS and TMS, including DPS electronic labeling and product selection, DAS sorting and seeding system, RF loading and smart stowage, online

transportation management, route planning, quality and cost monitoring, and other functions. At the warehouse level, services such as data collection, resource integration, SOP, and convenience store product allocation are provided. At the data level, the system provides management support such as sales volume forecasting, inventory early warning, smart re-stocking, smart procurement, and digital management platform. At the experience level, it provides value-added and revenue-generating services by enabling commercial cooperation and channel expansion, traffic interoperation, and precision marketing.

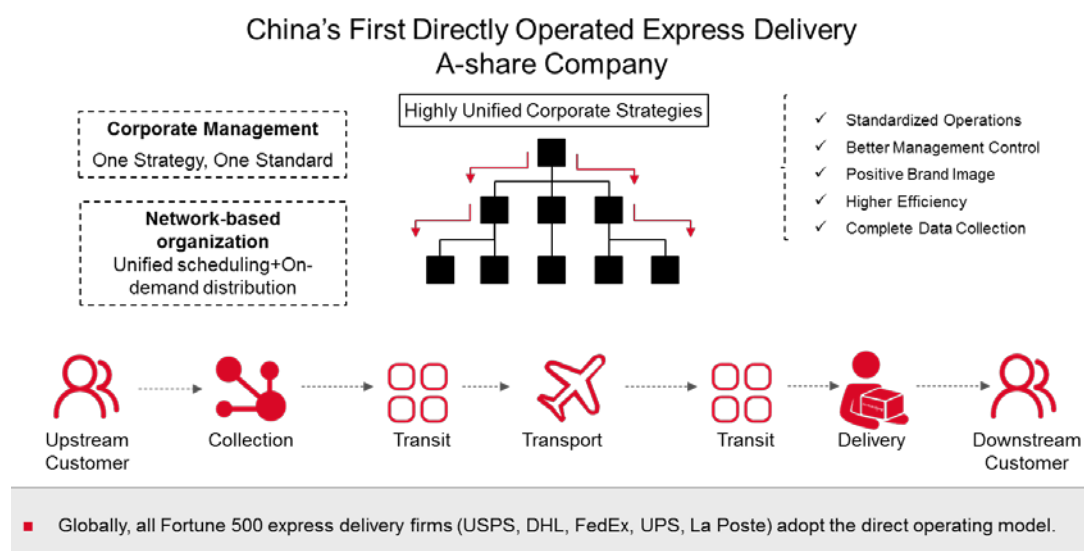
Pharmaceutical industry: Committed to becoming China's most valuable and influential healthcare supply chain service provider, SF Pharmaceuticals has obtained GSP certification and other relevant third-party logistics licenses. SF Pharmaceuticals possesses powerful logistics infrastructure and network capabilities, covering most of the country's key areas and 132 prefecture-level cities. In addition, SF Pharmaceuticals has a professional talent team and management system. SF Holding's pharmaceutical quality management teams are comprised of professional pharmacists from well-known pharmaceutical production and distribution companies at home and abroad. SF Holding also has formulated a number of quality control and standard operating procedures for pharmaceutical cold chain logistics, including order management, receiving, transportation, distribution, and delivery. According to GSP requirements, quality training and assessment are carried out for qualified personnel and operations personnel to enhance the entire cold chain logistics management and traceability management capabilities. SF Pharmaceuticals has five closed-loop logistics supply chain service capabilities, including main line transportation, urban distribution, pharmaceutical warehousing, C-side delivery, and clinical examination. Relying on powerful information technology and the ability to coordinate resources between SF Holding's various departments, SF Pharmaceuticals and industry benchmark customers have explored a series of integrated solutions such as non-warehouse network layouts, inventory and logistics management, circulation channels, and distribution in the face of two-invoice system reform for pharmaceutical circulation.

Security industry: In February 2018, SF made a strategic investment in ZBHA (Group) Co., Ltd. ("ZBHA"), the first company in China specializing in the investment and management of modern security services. It operates 24 security service subsidiaries and branch offices in 15 provinces, autonomous regions, and municipalities. It has also established five modern security service professional companies and training centers. Its service network and modern security service industry chain covers 110 cities across the country and has established security service companies and security management companies in 6 countries overseas. After the investment, SF and ZBHA will establish a cross-industry strategic cooperation partnership between the domestic logistics and express delivery industry and the modern security services industry, creating a new operating and management model for logistics

and security in China. In addition, the parties will provide modern security services for logistics security in the “One Belt One Road” construction, including logistics monitoring and escort services, specialized vehicle escort services, smart logistics escort car services, and other services to provide comprehensive logistics escort services. By providing security services to high-end and specialty markets, SF Holding expands its differentiating advantages in the industry.

(3) the First directly operated express delivery A-share company

Direct Operating Model



SF Holding has a strong operational management and control model for its entire network and is the first directly-operated express delivery company listed as an A share. SF Holding's head office controls all express delivery networks and core resources, including collection and delivery service points, distribution hubs, main and branch routes, aviation hubs, aircraft, vehicles, and employees. **Compared with the franchised business model, the direct operations model has absolute control over all aspects of the company, which helps the company's strategy to remain consistent from top to bottom** and ensures the effective achievement of the company's strategy and business objectives.

Compared to the franchise model, the direct operating model has the following advantages: **1) Ensure operating stability and control.** The express delivery industry is characterized by scale and networking, involving tens of thousands of operating service points and hundreds of thousands of employees; and how to ensure the stability and control of the company's operations is key to sustainable growth. All levels of SF Holding's business, from package collection to transit to dispatch, are based on the direct operating model. Only a portion of non-core operations are complemented by outsourcing. This model not only guarantees the stability of the company's business operations, but also ensures the ability to exercise absolute control in handling abnormalities, operational effectiveness, quality, and cost, and ensures the company's sustainable and healthy development in the future. **2) Facilitate standardized operations management and service products, thereby improving the quality and efficiency of express delivery services.** SF Holding adopts standardized management across the entire network. Based on a unified top-down operations monitoring and assessment mechanism within

the company, it can effectively maintain service quality and timeliness to ensure the customer experience and improve service perception. **3) Enhance internal management compliance and standards.** Benefiting from the advantage of being unified, standardized, and controlled, the direct operating model ensures that the company's external operations, internal management, fiscal and taxation management, corporate governance, and other controls are compliant and meet standards, minimizing compliance risk. The direct operating model is responsible to the state, regulatory agencies, and all shareholders. **4) Improve customer loyalty and brand reputation.** The direct operating model enables the company to stay close to its customers and to fully and precisely understand their needs. When a problem occurs, the direct operating model enables the company to follow up immediately and ensure that service quality and customer satisfaction are maintained through subsequent visits to customers. As a result, SF Holding has held the top ranking in the industry's customer satisfaction and brand reputation for nine consecutive years. **5) Better control of the entire data process and core information.** Under the direct operating model, information systems and data processes are managed and controlled in a centralized and unified manner, which is beneficial to the valuable big data analysis and application of customer service data. In this era, data means power.

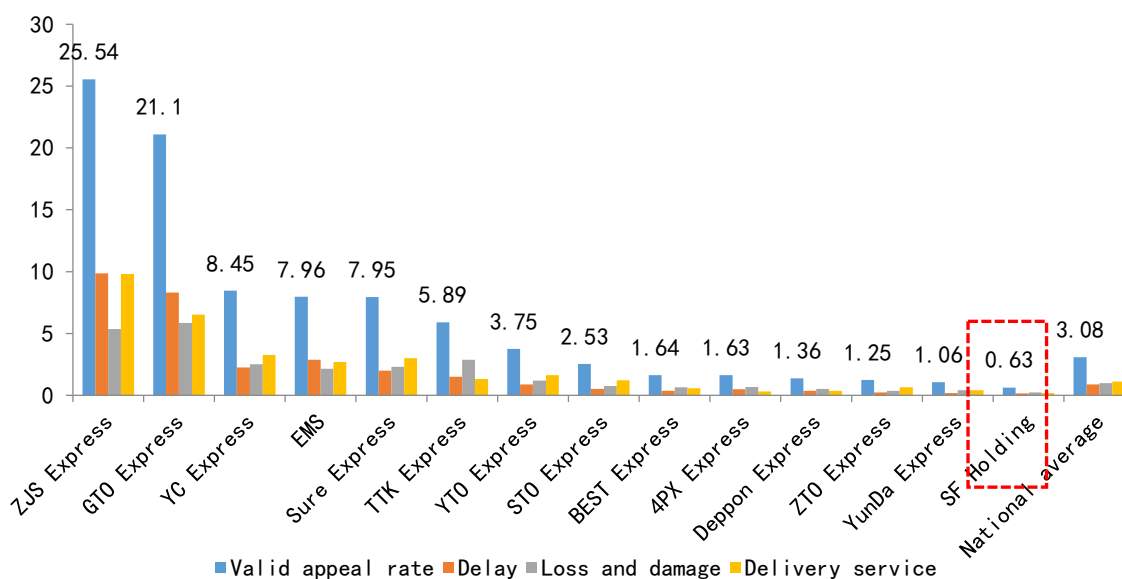
(4) SF Holding has topped customer satisfaction and quality rankings, establishing a good brand image.

1. Number 1 in customer satisfaction for nine consecutive years.

According to the "2017 Express Delivery Service Satisfaction Survey" issued by the State Post Bureau, SF Express ranked first in "Overall Satisfaction of Express Delivery Enterprises" and scored 83.4. SF has topped the ranking for nine consecutive years since the State Post Bureau began announcing the rankings in 2009. In the first half of 2018, according to the State Post Bureau's announcement "First and Second Quarter 2018 Express Delivery Service Satisfaction Survey and Punctuality and Timeliness Test Results," SF Holding also ranked first, scoring over 80 points in two consecutive quarters.

2. Maintains lowest complaint rate among industry counterparts.

According to statistics in the "China Postal Bureau Express Delivery Report," in the first half of 2018, SF Holding's complaint rate was 0.63 (number of valid complaints per million parcels delivered), far below the national average of 3.08. Since the State Post Bureau began issuing the complaint report, SF Holding has ranked the lowest compared to its domestic counterparts in the express delivery industry.



Data source: State Post Bureau's Express Delivery Report on WeChat

3. The only express delivery company that was nominated for the China Quality Award in 2017.

The National Bureau of Quality Inspection is responsible for the organization and implementation of the China Quality Award, which is awarded every two years. In 2017, the National Bureau of Quality Inspection hosted the third China Quality Award; SF was the only company in the private express delivery industry that was selected and received a nomination award.

4. Number 1 in timeliness across the entire delivery process.

In January 2018, the State Post Bureau released the “2017 Express Service Punctuality and Timeliness Test Results,” which evaluated the ten major express companies across six metrics, including timeliness across the entire delivery process and timeliness of handling at the point of pickup and dispatch. SF Holding ranked first in timeliness across the entire delivery process, timeliness of handling at the point of origin, timeliness of handling at the point of destination, delivery timeliness, and 72-hour punctuality. SF Holding has ranked first for five consecutive years since the State Post Bureau first announced the ranking in 2013.

5. SF enters the BrandZ Top 100 Most Valuable Global Brands ranking for the first time

On May 29, 2018, WPP, the biggest communications group in the world, and Kantar Millward Brown announced the “2018 BrandZ Top 100 Most Valuable Global Brands” ranking in London, UK. SF appeared in the ranking for the first time. The ranking showed that, in 2018, 15 Chinese brands (including one brand from Hong Kong) entered the top 100. Almost 300 media outlets covered the report, including Yahoo, Business Insider, MarketWatch, and Business Review.

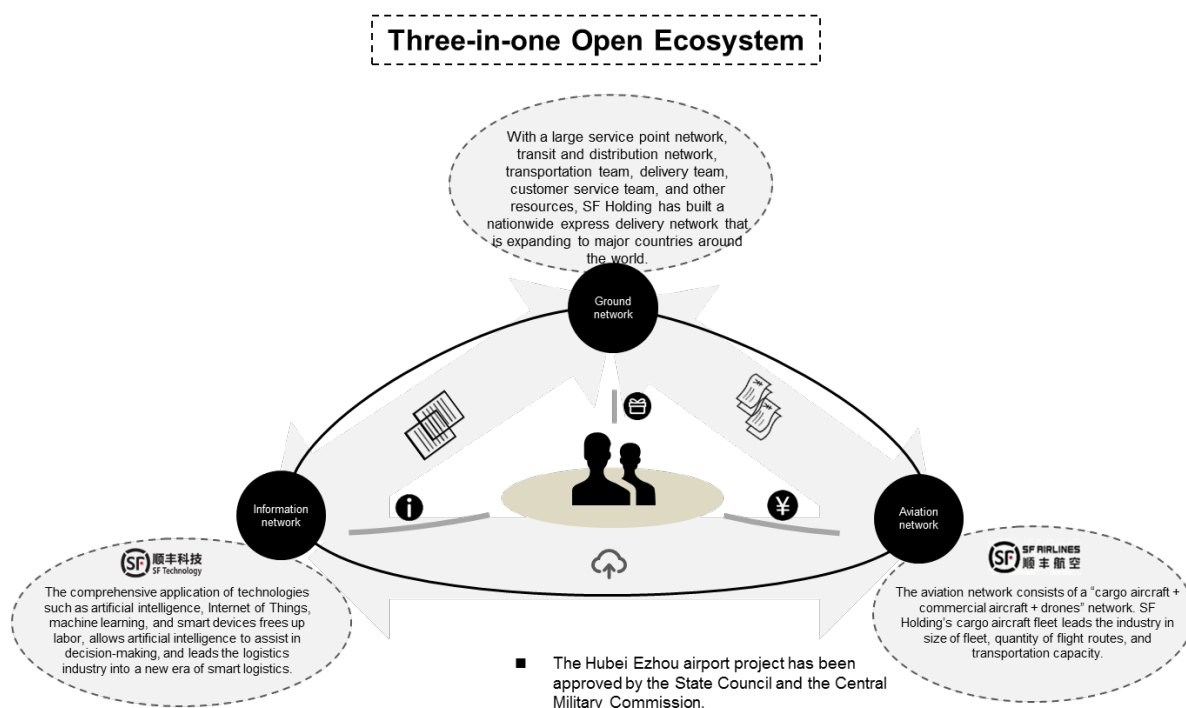


In the 2018 BrandZ Top 100 Most Valuable Global Brands report, Google maintained its top ranking, followed by Apple. The two brands were valued at more than 300 billion USD. 55 of the companies in the top 100 were American companies, and 15 Chinese brands including Tencent, JD, Kweichow Moutai, Huawei, Baidu, and SF appeared in the top 100.

Valuable Global Brands 2018

Brand	Category	Brand Value 2018 \$MIL.	Brand Contribution	Brand Value % Change 2018 vs. 2017	Rank Change	Country of Origin
84 中国银行 BANK OF CHINA	Regional Banks	15,607	2	+30%	10	
85	Personal Care	15,358	5	-6%	-18	
86 中国平安 PING AN	Insurance	15,131	3	+29%	11	
87	Fast Food	15,131	4	+12%	-6	
88	Retail	14,829	3	+20%	-2	
89	Technology	14,797	3	NEW		
90 SF Express	Logistics	14,537	4	NEW		
91	Technology	14,496	5	NEW		
92	Regional Banks	14,465	3	+3%	-17	

After more than 20 years of operations, the SF brand has enjoyed extensive recognition and popularity in the express delivery industry. "SF" has become synonymous with "fast", "punctual," and "safe" in the express delivery industry and is a preferred brand for corporate clients and high-end cash customers. Good market reputation has brought a large number of high-quality corporate clients to SF Holding from industries like 3C, apparel, finance, insurance, auto parts, enabling it to build long-term partnerships with a large number of renowned domestic and foreign companies such as Apple, Huawei, Xiaomi, Uniqlo, BESTSELLER, and Ping An.

(5) Unique and intelligent logistics three-in-one network, “Aviation + Ground + Information”

Building upon years of operations and of constructing its strategic framework, SF Holding has formed an integrated three-pronged logistics service network that integrates its aviation network, ground network, and information network to cover both domestic and overseas customers. Its direct operating model has stronger network controls and higher stability than its peers. In addition, SF Holding has always invested heavily in its information network, creating unique network resources rarely found among its domestic counterparts.

1. Aviation network

In 2009, SF Airlines became the first privately-owned air freight company in China, and currently has the largest air cargo fleet in China. As of the end of the reporting period, among the domestic express delivery companies, only SF Holding, EMS, and YTO Express have established cargo airlines with independent air transportation capabilities. SF Holding is a leader in the domestic express delivery industry in terms of cargo aircraft quantity, number of routes, and transportation capacity.

Cargo aircraft: 1) Fleet: As of the end of the reporting period, SF Holding had a total of 44 self-owned all-cargo aircraft (including 5 Boeing 767 aircraft, 22 Boeing 757 aircraft, and 17 Boeing 737 aircraft). The average service time of all owned cargo aircraft is 22.91 years. SF Holding also has 13 charter all-aircrafts. SF Holding has 57 flight routes, covering 43 major cities in China (including Hong Kong and Taipei), Osaka, and Ho Chi Minh City. In January 2016, when the first B767 widebody cargo aircraft was officially launched, SF Holding became the first express delivery company to own a B767 widebody cargo aircraft. In addition, in November 2017, SF Holding bought two Boeing 747 cargo aircraft from Jade Cargo International Airlines at auction and completed its delivery of property rights in mid-December of 2017 under the guidance of the Shenzhen Intermediate People’s Court. In the first half of 2018, we completed the SFP special check of the first Boeing 747. Larger and more fuel-efficient aircraft perform better in terms of transportation and capacity. In addition to optimizing the current fleet, investing in new models allows better allocation of capacity resources, improves time utilization, saves energy, and reduces emission. In the next three years, SF Holding is expected to own 80 self-owned aircraft, forming a

cargo fleet aviation network composed of Boeing 737, 747, 757, and 767. **2) Pilots:** SF Airlines has recruited talents since its establishment, attracting pilots through strict internal management and service procedures and actively fostering its own pilots through cooperation with domestic and foreign aviation schools. As of June 30, 2018, SF Airlines had a total of 403 pilots, including 160 captains, 225 copilots, and 18 student pilots. **3) Traffic rights and airport slots:** Based on the principle of seniority in civil aviation flight schedules, SF Airlines has a first-mover advantage compared with other companies. As of June 30, 2018, SF Airlines had 138 pairs of slots, covering 43 large and medium-sized cities nationwide (including Hong Kong, Macao and Taiwan). **4) Self-owned ground support:** Since 2015, SF Airlines operated ground support services directly at airports in some cities gradually. By shortening the length of ground services and improving the efficiency of ground servicing, more time is given to distribution and bulk cargo handling to meet parcel safety and stabilize time-in-transit. Shenzhen Airport's southeast parking apron was officially put into use in December 2017 after nearly one year of construction, further improving the efficiency of ground services and the timeliness of cargo handling. **5) Aviation safety assurance:** Since its inception, SF Airlines has put aviation safety first, and strictly adheres to regulatory requirements by building an SMS management system. From the first flight to the end of the reporting period, SF Airlines has operated approximately 242,600 hours safely and has been recognized by the CAAC and other regulatory agencies for 8 consecutive years. In 2010, it was named "2010 Accredited Unit of Safety Responsibility" by CAAC Central and Southern Regional Administration; in 2011, "2011 Excellent Unit of Safety Responsibility" by CAAC Central and Southern Regional Administration and "2011 Advanced Unit for Shenzhen's Transportation Safety Production;" in 2012-2013, "Advanced Unit for Safety Responsibility" by CAAC Central and Southern Regional Administration; and in 2014-2017, "Accredited Unit of Safety Responsibility" for four consecutive years by CAAC Central and Southern Regional Administration.

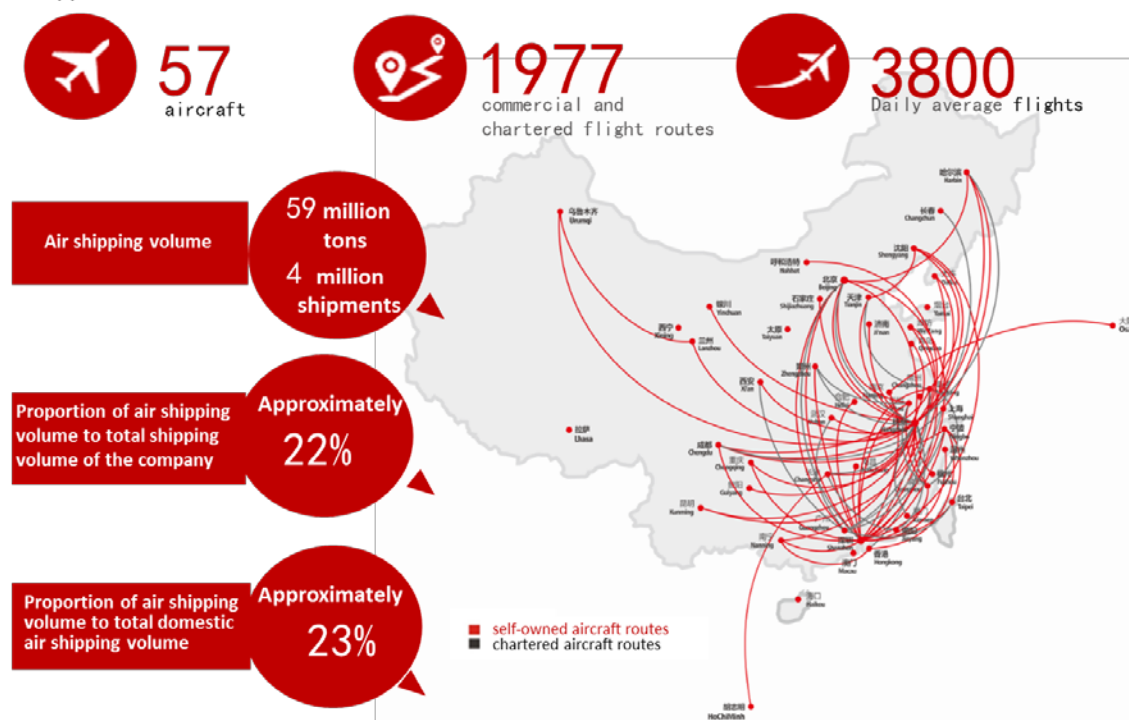
In addition to cargo aircraft, SF also secured extra air capabilities from about 100 commercial airlines at home and abroad through direct operations (cooperating directly with airlines), agents (freight forwarders), or trilateral cooperation (SF, airlines, and agents), running 1,920 flight routes at home and abroad.

Air transport capability: As of the end of the reporting period, the total number of airline routes provided by SF Holding's cargo aircraft and Commercial flights was 1977. In the first half of 2018, there were a total of 688 thousand flights with an average of 3,800 flights per day covering Mainland China, Hong Kong, Taiwan, and other countries for total coverage of 34 countries and regions. In the first half of 2018, the company carried around 590 thousand tons of cargo by air, an average of around 3,279 tons daily. Cumulative domestic shipments accounted for about 24% of total domestic air cargo. In the first half of 2018, the company shipped 400 million express delivery parcels by air, accounting for 22% of the company's total deliveries.

Resources		End of Reporting Period/ During Reporting Period	Daily Average During Reporting Period
Cargo aircraft	Number of self-owned aircraft	44	-
	Number of external chartered aircraft	13	-
	Number of all-cargo aircraft routes	57	-
	Total number of flights in the first half of 2018	18,000	102
	Total amount shipped in the first half of 2018	250,000 tons	1389 tons

Resources		End of Reporting Period/ During Reporting Period	Daily Average During Reporting Period
Commercial flights	Number of commercial flight routes	1920	-
	Total number of flights in the first half of 2018	670,000	3704
	Total amount shipped in the first half of 2018	340,000 tons	1890 tons

Aviation network: China's largest cargo airline and largest air cargo shipper in China



Future airport construction: In order to support the national "Belt and Road" and Yangtze River Economic Belt development strategies, to realize the strategic goal of building a strong civil aviation country, to vigorously promote the development of the modern logistics industry, and to improve the layout of SF Holding's national air transport network, Shunfeng Taisen, a wholly-owned subsidiary, signed the *Hubei International Core Logistic Hub Project Cooperation Agreement* with Hubei Provincial People's Government on December 13, 2017, and the *Joint Venture Contract of Hubei International Logistics Airport Co., Ltd.* with Hubei Provincial Communications Investment Group Co., Ltd. and Shenzhen ABC Airport Investment Co., Ltd. Shunfeng Taisen invested RMB 2.3 billion of its own capital to establish Hubei International Logistics Airport Co., Ltd. with share ownership of 46%. On February 23, 2018, the State Council and the Central Military Commission formally issued the *State Letter [2018] No. 26 Certification of the State Council and the Central Military Commission Concerning the Approval of Building Civil Airport in Hubei Ezhou* and agreed to build the Hubei Ezhou civil airport. The airport runway and taxiway system is designed to meet a target throughput of 1.5 million passengers and 3.3 million tons of cargos in 2030. Facilities such as terminal buildings and transshipment centers are planned to meet target throughput of 1 million passengers and 2.45 million tons of cargo in 2025. The approval of the Hubei International Core Logistics Hub project is part of the pre-feasibility study phase of the project. The final construction scale, investment amount, and specific funding arrangements of the project will be determined during the final approval. The

company will fully cooperate with relevant state departments in actively and steadily implementing project progress in accordance with the project approval by the State Council and the Central Military Commission. Airport construction is a long-term project. During the specific arrangement of the project's design and investment, the company will fully consider future strategic layouts, operations planning, financial status, and other important factors to ensure that the project can meet the future development needs of the company and enhance its long-term value but at the same time, allow the company effectively control investment risks and protect the interests of shareholders.

The Hubei International Core Logistics Hub project lies at the core of SF Airlines' transportation system. In the future, SF will use this hub as the center of its air route network that covers the entire country and reaches the world. The construction of the core logistics hub project is in line with the company's strategic plan, which includes providing good fundamental support for shortening transit times, improving the stability of its services, building high-end integrated logistics service capabilities, and improving customer satisfaction. In addition, the core logistics hub project is an important way to optimize the company's aviation network structure and reduce its operating costs. The core logistics hub project is in line with the long-term development of the company and the interests of all shareholders, being the core strategy for further consolidating the core competitiveness of its aviation network.

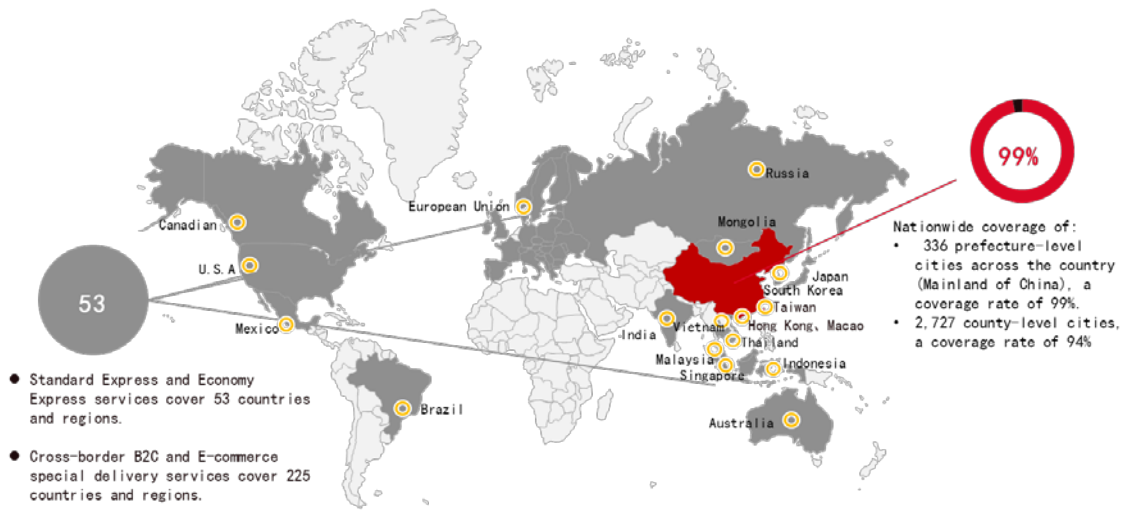
2. Ground network:

Service points: SF Holding has built a nationwide express delivery service network and expanded it to major countries around the world. As of the end of the reporting period, SF Holding's business has covered 336 prefecture-level cities, 2,727 county-level cities, and nearly 14,000 directly-operated service points. In its international business, the Standard Express and Economy Express businesses cover 53 countries including the United States, the European Union, Russia, Canada, Japan, South Korea, ASEAN, India, Brazil, Mexico, and Chile. The E-parcel business covers 225 countries and regions around the world.

Courier quantity: As of the end of the reporting period, the company had about 268,800 couriers (including 30,900 part-time couriers) in various employment models, including 53,400 employees, 300 dispatched staff, and 215,100 other staff. The reason for employing a large number of other staff is as follows: 1) it responds to the call of the country's drive for "Mass Entrepreneurship and Innovation" and encourages employees to start businesses that provide the company with a unified brand and quality standards; and 2) it actively engages resources that not only significantly improve employee motivation and labor flexibility, thereby improving resource efficiency and reducing costs, but also effectively guarantee the stability of customer service standards and quality.

Ground network: domestic and overseas coverage

- After years of development, SF has expanded its service scope from South China to North China, Central China, and West China.
- SF has established a vast service network both at home and abroad, extending from the Mainland of China to Hong Kong, Taiwan, and overseas.



Hub Distribution: As of the end of the reporting period, SF Holding had 10 hub-level distribution location, 49 aviation and railway stations, 113 sub-district distribution hubs, and 203 distribution points, 33 of which have adopted the automatic sorting system. Peak sorting capacity of automated sorting equipment in the largest distribution hub can reach 150,000 pieces per hour, ensuring that shipments are delivered on time and securely.

Ground network: SF has 375 distribution hubs. The peak automatic sorting capability of the largest distribution hub reaches 150,000 shipments/hour.



Ground transportation network: As of the end of the reporting period, SF Holding had about 32,000 directly-operated and outsourced vehicles in its main and branch routes. The total number of vehicles for collection and delivery was 73,000 (excluding motorcycles and electric vehicles). There are more than 88,000 main and branch

routes, including 424 cold chain main and branch routes. In addition, SF Holding has actively sought cooperation with the National Railway Administration and has launched 77 high-speed rail lines and 112 standard rail lines. The ground transportation network covers the entire country. In the first half of 2018, the volume of the land transport express delivery business was 1.4 billion shipments, accounting for 76.7% of the company's total express delivery business. 27 million shipments were shipped by railway and other transportation methods, accounting for 1.4% of the company's total express delivery business volume.

Ground network: a dense transportation network featuring a strategic branch layout, multiple tonnage transport vehicles, and further enriched by high-speed rail resources



88,000
Routes

32,000
Transportation vehicles

73,000
Pick-up/delivery vehicles

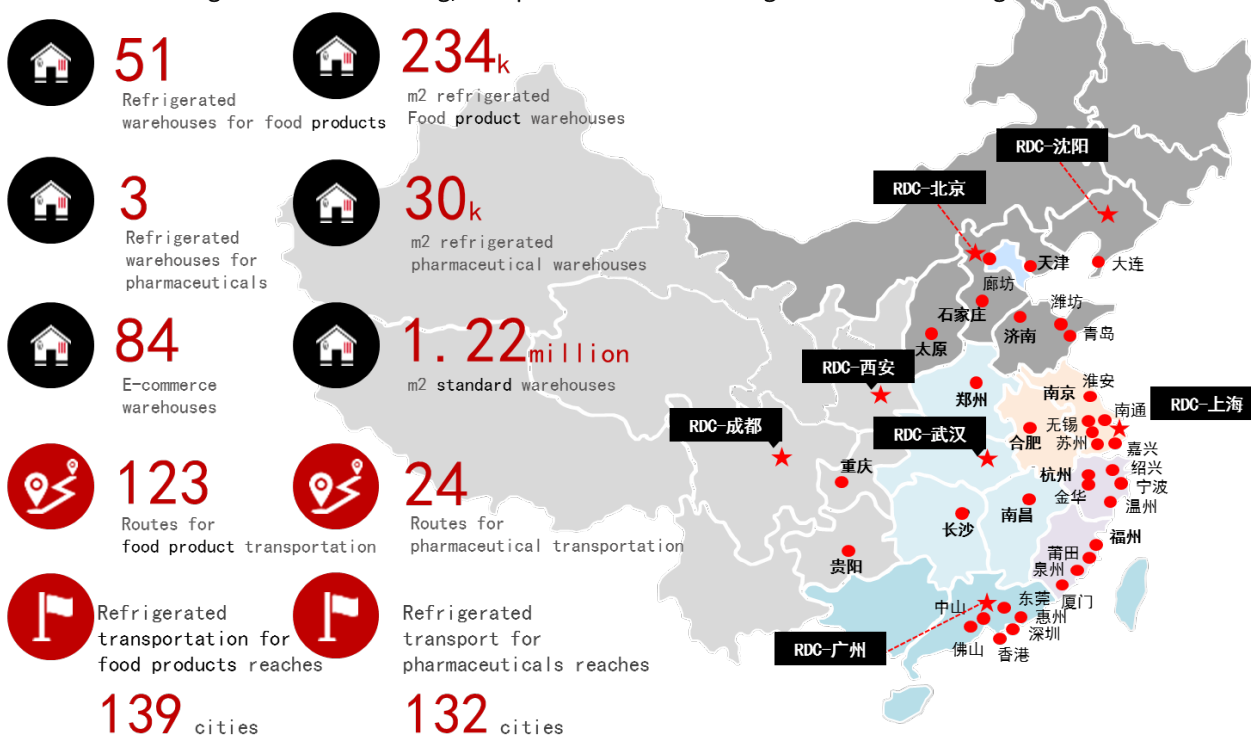
77
High-speed rail routes

112
Standard rail routes

Vehicle Type	Transportation Vehicles	Pick-up/Delivery Vehicles
Directly owned	16,715	4,699
Employee owned	-	64,203
Rented	376	3,509
Outsourced	14,454	388
Total	31,545	72,799

Warehouse network: As of the end of the reporting period, SF Holding had 138 warehouses of different categories with total area of nearly 1.5 million square meters, forming a nationwide warehouse service network covering more than 100 major cities across the nation's four major regions. SF Holding provides professional, efficient, and high-quality services to more than 650 customers through professional operations management, advanced system management capabilities, and developed warehouse integration network. SF's warehousing is committed to building an industry-leading smart warehouse logistics ecosystem platform that enables resource coordination within the express delivery and transportation network and effectively supports the links between the Group's core business strategies. Currently, SF's warehouses have the ability to serve leading customers in major industries such as E-commerce, retail, apparel, and 3C.

Ground network: 138 warehouses meet the growing demand of e-commerce warehousing, fresh produce and seafood refrigerated warehousing, and pharmaceuticals refrigerated warehousing



Customer service network: The company has established four domestic independent call centers with total seating around 5,200 and providing 1 million instances of phone-based service daily. Multiple channels provide 24/7 self service, including the 95338 interactive voice response system, SF's official website, large client delivery system, personnel system, client mobile app, WeChat public account, and online customer service. In 2018, SF Holding is committed to improving customer service systems by driving customer service through technology, such as by building a smart and digital systems management platform and researching and exploring smart customer services models that include big data analysis and applications. In addition, SF is committed to improving the user experience by providing professional, efficient and warm customer service by combining people, goods, and location recognition to optimize systems and processes, improving the soft power of customer service and quickly solving customer problems and needs.

Last mile services: SF Holding has achieved last mile coverage through its cooperation with SF's commercial service points, cooperative agencies, property management, and smart lockers. As of the end of the reporting period, SF Holding had cooperated with nearly 33,000 cooperative agencies and 600 property management companies. In addition, Hive Box Technology Co., Ltd., an associate of SF Holding, had installed approximately 104,000 smart lockers in community/office buildings, covering 101 cities including Shenzhen, Guangzhou, Beijing, Shanghai, and Wuhan.

3. Information network:

SF Holding has independently developed a complete set of smart network platforms, including SF's core operating systems, the SF map platform, big data platform, information security platform, and smart O&M management platform. The smart network platforms create a smart and solid foundation to support business development in a fast, flexible, safe, and comprehensive manner, achieve data interaction analysis, drive business

decision-making, and help upgrade smart logistics. At the same time, SF Holding applies scientific and technological methods such as data mining, machine learning, and statistical analysis to actual business settings, and combines it with user-oriented product design to promote the company's business transformation and enhance the company's technological competitiveness in artificial intelligence. Of these, **smart warehousing** helps improve warehouse customer service and experience. The construction of a complete SF Cloud-based warehouse information system supports E-commerce warehouses, large goods warehouses, cold chain warehouses, medical warehouses, international shipping warehouses, micro warehouses, and other business-specific warehouses. Based on multi-dimensional data analysis, the smart warehouses take the first steps in using big data and artificial intelligence technology towards logistics applications and systems research and development and segmented industry system solutions research and development capabilities. SF Holding has also invested in a web-based comprehensive warehouse service platform, upon which it has built the country's leading "warehouse as a service" digital warehouse-net platform focused on warehouse big data applications, digital warehouse management, collaborate warehouse allocation, cloud warehouse technology, and sensing clouds. Empowering partners through the Internet, IoT, and information technology, building open digital warehouse ecosystem networks, and integrating online and offline warehouse resources, customers will receive more abundant warehouse solutions. SF Holding continues to **implement smart technology into terminal receivers** by promoting the digitization process, continuously optimizing convenient and fast customer interactions on the customer terminal, and upgrading to HHT7 the tools at receiving and warehouse terminals. The upgrade of management tools will create an online system for the entire process of resolving abnormalities, which improves the time taken to resolve abnormalities, lowers costs, improves quality, and ensure that individualized customer needs are better protected. During the first half of 2018, the digitization of waybills for imports and exports in Hong Kong, Macau, and Taiwan continued, and the use rate of the digital waybills stabilized at 98%. Building upon digitization, the company will explore new models of managing couriers so that front-line personnel can fully understand their service capabilities, levels of ability, and connection to remuneration, driving them to be able to improve their levels of customer service through their own efforts and introducing other forms of business to help them increase income and encouraging a positive cycle of self-management. At the same time, bringing online the multiple factors of service point management builds a standard online management process with auxiliary tools that connect couriers, warehouse managers, and interactive network information, creating a one-stop service platform that synthesizes information, provides early warnings on abnormalities, and guides management, improving management efficiency.

SF Holding's domestic and international express delivery network coverage, coupled with the company's constant attention and investment into smart information networks, form a comprehensive logistics service network integrating its "aviation network, ground network, and information network." The unique characteristics of this network further consolidate and expand SF's leading position in the industry.

(6) Scarcity of logistics land resources and obvious advantages of the first mover

In response to the rapid development of the express delivery industry as well as the requirements of the State Post Bureau in the express delivery industry's "13th Five-Year Plan" to accelerate the construction of express logistics industrial parks, SF Holding committed to creating an "Express+" and "Internet+" dual-core industrial park service ecosystem, which will not only serve SF Holding, but also local industries and external customers by providing a full range of integrated supporting services such as warehousing, logistics, business flow, information flow, and capital flow. The industrial park service ecosystem is a hub and communication window that effectively connects government, SF services, and customer needs.

As of June 30, 2018, SF Holding had a logistics site with a land area of approximately 758 acres, a total

planned building area of approximately 3.0 million square meters, and a completed building area of approximately 0.85 million square meters. The total net book value of logistics site resources is approximately RMB 9.1 billion.

Logistics land resources: first-mover advantage through established industrial park projects in 37 cities.



Location	Size of Land Owned (Acres)	Total Planned Building Area (Including In-construction/Planning Projects) (1,000 Square Meters)	Completed Building Area (1,000 Square Meters)	Net Book Value at the End of Period (RMB 100 millions)
East China	171	700.9	506.7	24.22
North China	141	446.4	7.4	9.33
Central China	249	898.1	77.5	11.20
South China	46	330.5	257.2	44.03
West China	151	630.2	-	2.56
Total	758	3006.1	848.8	91.34

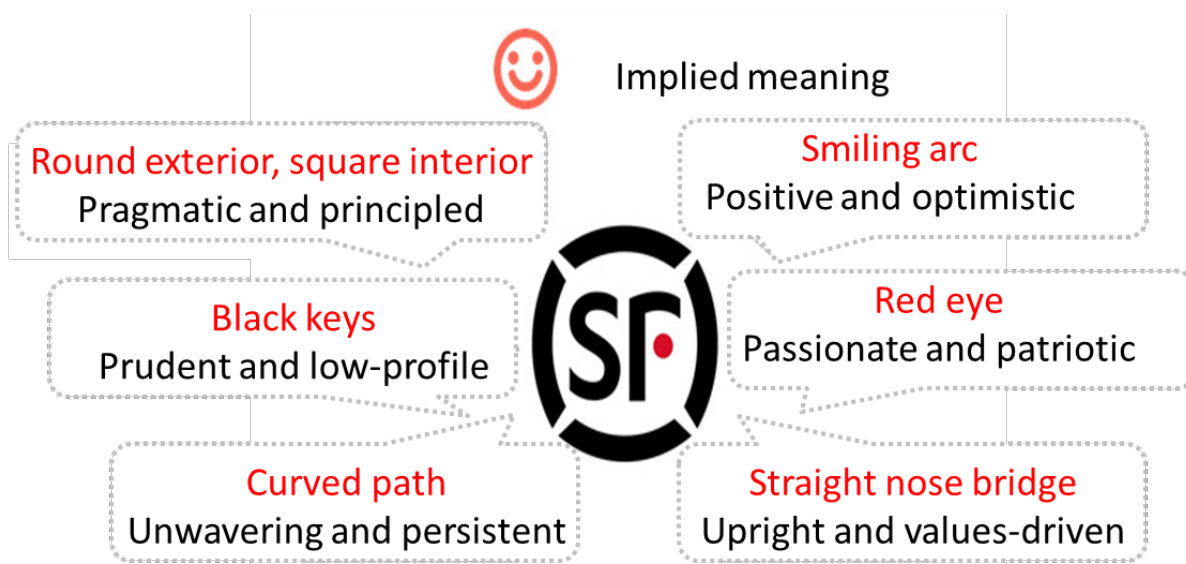
Note: The data in the above table has not been audited.

As of the end of the reporting period, SF Holding had successfully deployed industrial park projects in 37 cities, with Jinan, Ganzhou, Xiamen, and Lasa added since the end of 2017. In the future, SF Holding will use the existing resources of the Group to further increase the distribution of core strategic resources and enhance the core competitiveness for the company's long-term development while satisfying internal demands and fully considering industrialization factors.

(7) Warm, principled, productive SF culture

In SF Holding's 25-year history, its outstanding and strong corporate culture DNA has continually played an important role. Customer success, equality and respect, innovation, unity, and accountability are part of SF's culture. To SF, corporate culture is not just a belief, but even more so a commitment and practice. It is in every word and action of all SF employees, is expressed in every operating process, and has become a strong spiritual force that is embedded in SF's cohesiveness, competitiveness, and vitality.

1. How SF's logo represents SF's culture



The logo's outline is in the shape of a person's face. With a curved square and a squared circle, the circle and square complement each other. The square in the middle of the circle represents SF's strong principles, and the circle represents unity and harmony. The "S" and "F" are the initials of "Shun Feng," the company's Chinese name.

2. Achieving customer success and own success

As a service-centric enterprise, SF Holding has always been customer-oriented and is committed to providing customers with above expectation services, to create value for customers and help them to achieve success. For example, in June 2018, during the Shanghai Cooperation Organisation Summit, the Qingdao government not only limited car traffic but also that of motorcycles. Thus most express companies couldn't perform delivery during that period. To preserve the timeliness of its express deliveries, SF Holding implemented an on-foot delivery model in Qingdao's five districts. For five days, customers received express packages from deliveries made by walking, and the situation became viral on WeChat Moments. In addition, in the 3C, fresh produce, apparel, pharmaceutical, and similar industries, SF can provide a series of integrated logistics solutions based on customer needs and unique industry characteristics. In helping customers reach success, SF helps itself to become successful.

3. Innovation drives SF forward

SF Holding advocates a culture of innovation, emphasizing that anyone and any move can be innovative. In recent years, SF Holding has innovated continuously, not only in the field of logistics UAVs, smart devices, and smart packaging, but also in smart services, smart decision-making, and smart cloud warehouse. SF Holding has obtained extraordinary results in technological innovations such as artificial intelligence, Internet of Things, cloud computing, and machine learning. In addition, SF Holding also put much emphasis on internal management innovation and the construction of knowledge library. In 2017, it won the highest honor in the international knowledge management field, namely, Global IOU MAKE (Most Admired Knowledge Enterprises). SF Holding is the only company in China that won this award in 2017. Innovation is found everywhere within SF, from the innovators who have contributed many patents in SF Technology or various laboratories, to the civilian inventors who have improved production tools and materials used in distribution hubs and service points---the winners of the "Best SFer Award," which is the highest honor of SF staff, consists of a large number of innovators. The power of innovation drives SF Holding to keep moving forward.

4. Equality and respect unite hearts

SF Holding advocates treating every person equally and with respect, regardless of role and level within the company. In February 2017, in SF's listing ceremony, the courier who was beaten by a customer was invited to ring the bell together with the president Wang Wei to share the glorious moment. A corporate culture of equality and respect lets the hearts of SF's hundreds of thousands of employees feel united.

5. United as one, we are strong

SF Holding advocates the spirit of solidarity. Everyone must be cooperative and unite every employee's strengths in order to achieve the same goals. During the peak season, such as the 11.11 Festival, Mid-Autumn Festival, National Day, and Spring Festival, the president, management team, middle management, and back office staffs will go to service points and distribution hubs to support and sympathize with the frontline staffs. The culture makes SF Holding more cohesive and effective.

6. Taking ownership and offering compassion

SF Holding advocates accountability. It does not only require employees to fulfill their responsibilities and perform their duties, but also encourage employees to take social responsibility. Under this cultural influence, returning lost-and-found money, helping others, saving people and fighting fires, doing the right thing, working for the public good, and other positive events occur more and more frequently. During the first half of 2018, acts of kindness included a courier in Guangxi using his car as a bridge to help students across a flooded street during

a storm, a courier in Shaoxing jumping into a fast-flowing river to rescuing a fallen senior, and a courier in Jibei rescuing 46 students from a school bus fire. These incidents were reported by the People's Daily official WeChat account, local television stations, and numerous other media outlets, promoted the social image of SF Holding. During the six "Best SFer" awards that have been held, 15 have received the "Social Responsibility Award," SF's highest honor for recognizing those who have achieved outstanding performance in fulfilling their social responsibilities.

Chapter 4 Management Discussion and Analysis of Business

Operation

I. Business Performance in the First Half of 2018

In the first half of 2018, China's macro economy continued its 2017 trend of stable with positive outlook and a number of macro economic indicators improving. The economy generally achieved steady growth, which has supported the sustained and healthy development of the express delivery industry. According to data from the State Post Bureau, during the first half of 2018, cumulative express delivery volume was registered at 22.1 billion parcels, a 27.5% increase year over year. Cumulative express delivery revenues reached RMB 274.5 billion, a 25.8% increase year over year. Market scale grew rapidly, and industry concentration has accelerated. Benefiting from the flourishing industry, in the first half of the year, SF Holding achieved good financial results and rapid business growth, as detailed below:

1. Overall financial performance

Financial status: At the end of the reporting period, the company's total assets were RMB 59.0 billion, an increase of 2.3% from the end of 2017. Resulting from good profitability in the first half of 2018, and dividend distribution of 2017 fiscal year, net assets attributable to the shareholders of the listed company at the end of the reporting period was RMB 33.86 billion, an increase of 3.56% from the end of 2017. At the same time, good performance growth brought healthy cash flow. Supplemented by sound financial management and control measures, the company's debt-to-asset ratio at the end of the reporting period further decreased 0.8% from 43.22% on December 31, 2017, to 42.46% on June 30, 2018. The balance sheet was stable and optimistic.

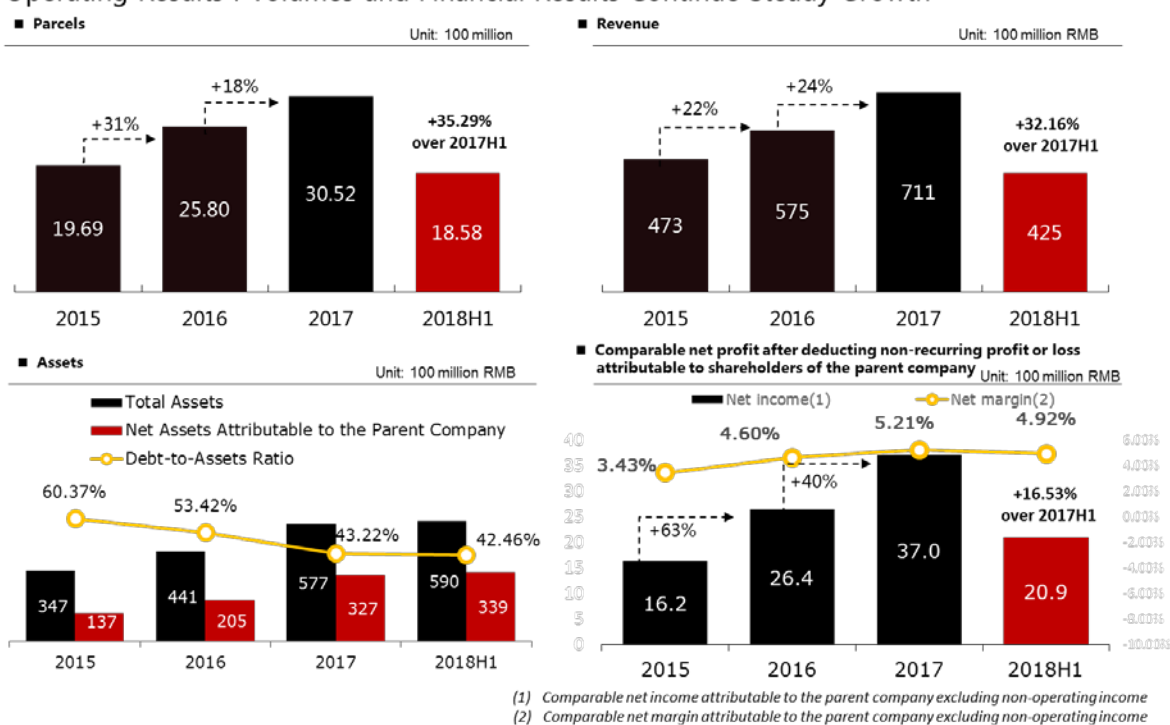
Revenue: In the first half of 2018, the company realized 1.86 billion shipments, a year-over-year increase of 35.29% and revenues of RMB 42.5 billion, a year-over-year increase of 32.16%, of which express and logistics revenue were RMB 42.16 billion, a year-over-year increase of 31.74%, a growth rate that far exceeds that of industry average published by the State Post Bureau's official. In addition, high-quality service brought a higher brand premium. From 2016 to the first half of 2018, the average revenue per parcel was RMB 22.15, RMB 23.14, and RMB 22.69, respectively, far surpassing that of the industry average of RMB 12 to RMB 14. High average premiums and stable revenue growth ensured the company's continued healthy profitability.

Profitability: In the first half of 2018, the company's profits continued to grow at a stable pace. Net profit attributable to the shareholders of the parent company was RMB 2.23 billion, a year-over-year increase of 18.59%. Excluding non-recurring gains and losses, net profit attributable to the shareholders of the parent company was RMB 2.09 billion, which is 59.93% of the committed net profits of 2018 (RMB 3.49 billion), an increase of 16.53% from RMB 1.79 billion in the same period last year. The main financial indicators are shown in the table below. For more detailed financial analysis, please refer to the related sections of this semi-annual report.

Category	Item	End of reporting period	End of previous year	Increase/Decrease Over Previous Year End
Balance Sheet	Total assets (billions RMB)	59.00	57.68	2.30%
	Total equity attributable to shareholders of the parent company (billions RMB)	33.86	32.70	3.56%
	Debt to Asset Ratio	42.46%	43.22%	-0.76%

Category	Item	Current reporting period	The same period of previous year	Increase/Decrease over the same period of previous year
Operations	Shipments (billions)	1.86	1.37	35.29%
	Express logistics revenue (billions RMB)	42.16	32.00	31.74%
	Average revenue per shipment (RMB)	22.69	23.30	-2.63%
Income Statement	Revenue (billions RMB)	42.50	32.16	32.16%
	Net profit attributable to shareholders of the parent company (billions RMB)	2.23	1.88	18.59%
	Net profit after deducting non-recurring profit or loss attributable to shareholders of the parent company (billions RMB)	2.09	1.79	16.53%
	Weighted average return on net assets (%)	6.67%	8.84%	-2.17%
	Earnings per share (RMB per share)	0.51	0.45	13.33%

Operating Results : Volumes and Financial Results Continue Steady Growth



2. Steady growth of traditional businesses contribute to sustainable and healthy revenue

SF Holding proactively responded to various national economic initiatives, focused on changes in customers and industry needs, and made a series of achievements.

Customers: During the first half of 2018, in response to the diversification of industry and customer needs, SF Holding focused on industry characteristics, mined deeply into customer needs under different use cases throughout the end-to-end process, and applied scientific and technological methods to drive internal system changes. With continuously improving customer service capabilities, we achieved stable and healthy growth of customer volume and revenues.

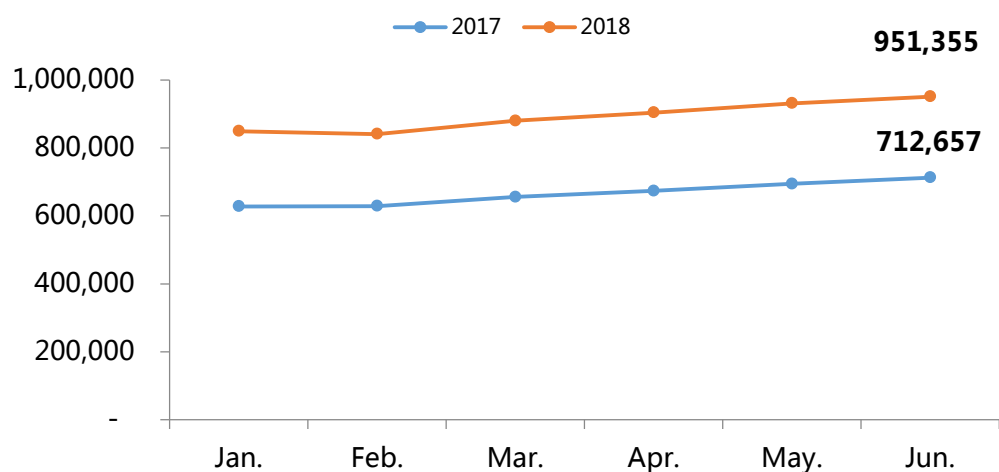
Cash customers: Cash customer management continues to see innovation and change. Focusing on customer life cycle management, a complete workflow consisting of “pull in – promote repurchases – let go to return” was constructed. In addition, by focusing on the eight main categories of daily life (finance, communication, shopping,

leisure, housing, health, education, transportation), we opened up resources and shared traffic, establishing a “maintain key customers, keep mass market customers active” reward system. In the first half of 2018, cash customer revenues increase 21.2% year over year, 3.1% higher than in the prior year period, and individual member revenue grew 111.6%, 90.3% higher than in the prior year period. In the future, we will continue to take advantage of data and use live data to activate the sales of cash customers, continue to focus on customer life cycle management and use web-based digital marketing capabilities to enhance user loyalty, and realize long-term stable business growth.

Credit account customers: In 2018, SF is focused on industry chains, approaching key industry customers with intergrated logistics solutions and continuously upgrading our customer serving capabilities. In the first half of the year, credit account customer revenues increased 40.4% year over year, increasing 13.34% over the prior year period. The number of active account customers grew to 951,300 in June 2018 from 712,700 in June 2017, an increase of 33.49%, of which the proportion of customers spending more than RMB 1 million increased 1.7% compared to the same period of 2017. By distinguishing between different industries, between different business use cases throughout end-to-end processes, refinement of all touch points, and digitization, customer service quality and the customer experience have all improved. Existing customer revenue retention increased 3.1% from the prior year period, and the proportion of multi-product customers increased 9.2% from the prior year period.

A relatively decentralized and independent customer structure, a stable and growing number of active customers, a full-cycle risk prevention and control system, a multi-product portfolio, and diversified solutions collectively ensure the long-term stable and healthy growth of SF Holding’s revenue.

Active credit account customers



Note: Active credit account customers refer to credit account customers who have revenue records in the current month.

Express product: In the first half of 2018, SF Holding continued to enhance its express delivery capabilities and to consolidate and enhance its industry-leading advantages. High-quality services ensured the healthy and stable growth of the business. During the reporting period, the revenue of the express product was RMB 25.7 billion, an

increase of 18.17% over the same period of 2017.

Economy product: In 2018, SF Holding continues to optimize and upgrade the economy product. We build an independent operating model specifically for economy products by establishing a faster and safer ground transportation network with a higher quality-to-price ratio by optimizing end-to-end operating segments, models, and frameworks, and continuing to expand the target customer group. It will also integrate economy products, SF Holding's ground transportation network, and operational framework transformation to integrate technology and implement product process re-engineering. During the reporting period, economy products' revenues were RMB 9.9 billion, increasing 53.71% year over year.

3. New business developments

(1) Heavy cargo

Since SF Holding officially launched heavy cargo transportation products in 2015, it has leveraged its strong network capabilities to continuously build and refine its heavy cargo network to meet more customer needs. As of June 30, 2018, SF Holding had 899 heavy cargo service points and continued to optimize its heavy cargo layout of distribution hubs using professional network planning. Total heavy cargo operating areas exceed 883,000 square meters, covering 291 major cities and regions in 31 provinces across the country with more than 10,000 vehicles. In March 2018, SF Holding acquired the business of Guangdong Xinbang Logistics Co., Ltd. and established the "Shunxin Jieda" independent express transportation brand to lay the network foundations and capability advantages required to rapidly expand the heavy cargo business. In May 2018, Shunxin Jieda convened transportation supplier conventions to hire suppliers in major cities across the country, and was enthusiastically received. The network was established faster than expected, its coverage wider than expected, and is expected to officially launch its operations by the end of this year.

Thanks to the continuous improvement of the heavy cargo service network and industry-leading service punctuality, the revenue of the company's heavy cargo business in the first half of 2018 was RMB 3.5 billion RMB, an increase of 95.8% year over year, and the overall market share of heavy cargo business continued to increase. Major customers include Apple, Heilan Home, Midea, Hisense, and Vipshop.

(2) Cold chain

As of the end of the reporting period, SF Holding's cold chain transportation network covered 139 cities and surrounding areas. SF holding held 51 refrigerated food product warehouses with operation area of 234,000 square meters, which already acquired international high-standard DQMP certification, equipped with advanced

automated refrigeration equipment, smart temperature monitoring and control systems, and professional-grade operations management, and integrating the ability to manage multiple temperature zones, such as freezing, refrigerated, constant, and room temperatures, with high-standard cold storage capabilities. SF Holding's had 681 refrigerated trucks, and 123 food product transportation routes across core cities in the north east, North China, East China, South China, and Central China, featuring customized packaging, high-energy storage refrigerant temperature control technology, storage temperature and humidity monitoring and warning systems. Besides, the self-developed ground transportation resource trading platform connected to vehicle GPS and vehicle-mounted temperature control and real-time monitoring systems and seamlessly connected with SF Express's cold chain network. With its high-standard cold warehouses, leading technology and strict quality control processes, SF Holding is able to provide fresh produce and food product industry customers with professional, safe, custom, and effective supply chain solutions that cover food product industry production, E-commerce, sales, retailing, and other functions. Major customers include Family Mart, Shuanghui, and Daxi. In August 2018, SF Holding and the U.S.'s HAVI Group formally announced in Shenzhen the formation of New HAVI in China (over which SF will have control). After New HAVI is established, we will continue to operate HAVI's current supply chain and logistics businesses (including domestic cargo transportation management) in mainland China, Hong Kong, and Macau. At the same time, both parties will the growth of New HAVI and develop both parties' cold chain logistics advantages and "1 + 1 > 2" cooperative synergies, innovate continually base on diverse needs of the China market, continue to provide customers with an integrated logistics solution and accelerate the development of China's cold chain logistics.

As of the end of the reporting period, SF Holding's pharmaceutical network covered 132 prefecture-level cities and 962 counties. Nationally, we had 3 GSP certified medical warehouses with operation area of 298,000 square meters, which had obtained all relevant operationing licenses including the "Drug Business License", the "GSP Certification", the "Medical Device Operation Enterprise License," and the State Food and Drug Supervision and Administration's "Approval for Launching Pilot Projects for Third-Party Modern Logistics of Pharmaceuticals". SF Holding's had 24 pharmaceutical transportation routes, including core cities in the north east, North China, East China, South China, and Central China, and 209 GSP certified refrigerated pharmaceutical trucks equipped with a complete logistics information system and fully visual TCEMS monitoring platform, which was developed in-house. Focused on providing pharmaceutical customers professional, safe, controllable logistics supply chain services, our industry coverage includes production, E-commerce, sales, and retail. Main customers in the pharmaceutical industry include Bayer, Merck, Harbin Pharmaceutical Group, 999 Group,

Sanofi, Guangzhou Pharmaceutical Holdings, and Tai An Tang. In the future, SF Pharmaceuticals will continue to grow based on technology, quality, and digitization to become China's most valuable and most influential pharmaceutical and health supply chain service provider.

In the first half of 2018, the cold chain food product and pharmaceutical business realized revenues of RMB 1.5 billion, a 47.7% increase year over year, maintaining its rapid growth.

(3) Intra-city delivery

In 2018, the scale of the intra-city on-demand logistics market is projected to reach RMB 120 billion and achieve 32% compound annual growth in the next three years. In this environment of rapid growth, SF Holding has invested in an intra-city research and development team, with funding for it to be increased every year, with the ultimate service goal of achieving 30-minute deliveries for all industries and product categories. As of the end of the reporting period, SF Holding's intra-city delivery revenue was RMB 343 million, a 158.79% increase year over year. The intra-city delivery relies on strong technological capabilities, diversified operating models, and flexible transportation resources in order to continue to grow intra-city on-demand logistics market share.

Aiming to establish the country's largest and leading third-party direct, on-demand logistics service provider, SF Holding's intra-city service already covers more than 250 cities, rapidly seizing intra-city on-demand logistics market share and gradually becoming an industry leader. We have also already established a diverse and healthy portfolio of customers, serving the apparel industry, restaurant and takeaway delivery industry, grocery industry, beverage industry, consumer electronics industry, and fresh flowers and cakes industry. Providing customers with fast, high-quality, and safe delivery services, our partner brands include McDonald's, KFC, Luckin Coffee, Tianhong, Yonghui, Pizza Hut, and Heilan. We have also opened intra-city urgent delivery services in 24 cities, including Beijing, Shanghai, Guangzhou, Shenzhen, and Hangzhou to provide one hour pick-up and delivery service, or 30 minutes as fastest.

(4) International express

SF Holding is committed to providing convenient and reliable international express delivery and logistics solutions for domestic and foreign manufacturing companies, trading companies, cross-border E-commerce, and consumers, including international standard express, international economy express, international small parcel, overseas warehousing, transshipping, and other different categories of timing standards and import/export services. In addition, we can provide integrated and customized import/export solutions based on customer needs including market access, transportation, customs clearance, and delivery to help China's outstanding enterprises/products "go abroad" as well as to "import" overseas high-quality enterprises/commodities to China.

As of the end of the reporting period, the international standard express/economy express covered 53 countries including the United States, the European Union, Russia, Canada, Japan, Korea, ASEAN, India, Brazil, Mexico, and Chile. The international small parcel business covered 225 countries and regions. In compliance with

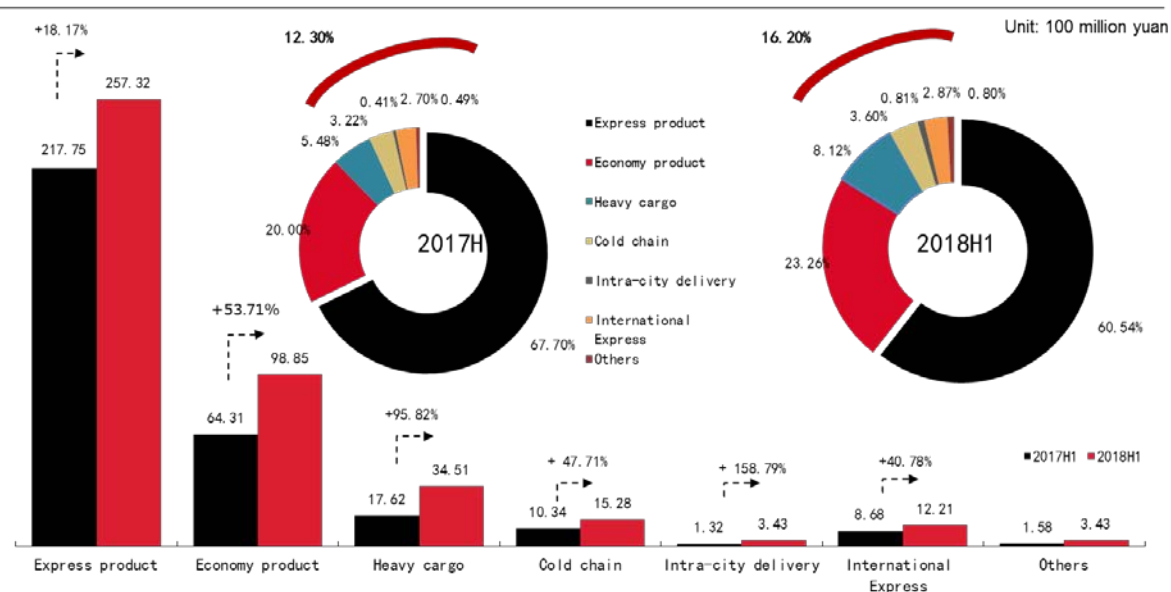
the Blue Ocean development trend of cross-border E-commerce logistics, SF Holding has continuously enriched its one-stop industrial solutions for cross-border services. For example, by setting up overseas warehouses, providing first leg logistics services for Chinese merchants using overseas warehouses, providing assured chartered flight services in key corridors, integrating overseas resources and domestic high-quality cold chain service capabilities, we create a "one-stop" cross-border fresh produce and seafood cold chain services for customers while achieving breakthroughs in new Break-bulk Direct services. During the reporting period, international express revenue was RMB 1.2 billion, a year-over-year increase of 40.78%.

SF Holding joined the new series funding round for the American logistics service platform Flexport in April 2018. Flexport was established in 2013, headquartered in San Francisco. It is an authorized freight forwarder committed to providing customers with sea, land, and air freight transportation, customs clearance, cargo insurance, and other transparency services. Flexport and SF established a strategic partnership that allows its services to expand into China and the global market. At the same time, SF will draw on Flexport's capabilities to optimize its own products and strengthen its competitiveness.

In addition, under the traction of the "The Belt and Road" strategy at the national level, the Chinese economy will further step up cross-border trade and business activity. In order to comply with the Blue Ocean development trend of international trade and cross-border E-commerce, **SF Holding and UPS announced in May 2017 to establish a joint venture company in Hong Kong to develop and provide international logistics products, focus on cross-border trade, and expand the global market. As of the end of the reporting period, the joint venture has been officially established, and operations have begun.** The establishment of the joint venture will help the two companies in China and the United States to learn from each other's strengths in network and scale, increase efficiency, and provide customers with more diversified choices and better services. The cooperation between the two parties will benefit SF Holding's long-term international strategic growth, optimize its international logistics network, and enhance its international competitiveness.

Rapid Growth of New Businesses

■ 2017H1 and 2018H1 Revenues by Business



II. Main Business Analysis

For details, see “I. Business Performance in the First Half of 2018” in “Chapter 4 Discussion and Analysis of Business Operations.”

Year-over-year changes to major financial data

Unit: RMB

	Reporting Period	The same period of previous year	YoY Change	Rationale
Revenues	42,503,599,511.93	32,160,932,363.81	32.16%	Operating revenue increased by 32.16%, or RMB 10.3 billion, over the same period of previous year, mainly due to the increase in delivery volume.
Cost of revenue	34,467,212,820.18	25,347,477,265.57	35.98%	Cost of revenue increased by RMB 9.1 billion over the same period of previous year, in line with the increase in revenue during the reporting period.
Selling and distribution expenses	959,568,129.92	635,612,144.35	50.97%	Selling and distribution expenses increased by RMB 324 million over the same period of previous year, mainly due to the increase in marketing expenses in line with the business growth and the increase in market promotion expenses for new businesses.
General and administration expenses	3,815,523,582.62	3,206,870,451.97	18.98%	

	Reporting Period	Prior Year Period	YoY Change	Rationale
Research and development expenses	396,939,568.34	203,739,223.62	94.83%	Research and development expenses increased by 94.83%, or RMB 193 million, mainly due to the increase in research and development activities.
Financial expenses	10,327,590.07	164,180,999.14	-93.71%	Financial expenses decreased by RMB 154 million over the same period of previous year, mainly due to the increase in interest income from inter-bank deposits offsetting other financial expenses.
Income tax expense	792,827,877.77	716,921,280.10	10.59%	
Net cash flows from/(used in) operating activities	2,280,581,118.96	1,805,856,072.13	26.29%	
Net cash flows (used in) /from investing activities	-6,127,088,965.14	2,321,240,529.77	-363.96%	Net cash flow (used in) /from investing activities decreased by RMB 8.4 billion over the same period of previous year, mainly due to the net increase in wealth management products and the purchase of long-term assets.
Net cash flows from financing activities	-78,972,779.11	-126,564,627.15	-37.60%	The net cash flow from financing activities increased by RMB 48 million over the same period of previous year, mainly due to an RMB 421 million increase in borrowings, RMB 562 million increase in dividends, and RMB 189 million increase in net income from other financing activities.
Net (decrease)/increase in cash and cash equivalents	-3,912,118,111.13	3,996,303,788.39	-197.89%	The net increase in cash and cash equivalents decreased by RMB 7.9 billion over the same period of previous year. For details, please refer to the above reasons for changes in cash flow of operating activities, investment activities, and financing activities.
Research and development expenditures	766,262,215.48	343,451,633.04	123.11%	Research and development expenditures increased by 123.11%, or RMB 423 million, mainly due to the rapid increase in investment in R&D projects.

During the reporting period, there were major changes in profit composition or sources of profit

Yes No

Composition of revenue

Unit: RMB

	Current reporting period		The same period of previous year		Increase/Decrease over the same period of previous year
	Amount	Proportion of Revenue	Amount	Proportion of Revenue	
Revenue	42,503,599,511.93	100%	32,160,932,363.81	100%	32.16%
Categorized by industry					
Express & logistics	42,160,162,854.77	99.19%	32,003,280,296.22	99.51%	31.74%
Sales of goods	54,768,168.17	0.13%	28,114,357.57	0.09%	94.80%
Others	288,668,488.99	0.68%	129,537,710.02	0.40%	122.85%
Categorized by product					
Express product	25,731,642,712.22	60.54%	21,775,097,189.76	67.70%	18.17%
Economy product	9,885,355,748.45	23.26%	6,431,287,247.60	20.00%	53.71%
Heavy cargo	3,450,872,512.36	8.12%	1,762,307,512.39	5.48%	95.82%
Cold chain	1,528,029,936.00	3.60%	1,034,482,560.13	3.22%	47.71%
Intra-city delivery	342,887,870.67	0.81%	132,499,113.44	0.41%	158.79%
International product	1,221,374,075.08	2.87%	867,606,672.90	2.70%	40.78%
Others	343,436,657.15	0.80%	157,652,067.59	0.49%	117.84%
Categorized by region					
Express logistics – East China	12,443,526,804.15	29.27%	9,224,139,682.84	28.68%	34.90%
Express logistics – South China	10,660,429,957.42	25.08%	8,030,751,287.30	24.97%	32.75%
Express logistics – North China	9,245,291,089.11	21.75%	7,202,068,006.73	22.39%	28.37%
Express logistics – Central China	5,656,142,970.02	13.31%	4,251,468,639.58	13.22%	33.04%
Express logistics – West China	3,250,923,966.29	7.65%	2,473,650,199.10	7.69%	31.42%
Express logistics – Hong Kong and Macao	644,905,256.71	1.52%	591,647,708.33	1.84%	9.00%
Express logistics – Overseas	258,942,811.07	0.61%	229,554,772.34	0.72%	12.80%
Commodity and others	343,436,657.16	0.81%	157,652,067.59	0.49%	117.84%

Industries, products, or geographies accounting for more than 10% of company revenue or operating profit

√ Applicable □ Not applicable

Is the company required to comply with disclosure requirement of a particular industry?

Yes

Express Delivery Service Industry

The company is required to comply with the disclosure requirements of the “Guidelines of the Shenzhen Stock Exchange for Industrial Information Disclosure No.9 - Engagement of Listed Companies in Express Delivery Services Business.”

Unit: RMB

	Revenue	Cost of revenue	Gross Profit Margin	Revenue Increase/ Decrease over the Same Period of Last Year	Cost of revenue Increased or Decreased over the Same Period of Last Year	Gross Profit Margin Increased or Decreased over the Same Period of Last Year
Industries						
Express & logistics	42,160,162,854.77	34,214,278,112.75	18.85%	31.74%	35.53%	-2.27%

The company has accounted its operation costs according to the nature of resource consumed appropriately. However, a fair and accurate allocation of cost by product or by region has not been possible. It was because the express and logistics industry itself was basically a complex network, by highly connection, overlaps in different types of resources consumed, all direction of waybills, a tremendous number of customers, highly crossover of different types of resources fully shared.

Disclosure of express delivery volumes , revenues and average revenue per parcel and analysis of changes and rationale

Explanation of related changes those are greater than 30% from the prior year period

□ Applicable √ Not applicable

In the first half of 2018, the national express delivery market continued its positive growth trend. According to data from the State Post Bureau, during the first half of 2018, cumulative express delivery volume was registered at 22.1 billion parcels, a 27.5% increase over same period of previous year. Cumulative express delivery revenues reached RMB 274.5 billion, a 25.8% increase over same period of previous year. In the first half of the year, the company’s traditional business maintained positive growth, benefiting from the rapid growth of new business. Overall logistics service capabilities also improved, and in the first half of 2018, the company’s growth rate far surpassed that of the industry average, realizing more than 1.9 billion shipments, a 35.3% increase over same period of previous year. Express transportation logistics revenues were RMB 42.2 billion, a increase of 31.7% over same period of previous year. average revenue per shipment was RMB 22.69. For details, see “I. Business Performance in the First Half of 2018” in “Chapter 4 Discussion and Analysis of Business Operations.”

III. Non-core Business Analysis

√ Applicable □ Not applicable

Unit: RMB

	Amount	Proportion of Total Profit	Reason	Sustainable
Investment income	199,187,461.94	6.64%	Mainly including Investment income from wealth management products , Gains/(losses) arising from disposal of long-term equity investments and share of net gains or losses of investees under the equity method	The income from wealth management products is sustainable; other investments are not sustainable.
Gains and losses arising from changes in fair value	-4,812,095.66	-0.16%	Mainly including changes in the fair value of trading financial assets and liabilities.	No
Impairment losses	13,707,446.49	0.46%	Mainly including bad debt losses of accounts receivable and other accounts receivables.	No
Non-operating income	55,622,496.87	1.85%	Mainly including government grants and compensation income unrelated to daily activities.	No
Non-operating expenses	48,368,701.34	1.61%	Mainly including donations, compensation expenses, fines, and late payment expenses.	No
Other income	74,730,377.55	2.49%	Mainly including government subsidies related to daily activities.	No
Losses on disposal of fixed assets	-6,982,780.03	-0.23%	Mainly including the gains and losses from disposal of fixed assets.	No

IV. Analysis of Assets and Liabilities**1. Major Changes in Asset Composition**

Unit: RMB

	End of Current Reporting Period		End of Prior Year Period		Increase/Decrease in Proportion	Major Changes
	Amount	Proportion of Total Assets	Amount	Proportion of Total Assets		
Cash at bank and on hand	13,278,406,964.25	22.51%	17,318,372,791.12	30.03%	-7.52%	For details, refer to Cash Flow in section II Major Business Analysis in Chapter 4 Discussion and Analysis of Business Operations.
Notes receivable and accounts receivable	5,712,559,356.29	9.68%	5,813,325,669.28	10.08%	-0.40%	No significant changes

	End of Current Reporting Period		End of Prior Year Period		Increase/ Decrease in Proportion	Major Changes
	Amount	Proportion of Total Assets	Amount	Proportion of Total Assets		
Inventories	499,174,642.28	0.85%	446,359,026.86	0.77%	0.08%	No significant changes
Investment properties	2,047,152,752.31	3.47%	1,991,594,322.02	3.45%	0.02%	No significant changes
Long-term equity investment	1,068,052,092.25	1.81%	604,683,890.67	1.05%	0.76%	Increased due to the increase in investment in joint ventures
Fixed assets	12,152,101,058.31	20.60%	11,895,129,381.18	20.62%	-0.02%	Increased due to the increase in the company's investment in electronic equipment, aircraft and accessories
Construction in progress	3,020,960,583.54	5.12%	2,306,920,413.29	4.00%	1.12%	Increased due to the increase in investment in aircraft modification and other engineering projects
Other current assets	5,986,639,795.71	10.15%	4,384,765,117.56	7.60%	2.55%	Increased due to the increase in wealth management products
Available-for-sale financial assets	2,399,044,328.85	4.07%	1,803,267,331.92	3.13%	0.94%	Increased due to the increase in investments
Other non-current assets	1,671,951,540.07	2.83%	143,213,350.40	0.25%	2.58%	Increased due to the increase in prepaid office buildings and aircraft purchases.
Short-term borrowings	6,431,106,604.43	10.90%	4,619,193,530.69	8.01%	2.89%	The company's borrowings include short-term borrowings, long-term borrowings, and long-term borrowings that are due within one year. The total amount of these borrowings increased by 992 million RMB compared with 2017 mainly due to the increase in borrowings.
Notes payable and accounts payable	6,486,860,179.88	10.99%	6,905,411,234.18	11.97%	-0.98%	No major changes
Employee benefits payable	2,255,587,099.28	3.82%	2,721,423,825.23	4.72%	-0.90%	No major changes
Current portion of non-current liabilities	1,983,602,828.62	3.36%	2,787,710,410.86	4.83%	-1.47%	See the above short-term borrowing description.
Long-term borrowings	2,272,965,112.47	3.85%	2,345,240,281.28	4.07%	-0.22%	See the above short-term borrowing description.

2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB

	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	Increase in the Current Period	Amount of Sales in Current Period	Closing Balance
Financial assets							
1. Financial assets at fair value through profit or loss (excluding derivative financial assets)	16,232,692.66	-5,065,174.61			3,131,400.96		14,298,919.01
2. Derivative financial assets	1,586,700.69	-539,548.66					1,071,619.48
3. Available-for-sale financial assets	1,734,756,526.14		-127,625,141.88		641,160,248.04	9,386,163.00	2,243,199,811.64
Total financial assets	1,752,575,919.49	-5,604,723.27	-127,625,141.88		644,291,649.00	9,386,163.00	2,258,570,350.13
Total	1,752,575,919.49	-5,604,723.27	-127,625,141.88		644,291,649.00	9,386,163.00	2,258,570,350.13
Financial liabilities	784,639.53	-792,627.61					

Did significant changes occur for the company's major asset measurement attributes during the reporting period?

□ Yes √ No

3. Limitation of asset rights as of the end of the reporting period

Unit: RMB

	Book Value at the End of Period	Limitation Reason
Cash at bank	30,000,000.00	Long-term borrowing deposit
Other cash balances	139,907.00	SF Holding's Letter of Guarantee
Other cash balances	480,000.00	Chengdu Fengcheng's Letter of Guarantee
Balance with central bank - statutory reserve	1,135,652,760.16	Legal reserves saved in the Central Bank
Fixed assets	1,389,003,362.43	Long-term borrowing mortgage
Intangible assets	2,721,221,378.15	Long-term borrowing mortgage
Investment properties	1,433,941,203.85	Long-term borrowing mortgage
Total	6,710,438,611.59	

V. Analysis of Investments

1. General situation

Applicable Not applicable

Investment Amount During the Reporting Period (RMB)	Investment Amount During the Prior Year Period (RMB)	Change
5,586,627,745.11	3,096,726,625.81	80.40%

The company is required to comply with the disclosure requirements provided by the Guidelines of the Shenzhen Stock Exchange for Industrial Information Disclosure No.9 - Engagement of Listed Companies in Express Delivery Services Business.

	Investment Amount During the Reporting Period (RMB)
Land	120,535,858.27
Warehouse	68,798,468.12
Sorting center	372,672,586.73
Aircraft	703,667,461.77
Vehicle	517,489,466.60
Information technology equipment	280,110,085.68
Office and Buildings	1,598,660,630.63
Equity investments	1,111,402,506.37
Others	813,290,680.94

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. Financial Assets Measured at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Asset Type	Initial Investment Cost	Changes in Fair Value Gains and Losses in Current Period	Accumulated Fair Value Changes Included in Equity	Amount Increased During the Reporting Period	Selling Amount During the Reporting Period	Accumulated Investment Income	Total financial assets	Capital Source
Stock	628,617,185.85	-5,065,174.61	-87,668,361.88	24,358,065.74	9,386,163.00	-2,539,036.02	627,521,927.39	Self-owned funds
Financial derivatives		-539,548.66				-293,585.40	1,071,619.48	Self-owned funds
Others	1,519,933,583.26		-39,956,780.00	619,933,583.26			1,629,976,803.26	Self-owned funds
Total	2,148,550,769.11	-5,604,723.27	-127,625,141.88	644,291,649.00	9,386,163.00	-2,832,621.42	2,258,570,350.13	--

5. Investments in Securities

√ Applicable □ Not applicable

Unit: RMB

Security Type	Stock Code	Abbreviation of Security	Initial Investment	Accounting Measurement Model	Book value at the beginning of the reporting period	Gains and losses from changes in fair value during the period	Accumulated fair value changes included in equity	Purchase amount during the reporting period	Sales amount during the reporting period	Gains and losses of the reporting period	Book value at the end of the reporting period	Accounting items	Cash source
Domestic and foreign stock	06166	China VAST Ind	397,869,211.38	Fair value measurement	527,881,220.47		-48,151,760.51				483,521,611.05	Available-for-sale financial assets	Self-owned funds
Domestic and foreign stock	000697	Ligeance Mineral	100,479,358.35	Fair value measurement	90,813,381.12		-34,353,149.96	21,226,664.78	9,386,163	-2,670,436.99	68,370,953.09	Available-for-sale financial assets	Self-owned funds

Security Type	Stock Code	Abbreviation of Security	Initial Investment	Accounting Measurement Model	Book value at the beginning of the reporting period	Gains and losses from changes in fair value during the period	Accumulated fair value changes included in equity	Purchase amount during the reporting period	Sales amount during the reporting period	Gains and losses of the reporting period	Book value at the end of the reporting period	Accounting items	Cash source
Domestic and foreign stock	01492	China ZhongDi Dairy	106,661,642.16	Fair value measurement	65,991,704.40		-5,163,451.41				61,330,444.24	Available-for-sale financial assets	Self-owned funds
Other securities held at the end of the period			23,606,973.96	--	16,232,692.66	-5,065,174.61		3,131,400.96		131,400.97	14,298,919.01	--	--
Total			628,617,185.85	--	700,918,998.65	-5,065,174.61	-87,668,361.88	24,358,065.74	9,386,163	-2,539,036.02	627,521,927.39	--	--
Disclosure Date of Securities Investment Approval Board Announcement						October 27, 2017							
Disclosure Date of Securities Investment Approval Shareholders Meeting Announcement (if any)						December 1, 2017							

6. Investments in Derivatives

√ Applicable □ Not applicable

Unit: millions RMB

Counterparty	Related party relationship (Y/N)	Related-party transactions (Y/N)	Type of derivatives	Initial investment amount	Starting date	Ending date	Investment amount at the beginning of the reporting period	Provision for impairment (if any)	Investment amount at the end of the reporting period	Investment amount at the end of the reporting period to net assets of the Company	Gains/ (losses) recognized during the reporting period
Bank	No	No	Interest Rate swap contracts	67.55	2016/07/25	2021/01/25	67.55		54.04	0.16%	0.28
Bank	No	No	Forward foreign exchange contract	6.63	2018/01/15	2018/01/22					-0.04
Bank	No	No	Forward foreign exchange contract	6.63	2018/01/15	2018/02/12					-0.13
Bank	No	No	Forward foreign exchange contract	6.63	2018/01/15	2018/02/26					-0.14
Total				87.44	--	--	67.55		54.04	0.16%	-0.04
Source of funds				Self-owned funds							
lawsuitif applicable				N/A							
Disclosure Date of Derivatives Investment Approval Board Announcement (if any)				March 14, 2018							
Disclosure Date of Derivatives Investment Approval Shareholders Meeting Announcement (if any)				N/A							
Risk analysis and control measures for derivatives investment during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)				<p>In order to reduce exchange rate and interest rate risks in international trade and investment , the company used bank financial instruments to carry out foreign exchange derivatives transactions (including foreign exchange forward and interest rate swap) to preservate foreign currency asset and lock capital cost. The company has fully evaluated and controlled the foreign exchange derivatives investment and positions, as specified below:</p> <p>1. Legal risks: The company's foreign exchange derivatives investment should comply with laws and regulations, and the rights and obligations between the company and banks should be clearly stipulated. Control measures: The company formulated the "Hedging Management System" in accordance with domestic laws and regulations, and designated the responsible department to strengthen study of laws, regulations and market rules. To ensure the compliance with laws, regulations and the company's internal policies, the company reviewed the contracts strictly , defined the rights and obligations clearly in the contracts, and strengthened the compliance inspection.</p> <p>2. Operational risk: The operational risks might caused by employee operation, systems, etc., which lead to losses in the foreign exchange derivatives. Control measures: The company established management systems to clarify the roles and responsibilities,</p>							

	<p>approval processes and operation processes in the foreign exchange derivatives transactions, and established a relatively complete supervision mechanism to reduce operational risks effectively through risk control of operation processes, decision-making processes and transaction processes.</p> <p>3. Market risk: The uncertainty of exchange rate and interest rate fluctuations in the foreign exchange market lead to relatively high market risks in the foreign exchange derivatives transactions. In the case where the exchange rate or interest rate trend deviates significantly from the company's foreign exchange hedging transactions, the company's cost of locking in exchange rate or interest rate may exceed the amount when it is not locked, leading to potential losses. Control measures: The company's foreign exchange derivatives tradings adheres to the principle of prudent and steady operation, and speculative transactions of foreign exchange derivatives are forbidden by internal policies. All foreign exchange derivatives transactions should be based on normal business operations, and the transaction amount should not exceed the demand of actual business. The company studied and judged the trend of exchange rate and interest rate, and locked the exchange rate and loan interest rate through contracts to prevent market risks effectively. Besides, the company recorded each transaction, checked the records, and tracked the changes timely, properly arranged the delivery funds to prevent delivery default risk.</p>
Changes in fair value or market price of invested derivatives during the reporting period (the specific methods, relevant assumptions and parameters used in the analysis of the fair value should be disclosed)	The company analysed the fair value of derivatives using the financial market fair value valuation report provided by the bank at the end of the month. The Company recognized RMB 253,100 gains from changes in fair value during the reporting period.
Explanation of whether the accounting policies and accounting principles of the company's derivatives are significantly changed compared with the previous reporting period during the reporting period	NO
Opinions of independent directors on the company's derivatives investment and risk control	The independent directors believed that the company had established an internal control system for foreign exchange hedging and effective risk control measures in accordance with the requirements stipulated by relevant laws. Under the premise of complying with national laws and regulations and ensuring that the company's daily operation were not affected, the company used its own funds to carry out foreign exchange hedging in a timely manner, which was conducive to preventing interest rate and exchange rate risks, reducing the impact of interest rate fluctuations on the company, in line with the company's interests of all shareholders and was no harm to the company and all shareholders, especially the interests of minority shareholders.

7. Use of Proceeds√ Applicable Not applicable**(1) Overall use of proceeds**√ Applicable Not applicable

Unit: millions RMB

Total Amount Raised	7,822.18
Total Proceeds Used in the Current Period (Note 1)	1,913.07
Total Accumulated Proceeds Used	6,121.67
Total Proceeds with Changed Use During the Reporting Period	0
Total Accumulated Proceeds with Changed Use (Note 2)	3,331.89
Proportion of Total Accumulated Proceeds with Changed Use	42.60%
Use of proceeds	
During the reporting period, proceeds used totalled RMB1,913.07million. As of June 30, 2018, accumulated proceeds Used totalled RMB6,121.67million, unused proceeds totalled RMB 1,700.51 million, the accumulative use of proceeds for aviation materials purchase and flight support projects totalled RMB2,222.58 million. The accumulative use of proceeds for cold storage vehicles and temperature control equipment purchase projects totalled RMB 292.01 million. The accumulative use of proceeds for information service platform construction and next-generation logistics IT research and development projects totalled RMB 2,637.59 million. The accumulative use of proceeds for the construction of distribution hubs totalled RMB969.48million.	

(2) Committed uses of proceeds√ Applicable Not applicable

Unit: millions RMB

Committed Investment Projects and Uses of Excess Proceeds	Project Changed (Partially Changed)	Committed Total Investment Amount from Proceeds	Total Investment Amount after Adjustment (1)	Amount Invested During the Reporting Period	Accumulated Investment Amount As of the End of the Period (2)	Investment Progress As of the End of the Period (3) = (2)/(1)	Date When Project Reaches Scheduled Availability Status	Benefits Achieved During the Reporting Period	Achievement of Expected Benefits	Significant Changes to Project Feasibility
Committed investment projects										
1. Aviation material purchase and flight support project	Yes	2,686.22	2,686.22	570.07	2,222.58	82.74%	December 31, 2018	Note: 3	N/A	No
1.1 Aviation material purchase	Yes	2,376.22	1,572.99	331.08	1,274.67	81.04%	December 31, 2018	Note: 3	N/A	No
1.2 Recruitment of pilots	Yes	310.00	275.55	25.50	170.89	62.02%	December 31, 2018	Note: 3	N/A	No

Committed Investment Projects and Uses of Excess Proceeds	Project Changed (Partially Changed)	Committed Total Investment Amount from Proceeds	Total Investment Amount after Adjustment (1)	Amount Invested During the Reporting Period	Accumulated Investment Amount As of the End of the Period (2)	Investment Progress As of the End of the Period (3) = (2)/(1)	Date When Project Reaches Scheduled Availability Status	Benefits Achieved During the Reporting Period	Achievement of Expected Benefits	Significant Changes to Project Feasibility
1.3 Aircraft purchase and modification	Yes		837.69	213.48	777.02	92.76%	December 31, 2018	Note: 3	N/A	No
2. Cold storage vehicles and temperature control equipment purchase	Yes	717.95	292.01	0	292.01	100.00%	December 31, 2018	Note: 4	N/A	No
2.1 Purchase of vehicles for cold chain transport	Yes	497.29	280.57	0	280.57	100.00%	December 31, 2018	Note: 4	N/A	No
2.2 Purchase of EPP temperature control containers	Yes	220.66	11.44	0	11.44	100.00%	December 31, 2018	Note: 4	N/A	No
3. Information service platform construction and next-generation logistics IT research and development projects	Yes	1,119.18	3,448.57	1,075.47	2,637.59	76.48%	December 31, 2018	Note: 5	N/A	No

Committed Investment Projects and Uses of Excess Proceeds	Project Changed (Partially Changed)	Committed Total Investment Amount from Proceeds	Total Investment Amount after Adjustment (1)	Amount Invested During the Reporting Period	Accumulated Investment Amount As of the End of the Period (2)	Investment Progress As of the End of the Period (3) = (2)/(1)	Date When Project Reaches Scheduled Availability Status	Benefits Achieved During the Reporting Period	Achievement of Expected Benefits	Significant Changes to Project Feasibility
4. Distribution hub construction projects	Yes	3,298.83	1,395.38	267.53	969.48	69.48%		Note: 6	N/A	No
4.1 Zhengzhou SF E-commerce Industrial Park project	Yes	505.85	3.44	0	3.44	100.00%	December 31, 2018	Note: 6	N/A	No
4.2 Changchun SF E-commerce Industrial Park project	Yes	619.46	254.95	22.49	140.33	55.04%	May 31, 2019	Note: 6	N/A	No
4.3 Wuxi SF E-commerce Industrial Park project	Yes	418.34	222.91	66.95	191.47	85.89%	October 31, 2018	Note: 6	N/A	No
4.4 Shanghai Shunheng Logistics Co., Ltd. new factory project	Yes	506.34	188.16	82.65	163.74	87.02%	August 31, 2018	Note: 6	N/A	No
4.5 SF Express Nantong District Aviation Hub (phase 2) project`	Yes	330.55	Project investment cancelled after changes							
4.6 Hefei smart sorting base	Yes	264.27	429.09	71.80	242.67	56.56%	January 31, 2019	Note: 6	N/A	No
4.7 SF E-commerce Industrial Yiwu Integrated Service Center	Yes	249.01	117.32	10.54	80.51	68.62%	June 30, 2018	Note: 6	N/A	No
4.8 Ningbo Transshipping Center	Yes	225.88	90.55	7.98	71.72	79.2%	March 31, 2018	Note: 6	N/A	No

Committed Investment Projects and Uses of Excess Proceeds	Project Changed (Partially Changed)	Committed Total Investment Amount from Proceeds	Total Investment Amount after Adjustment (1)	Amount Invested During the Reporting Period	Accumulated Investment Amount As of the End of the Period (2)	Investment Progress As of the End of the Period (3) = (2)/(1)	Date When Project Reaches Scheduled Availability Status	Benefits Achieved During the Reporting Period	Achievement of Expected Benefits	Significant Changes to Project Feasibility
4.9 Wenzhou Ganglu E-commerce Industrial Park project	Yes	179.13	88.97	5.13	75.60	84.97%	October 31, 2018	Note: 6	N/A	No
Subtotal of committed investment projects	--	7,822.18	7,822.18	1,913.07	6,121.67	--	--		--	--
Investment of excess proceeds	N/A									
Total	--	7,822.18	7,822.18	1,913.07	6,121.67	--	--		--	--
Rationale behind why planned progress or expected benefit has not been reached	"Shanghai Shunheng Logistics Co., Ltd. new factory project" was postponed due to renovation, and the progress of "SF E-commerce Industrial Yiwu Integrated Service Center" slowed down due to operational strategy adjustment and project settlement.									
Description of major changes in project feasibility	N/A									
Amount, use and progress of use of excess proceeds	N/A									
Changes in location of investment projects using proceeds	N/A									
Changes in implementation model of investment projects using proceeds	N/A									

Committed Investment Projects and Uses of Excess Proceeds	Project Changed (Partially Changed)	Committed Total Investment Amount from Proceeds	Total Investment Amount after Adjustment (1)	Amount Invested During the Reporting Period	Accumulated Investment Amount As of the End of the Period (2)	Investment Progress As of the End of the Period (3) = (2)/(1)	Date When Project Reaches Scheduled Availability Status	Benefits Achieved During the Reporting Period	Achievement of Expected Benefits	Significant Changes to Project Feasibility
Pre-investment and replacement of investment projects using proceeds										After consideration by the seventh meeting of the fourth session of Board of Directors on August 4, 2017, the company's sponsor institutions, independent directors, and Board of Supervisors clearly expressed their consent to replace self-raised funds of a total of RMB 2.6 billion RMB with pre-investments in aviation material purchase and flight support projects, cold storage vehicle and temperature control equipment purchase projects, information service platform construction and next-generation logistics IT research and development projects, and distribution hub construction projects with the proceeds. For details, refer to the disclosure of the company's announcement (Announcement No. 2017-046) in the Securities Times, Shanghai Securities News, China Securities Journal, and http://www.cninfo.com.cn on August 26, 2017.
Temporary replenishment of liquidity with idle raised funds										N/A
Amount and rationale for surplus of the raised fund in project implementation										The proceeds are still in the process of investment, and there is no raised funds surplus.
Use and planned use of unused proceeds										Unused proceeds will be used for aviation materials purchase and flight support projects, information service platform construction and next-generation logistics IT research and development projects, and distribution hub projects. Unused proceeds are all deposited in the company's raised funds account in the regulatory bank for the purpose of improving capital gains. The company reviewed and passed the <i>Proposal on Adjusting the Use of Idle Raised Funds for Cash Management</i> in accordance with the Third Extraordinary Shareholders' General Meeting of 2017 and will purchase fixed-income wealth management products using partial unused proceeds. As of June 30, 2018, the company deposited unused proceeds of 150 million as a structured deposit and subscribed to capital-preservation fixed-income wealth management products of RMB 1.5 billion. The remaining RMB 211.7 million will be held as demand deposits. There are no restrictions in the form of collateral, pledges, and other usage right restrictions.
Issues that occurred in the use and disclosure of proceeds										N/A

(3) Changed projects

√ Applicable □ Not applicable

Unit: millions RMB

Project After Change	Original Committed Project	Total Amount to Invest in Projects Using Proceeds After Change	Actual Amount Invested During the Reporting Period	Accumulated Investment Amount As of the End of the Period (2)	Investment Progress As of the End of the Period (3) = (2)/(1)	Date When Project Reaches Scheduled Availability Status	Benefits Achieved During the Reporting Period	Achievement of Expected Benefits	Significant Changes to Project Feasibility
Aviation material purchase and flight support project - Aircraft purchase and modification	Aviation material purchase and flight support project - Aviation material purchase - Recruitment of pilots	837.69	213.48	777.02	92.76%	December 31, 2018	Note: 3	N/A	No
Information service platform construction and next-generation logistics IT research and development projects	Cold storage vehicles and temperature control equipment purchase Distribution hub construction projects	3,448.57	1,075.47	2,637.59	76.48%	December 31, 2018	Note: 5	N/A	No
Distribution hub construction project – Hefei smart sorting base project	Distribution hub construction projects	429.09	71.80	242.67	56.56%	January 31, 2019	Note: 6	N/A	No
Total	--	4,715.35	1,360.75	3,657.28	--	--	--	--	--
Reasons for change, decision-making procedures and information disclosure (by project)	<p>The company changed some of the raised capital investment projects according to market conditions. After deliberation at the eighth meeting of the fourth session of the Board of Directors of the company, the Third Extraordinary Shareholders' General Meeting in 2017 passed the Proposal on Changing Some Raised Fund Investment Projects, in which the company agreed to reduce a total of RMB 837.7 million of the proceeds planned to invest in "aviation material purchase and maintenance" and "recruitment of pilots" and increase a total of RMB 837.7 million of the proceeds to be invested in "aircraft purchase and modification", under the premise that the total amount of invested funds raised is not changed. Under the premise that the total amount of investment in "cold storage vehicle and temperature control equipment purchase project" and "distribution hub construction project" remains unchanged, the company will increase or decrease its proceeds investment in subprojects. A total decrease of RMB 2.3 billion was applied for the planned investment in "information service platform construction and next-generation logistics IT research and development project" of the original raised fund investment project. For details, refer to the disclosure of the company's announcement (Announcement No. 2017-049, 2017-052, and 2017-059) on Securities Times, Shanghai Securities News, China Securities Journal, and http://www.cninfo.com.cn on August 26, 2017.</p>								

Project After Change	Original Committed Project	Total Amount to Invest in Projects Using Proceeds After Change	Actual Amount Invested During the Reporting Period	Accumulated Investment Amount As of the End of the Period (2)	Investment Progress As of the End of the Period (3) = (2)/(1)	Date When Project Reaches Scheduled Availability Status	Benefits Achieved During the Reporting Period	Achievement of Expected Benefits	Significant Changes to Project Feasibility
Circumstances and rationale why the planned progress or expected benefit has not been reached (by project)			There are no disclosed investment projects that have not reached the schedule.						
Description of major changes in project feasibility after changes			N/A						

(4) Fundraising projects

Overview of fundraising projects	Disclosure date	Disclosure method
"First Half 2018 Special Report on the Deposit Status and Actual Use of Funds Raised"	August 24, 2018	http://www.cninfo.com.cn

Note 1: "Total Proceeds Used" includes the total amount of invested proceeds after the raised funds have been received and the actual amount of prior investment that has been replaced by RMB 2.6 billion.

Note 2: "Total Amount of Proceeds with Use Changed" is the amount of change from the proposed investment. Note 3: With the rapid development of the company's business, in combination with the company's future strategic plan, the original aircraft capacity can no longer meet the needs of business development. This project aims to improve the company's air transport efficiency and market competitiveness. Therefore, the benefits cannot be quantified directly.

Note 4: This project aims to improve cold chain transportation speed and quality, providing customers with high-level temperature control services. Therefore, the benefits cannot be quantified directly.

Note 5: This project aims to place the company at the forefront of next-generation logistics informatization technology to enhance smart logistics capabilities, support the development of integrated logistics services in the future, promote information digitization, networking, and marketization, and support new business innovation and incubation. Therefore, the benefits cannot be quantified directly.

Note 6: This project aims to further strengthen the company's courier backbone network processing capabilities and improve network-wide operations efficiency. Therefore, the benefits cannot be quantified directly.

8. Major projects not involving fundraising

Applicable Not applicable

There were not major projects not involving fundraising during the reporting period.

VI. Sale of Major Assets and Equity

1. Sale of major assets

Applicable Not applicable

The company did not sell any major assets during the reporting period.

2. Sale of major equity

Applicable Not applicable

VII. Analysis of Major Holdings and Participating Companies

Applicable Not applicable

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

Unit: RMB

Company name	Company Type	Primary Business	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Profit
Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	Subsidiary	Investments in industrial businesses, asset management, capital management, investment management, etc	2 billion RMB	28,439,368,269.20	19,011,998,224.19	0.00	158,283,234.57	169,283,234.57
SF Express Co., Ltd.	Subsidiary	International freight forwarding, domestic and international express delivery services, etc.	150 million RMB	12,391,240,643.00	4,219,226,205.57	5,427,405,990.84	470,374,138.33	335,100,175.31

Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

Company Name	Acquisition or Disposal of Subsidiaries During the Reporting Period	Impact on Overall Production Operations and Performance
Zhejiang Fengchi Network Technology Co., Ltd.	New venture	No major impact
Foshan Fengyutai Industrial Park Operation Management Co., Ltd.	New venture	No major impact
SF Holding Investment Limited	New venture	No major impact
JOLLY UNION LIMITED	New venture	No major impact
SF Technology (Beijing) Co., Ltd.	New venture	No major impact
Ezhou Shunlu Logistics Co., Ltd.	New venture	No major impact
Ezhou Fengtai Qisheng Logistics Development Co., Ltd.	New venture	No major impact
Ezhou Fengyutai Helin Logistics Development Co., Ltd.	New venture	No major impact
Shenzhen SF Runtai Management Consulting Co., Ltd.	New venture	No major impact
Nanchang Fengtai Industrial Park Management Co., Ltd.	New venture	No major impact
Zhongtian Cai (Shenzhen) Technology Co., Ltd.	New venture	No major impact
Xuzhou Fengtai Industrial Park Management Co., Ltd.	New venture	No major impact
Guangzhou S.F. Information Services Co., Ltd.	New venture	No major impact
Tianjin SF Import and Export Trading Co., Ltd.	New venture	No major impact

Company Name	Acquisition or Disposal of Subsidiaries During the Reporting Period	Impact on Overall Production Operations and Performance
Ma'anshan Fengyutai Enterprise Management Co., Ltd.	New venture	No major impact
Jinjiang Jietai Enterprise Management Co., Ltd.	New venture	No major impact
SF Pharmaceutical Supply Chain Hubei Co., Ltd.	New venture	No major impact
Wulian Yuncang (Chengdu) Technology Co., Ltd.	New venture	No major impact
Shunyuan Leasing (Tianjin) Co., Ltd.	New venture	No major impact
Shanxi Fengnong Technology Co., Ltd.	New venture	No major impact
Equal Wind limited	New venture	No major impact
Joyous Advantage Limited	New venture	No major impact
Superior Hawk Limited	New venture	No major impact
Top Haze Limited	New venture	No major impact
Crystal Era Limited	New venture	No major impact
Bright Hazel Limited	New venture	No major impact
Castle Way Corporation Ltd	New venture	No major impact
World Brave Ltd	New venture	No major impact
Shunfeng Multimodal Transport Co., Ltd.	New venture	No major impact
Xiamen Fengyutai Industrial Park Management Co., Ltd.	New venture	No major impact
Fame Trend International Ltd	New venture	No major impact
Lhasa Fengtai Industrial Park Management Co., Ltd.	New venture	No major impact
Ganzhou Fengtai Industrial Park Management Co., Ltd.	New venture	No major impact
SF Express Ltd.	New venture	No major impact
SF Fengle Property Co., Ltd.	Acquisition	No major impact
Fengtu Technology (Shenzhen) Co., Ltd.	New venture	No major impact
Chengdu Yifeng Home Technology Service Co., Ltd.	New venture	No major impact
Fonair Aviation Technology Co., Ltd.	Acquisition	No major impact
Guangdong Shunxin Express Co., Ltd.	New venture	No major impact
Guangdong Shunxin Jieda Express Co., Ltd.	New venture	No major impact
Beijing Shunxin Jieda Supply Chain Co., Ltd.	New venture	No major impact
Shanghai Shunzhu Xinhe Express Co., Ltd.	New venture	No major impact
Dongguan Shunjiaxin Express Co., Ltd.	New venture	No major impact
Shenzhen Shunxin Jieda Express Co., Ltd.	New venture	No major impact
Suzhou Shunhexin Express Co., Ltd.	New venture	No major impact
Exaleap SF Limited	New venture	No major impact

VIII. Structured Entities Controlled by the Company

Applicable Not applicable

IX. Performance forecast for the first nine months of 2018

The forecasted net profit attributable to shareholders of the parent company for the first nine months of 2018 is positive and does not belong to the situation of turning losses into profits.

Changes in net profit attributable to shareholders of the parent company for the first nine months of 2018 as compared with the same period of 2017	-18.25%	至	-2.62%
The range of net profit attributable to shareholders of the parent company for the first nine months of 2018 (ten thousand RMB)	298,000.00	至	355,000.00
Net profit attributable to shareholders of the parent company for the first nine months of 2017 (ten thousand RMB)	364,538.94		
Reasons for changes in performance	<p>The net profit attributable to shareholders of the parent company for the first nine months of 2017 included one-off gains from the disposal of long-term equity investments. For comparability, the company forecasts the net profit after deducting non-recurring profit or loss attributable to shareholders of the parent company (“net profit after deducting non-recurring profit or loss”) as follows:</p> <ul style="list-style-type: none"> ▪ Changes in net profit after deducting non-recurring profit or loss for the first nine months of 2018 : 3.70% - 25.00% ▪ The range of net profit after deducting non-recurring profit or loss for the first nine months of 2018 (ten thousand RMB) : 275,000.00 - 331,500.00 ▪ Net profit after deducting non-recurring profit or loss for the first nine months of 2017 (ten thousand RMB) : 265,194.98 <p>The company's net profit after deducting non-recurring profit or loss grows due to healthy and stable development of the business.</p>		

X. Possible risks and countermeasures

1. Market risks

Risk of macroeconomic fluctuations: The logistics industry plays an important role in the development of the national economy. At the same time, it is also affected by macroeconomic conditions. In recent years, there has been sluggish macroeconomic growth in China as it underwent transitions with its economic structure, and its future development will also be complicated. Such macroeconomic fluctuations will have considerable impact on the overall development of China's logistics industry and the performance of SF Holding.

Market competition risks: Competition in China's express logistics industry has become increasingly fierce. On the one hand, industry-leading express logistics enterprises continue to strive to expand their businesses and networks. On the other hand, E-commerce platform enterprises, social capital, and other external forces are creeping into the express logistics industry, further exacerbating market competition. If the company cannot take active and effective measures to cope with the ever-changing market competition, it may face the risk of slowing

business growth and declining market share.

Risks arising from changes in new business patterns: In recent years, with the rapid development of information technology, the impact of the Internet economy on all aspects of life has become increasingly obvious. In the express delivery industry, information platform-type enterprises have emerged. Through fast and effective management and matching of information between supply and demand, this kind of enterprise can gather and utilize social capital quickly to deliver appropriate services for the customer and impacting the traditional business model within the express industry.

Risk response: In the face of complex and volatile potential market risks, the company has established a comprehensive risk management system, closely monitors and analyzes macroeconomic trends, industry trends, and market competition trends. From these analyses, SF Holding plans and adjusts its strategic direction and business planning in a forward-looking manner so as to minimize the impact of changes in the external market environment on the company's business and future development.

2. Policy risks

Risks arise from changes in industry regulations and industrial policies: The express delivery service requires operations licenses and is subject to the regulations under administrative bureaus, and industry standards such as the *Postal Law*, *Administrative Measures for the Express Delivery Business License*, *Express Delivery Market Management Policy*, *Express Delivery Service Industry Standard*, and *Express Delivery Operation Guidelines*. In order to support the development of the express delivery industry, various levels of authorities have successively launched a number of industrial support and encouragement policies. However, should major changes or adjustments in relevant laws, regulations, or industrial policies occur in the future, they may impact the development of the express delivery industry and market competition, which in turn may affect the future business growth and performance of the company.

Risks from national environmental protection, energy reduction, and emission reduction policies: Various types and models of motor vehicles are important transportation tools of the express company. As China's environmental protection, energy reduction, and emissions reduction-related policies are increasingly intensified, our industry's related expenses will increase, which will subsequently affect the company's future performance.

Risk response: The company has established national and local policy research teams in each business unit to conduct in-depth analysis on relevant policies to predict future policy directions and trends in a scientific manner and in relation to overall changes in the external environment. Forward-looking plans are implemented and adjusted by fully capitalizing on advantageous policies while avoiding policy risks, hence promoting business growth.

3. Business risks

Risk of rising costs: The traditional express delivery industry is a labor-intensive industry. There are large labor needs along many operational stages such as pickup, sorting, transportation, and delivery. With the decreasing rate of population growth in China, there is a certain upward pressure on labor costs. At the same time, investments in logistics infrastructure are also increasing. If the company cannot obtain enough business volume in the future or if it cannot control costs effectively, it will face challenges in its future growth. **Risk response:** SF Holding has continued to increase investment in areas such as logistics framework optimization and system component

innovation, including in areas such as bringing the entire logistics process online, applying smart technology, reducing manpower and offline operations, upgrading service point and route planning, and using scientific and technological means to enhance efficiency, reduce labor costs, and lead the transformation of the express delivery industry from labor-intensive to technology-intensive.

Risks from fuel price fluctuation: Transportation cost is one of the major costs of the express delivery industry, and fuel cost is a part of transportation costs. Fluctuations in fuel prices will have a certain impact on the profitability of express delivery companies. If the fuel price rises significantly in the future, the company will experience more pressure from costs. Generally, tax-free fuel costs accounted for only 2.38% of revenue in the first half of 2018, and therefore the impact of fuel price fluctuations on operating costs is relatively limited. It is estimated that fuel prices fluctuate by +/- 5%, then cost of revenue may increase or decrease by RMB 102 million for the current year, which will either increase or decrease net profit attributable to the parent company by a maximum of RMB 76 million. **Risk response:** The company will further improve service points layouts, improve the science behind its route planning, improve loading rates along its operation routes, and reduce the risk of fuel price fluctuations by increasing resource use efficiency and promoting the use of new energy vehicles. At the same time, the company has a mature operations and cost monitoring mechanism. When costs fluctuates significantly, it will dynamically adjust the operations plan and fuel cost control measures to reduce the negative impact caused by fuel cost fluctuations on the company.

4. Exchange rate fluctuations risk

The company currently offers express delivery services in the U.S., Japan, Korea, and Singapore and provides B2C and E-commerce delivery services in many countries and regions. In the future, as SF Holding's international business grows, the proportion of business denominated in foreign currencies will gradually increase. Given the uncertainties in the international financial environment and fluctuations in the RMB exchange rate, the company's foreign currency assets and liabilities, as well as future foreign currency transactions, will be at risk and may impact the company's reporting and continued profitability.

Risk response: The company's foreign exchange transactions are mainly based on cross-border business needs. In order to avoid and prevent exchange rate and interest rate fluctuation risks and better manage the company's foreign currency positions, the company has established the "Management System for Business Hedging" in order to enable centralized management of foreign currency and to achieve natural hedging. In order to avoid exchange rate or interest rate risk, the company monitors exchange rate and interest rate fluctuations in real time and selects the hedging products that will control risk at low risk of default and lock in exchange rate and interest rate costs. At the same time, the company will strengthen its exchange rate and interest rate research and analysis capabilities so that it can be alerted to changes in the international market in real time and take countermeasures on early warning signals. The company only conducts foreign exchange hedging business with strong and large commercial banks who rely on continued business, do not trade for speculation, and operate in strict accordance within authorized operations to ensure effective implementation of its strategies and to reduce the impact of exchange rate risk on its operations and bottom line.

5. Information systems risk

In order to cope with the diversified development of our company's business, the complex and diverse needs of customers, and the strategic direction of technology that leads the business to expand its market position, our company has built and applied many information systems and technologies. The rapid development and changes in the market make the construction of the company's core business systems also face the challenges of rapid

changes in technology and services.

With a wide variety and latest professional technologies in our company, changes of information technology or future business needs may cause information system risks. Although a series of information security controls have been established on a large amount of data in our company. There are still some information security risks caused by human or system.

Risk Responses: Our company has developed a comprehensive information system risk response system. On one hand, we have established information system risk prevention and detection control system, formulated normative processes such as “IT System Major Event Management Process System”, “IT System Emergency Plan Formulation and Implementation Management Guidelines”, and strengthened personnel awareness and effective operation. We implemented closed-loop risk prevention and detection control in terms of pre-warning, in-process control, and post-recording. On the other hand, our company continues to carry out ISO27001 annual certification and national information system security level protection evaluation, and conducts high-standard and stable information security self-examination and optimization. By strengthening the prevention and detection control of information security risks in customer service products and business system research and development, we are working on improving the management and control measures for IT infrastructure, security protection and internal information circulation, to build a healthier business system, more standardized and safer business processes. We implement laws and regulations such as the Cyber Security Law and GDPR as well as actively cooperate with the National Development and Reform Commission, the State General Administration of Posts, and all the public security departments to combat black production, speculation, etc. Additionally, we regularly hold security summits and security salons to facilitate information sharing with industry leaders and industry elites, with the aim to build a safe and orderly Cyberspace.

Chapter 5 Significant Events

I. Annual general meeting of shareholders and extraordinary general meeting of shareholders held during the period

1. Shareholder meetings held during the reporting period

Meeting	Meeting Type	Investor Participation %	Date Convened	Disclosure Date	Disclosure Method
First Extraordinary General Meeting of Shareholders of 2018	Extraordinary General Meeting	85.78%	January 12, 2018	January 13, 2018	“Resolutions of the First Extraordinary General Meeting of 2018”(2018-002) (http://www.cninfo.com.cn)
2017 Annual General Meeting	Annual General Meeting	91.56%	April 3, 2018	April 4, 2018	“2017 Annual General Meeting Resolutions” (2018-030) (http://www.cninfo.com.cn)
Second Extraordinary General Meeting of Shareholders of 2018	Extraordinary General Meeting	85.52%	May 17, 2018	May 18, 2017	“Resolutions of the Second Extraordinary General Meeting of 2018” (2018-045) (http://www.cninfo.com.cn)

2. Extraordinary general meetings convened at the request of preferred stockholders whose voting rights have been restored

Applicable Not applicable

II. Profit distribution or increase of share capital from capital reserves during the reporting period

Applicable Not applicable

The company does not plan to issue cash or stock dividends, nor to convert capital reserves into share capital.

III. Commitments made by the Company's actual controllers, shareholders, related parties, purchasers, and others that were fulfilled during the reporting period or were not fulfilled and exceed the time limit as of the end of the reporting period

Applicable Not applicable

There were no such situations during the reporting period.

IV. Appointment and dismissal of accounting firms

Is the semi-annual financial report audited?

Yes No

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

V. Explanation provided by the Board of Directors and the Supervisory Committee regarding the "non-standard auditor's report" issued by the auditor during the reporting period

Applicable Not applicable

VI. Explanation provided by the Board of Directors regarding matters relevant to the “non-standard auditor’s report”

Applicable Not applicable

VII. Bankruptcy and Reorganization

Applicable Not applicable

The company did not experience any bankruptcy or reorganization during the reported period.

VIII. Legal Proceedings

Significant lawsuits or arbitration

√ Applicable □ Not applicable

Situation overview of lawsuit (arbitration)	Lawsuit amount (RMB millions)	Provisions	Progress of lawsuit (arbitration)	Results and effects of lawsuit (arbitration)	Execution status of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
<p>According to Shenzhen Glorint Factoring Co., Ltd. (the plaintiff in this case, hereinafter referred to as "Shenzhen Glorint"), the "Indictment":</p> <p>On October 11, 2014, Shenzhen Glorint and Hubei Xingyu Garment Co., Ltd. (hereinafter referred to as "Hubei Xingyu") signed the "SDIC Factoring Business Contract," which stipulated that Shenzhen Glorint will provide factoring financing to Hubei Xingyu, and Hubei Xingyu shall also carry out a premium repurchase on time according to the terms of the contract. Fucheng Investment Holding Group Co., Ltd. (defendant II in this case), Zeng Shixiang (defendant III in this case), Zeng Cheng (defendant IV in this case), and Jiang Bin (defendant V in this case) shall provide guarantees for this contract.</p> <p>In May 2014 and January 2015, S.F. Express Co., Ltd. (defendant VI in this case, hereinafter referred to as "S.F. Express"), Shenzhen SF Supply Chain Co., Ltd. (defendant VII in this case, hereinafter referred to as "SF Supply Chain") signed an apparel purchase contract with Hubei Xingyu respectively. The total amount of the contract was RMB 18,099,519.</p> <p>On January 30, 2015, Hubei Xingyu and Shenzhen Glorint signed the Supplementary Agreement (I) of the SDIC Factoring Business Contract, which stipulated that Hubei Xingyu shall transfer a total of RMB 18,099,519 to Shenzhen Glorint, based on the accounts receivable in the above-mentioned apparel purchase contract with S.F. Express and SF Supply Chain. In view of the fact that Hubei Xingyu did not fulfill the premium repurchase of factoring financing in accordance with the stipulated SDIC Factoring Business Contract, S.F. Express and SF Supply Chain did not pay RMB 18,099,519 for Shenzhen Glorint. On September 1, 2015, Shenzhen Glorint filed a lawsuit with the Futian District People's Court and requested a decree:</p>	18.6	No	No development during the reporting period	This case is a dispute arising from the payment of contract payment. The subject matter of the lawsuit is the Company's accounts payable for the performance of the contract, and the amount of the subject matter is small. The results of these cases will not be materially adverse to the Company's financial status and continuing operations.	N/A	December 13, 2016	Main Assets Replacement and Issuance of Shares to Purchase Assets and Raise Matching Funds and Related-party Transaction Report (Revised Draft) at http://www.cninfo.com.cn

Situation overview of lawsuit (arbitration)	Lawsuit amount (RMB millions)	Provisions	Progress of lawsuit (arbitration)	Results and effects of lawsuit (arbitration)	Execution status of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
<p>(1) S.F. Express and SF Supply Chain should pay 18,099,519 RMB to Shenzhen Glorint. (2) Hubei Xingyu, Fucheng Investment Holding Group Co., Ltd., and Zeng Shixiang, Zeng Cheng, Jiang Bin, S.F. Express, and SF Supply Chain will be jointly and severally liable for the aforementioned payment. (3) The defendants in this case should bear the legal fees, litigation fees, and all other litigation fees in this case.</p> <p>On July 19, 2016, Shenzhen Glorint applied to the Futian District People's Court to withdraw the lawsuit against the defendants Zeng Shixiang, Zeng Cheng, and Jiang Bin. On April 20, 2017, Futian District People's Court ruled that the case was transferred to the jurisdiction of the Yuting District People's Court, Yichang City, where the Hubei Xingyu Bankruptcy case was filed. Shenzhen Glorint rejected the first-instance ruling and appealed to Shenzhen Intermediate People's Court.</p> <p>On July 10, 2017, Shenzhen Intermediate People's Court ruled to revoke the decision of the Futian District People's Court and the case was under the jurisdiction of the Futian District People's Court.</p> <p>On October 23, 2017, the Futian District People's court held its second hearing. The bankruptcy administrator of Hubei Xingyu, Yichang Xinli Bankruptcy and Liquidation Office Co., Ltd. engaged lawyers to participate in the trial. As of the date of this report, the first trial had not yet been decided.</p>							

As of June 30, 2018, in addition to the above legal case, 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 RMB 78.8 million, and the actual documented, effective amount was RMB 18.0 million.
2. Cases not yet resolved during the reporting period include: Cases involving the listed Company and its subsidiaries as defendants amounted to RMB 109.4 million, accounting for 0.33% of audited net assets attributable to shareholders of the listed Company at the end of 2017. Cases involving the listed Company and its subsidiaries as plaintiffs amounted to RMB 57.6 million, accounting for 0.18% of audited net assets attributable to

shareholders of the listed Company at the end of 2017. The above litigation matters are mainly independent and individual cases involving minor traffic accidents and transportation claims. The listed Company and its subsidiaries hold commercial insurance policies for its vehicles, transportation, and other business activities. Based on prior experience, the purchased insurance policies are able to cover any losses brought by lawsuits. The described legal proceedings will not have a material adverse effect on the Company's financial status and ability to continue operations.

IX. Questioning by the Media

Applicable Not applicable

The company did not experience widespread media questioning during the reporting period.

X. Penalties and redress

Applicable Not applicable

There were no such situations during the reporting period.

XI. Honesty of the Company, its controlling shareholders, and actual controller

Applicable Not applicable

XII. Execution of stock incentive plan, ESOP, or other employee incentives

Applicable Not applicable

During the reporting period, the company completed registration for its 2017 restricted stock incentive plan, which granted 2,556,661 restricted shares to 777 employees. The restricted shares were listed on January 11, 2018. In addition, because 9 employees who had fulfilled the 2017 restricted stock incentive plan resigned, they no longer fulfilled the conditions of the plan. The company's fourteenth meeting of the fourth Board of Directors and second general shareholder's meeting of 2018 approved the "Proposal on Repurchase and Cancellation of Certain Restricted Stocks," and a total of 36,909 restricted shares that had been granted to the resignees but not yet released for resale were repurchased and cancelled at a repurchase price of RMB 29.224 per share. The share repurchases are currently ongoing.

In order to further improve the company's corporate governance, incentive mechanism, ability to attract and retain top talent, and effectively motivate core talent, the company continued its restricted stock incentive plan and stock appreciation rights plan for 2018 during the reporting period. During the first grant of the 2018 restricted stock incentive plan, 1139 employees were granted 5,231,982 shares at a price of RMB 24.33 per share. The shares were granted on June 13, 2018, and the shares were listed on July 9, 2018. The 2018 stock appreciation

rights plan was awarded to 29 employees. 138,650 rights were granted at an exercise price of RMB 24.33 per share on June 13, 2018.

Details of the company's stock incentive plan during the reporting period are disclosed at www.cninfo.com.cn. A disclosure index is as follows:

Announcement	Disclosure Date	Disclosure Website
Completion of the Registration of the 2017 Restricted Stock Incentive Plan (2018-001)	January 9, 2018	http://www.cninfo.com.cn
Resolutions of the Fourteenth Meeting of the Fourth Board of Directors (2018-036)	April 27, 2018	http://www.cninfo.com.cn
Resolutions of the Twelfth Meeting of the Fourth Board of Supervisors (2018-037)	April 27, 2018	http://www.cninfo.com.cn
2018 Restricted Stock Incentive Plan (Draft)	April 27, 2017	http://www.cninfo.com.cn
2018 Share Appreciation Rights Plan (Draft)	April 27, 2018	http://www.cninfo.com.cn
2018 Stock Incentive Plan Implementation, Assessment, and Management	April 27, 2018	http://www.cninfo.com.cn
List of 2018 Restricted Stock Incentive Grantees	April 27, 2018	http://www.cninfo.com.cn
List of 2018 Share Appreciation Rights Grantees	April 27, 2018	http://www.cninfo.com.cn
Announcement of Restricted Stock Cancellation and Repurchase (2018-039)	April 27, 2018	http://www.cninfo.com.cn
Public Commentary and Opinion of the Board of Supervisors on the List of Grantees of the 2018 Stock Incentive Plan (2018-044)	May 12, 2018	http://www.cninfo.com.cn
Resolutions of the Second Extraordinary General Meeting of Shareholders of 2018 (2018-045)	May 18, 2018	http://www.cninfo.com.cn
Announcement on Capital Reduction due to Repurchase of Restricted Stock (2018-047)	May 18, 2018	http://www.cninfo.com.cn
Resolutions of the Fifteenth Meeting of the Fourth Board of Directors (2018-052)	June 14, 2018	http://www.cninfo.com.cn
Resolutions of the Thirteenth Meeting of the Fourth Board of Supervisors (2018-053)	June 14, 2018	http://www.cninfo.com.cn
Matters Related to the Adjustment of the 2018 Restricted Stock Incentive Plan (2018-054)	June 14, 2018	http://www.cninfo.com.cn
List of 2018 Restricted Stock Incentive Grantees (After Adjustment)	June 14, 2018	http://www.cninfo.com.cn
First Grant of the 2018 Restricted Stock Incentive Plan and Stock Appreciation Rights Plan (2018-055)	June 14, 2018	http://www.cninfo.com.cn
Completion of the Registration of the First Grant of the 2018 Restricted Stock Incentive Plan (2018-058)	July 6, 2018	http://www.cninfo.com.cn

XIII. Significant related-party transactions

1. Related-party transactions relevant to routine operations

√ Applicable □ Not applicable

Related Party	Relationship	Type of related-party transaction	Details of related-party transaction	Pricing principle of the related-party transaction	Transaction price	Transaction amount (millions RMB)	Proportion of same category of transactions	Approved transaction quota (millions RMB)	Was the approved quota exceeded?	Related-party transaction settlement method	Similar market price	Disclosure date	Disclosure index
Mingde Holding and its subsidiaries	Controlling shareholder of the Company	Provide services to related parties.	courier service, combined transport and freight forwarding services, Technology development service, platform services	Fair pricing based on market prices in accordance with the principle of independent transactions	Contract price	123.55	0.29%	290.00	No	Settlement based on the settlement period and terms in the contract	N/A	March 14, 2018	Announcement on the " Proposal on Estimated Daily Related-party Transaction Amount in 2018" disclosed at CNINFO (http://www.cninfo.com.cn) (Announcement No. 2018-020)
China Pacific Insurance (Group) Co., Ltd. and its subsidiaries	An independent director of the company serves as an independent director of China Pacific Insurance (Group) Co., Ltd.	Provide services to related parties.	courier service, combined transport and freight forwarding services	Fair pricing based on market prices in accordance with the principle of independent transactions	Contract price	9.15	0.02%	20.00	No	Settlement based on the settlement period and terms in the contract	N/A	March 14, 2018	Announcement on the " Proposal on Estimated Daily Related-party Transaction Amount in 2018" disclosed at CNINFO (http://www.cninfo.com.cn) (Announcement No. 2018-020)
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	An independent directors of the company serves as an independent director of Ping An Insurance (Group) Company of China, Ltd.	Provide services to related parties.	courier service, combined transport and freight forwarding services	Fair pricing based on market prices in accordance with the principle of independent transactions	Contract price	39.00	0.09%	90.00	No	Settlement based on the settlement period and terms in the contract	N/A	March 14, 2018	Announcement on the " Proposal on Estimated Daily Related-party Transaction Amount in 2018" disclosed at CNINFO (http://www.cninfo.com.cn) (Announcement No. 2018-020)

Related Party	Relationship	Type of related-party transaction	Details of related-party transaction	Pricing principle of the related-party transaction	Transaction price	Transaction amount (millions RMB)	Proportion of same category of transactions	Approved transaction quota (millions RMB)	Was the approved quota exceeded?	Related-party transaction settlement method	Similar market price	Disclosure date	Disclosure index
McDonald's (China) Co., Ltd. and its subsidiaries	An independent director of the company serves as an independent director of the parent company of McDonald's (China) Co., Ltd.	Provide services to related parties.	courier service, combined transport and freight forwarding services	Fair pricing based on market prices in accordance with the principle of independent transactions	Contract price	102.48	0.24%	160.00	No	Settlement based on the settlement period and terms in the contract	N/A	March 14, 2018	Announcement on the "Proposal on Estimated Daily Related-party Transaction Amount in 2018" disclosed at CNINFO (http://www.cninfo.com.cn) (Announcement No. 2018-020)
Mingde Holding and its subsidiaries	Controlling shareholder of the Company	Receive services from related parties.	Express delivery agent service fees	Fair pricing based on market prices in accordance with the principle of independent transactions	Contract price	11.88	0.03%	30.00	No	Settlement based on the settlement period and terms in the contract	N/A	March 14, 2018	Announcement on the "Proposal on Estimated Daily Related-party Transaction Amount in 2018" disclosed at CNINFO (http://www.cninfo.com.cn) (Announcement No. 2018-020)
China Pacific Insurance (Group) Co., Ltd.	An independent director of the company serves as an independent director of China Pacific Insurance (Group) Co., Ltd.	Receive services from related parties.	Insurance premium	Fair pricing based on market prices in accordance with the principle of independent transactions	Contract price	50.96	0.15%	130.00	No	Settlement based on the settlement period and terms in the contract	N/A	March 14, 2018	Announcement on the "Proposal on Estimated Daily Related-party Transaction Amount in 2018" disclosed at CNINFO (http://www.cninfo.com.cn) (Announcement No. 2018-020)
Total						--	--	337.02	--	720.00	--	--	--
Details of large amount of sales returns						N/A							
Actual performance in the reporting period versus predicted total amount of routine related-party transactions, by types (if any)						The Company's thirteenth meeting of the fourth Board of Directors on March 12, 2018 and 2017 Annual Shareholders' General Meeting on April 3, 2018 reviewed and approved the "Proposal on Estimated Daily Related-party Transaction Amount in 2018," and the amount of the aforementioned related-party transactions did not exceed the approved amount.							
Reason for significant difference between the transaction price and the market price						N/A							

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

Applicable Not applicable

The company did not conduct related-party transactions for asset or equity acquisitions or sales during the reporting period.

3. Related-party transactions for joint investments

Applicable Not applicable

During the reporting period, the relevant details were disclosed immediately. For details, see “5. Other significant related-party transactions” of this section.

4. Credits and liabilities with related parties

Applicable Not applicable

Were there any contracts related to non-operating credits and liabilities with related parties?

Yes No

No such cases in the reporting period.

5. Other significant related-party transactions

Applicable Not applicable

On January 22, 2018, the company held its twelfth meeting of the fourth Board of Directors and the tenth meeting of the fourth Board of Supervisors, at which the “Proposal to Increase Capital in Shenzhen Fengchao Technology Co, Ltd.” was reviewed and approved. According to the proposal, SF Technology, a subsidiary of SF holding, increased its investment in Fengchao Technology, an associate of SF Technology, using cash of RMB 288.58 million for a resulting equity stake of 14.4292%.

According to the provisions of the “Stock Listing Rules,” because Mr. Wei Wang, the Chairman of the Company, has served as Fengchao Technology’s Chairman, and Vice Chairman Mr. Zheyang Lin, has served as Fengchao Technology’s Director within the past 12 months, Fengchao Technology is a related party of the Company. The investors of this transaction, Mingde Holdings and Shenzhen Haorong Enterprise Development Co., Ltd., are the controlling shareholders of the Company and its wholly-owned subsidiary. Therefore, they are considered related parties as stipulated under the “Stock Listing Rules.” The transaction is thus a joint investment with a related party and constitutes a related-party transaction.

Major related-party transactions were disclosed immediately on the Internet

Announcement	Disclosure Date	Disclosure Website
Resolutions of the Twelve Meeting of the Fourth Board of Directors (2018-006)	January 23, 2018	http://www.cninfo.com.cn
Resolutions of the Tenth Meeting of the Fourth Board of Supervisors (2018-007)	January 23, 2018	http://www.cninfo.com.cn
Capital Increase and Transactions with Related Parties (2018-008)	January 23, 2018	http://www.cninfo.com.cn

XIV. Significant contracts and their execution

1. Trusteeships, Contracts, and Leases

(1) Trusteeships

Applicable Not applicable

No such cases in the reporting period.

(2) Contracts

Applicable Not applicable

No such cases in the reporting period.

(3) Leases

Applicable Not applicable

No such cases in the reporting period.

2. Significant guarantees

Applicable Not applicable

(1) Guarantees provided by the Company

Unit: RMB 10 thousands

The listed Company's guarantees to subsidiaries								
Guarantee party	Disclosure date of relevant announcement	Amount of guaranteed Quota	Actual date of occurrence	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed?	Guarantee for a related party?
-	-	-	-	-	-	-	-	-
Total guarantee approved for subsidiaries during the reporting period (B1)			331,945	Total actual amount of guarantees for subsidiaries during the reporting period (B2)				0
Total guarantee approved for the subsidiaries at the end of the reporting period (B3)			331,945	Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)				0
Subsidiary's guarantees to subsidiaries								
Guarantee party	Disclosure date of Quota announcement	Amount of guaranteed Quota	Actual date of occurrence	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed?	Guarantee for a related party?
Beijing Shuncheng Logistics Co., Ltd.			2013/06/25	1,000.00	Joint liability guarantee	2013/06/25-2018/05/21	Yes	No
Beijing Shuncheng Logistics Co., Ltd.			2013/06/25	2,000.00	Joint liability guarantee	2013/08/30-2018/05/21	Yes	No
Beijing Shuncheng Logistics Co., Ltd.			2013/06/25	800.00	Joint liability guarantee	2013/08/30-2019/05/21	No	No
Beijing Shuncheng Logistics Co., Ltd.			2013/06/25	7,200.00	Joint liability guarantee	2014/05/21-2019/05/21	No	No
Shenzhen S.F. Aviation Industry Real Estate Management Co., Ltd., S.F. Express Co., Ltd.			2013/07/31	400.00	Joint liability guarantee	2013/08/21-2018/05/20	Yes	No
Shenzhen S.F. Aviation Industry Real Estate Management Co., Ltd., S.F. Express Co., Ltd.			2013/07/31	1,204.57	Joint liability guarantee	2013/08/21-2023/07/30	No	No
Shenzhen S.F. Aviation Industry Real Estate Management Co., Ltd., S.F. Express Co., Ltd.			2013/07/31	3,500.00	Joint liability guarantee	2013/09/05-2023/07/30	No	No
Shenzhen S.F. Aviation Industry Real Estate Management Co., Ltd., S.F. Express Co., Ltd.			2013/07/31	2,600.00	Joint liability guarantee	2013/10/12-2023/07/30	No	No
Shenzhen S.F. Aviation Industry Real Estate Management Co., Ltd., S.F. Express Co., Ltd.			2013/07/31	1,500.00	Joint liability guarantee	2013/11/25-2023/07/30	No	No
Shenzhen S.F. Aviation Industry Real Estate Management Co., Ltd., S.F. Express Co., Ltd.			2013/07/31	5,000.00	Joint liability guarantee	2014/11/07-2023/07/30	No	No
Shenzhen S.F. Aviation Industry Real Estate Management Co., Ltd., S.F. Express Co., Ltd.			2013/07/31	5,000.00	Joint liability guarantee	2015/02/02-2023/07/30	No	No
Shenzhen S.F. Aviation Industry Real Estate Management Co., Ltd., S.F. Express Co., Ltd.			2013/07/31	1,000.00	Joint liability guarantee	2015/04/30-2023/07/30	No	No
Shenzhen S.F. Aviation Industry Real Estate Management Co., Ltd., S.F. Express Co., Ltd.			2013/07/31	2,500.00	Joint liability guarantee	2016/05/31-2023/07/30	No	No
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	3,300.00	Joint liability	2014/12/12-2018/06/30	Yes	No

					guarantee			
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	900.00	Joint liability guarantee	2015/01/16-2018/06/30	Yes	No
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	3,600.00	Joint liability guarantee	2015/01/16-2024/12/11	No	No
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	5,400.00	Joint liability guarantee	2015/03/27-2024/12/11	No	No
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	3,800.00	Joint liability guarantee	2015/06/18-2024/12/11	No	No
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	1,900.00	Joint liability guarantee	2015/07/16-2024/12/11	No	No
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	800.00	Joint liability guarantee	2015/08/20-2024/12/11	No	No
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	800.00	Joint liability guarantee	2015/09/17-2024/12/11	No	No
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	600.00	Joint liability guarantee	2015/10/20-2024/12/11	No	No
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	700.00	Joint liability guarantee	2015/12/25-2024/12/11	No	No
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	900.00	Joint liability guarantee	2016/01/22-2024/12/11	No	No
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	400.00	Joint liability guarantee	2016/01/25-2024/12/11	No	No
Shanghai Fengyutai Industrial Co., Ltd.			2014/12/12	4,000.00	Joint liability guarantee	2017/03/02-2024/12/11	No	No
Jiangxi S.F. Express Co., Ltd.			2015/09/15	175.00	Joint liability guarantee	2015/09/15-2018/04/20	Yes	No
Jiangxi S.F. Express Co., Ltd.			2015/09/15	475.00	Joint liability guarantee	2015/09/15-2025/09/14	No	No
Jiangxi S.F. Express Co., Ltd.			2015/09/15	500.00	Joint liability guarantee	2015/11/24-2025/09/14	No	No
Jiangxi S.F. Express Co., Ltd.			2015/09/15	500.00	Joint liability guarantee	2015/12/29-2025/09/14	No	No
Jiangxi S.F. Express Co., Ltd.			2015/09/15	500.00	Joint liability guarantee	2016/01/22-2025/09/14	No	No
Jiangxi S.F. Express Co., Ltd.			2015/09/15	500.00	Joint liability guarantee	2016/04/15-2025/09/14	No	No
Jiangxi S.F. Express Co., Ltd.			2015/09/15	500.00	Joint liability guarantee	2016/11/24-2025/09/14	No	No
Quanzhou Fengyutai Enterprise Management Ltd.			2015/09/24	480.00	Joint liability guarantee	2015/10/22-2018/04/20	Yes	No
Quanzhou Fengyutai Enterprise Management Ltd.			2015/09/24	650.00	Joint liability guarantee	2015/11/23-2025/09/23	No	No
Quanzhou Fengyutai Enterprise Management Ltd.			2015/09/24	500.00	Joint liability guarantee	2015/12/22-2025/09/23	No	No
Quanzhou Fengyutai Enterprise Management Ltd.			2015/09/24	2,500.00	Joint liability guarantee	2016/01/21-2025/09/23	No	No
Quanzhou Fengyutai Enterprise Management Ltd.			2015/09/24	500.00	Joint liability guarantee	2016/04/28-2025/09/23	No	No
Quanzhou Fengyutai Enterprise Management Ltd.			2015/09/24	1,500.00	Joint liability guarantee	2016/05/27-2025/09/23	No	No
Quanzhou Fengyutai Enterprise Management Ltd.			2015/09/24	1,500.00	Joint liability guarantee	2016/06/28-2025/09/23	No	No

Quanzhou Fengyutai Enterprise Management Ltd.			2015/09/24	100.00	Joint liability guarantee	2016/08/26-2025/09/23	No	No
Quanzhou Fengyutai Enterprise Management Ltd.			2015/09/24	1,870.00	Joint liability guarantee	2017/01/18-2025/09/23	No	No
Ningbo Fengtai E-commerce Industrial Park Management Co., Ltd.			2016/08/11	2,700.00	Joint liability guarantee	2016/08/11-2028/08/11	No	No
Hefei Fengtai E-commerce Industrial Park Management Co., Ltd.	2017/01/18	63,100.00	2017/07/07	622.00	Joint liability guarantee	2017/07/07-2027/12/30	No	No
S.F. Express (China)Limited			2013/08/26	135.42	Joint liability guarantee	2014/06/30-2018/01/26	Yes	No
S.F. Express (China)Limited			2013/08/26	135.42	Joint liability guarantee	2014/06/30-2018/02/26	Yes	No
S.F. Express (China)Limited			2013/08/26	135.42	Joint liability guarantee	2014/06/30-2018/03/26	Yes	No
S.F. Express (China)Limited			2013/08/26	135.42	Joint liability guarantee	2014/06/30-2018/04/26	Yes	No
S.F. Express (China)Limited			2013/08/26	135.42	Joint liability guarantee	2014/06/30-2018/05/26	Yes	No
S.F. Express (China)Limited			2013/08/26	135.42	Joint liability guarantee	2014/06/30-2018/06/26	Yes	No
S.F. Express (China)Limited			2013/08/26	14.75	Joint liability guarantee	2014/06/30-2023/08/26	No	No
S.F. Express (China)Limited			2013/08/26	658.01	Joint liability guarantee	2014/10/28-2023/08/26	No	No
S.F. Express (China)Limited			2013/08/26	1,316.03	Joint liability guarantee	2014/12/05-2023/08/26	No	No
S.F. Express (China)Limited			2013/08/26	342.96	Joint liability guarantee	2015/02/13-2023/08/26	No	No
S.F. Express (China)Limited			2013/08/26	700.88	Joint liability guarantee	2015/05/18-2023/08/26	No	No
S.F. Express (China)Limited			2013/08/26	2,102.65	Joint liability guarantee	2015/06/30-2023/08/26	No	No
S.F. Express (China)Limited			2013/08/26	1,401.77	Joint liability guarantee	2015/12/02-2023/08/26	No	No
S.F. Express (China)Limited			2013/08/26	1,407.03	Joint liability guarantee	2016/02/25-2023/08/26	No	No
S.F. Express (China)Limited			2013/08/26	771.23	Joint liability guarantee	2016/03/11-2023/08/26	No	No
S.F. Express (China)Limited			2013/08/26	84.64	Joint liability guarantee	2016/04/11-2023/08/26	No	No
Goodear Development Limited			2012/10/24	648.28	Joint liability guarantee	2012/12/19-2027/09/27	No	No
Goodear Development Limited			2012/10/24	910.05	Joint liability guarantee	2013/01/31-2027/09/27	No	No
Goodear Development Limited			2012/10/24	2,194.86	Joint liability guarantee	2013/03/27-2027/09/27	No	No
Goodear Development Limited			2012/10/24	923.88	Joint liability guarantee	2013/05/30-2027/09/27	No	No
Goodear Development Limited			2012/10/24	3,399.88	Joint liability guarantee	2013/09/04-2027/09/27	No	No
Goodear Development Limited			2012/10/24	2,835.26	Joint liability guarantee	2013/09/27-2027/09/27	No	No
Goodear Development Limited			2012/10/24	3,095.39	Joint	2013/10/31-2027/09/27	No	No

					liability guarantee			
Goodear Development Limited			2012/10/24	3,922.29	Joint liability guarantee	2013/11/28-2027/09/27	No	No
Goodear Development Limited			2012/10/24	6,642.76	Joint liability guarantee	2014/01/6-2027/09/27	No	No
Goodear Development Limited			2012/10/24	9,030.84	Joint liability guarantee	2014/01/15-2027/09/27	No	No
Goodear Development Limited			2012/10/24	10,057.75	Joint liability guarantee	2014/02/17-2027/09/27	No	No
Goodear Development Limited			2012/10/24	14,444.97	Joint liability guarantee	2014/03/14-2027/09/27	No	No
Goodear Development Limited			2012/10/24	10,460.75	Joint liability guarantee	2014/04/17-2027/09/27	No	No
Goodear Development Limited			2012/10/24	10,568.27	Joint liability guarantee	2014/05/20-2027/09/27	No	No
Goodear Development Limited			2012/10/24	11,048.41	Joint liability guarantee	2014/06/18-2027/09/27	No	No
Goodear Development Limited			2012/10/24	12,328.59	Joint liability guarantee	2014/07/21-2027/09/27	No	No
Goodear Development Limited			2012/10/24	11,937.48	Joint liability guarantee	2014/08/19-2027/09/27	No	No
Goodear Development Limited			2012/10/24	8,354.22	Joint liability guarantee	2014/09/17-2027/09/27	No	No
Goodear Development Limited			2012/10/24	10,070.20	Joint liability guarantee	2014/10/22-2027/09/27	No	No
Goodear Development Limited			2012/10/24	4,183.21	Joint liability guarantee	2014/11/24-2027/09/27	No	No
Goodear Development Limited			2012/10/24	3,625.65	Joint liability guarantee	2014/12/19-2027/09/27	No	No
Goodear Development Limited			2012/10/24	1,685.20	Joint liability guarantee	2015/01/28-2027/09/27	No	No
S.F. Express Limited	2017/01/18	1,600.00	2018/02/21	483.31	Joint liability guarantee	2018/02/21-2019/02/21	No	No
SF HOLDING LIMITED			2016/07/25	676.72	Joint liability guarantee	2016/07/25-2018/01/25	Yes	No
SF HOLDING LIMITED			2016/07/25	5,413.76	Joint liability guarantee	2016/07/25-2021/09/30	No	No
SF HOLDING LIMITED			2016/10/24	8,459.00	Joint liability guarantee	2016/10/24-2019/1/31	No	No
SF HOLDING LIMITED			2016/11/24	16,918.00	Joint liability guarantee	2016/11/24-2018/12/31	No	No
SF HOLDING LIMITED			2016/11/18	46,524.50	Joint liability guarantee	2016/11/18-2019/11/03	No	No
SF HOLDING LIMITED			2016/09/28	8,459.00	Joint liability guarantee	2016/09/02-2018/07/30	No	No
SF HOLDING LIMITED	2017/01/18	709,400.00	2018/03/20	33,836.00	Joint liability guarantee	2018/03/20-2018/12/31	No	No
SF HOLDING LIMITED			2017/06/14	16,918.00	Joint liability guarantee	2017/06/14-2019/06/14	No	No
SF HOLDING LIMITED			2018/01/16	12,688.50	Joint liability guarantee	2018/01/16-2019/01/16	No	No
SF HOLDING LIMITED			2017/10/02	68.00	Joint	2017/10/02-2018/10/02	No	No

					liability guarantee			
SF HOLDING LIMITED			2017/06/22	14.24	Joint liability guarantee	2017/06/22-2020/07/16	No	No
Zhejiang Shunlu Logistics Co., Ltd.	2017/01/18	3000.00	2017/11/01	1,500.00	Joint liability guarantee	2017/11/01-2018/10/30	No	No
Zhejiang Shun Feng Express Co., Ltd.	2017/01/18	4000.00	2017/04/28	200.00	Joint liability guarantee	2017/04/28-2018/04/28	Yes	No
Zhejiang Shun Feng Express Co., Ltd.			2017/12/08	200.00	Joint liability guarantee	2017/12/08-2018/12/07	No	No
Yantai S.F. Express Co., Ltd..	2017/01/18	100.00	2017/02/28	65.00	Joint liability guarantee	2017/02/28-2018/01/31	Yes	No
Xi'an S.F. Express Co., Ltd.	2017/01/18	900.00	2017/10/27	80.00	Joint liability guarantee	2017/10/27-2018/07/31	No	No
Xi'an S.F. Express Co., Ltd.			2017/03/09	197.37	Joint liability guarantee	2017/03/09-2018/03/09	Yes	No
Xi'an S.F. Express Co., Ltd.	2017/01/18	300.00	2017/08/03	26.27	Joint liability guarantee	2017/08/03-2018/07/31	No	No
Xi'an S.F. Express Co., Ltd.			2017/10/17	25.85	Joint liability guarantee	2017/10/17-2018/07/31	No	No
Wuxi S.F. Express Co., Ltd.	2017/01/18	1200.00	2017/05/17	10.00	Joint liability guarantee	2017/05/17-2018/05/23	Yes	No
Tianjin S.F. Express Co., Ltd.	2017/01/18	1500.00	2017/06/28	130.00	Joint liability guarantee	2017/06/28-2018/07/29	No	No
Tianjin S.F. Express Co., Ltd.			2017/09/22	106.05	Joint liability guarantee	2017/09/22-2018/07/31	No	No
Suzhou Industrial Park S.F. Express Co., Ltd.	2017/01/18	1000.00	2017/09/26	205.17	Joint liability guarantee	2017/09/26-2018/09/25	No	No
Sichuan S.F. Express Co., Ltd.	2017/01/18	1300.00	2017/04/13	10.00	Joint liability guarantee	2017/04/13-2018/04/13	Yes	No
Sichuan S.F. Express Co., Ltd.			2017/05/17	10.00	Joint liability guarantee	2017/05/17-2018/05/11	Yes	No
SF transportation (Nanjing) Co., Ltd.	2017/01/18	250.00	2017/05/11	30.00	Joint liability guarantee	2017/05/11-2018/03/31	Yes	No
Chongqing S.F. Express Co., Ltd.	2017/01/18	500.00	2017/05/02	239.14	Joint liability guarantee	2017/05/02-2018/04/30	Yes	No
Chongqing S.F. Express Co., Ltd.			2017/07/05	5.00	Joint liability guarantee	2017/07/05-2018/05/31	Yes	No
Chongqing S.F. Express Co., Ltd.			2017/10/13	20.81	Joint liability guarantee	2017/10/13-2018/10/11	No	No
S.F. Express Co., Ltd.			2016/06/21	10.00	Joint liability guarantee	2016/06/21-2018/06/20	Yes	No
S.F. Express Co., Ltd.	2017/01/18	13500.00	2017/06/21	100.00	Joint liability guarantee	2017/06/21-2019/04/30	No	No
S.F. Express Co., Ltd.			2017/09/14	75.88	Joint liability guarantee	2017/09/14-2018/09/14	No	No
S.F. Express Co., Ltd.			2017/10/9	300.00	Joint liability guarantee	2017/10/09-2018/10/07	No	No
S.F. Express Co., Ltd.			2017/10/23	30.00	Joint liability guarantee	2017/10/23-2018/10/15	No	No
S.F. Express Co., Ltd.			2017/10/23	756.00	Joint liability guarantee	2017/10/23-2018/10/31	No	No
S.F. Express Co., Ltd.			2017/10/23	1,452.00	Joint	2017/10/23-2018/10/31	No	No

					liability guarantee			
S.F. Express Co., Ltd.			2018/01/08	100.00	Joint liability guarantee	2018/01/08-2018/05/31	Yes	No
S.F. Express Group (Shanghai) Co., Ltd.	2017/01/18	2000.00	2017/06/03	10.00	Joint liability guarantee	2017/06/03-2018/06/04	Yes	No
S.F. Express Group (Shanghai) Co., Ltd.			2017/04/25	100.00	Joint liability guarantee	2017/04/25-2018/05/04	Yes	No
S.F. Express (Tianjing) Co., Ltd.	2017/01/18	500.00	2017/11/16	72.06	Joint liability guarantee	2017/11/16-2018/11/28	No	No
S.F. Express (Tianjing) Co., Ltd.			2017/12/27	61.35	Joint liability guarantee	2017/12/27-2018/12/25	No	No
S.F. Express (Shenyang) Co., Ltd.	2017/01/18	1500.00	2017/09/22	100.00	Joint liability guarantee	2017/09/22-2018/09/07	No	No
S.F. Data Services (Wuhan) Co., Ltd.	2017/01/18	500.00	2017/11/03	77.76	Joint liability guarantee	2017/11/03-2018/11/02	No	No
SF Airlines Company Limited			2016/07/21	100.03	Joint liability guarantee	2016/07/21-2018/06/01	Yes	No
SF Airlines Company Limited			2015/08/07	2,500.00	Joint liability guarantee	2015/08/07-2018/02/01	Yes	No
SF Airlines Company Limited			2017/03/08	21.00	Joint liability guarantee	2017/03/08-2018/03/07	Yes	No
SF Airlines Company Limited			2017/03/08	2.00	Joint liability guarantee	2017/03/08-2018/04/30	Yes	No
SF Airlines Company Limited			2017/03/08	40.00	Joint liability guarantee	2017/03/08-2018/03/07	Yes	No
SF Airlines Company Limited			2017/04/01	10.00	Joint liability guarantee	2017/04/01-2018/03/31	Yes	No
SF Airlines Company Limited			2017/05/28	2,000.00	Joint liability guarantee	2017/05/28-2019/06/15	No	No
SF Airlines Company Limited			2017/08/07	2,500.00	Joint liability guarantee	2017/08/07-2019/02/07	No	No
SF Airlines Company Limited			2017/06/21	3.40	Joint liability guarantee	2017/06/21-2018/06/20	Yes	No
SF Airlines Company Limited	2017/01/18	76940.00	2017/07/01	18.19	Joint liability guarantee	2017/07/01-2018/01/01	Yes	No
SF Airlines Company Limited			2017/06/29	13.60	Joint liability guarantee	2017/06/29-2018/06/29	Yes	No
SF Airlines Company Limited			2017/07/07	10.35	Joint liability guarantee	2017/07/07-2018/07/04	No	No
SF Airlines Company Limited			2017/09/05	11.88	Joint liability guarantee	2017/09/05-2018/09/01	No	No
SF Airlines Company Limited			2017/09/14	19.80	Joint liability guarantee	2017/09/14-2018/09/13	No	No
SF Airlines Company Limited			2018/01/01	18.19	Joint liability guarantee	2018/01/01-2018/12/31	No	No
SF Airlines Company Limited			2018/04/02	46.84	Joint liability guarantee	2018/03/08-2019/03/07	No	No
SF Airlines Company Limited			2018/04/02	22.38	Joint liability guarantee	2018/03/08-2019/03/07	No	No
SF Airlines Company Limited			2018/04/02	10.00	Joint liability guarantee	2018/04/02-2019/03/31	No	No
Shenzhen Dafeng International	2017/01/18	500.00	2017/10/09	10.00	Joint	2017/10/09-2018/08/31	No	No

Freight Forwarding Co., Ltd.					liability guarantee			
Shenzhen S.F. Supply Chain Co., Ltd.			2016/11/14	500.00	Joint liability guarantee	2016/11/14-2018/01/01	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/03/03	39.55	Joint liability guarantee	2017/03/03-2018/03/02	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/03/24	400.00	Joint liability guarantee	2017/03/24-2018/01/31	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/03/21	500.00	Joint liability guarantee	2017/03/21-2018/03/20	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/03/24	600.00	Joint liability guarantee	2017/03/24-2018/03/01	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/04/14	310.00	Joint liability guarantee	2017/04/14-2018/02/15	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/04/25	3,000.00	Joint liability guarantee	2017/04/25-2018/01/01	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/04/07	500.00	Joint liability guarantee	2017/04/07-2018/01/01	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/05/08	500.00	Joint liability guarantee	2017/05/08-2018/05/14	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/05/19	181.56	Joint liability guarantee	2017/05/19-2018/01/01	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/06/14	500.00	Joint liability guarantee	2017/06/14-2018/01/01	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/07/19	104.17	Joint liability guarantee	2017/07/19-2018/05/31	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.	2017/01/18	116,000.00	2017/08/14	500.00	Joint liability guarantee	2017/08/14-2018/07/24	No	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/08/22	110.54	Joint liability guarantee	2017/08/22-2018/08/18	No	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/09/19	33.76	Joint liability guarantee	2017/09/19-2018/08/27	No	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/09/12	1,100.00	Joint liability guarantee	2017/09/12-2018/07/12	No	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/11/15	22.28	Joint liability guarantee	2017/11/15-2018/6/15	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2017/12/29	120.13	Joint liability guarantee	2017/12/29-2018/12/31	No	No
Shenzhen S.F. Supply Chain Co., Ltd.			2018/01/24	141.98	Joint liability guarantee	2018/01/24-2018/06/30	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2018/01/31	3,000.00	Joint liability guarantee	2018/01/31-2018/03/31	Yes	No
Shenzhen S.F. Supply Chain Co., Ltd.			2018/02/11	600.00	Joint liability guarantee	2018/02/11-2019/03/01	No	No
Shenzhen S.F. Supply Chain Co., Ltd.			2018/03/21	500.00	Joint liability guarantee	2018/03/21-2019/03/20	No	No
Shenzhen S.F. Supply Chain Co., Ltd.			2018/04/02	3,000.00	Joint liability guarantee	2018/04/02-2019/04/01	No	No
Shenzhen S.F. Fix Technology Co., Ltd.	2017/01/18	2,000.00	2017/10/24	400.00	Joint liability guarantee	2017/10/24-2018/01/01	Yes	No
Shanghai Shunheng Logistics Co., Ltd.	2017/01/18	500.00	2017/11/16	50.00	Joint liability guarantee	2017/11/16-2018/06/30	Yes	No
Shanghai Shuncheng Logistics	2017/01/18	5,000.00	2017/06/04	380.00	Joint	2017/06/14-2018/05/31	Yes	No

Co., Ltd.					liability guarantee			
Shanghai Shuncheng Logistics Co., Ltd.			2017/06/23	1,050.00	Joint liability guarantee	2017/06/23-2018/06/20	Yes	否
Shanghai Shuncheng Logistics Co., Ltd.			2017/07/25	400.00	Joint liability guarantee	2017/07/25-2018/06/22	Yes	No
Shanghai Shuncheng Logistics Co., Ltd.			2017/11/03	300.00	Joint liability guarantee	2017/11/03-2018/06/30	Yes	No
Shanghai Shuncheng Logistics Co., Ltd.			2018/02/01	650.00	Joint liability guarantee	2018/02/01-2018/12/31	No	No
Shandong S.F. Express Co., Ltd.	2017/01/18	1,000.00	2017/06/05	50.00	Joint liability guarantee	2017/06/05-2018/05/30	Yes	No
Shandong S.F. Express Co., Ltd.			2017/06/05	10.00	Joint liability guarantee	2017/06/05-2018/05/30	Yes	No
Shandong S.F. Express Co., Ltd.			2017/08/14	255.00	Joint liability guarantee	2017/08/14-2018/06/01	Yes	No
Qingdao S.F. Express Co., Ltd.	2017/01/18	2,500.00	2017/07/05	6.00	Joint liability guarantee	2017/07/05-2018/07/05	No	No
Qingdao S.F. Express Co., Ltd.			2017/08/18	40.00	Joint liability guarantee	2017/08/18-2018/07/31	No	No
Qingdao S.F. Express Co., Ltd.			2018/01/10	260.00	Joint liability guarantee	2018/01/10-2018/12/01	No	No
Ningbo S.F. Express Co., Ltd.	2017/01/18	2,000.00	2017/04/18	400.00	Joint liability guarantee	2017/04/18-2018/04/12	Yes	No
Ningbo S.F. Express Co., Ltd.			2017/06/23	30.00	Joint liability guarantee	2017/06/23-2018/04/30	Yes	No
Ningbo S.F. Express Co., Ltd.			2017/11/09	550.00	Joint liability guarantee	2017/11/09-2018/11/06	No	No
Lanzhou S.F. Express Co., Ltd.	2017/01/18	100.00	2017/07/11	15.00	Joint liability guarantee	2017/07/11-2018/04/30	Yes	No
Jiangxi S.F. Express Co., Ltd.	2017/01/18	200.00	2017/09/21	200.00	Joint liability guarantee	2017/09/21-2018/09/20	No	No
Jiangxu S.F. Express Co., Ltd.	2017/01/18	200.00	2017/10/24	10.00	Joint liability guarantee	2017/10/24-2018/07/31	No	No
Hunan S.F. Express Co., Ltd.	2017/01/18	800.00	2017/09/28	100.00	Joint liability guarantee	2017/09/28-2018/06/30	Yes	No
Hunan S.F. Express Co., Ltd.			2017/09/28	200.00	Joint liability guarantee	2017/09/28-2018/06/03	Yes	No
Hunan S.F. Express Co., Ltd.			2017/09/28	400.00	Joint liability guarantee	2017/09/28-2018/06/30	Yes	No
Henan S.F. Express Co., Ltd.	2017/01/18	300.00	2017/08/29	123.78	Joint liability guarantee	2017/08/29-2018/07/19	No	No
Henan S.F. Express Co., Ltd.			2017/12/26	104.19	Joint liability guarantee	2017/12/26-2018/12/24	No	No
Hangzhou Shunyifeng Import and Export Trade Co., Ltd.	2017/01/18	1,300.00	2017/06/04	10.00	Joint liability guarantee	2017/06/04-2018/06/04	Yes	No
Guizhou S.F. Express Co., Ltd.	2017/01/18	300	2017/11/01	12.21	Joint liability guarantee	2017/11/01-2018/10/31	No	No
Guang Zhou S.F. Express Co., Ltd.	2017/01/18	5,500.00	2017/07/05	1,500.00	Joint liability guarantee	2017/07/05-2018/08/08	No	No
Guang Zhou S.F. Express Co., Ltd.			2017/07/26	200.00	Joint liability guarantee	2017/07/26-2018/07/27	No	No
Guangxi S.F. Express Co., Ltd.	2017/01/18	300.00	2017/04/14	100.00	Joint liability	2017/04/14-2018/01/31	Yes	No

					guarantee			
Guangxi S.F. Express Co., Ltd.			2017/12/21	50.00	Joint liability guarantee	2017/12/21-2018/12/15	No	No
Guangxi S.F. Express Co., Ltd.			2018/02/09	100.00	Joint liability guarantee	2018/02/09-2019/01/31	No	No
Foshan S.F. Express Co., Ltd.	2017/01/18	500.00	2017/11/16	76.99	Joint liability guarantee	2017/11/16-2018/10/15	No	No
Chengdu Taishun Logistics Co., Ltd.	2017/01/18	2,000.00	2017/01/23	800.00	Joint liability guarantee	2017/01/23-2018/02/10	Yes	No
Chengdu Taishun Logistics Co., Ltd.			2018/02/08	800.00	Joint liability guarantee	2018/02/11-2019/02/10	No	No
Beijing S.F. Express Co., LTD.	2017/01/18	4,000.00	2017/02/23	30.00	Joint liability guarantee	2017/02/23-2018/02/22	Yes	No
Beijing S.F. Express Co., LTD.			2017/05/02	100.00	Joint liability guarantee	2017/05/02-2018/04/21	Yes	No
Beijing S.F. Express Co., LTD.			2017/07/31	100.00	Joint liability guarantee	2017/07/31-2018/07/27	No	No
Beijing S.F. Express Co., LTD.			2017/10/24	464.88	Joint liability guarantee	2017/10/24-2018/9/22	No	No
Beijing Shuncheng Logistics Co., Ltd.	2017/01/18	27,289.00	2017/06/16	600.00	Joint liability guarantee	2017/06/16-2018/05/07	Yes	No
Beijing Shuncheng Logistics Co., Ltd.			2017/07/06	200.00	Joint liability guarantee	2017/07/06-2018/07/05	No	No
Beijing Shuncheng Logistics Co., Ltd.			2017/07/03	1,100.00	Joint liability guarantee	2017/07/03-2018/06/29	Yes	No
Beijing Shuncheng Logistics Co., Ltd.			2017/08/11	100.00	Joint liability guarantee	2017/08/11-2018/05/31	Yes	No
Beijing Shuncheng Logistics Co., Ltd.			2017/08/14	200.00	Joint liability guarantee	2017/08/14-2018/05/31	Yes	No
Beijing Shuncheng Logistics Co., Ltd.			2017/10/27	563.53	Joint liability guarantee	2017/10/27-2018/10/26	No	No
Anhui S.F. Express Co., Ltd.			2016/12/19	90.00	Joint liability guarantee	2016/12/19-2018/01/31	Yes	否
Anhui S.F. Express Co., Ltd.	2017/01/18	500.00	2017/03/27	69.70	Joint liability guarantee	2017/03/27-2018/03/31	Yes	No
Anhui S.F. Express Co., Ltd.			2017/03/26	37.88	Joint liability guarantee	2017/03/26-2018/03/31	Yes	No
Anhui S.F. Express Co., Ltd.			2017/09/28	5.00	Joint liability guarantee	2017/09/28-2018/09/25	No	No
Anhui S.F. Express Co., Ltd.			2017/10/30	15.64	Joint liability guarantee	2017/10/30-2018/09/25	No	No
Anhui S.F. Express Co., Ltd.			2017/12/25	114.35	Joint liability guarantee	2017/12/25-2018/10/14	No	No
Anhui S.F. Express Co., Ltd.			2017/12/25	35.20	Joint liability guarantee	2017/12/25-2018/10/14	No	No
Anhui S.F. Express Co., Ltd.			2018/01/10	100.00	Joint liability guarantee	2018/01/10-2019/05/31	No	No
S.F. Express (Hong Kong)Limited			2015/09/9	5.35	Joint liability guarantee	2015/09/09-2018/11/08	No	No
S.F. Express (Hong Kong)Limited			2016/07/15	12.62	Joint liability guarantee	2016/07/15-2018/08/28	No	No
S.F. Express (Hong Kong)Limited			2016/10/01	10.82	Joint liability	2016/10/01-2018/10/31	No	No

					guarantee			
S.F. Express (Hong Kong)Limited			2016/12/15	5.69	Joint liability guarantee	2016/12/15-2019/02/14	No	No
Zhejiang Shun Feng Express Co., Ltd.	2018/04/04	3,900.00	2018/04/8	200.00	Joint liability guarantee	2018/04/08-2019/04/28	No	No
Zhanjiang Shun Feng Express Co., Ltd.	2017/01/18	100.00	2018/03/06	25.00	Joint liability guarantee	2018/03/06-2018/12/31	No	No
Zhanjiang Shun Feng Express Co., Ltd.			2018/03/06	25.00	Joint liability guarantee	2018/03/06-2018/12/31	No	No
Yantai Shun Feng Express Co., Ltd.	2018/04/04	200.00	2018/04/20	65.00	Joint liability guarantee	2018/04/20-2019/01/31	No	No
Xi'an S.F. Express Co., Ltd.	2018/04/04	900.00	2018/04/17	213.48	Joint liability guarantee	2018/04/17-2019/04/10	No	No
Xi'an S.F. Express Co., Ltd.			2018/06/07	50.00	Joint liability guarantee	2018/06/07-2018/12/31	No	No
Chongqing S.F. Express Co., Ltd.	2018/04/04	1,400.00	2018/04/28	255.89	Joint liability guarantee	2018/04/28-2019/04/27	No	No
S.F. Express Group (Shanghai) Co., Ltd.	2018/04/04	2,000.00	2018/04/27	100.00	Joint liability guarantee	2018/05/04-2019/05/04	No	No
S.F. Express(Shenyang) Co., Ltd.	2018/04/04	2,300.00	2018/04/28	10.00	Joint liability guarantee	2018/04/28-2019/01/31	No	No
S.F. Express(Ningxia) Co., Ltd.	2017/01/18	200.00	2018/03/08	80.00	Joint liability guarantee	2018/03/08-2018/12/31	No	No
S.F. Express(Ningxia) Co., Ltd	2018/04/04	200.00	2018/04/28	1.00	Joint liability guarantee	2018/04/28-2019/04/10	No	No
S.F. Express(Huizhou) Co., Ltd	2018/04/04	2,500.00	2018/04/17	19.57	Joint liability guarantee	2018/04/17-2019/03/24	No	No
Shenzhen Shunlu Logistics Co., Ltd.	2017/01/18	3,000.00	2018/02/11	338.32	Joint liability guarantee	2018/02/11-2018/12/31	No	No
Shenzhen Shunlu Logistics Co., Ltd.			2018/03/08	50.00	Joint liability guarantee	2018/03/08-2018/12/31	No	No
Shenzhen Shunlu Air Freight Forwarding Co., Ltd.	2017/01/18	7,000.00	2017/05/03	2,038.00	Joint liability guarantee	2017/05/03-2018/01/31	Yes	No
Shenzhen Shunlu Air Freight Forwarding Co., Ltd.			2018/01/09	1,850.00	Joint liability guarantee	2018/01/09-2019/02/28	No	No
Shenzhen Shunlu Air Freight Forwarding Co., Ltd.			2018/02/01	2,038.00	Joint liability guarantee	2018/02/01-2019/01/31	No	No
Quanzhou Shunlu Logistics Co., Ltd.	2017/01/18	1,500.00	2017/08/15	15.00	Joint liability guarantee	2017/08/15-2018/07/31	No	No
Quanzhou Shunlu Logistics Co., Ltd.			2018/02/07	300.00	Joint liability guarantee	2018/02/07-2018/12/31	No	No
Quanzhou Shunlu Logistics Co., Ltd.			2018/02/07	300.00	Joint liability guarantee	2018/02/07-2018/12/31	No	No
Ningbo S.F. Express Co., LTD.	2018/04/04	2,300.00	2018/04/08	500.00	Joint liability guarantee	2018/04/12-2019/04/11	No	No
Ningbo S.F. Express Co., LTD.			2018/05/08	500.00	Joint liability guarantee	2018/05/08-2019/05/07	No	No
Liaoning Shunlu Logistics Co., Ltd.	2017/01/18	1,000.00	2018/01/25	420.00	Joint liability guarantee	2018/01/25-2018/10/31	No	No
Jiangsu Huihai Logistics Co., Ltd.	2017/01/18	3,200.00	2018/01/31	10.00	Joint liability guarantee	2018/01/31-2018/10/14	No	No
Jiangsu Huihai Logistics Co., Ltd.			2018/01/31	219.00	Joint liability	2018/01/31-2018/12/31	No	No

					guarantee			
Hubei S.F. Express Co., LTD.	2017/01/18	1,450.00	2018/03/08	323.29	Joint liability guarantee	2018/03/08-2019/02/08	No	No
Beijing S.F. Express Co., LTD.	2018/04/04	5,000.00	2018/04/08	100.00	Joint liability guarantee	2018/04/08-2019/04/20	No	No
Beijing S.F. Express Co., LTD.			2018/06/22	30.00	Joint liability guarantee	2018/06/22-2019/01/20	No	No
S.F. Express (Hong Kong)Limited	2017/01/18	7,700.00	2018/02/28	13.97	Joint liability guarantee	2018/02/28-2019/08/31	No	No
S.F. Express (Hong Kong)Limited			2017/10/24	13.90	Joint liability guarantee	2017/10/24-2019/08/31	No	No
S.F. Express (China)Limited			2016/12/14	54.00	Joint liability guarantee	2017/01/15-2018/12/31	No	No
S.F. Express (China)Limited	2017/01/18	17,800.00	2017/04/21	45.00	Joint liability guarantee	2017/04/21-2018/04/20	Yes	No
S.F. Express (China)Limited			2018/01/02	24.90	Joint liability guarantee	2017/09/30-2018/09/29	No	No
S.F. Express (China)Limited			2018/01/02	8.30	Joint liability guarantee	2017/12/19-2018/12/18	No	No
S.F. Express (China)Limited			2018/01/02	16.60	Joint liability guarantee	2017/11/06-2018/11/06	No	No
S.F. Express (China)Limited			2018/01/02	83.00	Joint liability guarantee	2017/12/15-2018/11/27	No	No
S.F. Express (China)Limited			2018/01/12	50.00	Joint liability guarantee	2018/01/12-2018/12/31	No	No
S.F. Express (China)Limited			2017/07/06	42.30	Joint liability guarantee	2017/07/06-2018/07/06	No	No
S.F. Express (China)Limited			2017/11/24	8.46	Joint liability guarantee	2017/11/24-2018/11/30	No	No
Liaoning Shunlu Logistics Co., Ltd.	2018/04/04	1,000.00	2018/05/09	191.30	Joint liability guarantee	2018/05/09-2019/04/30	No	No
Hubei S.F. Transportation Co., Ltd.	2018/04/04	500.00	2018/05/09	79.33	Joint liability guarantee	2018/05/09-2018/11/30	No	No
Hebei S.F. Express Co., LTD.	2018/04/04	1,600.00	2018/04/17	35.00	Joint liability guarantee	2018/04/17-2018/12/31	No	No
S.F. Express(China)Limited	2018/04/04	1,500.00	2018/04/18	42.30	Joint liability guarantee	2018/04/18-2019/05/04	No	No
Hangzhou Shunyifeng Import and Export Trade Co., Ltd.	2018/04/04	1,000.00	2018/05/18	20.00	Joint liability guarantee	2018/05/18-2019/06/04	No	No
Wuxi S.F. Express Co., LTD.	2018/04/04	1,000.00	2018/05/18	10.00	Joint liability guarantee	2018/05/18-2019/05/24	No	No
Hunan S.F. Express Co., LTD.	2018/04/04	2,000.00	2018/06/05	143.10	Joint liability guarantee	2018/06/05-2019/05/25	No	No
Shenzhen Shuncheng Supply Chain Service Co., Ltd.	2018/04/04	20,000.00	2018/06/05	23.00	Joint liability guarantee	2018/06/05-2019/05/31	No	No
Shenzhen S.F. Supply Chain Co., Ltd.	2018/04/04	26,100.00	2018/06/05	500.00	Joint liability guarantee	2018/06/05-2019/05/14	No	No
SF Airlines Company Limited	2018/04/04	58,000.00	2018/06/06	99.58	Joint liability guarantee	2018/06/06-2019/06/01	No	No
SF Airlines Company Limited			2018/06/12	3.32	Joint liability guarantee	2018/06/12-2019/06/20	No	No
SF Airlines Company Limited			2018/06/12	13.28	Joint liability	2018/06/12-2019/06/28	No	No

S.F. Express (Dongguan) Co., Ltd.	2018/04/04	8,500.00	2018/06/06	186.61	Joint liability guarantee	2018/06/06-2019/05/01	No	No
Shenzhen S.F. Fix Technology Co., Ltd.	2018/04/04	11,000.00	2018/06/21	400.00	Joint liability guarantee	2018/06/21-2019/01/31	No	No
Jiangxi S.F. Express Co., LTD.	2018/04/04	1,300.00	2018/06/28	50.00	Joint liability guarantee	2018/06/28-2019/05/31	No	No
Foshan S.F. Express Co., LTD.	2018/04/04	1,100.00	2018/06/28	123.91	Joint liability guarantee	2018/06/28-2019/05/31	No	No
Shanghai Shuncheng Logistics Co., Ltd.	2018/04/04	6,000.00	2018/06/22	40.00	Joint liability guarantee	2018/06/22-2019/04/30	No	No
Chongqing Huiyifeng Logistics Co., Ltd.	2018/04/04	1,000.00	2018/06/22	500.00	Joint liability guarantee	2018/06/22-2019/06/20	No	No
Total guarantee approved for subsidiaries during the reporting period (C1)		2,000,000.00		Total actual amount of guarantees for subsidiaries during the reporting period (C2)		66,422.14		
Total guarantee approved for the subsidiaries at the end of the reporting period (C3)		2,398,130.62		Total actual guarantee balance for subsidiaries at the end of the reporting period (C4)		402,636.06		
Total guarantee amount provided by the Company								
Total guarantee approved during the reporting period (B1+C1)		2,331,945.00		Total actual amount of guarantee during the reporting period (B2+C2)		66,422.14		
Total guarantee approved at the end of the reporting period (B3+C3)		2,730,075.62		Total actual guarantee balance at the end of the reporting period (B4+C4)		402,636.06		
Total guarantee amount (B4+C4) to net assets of the Company				11.89%				
Of which:								
Amount of guarantee for shareholders, actual controller, and their related parties (D)				0				
Amount of debt guarantee provided for guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)				211,026.88				
Amount of total guarantee over 50% of net assets (F)				0				
Total amount of the above three guarantees (D+E+F)				211,026.88				
Explanation of warranty liability or possible joint liquidation (if any)				N/A				
Explanation of provision of guarantees for external parties in violation of the prescribed procedure (if any)				N/A				

Before Taisen Holding was incorporated into the listed Company in December 2016, Taisen Holding and its subsidiaries performed external guarantee procedures in accordance with their own Articles of Corporation and other relevant regulations. After Taisen Holding was incorporated into the listed Company in December 2016, as a subsidiary of the listed Company, Taisen Holding and its subsidiaries strictly performed the review and disclosure procedures of external guarantees in accordance with relevant laws and regulations such as the Stock Listing Rules of Shenzhen Stock Exchange and other related laws and regulations.

(2) Illegal provision of guarantees for external parties

Applicable Not applicable

No such cases in the reporting period.

3. Other significant contracts

Applicable Not applicable

No such cases in the reporting period.

XV. Social Responsibilities**1. Major Environmental Protection Developments**

Did the listed Company and its subsidiaries belong to the major pollutant discharge units announced by the Ministry of Ecology and Environment?

No

The listed Company and its subsidiaries are not part of the major pollutant discharge units announced by the Ministry of Ecology and Environment. During the reporting period, the Company and its subsidiaries strictly implemented national laws and regulations on environmental protection, and were not subject to administrative penalties from the Ministry of Ecology and Environment for violating relevant laws and regulations.

2. Poverty Alleviation

The company did not carry out poverty alleviation programs during the reporting period, and there is currently no plans to do so in the future.

XVI. Other Major Issues

Applicable Not applicable

1. The Hubei International Logistics Core Hub Project was approved by the State Council and the Central Military Commission.

On December 13, 2017, the company's wholly-owned subsidiary Taisen Holding and the Hubei Provincial People's Government signed the "Cooperation Agreement for the Hubei International Logistics Core Hub Project." On February 23, 2018, the State Council and the Central Military Commission issued its "Approval from the State Council and Central Military Commission of the Construction of the Hubei Ezhou Civil Airport" (State Letter 2018 Number 8), which officially replied to the Hubei Provincial People's Government's "Request to Establish the Ezhou Civil Airport Project for the Hubei International Logistics Core Hub Project" (Hubei Official Letter 2017 Number 3). The approval is considered part of the pre-feasibility study stage of the project, and the project construction plan will be further studied in the project feasibility study and design stage. The final construction scale, investment scale, and specific funding arrangements of the project will be determined after the completion of the two stages mentioned. In determining the specific arrangements of the project design and investment, the company will comprehensively consider the future strategy layout, operational plan, financial status, and other important factors to ensure that the project can fulfill the growth needs of the company and enhance the long-term value of the company while controlling the risks to, and protecting the interests of, shareholders.

2. The company's subsidiary was awarded the first domestic drone operating license by the Civil Aviation Administration of China.

On March 27, 2018, the company's subsidiary Jiangxi Fengyu Shuntu Technology Co., Ltd. was awarded the first domestic drone operating (pilot) license by the CAAC's East China Regional Administration. Since the launch of SF's logistics drone delivery pilot in June 2017, it has successfully completed the preparation, start-up, implementation, and validation stages for a pilot, becoming the first logistics drone operating company approved by the CAAC. As the first company in China to obtain the drone operating (pilot) license from the CAAC, the company is the first to obtain such a license in China, and according to license regulations, SF's logistics drone is allowed to operate in the pilot area approved by the CAAC to carry out logistics deliveries. This means that SF's logistics drone can be the first to be commercialized and have first-mover advantage.

3. Issuance of corporate bonds by a subsidiary

On July 26, 2018, SF Holdings Investment Limited, a wholly-owned subsidiary of the company, completed the issuance of a USD 500 million overseas bond. The bond trades on the Hong Kong Stock Exchange and was listed on July 27, 2018. The bond issuance was reviewed and approved by the company at the eleventh meeting of the fourth Board of Directors held on December 27, 2017, and at the first extraordinary general meeting of shareholders of 2018 on January 12, 2018.

From August 1, 2018, to August 2, 2018, Taisen Holdings issued to qualified investors its first 2018 corporate bond issuance (the securities are referred to as 18SF01, stock code 112739), raising RMB 800 million at a coupon rate of 4.29%, and all from direct inquiries and placements to qualified investors. Details can be found in the company's disclosure "First Issuance of Corporate Bonds by the Company's Wholly-Owned Subsidiary Shenzhen Shunfeng Taisen Holdings (Group) Co., Ltd. to Qualified Investors" (2018-064).

Index of key disclosures are as follows :

Announcement Title	Disclosure Date	Website
Progress of Hubei International Logistics Core Hub Project (2018-011)	February 26, 2018	http://www.cninfo.com.cn
Issuance of the First Domestic Drone Operating License from the Civil Aviation Administration of China (2018-029)	March 28, 2018	http://www.cninfo.com.cn
Participation of Wholly-Owned Subsidiary in Equity Investment Fund (2018-042)	April 27, 2018	http://www.cninfo.com.cn
Participation of Wholly-Owned Subsidiary in the Establishment of Big Data Joint Ventures (2018-043)	April 27, 2018	http://www.cninfo.com.cn
Progress on the Issuance of Overseas US Dollar Bonds by Overseas Chinese Subsidiary (2018-060)	July 21, 2018	http://www.cninfo.com.cn
Completion of the Issuance of Overseas US Dollar Bonds by Overseas Wholly-Owned Subsidiary (2018-062)	July 28, 2018	http://www.cninfo.com.cn
Results of the First Issuance of 2018 Corporate Bonds to Qualified Investors by Wholly-Owned Subsidiary Shenzhen Shunfeng Taisen Holdings (Group) Co., Ltd. (2018-064)	August 3, 2018	http://www.cninfo.com.cn

XVII. Significant events of subsidiaries

Applicable Not applicable

Chapter 6 Share Changes & 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	Equity reserve into sharecapital	Others	Subtotal	Number of shares	Proportion
I. Restricted sales of shares	4,268,174,825	96.76%	2,556,661	0	0	-752,793,503	-750,236,842	3,517,937,983	79.71%
2.Shares held by state-owned legal person	334,838,739	7.59%	0	0	0	-159,982,526	-159,982,526	174,856,213	3.96%
3.Other shares held by domestic capital	3,933,336,086	89.17%	2,492,461	0	0	-592,810,977	-590,318,516	3,343,017,570	75.74%
Shares held by domestic legal persons	3,842,684,445	87.12%	0	0	0	-588,972,708	-588,972,708	3,253,711,737	73.72%
Shares held by domestic natural persons	90,651,641	2.06%	2,492,461	0	0	-3,838,269	-1,345,808	89,305,833	2.02%
4.Shares held by Overseas capital	0	0.00%	64,200	0	0	0	64,200	64,200	0.00%
Shares held by overseas legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by overseac natural persons	0	0.00%	64,200	0	0	0	64,200	64,200	0.00%
II. Unrestricted sales of shares	142,840,699	3.24%	0	0	0	752,793,503	752,793,503	895,634,202	20.29%
1.RMB common shares	142,840,699	3.24%	0	0	0	752,793,503	752,793,503	895,634,202	20.29%
III. Total number of shares	4,411,015,524	100.00%	2,556,661	0	0	0	2,556,661	4,413,572,185	100 . 00%

Reasons for changes in shares

√ Applicable □ Not applicable

During the reporting period, the company completed registration for its 2017 restricted stock incentive plan, which granted 2,556,661 restricted shares to 777 employees. The restricted shares were listed on January 11, 2018.

In June 2018, the company implement its restricted stock incentive plan for 2018. 1139 employees were granted 5.2 million shares at a price of RMB 24.33 per share for the first grant. The shares were granted on June 13, 2018, and were listed on July 9, 2018. The table above did not include those restricted shares

Approval of share changes

□ Applicable √ Not applicable

Transfer of share ownership

□ Applicable √ Not applicable

Effects of changes in shares on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company, and other financial indexes over the last year and the last reporting period

√ Applicable □ Not applicable

During the reporting period, the company completed registration for its 2017 restricted stock incentive plan, share capital increased by 2,556,661 shares, which diluted the basic earnings per share and diluted earnings per share for the current period, and the net assets per share attributable to common shareholders of the Company.

Other contents that the Company considers necessary or is 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 added in the period	Restricted shares at the end of the period	Restricted sales reasons	Date of restricted sales removal
Shenzhen Mingde Holding Development Co., Ltd.	2,701,927,139	-	-	2,701,927,139	Commitment for issuing restricted shares for purchasing assets during major asset restructuring	January 23, 2020
Ningbo Shunda Fengrun Investment Management Partnership (Limited Partnership)	392,253,457	235,352,074	-	156,901,383	Commitment for issuing restricted shares for purchasing assets during major asset restructuring	On January 23, 2018, 117,676,037 restricted shares were relieved. On March 21, 2018, 117,676,037 restricted shares were relieved. Until the fulfillment of the 2018 performance compensation obligation (if any) (If there is no obligation of performance compensation, it is the date of the announcement on the special audit report on the committed performance, whichever is later), 156,901,383 restricted shares can be relieved.
Shenzhen Zhaoguang Investment	266,637,546	159,982,526	-	106,655,020	Commitment for issuing restricted shares for purchasing assets during major asset restructuring	On January 23, 2018, 79,991,263 restricted shares were relieved. On March 21, 2018, 79,991,263 restricted shares were relieved. Until the fulfillment of the 2018 performance compensation obligation (if any) (If there is no obligation of performance compensation, it is the date of the announcement on the special audit report on the committed performance, whichever is later), 106,655,020 restricted shares can be relieved.

Suzhou Industrial Park Oriza Shunfeng Equity Investment Company (Limited Partnership)	266,637,546	159,982,526	-	106,655,020	Commitment for issuing restricted shares for purchasing assets during major asset restructuring	On January 23, 2018, 79,991,263 restricted shares were relieved. On March 21, 2018, 79,991,263 restricted shares were relieved. Until the fulfillment of the 2018 performance compensation obligation (if any) (If there is no obligation of performance compensation, it is the date of the announcement on the special audit report on the committed performance, whichever is later), 106,655,020 restricted shares can be relieved.
Jiaqiang Shunfeng (Shenzhen) Equity Investment Partnership (Limited Partnership)	266,637,546	159,982,526	-	106,655,020	Commitment for issuing restricted shares for purchasing assets during major asset restructuring	On January 23, 2018, 79,991,263 restricted shares were relieved. On March 21, 2018, 79,991,263 restricted shares were relieved. Until the fulfillment of the 2018 performance compensation obligation (if any) (If there is no obligation of performance compensation, it is the date of the announcement on the special audit report on the committed performance, whichever is later), 106,655,020 restricted shares can be relieved.
Liu Jilu	75,123,253	-	-	75,123,253	restricted shares for senior managers	—
Zhongyuan Asset Management Co., Ltd.	68,201,193	-	-	68,201,193	Commitment for issuing restricted shares for raising matching funds during major asset restructuring	August 23, 2018
National Social Security Fund Combination 503	24,757,032	-	-	24,757,032	Commitment for issuing restricted shares for raising matching funds during major asset restructuring	August 23, 2018
Chang'an International Trust Co., Ltd. – Chang'an Trust – Mingsheng Targeted Additional Shares Issuance No. 1 - Capital Trust	22,790,565	-	-	22,790,565	Commitment for issuing restricted shares for raising matching funds during major asset restructuring	August 23, 2018
Guoshou Shangxin Yiyuan Investment Company (Limited Partnership)	22,733,731	-	-	22,733,731	Commitment for issuing restricted shares for raising matching funds during major asset restructuring	August 23, 2018
Others	160,475,817	37,493,851	2,556,661	125,538,627	—	—
Total	4,268,174,825	752,793,503	2,556,661	3,517,937,983	--	--

3. Issuance and Listing of Securities

During the reporting period, the company implemented its restricted stock incentive plan for 2017, which granted 2,556,661 restricted shares to 777 employees by issuing new shares. The restricted shares were listed on January 11, 2018. For detail, please refer to the announcement of " Completion of the Registration of the 2017 Restricted Stock Incentive Plan (2018-001) " on www.cninfo.com.cn.

II. Total number of shareholders and their holdings

Unit: number of shares

Total number of shareholders at the end of reporting period		53,095		Total number of preferred shareholders with voting rights restored (if any)		0		
Shareholders holding more than 5% of shares or shares of the top 10 shareholders								
Name of shareholder	Type of shareholder	Shareholding percentage	Number of shares held at the end of the reporting period	Increase or decrease of shares during reporting period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status of shares	Status of shares
Shenzhen Mingde Holding Development Co., Ltd.	Domestic non-state-owned legal person	61.22%	2,701,927,139	-	2,701,927,139	-	Pledged	570,000,000
Ningbo Shun Da Feng Run Investment Management Partnership (Limited Partnership)	Domestic non-state-owned legal person	8.59%	379,224,887	-13,028,570	156,901,383	222,323,504	Pledged	326,049,874
Shenzhen Zhaoguang Investment	State-owned legal person	6.04%	266,637,546	-	106,655,020	159,982,526		
Suzhou Industrial Park Oriza Shunfeng Equity Investment Company (Limited Partnership)	Domestic non-state-owned legal person	5.66%	249,677,160	-16,960,386	106,655,020	143,022,140		
Jia Qiang Shunfeng (Shenzhen) Equity Investment Partnership (Limited Partnership)	Domestic non-state-owned legal person	5.53%	243,896,050	-22,741,496	106,655,020	137,241,030		
Liu Jilu	Domestic natural person	2.06%	90,958,488	-9,205,850	75,123,253	15,835,235		
Zhongyuan Asset Management Co., Ltd.	State-owned legal person	1.55%	68,201,193	-	68,201,193	-	Pledged	68,201,193
Suzhou Gu Yu Qiu Chuang Equity Investment Partnership (Limited Partnership)	Domestic non-state-owned legal person	1.21%	53,327,509	-	21,331,005	31,996,504		
National Social	Other	0.56%	24,757,032	-	24,757,032	-		

Security Fund Combination 503								
Chang'an International Trust Co., Ltd. – Chang'an Trust – Mingsheng Targeted Additional Shares Issuance No. 1 - Capital Trust	Other	0.52%	22,790,565	-	22,790,565	-		
Strategic investor or general legal person becomes the top 10 shareholder due to the placement of new shares	N/A							
Explain any associated relationship and/or persons acting in concert between the above-mentioned shareholders	The Company is not aware of whether there is an associated relationship between the above-mentioned shareholders and whether they are acting in concert.							
Top 10 shareholders holding unrestricted shares								
Name of shareholder	Number of unrestricted shares held at the end of the reporting period	Type of shares						
		Type of shares	Type of shares					
Ningbo Shun Da Feng Run Investment Management Partnership (Limited Partnership)	222,323,504	Common shares	222,323,504					
Shenzhen Zhaoguang Investment	159,982,526	Common shares	159,982,526					
Suzhou Industrial Park Oriza Shunfeng Equity Investment Company (Limited Partnership)	143,022,140	Common shares	143,022,140					
Jia Qiang Shunfeng (Shenzhen) Equity Investment Partnership (Limited Partnership)	137,241,030	Common shares	137,241,030					
Suzhou Gu Yu Qiu Chuang Equity Investment Partnership (Limited Partnership)	31,996,504	Common shares	31,996,504					
Liu Jilu	15,835,235	Common shares	15,835,235					
Hong Kong Securities Clearing Company Ltd.	13,292,565	Common shares	13,292,565					
Liu Lingyun	8,537,762	Common shares	8,537,762					
Shanghai Greenwoods Asset Management Co., Ltd. - Preferred Private Equity Fund	4,987,000	Common shares	4,987,000					
Central Huijin Investment Ltd.	4,686,200	Common shares	4,686,200					
Explain any associated relationship and/or persons acting in concert between the top ten shareholders	Mr. Liu Jilu and Ms. Liu Lingyun have a father-daughter relationship and are persons acting in concert. The Company is not aware of whether there are relationships among other shareholders and whether they are persons acting in concert.							
Explain the top 10 common shareholders' participation in margin financing (if any)	N/A							

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

Yes No

No such cases in the reporting period.

III. Change of controlling shareholder or actual controller

Change of controlling shareholder in the reporting period

Applicable Not applicable

No such cases in the reporting period.

Change of actual controller during the reporting period

Applicable Not applicable

The actual controller did not change during the reporting period.

Chapter 7 Preferred Shares

Applicable Not applicable

No such cases in the reporting period.

Chapter 8 Directors, Supervisors and Senior Managers

I. Changes in shares held by directors, supervisors and senior executives

Applicable Not applicable

Name	Title	Tenure status	Shares held at the beginning of the period (share)	Quantity of shares increased during the reporting period (share)	Quantity of shares decreased during the reporting period (share)	Quantity of shares held at the end of the period (share)	Restricted shares held at the beginning of the period (share)	Quantity of restricted shares increased during the reporting period (share)	Restricted shares held at the end of the period (share)
Liu Jilu	Supervisor	Current	100,164,338	0	9,205,850	90,958,488	-	-	-
Total	--	--	100,164,338	0	9,205,850	90,958,488	-	-	-

II. Changes of Directors, Supervisors, and Senior Executives

Applicable Not applicable

The company's directors, supervisors and senior management personnel did not change during the reporting period. For details, please refer to the 2017 Annual Report.

Chapter 9 Corporate Bonds

Were there bonds publicly issued and listed on an exchange, and not at maturity, or at maturity but are not fully paid on the approval report date of the semi-annual report?

No

Chapter 10 Financial Statements

[English Translation for Reference Only]

Review Report

PwC ZT Yue Zi (2018) No. 0032

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

We have reviewed the accompanying interim financial statements of S.F. Holding Co., Ltd. (hereinafter "S.F. Holding"), which comprise the consolidated and company balance sheets as at 30 June 2018, 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 6-month period then ended, and the notes to the interim financial statements. Management of S.F. Holding is responsible for the preparation of these interim financial statements in accordance with the requirements of Accounting Standards for Business Enterprises. 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 2101, "Review of Financial Statements". This Standard requires that we plan and perform the review to obtain limited assurance as to whether the interim financial statements are free from 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 accordance with Accounting Standards for Business Enterprises or do not present fairly, in all material respects, the consolidated and company's financial position of S.F. Holding as at 30 June 2018, and their financial performance and cash flows for the 6-month period then ended.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA Chen Anqiang

Shanghai, the People's Republic of China

22 August 2018

Signing CPA Liu Jingping

S.F. HOLDING CO., LTD.**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2018**(All amounts are stated in RMB Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Note	30 June 2018 Consolidated	31 December 2017 Consolidated (Restated)	1 January 2017 Consolidated (Restated)
Current assets				
Cash at bank and on hand	4(1)	13,278,406,964.25	17,318,372,791.12	6,915,508,971.95
Financial assets at fair value through profit or loss	4(2)	15,370,538.49	17,819,393.35	33,803,417.04
Notes receivable and accounts receivable	4(3)	5,712,559,356.29	5,813,325,669.28	4,564,318,183.96
Advances to suppliers	4(5)	1,893,773,204.87	1,774,464,372.03	1,492,549,226.12
Loans and advances	4(6)	118,048,691.34	126,102,903.69	85,271,730.78
Other receivables	4(4)	1,176,751,813.71	1,609,467,639.67	1,024,899,341.93
Inventories	4(7)	499,174,642.28	446,359,026.86	396,013,674.76
Current portion of non-current assets	4(10)	68,194,000.00	-	-
Other current assets	4(8)	5,986,639,795.71	4,384,765,117.56	6,820,810,214.74
Total current assets		<u>28,748,919,006.94</u>	<u>31,490,676,913.56</u>	<u>21,333,174,761.28</u>
Non-current assets				
Available-for-sale financial assets	4(9)	2,399,044,328.85	1,803,267,331.92	696,583,087.01
Long-term receivables	4(10)	149,440,649.02	216,066,050.80	-
Long-term equity investments	4(11)	1,068,052,092.25	604,683,890.67	769,698,763.51
Investment properties	4(12)	2,047,152,752.31	1,991,594,322.02	2,148,095,293.10
Fixed assets	4(13)	12,152,101,058.31	11,895,129,381.18	11,678,342,577.66
Construction in progress	4(14)	3,020,960,583.54	2,306,920,413.29	844,498,050.62
Intangible assets	4(15)	5,515,763,861.93	5,263,523,314.16	4,476,298,732.57
Research and development expenditures	4(16)	255,093,493.36	171,175,030.58	243,316,365.57
Goodwill	4(17)	230,190,889.22	62,867,146.03	58,030,760.81
Long-term prepaid expenses	4(18)	1,364,169,243.74	1,330,080,234.29	1,271,129,829.62
Deferred tax assets	4(33)	376,924,917.42	396,795,346.02	417,890,993.08
Other non-current assets	4(19)	1,671,951,540.07	143,213,350.40	197,826,373.91
Total non-current assets		<u>30,250,845,410.02</u>	<u>26,185,315,811.36</u>	<u>22,801,710,827.46</u>
TOTAL ASSETS		<u>58,999,764,416.96</u>	<u>57,675,992,724.92</u>	<u>44,134,885,588.74</u>

S.F. HOLDING CO., LTD.

**CONSOLIDATED BALANCE SHEET (CONT'D)
AS AT 30 JUNE 2018**

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

LIABILITIES AND EQUITY	Note	30 June 2018 Consolidated	31 December 2017 Consolidated (Restated)	1 January 2017 Consolidated (Restated)
Current liabilities				
Short-term borrowings	4(21)	6,431,106,604.43	4,619,193,530.69	5,466,278,976.31
Financial liabilities at fair value through profit or loss		-	784,639.53	1,209,158.71
Notes payable and accounts payable	4(22)	6,486,860,179.88	6,905,411,234.18	5,259,177,206.37
Advances from customers	4(23)	363,337,992.04	368,179,879.29	286,348,742.43
Employee benefits payable	4(24)	2,255,587,099.28	2,721,423,825.23	2,138,659,367.34
Taxes payable	4(25)	541,780,614.80	867,467,404.07	419,174,348.67
Other payables	4(26)	3,676,018,965.14	3,275,270,030.18	3,499,859,359.32
Current portion of non-current liabilities	4(27)	1,983,602,828.62	2,787,710,410.86	1,316,242,561.22
Other current liabilities		-	-	8,763.78
Total current liabilities		<u>21,738,294,284.19</u>	<u>21,545,440,954.03</u>	<u>18,386,958,484.15</u>
Non-current liabilities				
Long-term borrowings	4(28)	2,272,965,112.47	2,345,240,281.28	4,761,013,384.37
Debentures payable	4(29)	529,507,404.18	529,406,177.70	-
Long-term payables	4(30)	63,368,515.88	20,559,600.00	27,000,000.00
Long-term employee benefits payable	4(31)	107,777,549.63	172,465,125.28	235,267,336.93
Deferred income	4(32)	159,315,864.17	133,652,387.03	111,667,389.34
Deferred tax liabilities	4(33)	168,504,809.49	170,934,714.41	45,267,778.02
Provisions		10,800,692.58	10,669,991.98	11,047,033.68
Total non-current liabilities		<u>3,312,239,948.40</u>	<u>3,382,928,277.68</u>	<u>5,191,262,922.34</u>
Total liabilities		<u>25,050,534,232.59</u>	<u>24,928,369,231.71</u>	<u>23,578,221,406.49</u>
Equity				
Share capital	4(34)	4,418,804,167.00	4,411,015,524.00	4,183,678,213.00
Capital reserve	4(35)	16,064,736,817.25	15,893,770,731.03	8,236,698,341.64
Less: Treasury stock	4(36)	(202,255,537.22)	-	-
Other comprehensive income	4(56)	146,180,928.14	219,830,232.83	266,682,686.93
General risk reserve		95,759,396.32	95,759,396.32	-
Surplus reserve	4(38)	586,501,527.41	586,501,527.41	272,113,202.75
Retained earnings	4(39)	12,751,685,040.73	11,488,940,647.22	7,552,595,222.64
Total equity attributable to shareholders of the Company		<u>33,861,412,339.63</u>	<u>32,695,818,058.81</u>	<u>20,511,767,666.96</u>
Minority interests	4(55)	<u>87,817,844.74</u>	<u>51,805,434.40</u>	<u>44,896,515.29</u>
Total equity		<u>33,949,230,184.37</u>	<u>32,747,623,493.21</u>	<u>20,556,664,182.25</u>
TOTAL LIABILITIES AND EQUITY		<u>58,999,764,416.96</u>	<u>57,675,992,724.92</u>	<u>44,134,885,588.74</u>

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

Legal representative

Principal in charge of accounting

Head of accounting department

S.F. HOLDING CO., LTD.**COMPANY BALANCE SHEET
AS AT 30 JUNE 2018**

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

ASSETS	Note	30 June 2018 Company	31 December 2017 Company (Restated)	1 January 2017 Company (Restated)
Current assets				
Cash at bank and on hand	16(1)	817,557,624.86	1,047,126,220.39	60,156,545.77
Advances to suppliers		358,066.02	1,391,886.80	-
Other receivables	16(2)	8,339,072,715.47	7,339,674,588.51	813,179,087.61
Other current assets	16(3)	1,467,562,386.09	2,996,914,406.42	-
Total current assets		<u>10,624,550,792.44</u>	<u>11,385,107,102.12</u>	<u>873,335,633.38</u>
Non-current assets				
Long-term equity investments	16(4)	43,323,747,297.64	43,300,422,777.89	43,300,000,000.00
Long-term prepaid expenses		131,155.08	-	-
Total non-current assets		<u>43,323,878,452.72</u>	<u>43,300,422,777.89</u>	<u>43,300,000,000.00</u>
TOTAL ASSETS		<u>53,948,429,245.16</u>	<u>54,685,529,880.01</u>	<u>44,173,335,633.38</u>

S.F. HOLDING CO., LTD.

**COMPANY BALANCE SHEET (CONT'D)
AS AT 30 JUNE 2018**

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

LIABILITIES AND EQUITY	Note	30 June 2018 Company	31 December 2017 Company (Restated)	1 January 2017 Company (Restated)
Current liabilities				
Short-term borrowings		-	-	20,000,000.00
Advances from customers		-	74,961,331.87	-
Employee benefits payable		806,852.17	1,102,875.47	-
Taxes payable		13,584,812.81	11,497,752.19	47,528,429.77
Other payables		206,828,007.33	5,471,842.46	5,807,203.61
Total current liabilities		<u>221,219,672.31</u>	<u>93,033,801.99</u>	<u>73,335,633.38</u>
Total liabilities		<u>221,219,672.31</u>	<u>93,033,801.99</u>	<u>73,335,633.38</u>
Equity				
Share capital		4,418,804,167.00	4,411,015,524.00	4,183,678,213.00
Capital reserve		46,748,260,922.16	46,530,971,136.14	38,991,327,794.39
Less: Treasury stock		(202,255,537.22)	-	-
Surplus reserve		433,456,527.10	433,456,527.10	119,068,202.44
Retained earnings		2,328,943,493.81	3,217,052,890.78	805,925,790.17
Total equity		<u>53,727,209,572.85</u>	<u>54,592,496,078.02</u>	<u>44,100,000,000.00</u>
TOTAL LIABILITIES AND EQUITY		<u>53,948,429,245.16</u>	<u>54,685,529,880.01</u>	<u>44,173,335,633.38</u>

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

Legal representative

Principal in charge of accounting

Head of accounting department

S.F. HOLDING CO., LTD.

**CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

Item	Note	For the six months ended 30 June			
		2018	2017	2018	2017
		Consolidated	Consolidated	Company	Company
1. Revenue	4(40)	42,503,599,511.93	32,160,932,363.81	-	-
Less: Cost of revenue	4(40)	(34,467,212,820.18)	(25,347,477,265.57)	-	-
Taxes and surcharges	4(41)	(109,337,864.95)	(85,023,617.25)	-	-
Selling and distribution expenses	4(42)	(959,568,129.92)	(635,612,144.35)	-	-
General and administrative expenses	4(43)	(3,815,523,582.62)	(3,206,870,451.97)	(1,796,327.32)	(23,046,720.10)
Research and development expenses	4(44)	(396,939,568.34)	(203,739,223.62)	-	-
Financial (costs)/income	4(45)	(10,327,590.07)	(164,180,999.14)	12,552,613.87	1,608,828.69
Including: Interest expenses		(246,348,656.24)	(225,766,725.60)	-	-
Interest income		256,330,197.35	103,952,692.85	12,914,381.13	1,608,222.78
Impairment losses	4(47)	(13,707,446.49)	(8,561,239.91)	-	-
Add: Other income	4(52)	74,730,377.55	61,560,076.14	-	-
Investment income/(losses)	4(50), 16(5)	199,187,461.94	(14,002,194.77)	99,865,691.77	-
Including: Investment income/(losses) from associates and joint ventures		8,841,240.97	(81,242,764.48)	-	-
Losses arising from changes in fair value	4(48)	(4,812,095.66)	(2,557,614.40)	-	-
Losses on disposals of assets	4(51)	(6,982,780.03)	(7,044,249.36)	-	-
2. Operating profit/(loss)		2,993,105,473.16	2,547,423,439.61	110,621,978.32	(21,437,891.41)
Add: Non-operating income	4(49)(a)	55,622,496.87	66,979,352.43	-	-
Less: Non-operating expenses	4(49)(b)	(48,368,701.34)	(28,125,481.91)	-	-
3. Total profit/(loss)		3,000,359,268.69	2,586,277,310.13	110,621,978.32	(21,437,891.41)
Less: Income tax (expenses)/gains	4(53)	(792,827,877.77)	(716,921,280.10)	(27,745,494.59)	5,359,472.86
4. Net profit/(loss)		<u>2,207,531,390.92</u>	<u>1,869,356,030.03</u>	<u>82,876,483.73</u>	<u>(16,078,418.55)</u>
Including: Net loss of the acquiree in a business combination involving enterprises under common control before the combination date	5(2)	(13,494,110.16)	-	Not applicable	Not applicable
Classified by continuity of operations:					
Net profit from continuing operations		2,207,531,390.92	1,869,356,030.03	82,876,483.73	(16,078,418.55)
Net profit from discontinued operations		-	-	-	-
Classified by ownership of the equity:					
Attributable to shareholders of the Company		2,233,730,274.21	1,883,626,237.90	Not applicable	Not applicable
Minority interests		(26,198,883.29)	(14,270,207.87)	Not applicable	Not applicable

S.F. HOLDING CO., LTD.

**CONSOLIDATED AND COMPANY INCOME STATEMENTS (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

Item	Note	For the six months ended 30 June			
		2018 Consolidated	2017 Consolidated	2018 Company	2017 Company
5. Other comprehensive income, net of tax		<u>(75,253,515.36)</u>	<u>(203,780,765.69)</u>	-	-
Attributable to shareholders of the Company, net of tax		(73,649,304.69)	(205,333,136.07)	-	-
Other comprehensive income items which will be reclassified subsequently to profit or loss	4(56)	(73,649,304.69)	(205,333,136.07)	-	-
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss	4(56)	147,032.76	-	-	-
Losses arising from changes in fair value of available-for-sale financial assets	4(56)	(106,747,986.27)	(114,389,456.99)	-	-
Exchange differences on translation of foreign currency financial statements	4(56)	32,951,648.82	(90,943,679.08)	-	-
Attributable to minority shareholders, net of tax	4(56)	<u>(1,604,210.67)</u>	<u>1,552,370.38</u>	-	-
6. Total comprehensive income		<u>2,132,277,875.56</u>	<u>1,665,575,264.34</u>	<u>82,876,483.73</u>	<u>(16,078,418.55)</u>
Attributable to shareholders of the Company		2,160,080,969.52	1,678,293,101.83	Not applicable	Not applicable
Attributable to minority interests		(27,803,093.96)	(12,717,837.49)	Not applicable	Not applicable
7. Earnings per share					
Basic earnings per share (RMB Yuan)	4(54)	0.51	0.45	Not applicable	Not applicable
Diluted earnings per share (RMB Yuan)	4(54)	0.51	0.45	Not applicable	Not applicable

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

Legal representative

Principal in charge of accounting

Head of accounting department

S.F. HOLDING CO., LTD.

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

Item	Note	For the six months ended 30 June			
		2018 Consolidated	2017 Consolidated	2018 Company	2017 Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		45,407,645,306.84	33,970,406,295.28	-	-
Net decrease in loans to customers		7,006,584.27	-	-	-
Net decrease in balances with central bank		141,588,022.43	-	-	-
Refund of taxes and levies		9,679,303.24	12,309,769.92	-	-
Cash received relating to other operating activities	4(57)(a)	25,316,541,141.96	22,249,608,280.36	14,266,553.36	168,847,439.31
Sub-total of operating cash inflows		<u>70,882,460,358.74</u>	<u>56,232,324,345.56</u>	<u>14,266,553.36</u>	<u>168,847,439.31</u>
Cash paid for purchases of goods and services		(26,969,436,831.51)	(19,333,107,396.95)	-	-
Net increase in loans to customers		-	(66,051,713.24)	-	-
Net increase in balances with central bank		-	(749,919,472.41)	-	-
Cash paid to and on behalf of employees		(10,262,002,533.45)	(7,931,113,777.14)	(1,480,000.00)	(429,942.98)
Payments of taxes and levies		(1,737,571,809.78)	(1,270,891,606.40)	(26,068,955.22)	(50,711,100.77)
Cash paid relating to other operating activities	4(57)(b)	(29,632,868,065.04)	(25,075,384,307.29)	(1,663,972.03)	(166,096,064.16)
Sub-total of operating cash outflows		<u>(68,601,879,239.78)</u>	<u>(54,426,468,273.43)</u>	<u>(29,212,927.25)</u>	<u>(217,237,107.91)</u>
Net cash flows from/(used in) operating activities	4(58)(a)	<u>2,280,581,118.96</u>	<u>1,805,856,072.13</u>	<u>(14,946,373.89)</u>	<u>(48,389,668.60)</u>
2. Cash flows from investing activities					
Cash received from disposals of investments		600,689,956.83	269,285,627.11	-	-
Cash received from returns on investments		108,483,798.39	90,702,315.46	1,029,898,124.94	800,000,000.00
Net cash received from acquisitions of subsidiaries		4,663,360.76	-	-	-
Cash received from disposals of fixed assets and other long-term assets		10,369,624.98	4,969,768.25	-	-
Net cash received from disposals of subsidiaries and other business units		-	6,830,248.45	-	-
Cash received relating to other investing activities	4(57)(c)	17,035,932,039.01	24,271,377,456.56	6,600,000,000.00	-
Sub-total of investing cash inflows		<u>17,760,138,779.97</u>	<u>24,643,165,415.83</u>	<u>7,629,898,124.94</u>	<u>800,000,000.00</u>
Cash paid to acquire fixed assets and other long-term assets		(4,454,366,626.74)	(2,172,339,720.53)	-	-
Cash paid to acquire investments		(1,111,402,506.37)	(924,386,905.28)	-	-
Net cash paid to acquire subsidiaries		(20,858,612.00)	-	-	-
Cash paid relating to other investing activities	4(57)(d)	(18,300,600,000.00)	(19,225,198,260.25)	(7,000,452,272.25)	-
Sub-total of investing cash outflows		<u>(23,887,227,745.11)</u>	<u>(22,321,924,886.06)</u>	<u>(7,000,452,272.25)</u>	<u>-</u>
Net cash flows (used in)/from investing activities		<u>(6,127,088,965.14)</u>	<u>2,321,240,529.77</u>	<u>629,445,852.69</u>	<u>800,000,000.00</u>

S.F. HOLDING CO., LTD.

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

Item	Note	For the six months ended 30 June			
		2018 Consolidated	2017 Consolidated	2018 Company	2017 Company
3. Cash flows from financing activities					
Cash received from capital contributions		131,524,203.19	7,967,106.00	127,294,205.35	-
Including: Cash received from capital contributions by minority interests of subsidiaries		4,229,997.84	7,967,106.00	-	-
Cash received from borrowings		4,627,586,778.89	3,266,018,613.71	-	-
Cash received relating to other financing activities	4(57)(e)	29,180,000.00	-	-	-
Sub-total of financing cash inflows		<u>4,788,290,982.08</u>	<u>3,273,985,719.71</u>	<u>127,294,205.35</u>	<u>-</u>
Cash repayments of borrowings		(3,671,637,464.24)	(2,731,260,153.99)	-	(20,000,000.00)
Cash payments for interest expenses and distribution of dividends or profits		(1,195,067,236.88)	(632,915,174.28)	(970,985,880.70)	(418,377,666.33)
Cash payments relating to other financing activities		(559,060.07)	(36,375,018.59)	(376,192.07)	(36,375,018.59)
Sub-total of financing cash outflows		<u>(4,867,263,761.19)</u>	<u>(3,400,550,346.86)</u>	<u>(971,362,072.77)</u>	<u>(474,752,684.92)</u>
Net cash flows from financing activities		<u>(78,972,779.11)</u>	<u>(126,564,627.15)</u>	<u>(844,067,867.42)</u>	<u>(474,752,684.92)</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents		<u>13,362,514.16</u>	<u>(4,228,186.36)</u>	<u>(206.91)</u>	<u>(44,492.09)</u>
5. Net (decrease)/increase in cash and cash equivalents	4(58)(a)	(3,912,118,111.13)	3,996,303,788.39	(229,568,595.53)	276,813,154.39
Add: Cash and cash equivalents at the beginning of the year		<u>16,081,969,440.60</u>	<u>6,369,775,801.18</u>	<u>1,046,986,313.39</u>	<u>58,905,618.31</u>
6. Cash and cash equivalents at the end of the period	4(58)(b)	<u>12,169,851,329.47</u>	<u>10,366,079,589.57</u>	<u>817,417,717.86</u>	<u>335,718,772.70</u>

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

Legal representative

Principal in charge of accounting

Head of accounting department

S.F. HOLDING CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

	Note	Equity attributable to shareholders of the Company						Minority interests	Total equity
		Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings		
Balance at 1 January 2017		<u>4,183,678,213.00</u>	<u>8,236,698,341.64</u>	<u>266,682,686.93</u>	-	<u>272,113,202.75</u>	<u>7,552,595,222.64</u>	<u>44,896,515.29</u>	<u>20,556,664,182.25</u>
Movements for the six months ended 30 June 2017									
Total comprehensive income									
Net profit/(loss)		-	-	-	-	-	1,883,626,237.90	(14,270,207.87)	1,869,356,030.03
Other comprehensive income		-	-	(205,333,136.07)	-	-	-	1,552,370.38	(203,780,765.69)
Total comprehensive income		-	-	(205,333,136.07)	-	-	1,883,626,237.90	(12,717,837.49)	1,665,575,264.34
Capital contribution and withdrawal by shareholders									
Ordinary shares invested by shareholders		-	-	-	-	-	-	11,267,105.99	11,267,105.99
Others	4(35)	-	(65,457,773.47)	-	-	-	-	-	(65,457,773.47)
Profit distribution									
Distribution to shareholders	4(39)	-	-	-	-	-	(418,367,821.30)	-	(418,367,821.30)
Other movements in capital reserve	4(35)	-	152,851,299.29	-	-	-	-	-	152,851,299.29
Safety reserve									
Appropriation	4(37)	-	-	-	2,101,818.70	-	-	-	2,101,818.70
Utilisation	4(37)	-	-	-	(2,101,818.70)	-	-	-	(2,101,818.70)
Balance at 30 June 2017		<u>4,183,678,213.00</u>	<u>8,324,091,867.46</u>	<u>61,349,550.86</u>	-	<u>272,113,202.75</u>	<u>9,017,853,639.24</u>	<u>43,445,783.79</u>	<u>21,902,532,257.10</u>

S.F. HOLDING CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

Note	Equity attributable to shareholders of the Company									
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Retained earnings	Minority interests	Total equity
Balance at 31 December 2017	4,411,015,524.00	15,872,950,731.03	-	219,830,232.83	95,759,396.32	-	586,501,527.41	11,494,769,383.51	51,805,434.40	32,732,632,229.50
Business combinations involving enterprises under common control	5(2)	-	20,820,000.00	-	-	-	-	(5,828,736.29)	-	14,991,263.71
Balance at 1 January 2018	<u>4,411,015,524.00</u>	<u>15,893,770,731.03</u>	<u>-</u>	<u>219,830,232.83</u>	<u>95,759,396.32</u>	<u>-</u>	<u>586,501,527.41</u>	<u>11,488,940,647.22</u>	<u>51,805,434.40</u>	<u>32,747,623,493.21</u>
Movements for the six months ended 30 June 2018										
Total comprehensive income	-	-	-	-	-	-	-	2,233,730,274.21	(26,198,883.29)	2,207,531,390.92
Net profit/(loss)	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	(73,649,304.69)	-	-	-	-	(1,604,210.67)	(75,253,515.36)
Total comprehensive income	-	-	-	(73,649,304.69)	-	-	-	2,233,730,274.21	(27,803,093.96)	2,132,277,875.56
Capital contribution and withdrawal by shareholders										
Share-based payment in capital contribution by shareholders	4(35)	7,788,643.00	194,466,894.22	(202,255,537.22)	-	-	-	-	-	-
Share-based payment included in equity	9(1)	-	23,930,346.08	-	-	-	-	-	-	23,930,346.08
Capital contribution by shareholders	-	-	-	-	-	-	-	-	54,094,150.38	54,094,150.38
Others	4(35)	-	(9,300,026.82)	-	-	-	-	-	9,721,353.92	421,327.10
Business combinations involving enterprises under common control	-	(37,862,100.00)	-	-	-	-	-	-	-	(37,862,100.00)
Profit distribution										
Distribution to shareholders	4(39)	-	-	-	-	-	-	(970,985,880.70)	-	(970,985,880.70)
Other movements in capital reserve	4(35)	-	(269,027.26)	-	-	-	-	-	-	(269,027.26)
Safety reserve										
Appropriation	4(37)	-	-	-	-	2,727,907.70	-	-	-	2,727,907.70
Utilisation	4(37)	-	-	-	-	(2,727,907.70)	-	-	-	(2,727,907.70)
Balance at 30 June 2018	<u>4,418,804,167.00</u>	<u>16,064,736,817.25</u>	<u>(202,255,537.22)</u>	<u>146,180,928.14</u>	<u>95,759,396.32</u>	<u>-</u>	<u>586,501,527.41</u>	<u>12,751,685,040.73</u>	<u>87,817,844.74</u>	<u>33,949,230,184.37</u>

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

Legal representative

Principal in charge of accounting

Head of accounting department

S.F. HOLDING CO., LTD.**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018**(All amounts are stated in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note	Share capital	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	Total equity
Balance at 1 January 2017		<u>4,183,678,213.00</u>	<u>38,991,327,794.39</u>	<u>-</u>	<u>119,068,202.44</u>	<u>805,925,790.17</u>	<u>44,100,000,000.00</u>
Movements for the six months ended 30 June 2017							
Total comprehensive income							
Net loss		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,078,418.55)</u>	<u>(16,078,418.55)</u>
Capital contribution and withdrawal by shareholders							
Capital contribution by shareholders	1	<u>-</u>	<u>(65,457,773.47)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,457,773.47)</u>
Profit distribution							
Distribution to shareholders		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(418,367,821.30)</u>	<u>(418,367,821.30)</u>
Balance at 30 June 2017		<u>4,183,678,213.00</u>	<u>38,925,870,020.92</u>	<u>-</u>	<u>119,068,202.44</u>	<u>371,479,550.32</u>	<u>43,600,095,986.68</u>
Balance at 1 January 2018		<u>4,411,015,524.00</u>	<u>46,530,971,136.14</u>	<u>-</u>	<u>433,456,527.10</u>	<u>3,217,052,890.78</u>	<u>54,592,496,078.02</u>
Movements for the six months ended 30 June 2018							
Total comprehensive income							
Total profit		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,876,483.73</u>	<u>82,876,483.73</u>
Capital contribution and withdrawal by shareholders							
Share-based payment in capital contribution by shareholders		<u>7,788,643.00</u>	<u>194,466,894.22</u>	<u>(202,255,537.22)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Share-based payment included in equity		<u>-</u>	<u>22,900,543.05</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,900,543.05</u>
Others		<u>-</u>	<u>(77,651.25)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,651.25)</u>
Profit distribution							
Distribution to shareholders		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(970,985,880.70)</u>	<u>(970,985,880.70)</u>
Balance at 30 June 2018		<u>4,418,804,167.00</u>	<u>46,748,260,922.16</u>	<u>(202,255,537.22)</u>	<u>433,456,527.10</u>	<u>2,328,943,493.81</u>	<u>53,727,209,572.85</u>

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

Legal representative

Principal in charge of accounting

Head of accounting department

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

1 General information and historical development

S.F. Holding Co., Ltd. (formerly “Ma'anshan Dingtai Rare Earth & 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. Initiated by the original shareholders of the Company, the Company was formally changed as Ma'anshan Dingtai Rare Earth & New Materials Co., Ltd. with a registered capital of RMB 50 million as approved by the shareholders' meeting on 18 October 2007 and the inaugural meeting on 22 October 2007.

On 11 January 2010, the Company successfully issued 19,500,000 ordinary shares at par value of RMB 1.00 per share at Shenzhen Stock Exchange under the Regulatory Permission [2010] No. 41 as approved by China Securities Regulatory Commission. The outstanding shares were listed for trading at Shenzhen Stock Exchange on 5 February 2010. After the shares were issued, the total share capital of the Company was changed to 77,830,780 shares.

Pursuant to the *Proposal on the Profit Distribution Plan for 2014* approved by 2014 annual shareholders' meeting held by the Company on 19 May 2015, the Company converted capital reserve into new shares on the basis of 5 shares for every 10 existing shares, with 77,830,780 shares in total at the end of 2014 as base. After the conversion, the total share capital of the Company was increased by 38,915,390 shares to 116,746,170 shares.

Pursuant to the *Proposal on the Profit Distribution Plan for 2015* approved by the 2015 annual shareholders' meeting held by the Company on 17 May 2016, the Company distributed cash dividends of RMB 1.40 (tax included) per 10 shares to all shareholders with 116,746,170 shares in total at the end of 2015 as base, and converted capital reserve into new shares on the basis of 10 shares for every 10 existing shares. After the conversion, the total share capital of the Company was increased by 116,746,170 shares to 233,492,340 shares.

Pursuant to the resolution of the 13th session of the third Board of Directors of the Company dated 22 May 2016 and relevant resolutions approved on the first interim shareholders' meeting in 2016 held by the Company on 30 June 2016, including the *Resolution concerning the Company Qualifying for Criteria for Major Assets Restructuring of Listed Companies*, the *Resolution on Related-party Transaction Composed of Major Assets Swap and Issuing Shares to Purchase Assets and Raise Matching Fund* and the *Resolution on 'Major Assets Swap and Issuing Shares to Purchase Assets and Raise Matching Fund and Related-party Transaction Report (Draft) of Ma'anshan Dingtai Rare Earth & New Materials Co., Ltd.' and Summaries*, the Company conducted a series of major assets restructuring as follows:

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

1 General information and historical development (Cont'd)

(1) Major assets swap

In December 2016, the Company swapped all the assets and liabilities (“exchange-out assets”) it held as at 31 December 2015 (“assessment base date”) for the equivalent portion (“exchange-in assets”) of 68.40%, 9.93%, 6.75%, 6.75%, 6.75%, 1.35% and 0.07% of the equities in Shenzhen S.F. Taisen Holdings (Group) Co., Ltd. (formerly “S.F. Holding (Group) Co., Ltd.”, hereinafter “Taisen Holdings”) respectively held by Shenzhen Mingde Holdings Development Co., Ltd. (hereinafter “Mingde Holdings”), Ningbo Shun Da Feng Run Investment Management Partnership (Limited Partnership) (hereinafter “Shun Da Feng Run”), Jia Qiang Shunfeng (Shenzhen) Equity Investment Partnership (hereinafter “Jia Qiang Shunfeng”), Shenzhen Zhao Guang Investment Co., Ltd. (hereinafter “Zhao Guang Investment”), Suzhou Industrial Park Oriza Shunfeng Equity Investment Company (hereinafter “Oriza Shunfeng”), Suzhou Gu Yu Qiu Chuang Equity Investment Partnership (hereinafter “Gu Yu Qiu Chuang”) and Ningbo Shun Xin Feng He Investment Management Partnership (Limited Partnership) (hereinafter “Shun Xin Feng He”). For this transaction, the exchange-out assets were priced at RMB 796 million and the exchange-in assets were priced at RMB 43.30 billion. Pursuant to the second interim shareholders’ meeting in 2016 dated 28 December 2016 (hereinafter “restructuring date”), the Company approved and reelected a new Board of Directors, which indicated the completion of major assets swap transaction and the successful listing of Taisen Holdings on Shenzhen Stock Exchange through back door listing.

(2) Issuing shares to purchase assets

In December 2016, the Company issued 3,950,185,873 ordinary shares (A shares) at par value of RMB 1.00 per share at an issuing price of RMB 10.76 per share to Mingde Holdings, Shun Da Feng Run, Jia Qiang Shunfeng, Zhao Guang Investment, Oriza Shunfeng, Gu Yu Qiu Chuang and Shun Xin Feng He to cover the difference of the above swap (RMB 42,504,000,000). The difference between the value of shares and the share capital amounting to RMB 38,553,814,120.48 was recognised as capital reserve. The total share capital was changed to 4,183,678,213 shares. After the new shares were issued, Mingde Holdings, Shun Da Feng Run, Jia Qiang Shunfeng, Zhao Guang Investment, Oriza Shunfeng and other shareholders held 64.58%, 9.38%, 6.37%, 6.37%, 6.37% and 6.92% respectively of the equities in the Company. China Securities Regulatory Commission approved the above assets restructuring plan of the Company on 12 December 2016. The share change above was verified by PricewaterhouseCoopers Zhong Tian LLP with a capital verification report of PwC ZT Yan Zi (2016) No. 1757 issued on 28 December 2016. The Company registered the additional 3.95 billion shares at China Securities Depository and the Clearing Corporation Limited Shenzhen Branch on 18 January 2017.

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

1 General information and historical development (Cont'd)

(3) Raising matching fund

In July 2017, the Company issued 227,337,311 ordinary shares (A shares) at par value of RMB 1.00 per share to specific investors through non-public offering at RMB 35.19 per share. The total fund raised amounted to RMB 7,999,999,974.09. Net of underwriter and sponsor's fees and other transaction costs, the net fund raised amounted to RMB 7,822,179,636.78, including an increment of share capital of RMB 227,337,311.00 and an increment of capital reserve by RMB 7,604,681,212.80. The aforesaid fund was received on 31 July 2017 and verified by PricewaterhouseCoopers Zhong Tian LLP with a capital verification report of PwC ZT Yan Zi (2017) No. 745 issued.

The Company registered the additional shares at China Securities Depository and the Clearing Corporation Limited Shenzhen Branch on 15 August 2017. The total share capital was changed to 4,411,015,524 shares. Mingde Holdings, Shun Da Feng Run, Jia Qiang Shunfeng, Zhao Guang Investment, Oriza Shunfeng and other shareholders held 61.25%, 8.89%, 6.04%, 6.04%, 6.04% and 11.74% of the equities in the Company respectively.

In 2017, ordinary A shares, which were issued by the Company to the incentive recipients of the first restricted shares incentive plan (Note 9(2)(a)), amounted to RMB 2,556,661.00 with raised funds totalling RMB 74,961,331.87, including an increment of share capital of RMB 2,556,661.00 and an increment of capital reserve of RMB 72,404,670.87. The aforesaid fund was received on 29 December 2017 and verified by PricewaterhouseCoopers Zhong Tian LLP with capital verification report of PwC ZT Yan Zi (2018) No. 0005 issued. The total share capital increased from 4,411,015,524 shares to 4,413,572,185 shares.

In 2018, ordinary A shares, which were issued by the Company to the incentive recipients of the second restricted shares incentive plan (Note 9(2)(a)), amounted to RMB 5,231,982.00 with raised funds totalling RMB 127,294,205.35, including an increment of share capital of RMB 5,231,982.00 and an increment of capital reserve of RMB 122,062,223.35. The aforesaid fund was received on 25 June 2018 and verified by PricewaterhouseCoopers Zhong Tian LLP with a capital verification report of PwC ZT Yan Zi (2018) No. 0442 issued. The total share capital increased from 4,413,572,185 shares to 4,418,804,167 shares.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

1 General information and historical development (Cont'd)

The approved business scope of the Company and its subsidiaries (hereinafter “the Group”) changes to: assets management, capital management, investment management (trusts, financial assets management and security assets management are not allowed); auto rent (excluding auto rent with driver); enterprise headquarters management; customs brokerage, inspection brokerage; investment in industries; domestic trade; marketing planning; investment consultancy and other information consultancy (excluding human resources intermediary service, securities and restricted projects); engagement in the development of network technology, information technology and electronic product technology and related technology services, consultancy and transfer of network technology, and provision of network information, E-Commerce service platform, business management, business investment, investment management consultancy, investment management, enterprise management consulting, etc.; call centre business and information service (both are second type value-added telecommunication services) and road transportation of common cargo; international freight forwarding for air transportation and road transportation of imported and exported goods or transit goods, including solicitation, booking, shipping, warehousing and packaging; type-1 and type-2 (international and domestic) sales agency of air transport; common cargo transportation, stowage and logistics services; science and technology information consulting, project investment consulting and logistics information consulting; data processing; research and development and sales of communication equipment, and related technology services (projects subject to approval could only be implemented after approval by relevant authorities), research and development of unmanned aerial vehicle(“UAV”) and spare parts; supply chain management and related supporting services, and engagement in both export and import business; development, construction and operation of industrial park; property management; self-owned property leasing; network marketing promotion; E-Commerce training; information technology outsourcing and information services outsourcing; data mining, data analysis and data services; development and application of general software, industry application software and embedded software; operation of on-line trading, on-line consulting, on-line auction and on-line advertising; network business service and database service; services in respect of development and application of electronic government affairs system; communications industry value-added business services; international freight forwarding, domestic and international express (excluding business exclusively operated by postal enterprises), transportation of cargo shipping containers and large objects, economic and technical consulting, technical information consulting, and engagement in commercial activities by way of franchising; transport services of domestic (including Hong Kong, Macau and Taiwan) and international aviation cargo and related services, and import and export of goods and technology; cargo express agent services; international freight forwarding (excluding shipping agency business), loading, unloading and handling; international and domestic freight forwarding; technology development of software and hardware for financial payment systems; internet payment, bank card acquiring, supply chain management; non-securities equity investment activities and relevant consulting services.

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

1 General information and historical development (Cont'd)

First-tier and second-tier subsidiaries included in the consolidation scope of the financial statements are detailed in Note 6(1). The subsidiaries newly included in the scope of consolidation for the current period are set out in Note 5(1), (2) and (3).

As at 30 June 2018, Mingde Holdings was the parent company and ultimate controlling company of the Company.

These financial statements were authorised for issue by the Board of Directors of the Company on 22 August 2018.

2 Summary of significant accounting policies and accounting estimates

The Group determines the specific accounting policies and estimates based on its features of production and operation, primarily comprising criterion for impairment of available-for-sale equity instruments (Note 2(9)), the provision for bad debts of loans and receivables (Note 2(10)), valuation of inventories (Note 2(11)), measurement model of investment properties (Note 2(13)), depreciation of fixed assets and amortisation of intangible assets (Note 2(14), (17)), criterion for capitalisation of research and development expenditures (Note 2(18)), timing of revenue recognition (Note 2(25)), etc.

Details of the Group's critical judgements used in determining significant accounting policies are set forth in Note 2(30).

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

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

The financial statements of the Company for the six months ended 30 June 2018 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company financial position as at 30 June 2018 and their financial performance, cash flows and other information for the period then ended.

(3) Accounting year

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

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(4) Recording currency

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

(5) Business combinations

(a) Business combinations involving enterprises under common control

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

(b) Business combinations involving enterprises not under common control

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

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Preparation of consolidated financial statements

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

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

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

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

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

(7) Cash and cash equivalents

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

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

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

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. During the reporting period, the Group held financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term.

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification of financial assets (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly include various receivables, loans and advances, etc.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets in the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

(ii) Recognition and measurement

Financial assets are recognised at fair value in the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and their fair value cannot be reliably measured. Loans and receivables are subsequently measured at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets denominated in foreign currencies. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity are recycled into profit or loss for the current period. Interest on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

- (9) Financial instruments (Cont'd)
- (a) Financial assets (Cont'd)
- (iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

The objective evidence that a financial asset is impaired refers to events occurred after the initial recognition of the financial assets, which has an effect on the estimated cash flows of the financial assets and the effect can be reliably measured by the Group.

The objective evidence that an available-for-sale investment in equity instruments is impaired includes the situation where the fair value of the investment in equity instruments drops significantly or not temporarily. The Group assesses each available-for-sale investment in equity instruments separately at each balance sheet date. If the fair value of such investment in equity instruments as at the balance sheet date is lower than its initial investment cost to the extent of over 50% (inclusive) or for a duration of over 1 year (inclusive), it is indicated that the investment in equity instruments is impaired; if the fair value of such investment in equity instruments as at the balance sheet date is lower than its initial investment cost to the extent of over 20% (inclusive) but below 50%, the Group will take other relevant factors such as price volatility into considerations to judge the impairment of such investment in equity instruments.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of the impairment loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset is recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

When an impairment loss on available-for-sale financial assets measured at fair value has occurred, the cumulative loss arising from the decline in fair value that has been recognised directly in equity is removed from equity and recognised as impairment loss. For an investment in a debt instrument classified as available-for-sale on which the impairment loss has been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which the impairment loss has been recognised, the increase in its fair value in a subsequent period is recognised directly in equity.

If an impairment loss on an available-for-sale financial asset measured at cost occurs, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss for the current period. The previously recognised impairment loss will not be reversed in subsequent periods.

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iv) Derecognition of financial assets

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

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group mainly comprise other financial liabilities, including payables, borrowings, debentures payable, etc.

Payables including notes payable and accounts payable and other payables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and debentures payable are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year (inclusive) are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year (inclusive) at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

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

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. When performing the valuation, the Group adopted applicable valuation techniques with adequate available data and other information supportable in the circumstances, and selected inputs that have consistent characteristics with assets and liabilities in the transactions which are also considered by other market participants, and gave priority to the use of relevant observable inputs. When relevant observable inputs were not available or feasible to obtain, unobservable inputs were adopted.

(10) Loans and receivables

Loans and receivables include notes receivable and accounts receivable, other receivables, loans and advances, and long-term receivables, etc. Accounts receivable arising from sales of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

(a) Receivables

Receivables with bad debt provision provided on individual basis

Whether the individual amount is significant or not, if there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made on individual basis.

Receivables with bad debt provision provided on portfolio basis

Receivables that the related provision for bad debts is not provided on individual basis are classified into the following groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Related party grouping	Due to extremely low historical loss ratio, the proportion of provision is set as 0%
Non-related party grouping	The proportion of provision is set as 0.5%

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Loans and receivables (Cont'd)

(b) Loans and advances

The provision for bad debts of loans and advances is made based on the five-tier classification of ending balances as follows:

The Group assesses the loans and advances at each balance sheet date. If there is objective evidence that it is impaired, the amount of the impairment loss is provided for at the difference between its carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). Balances for which related provision for bad debts is not provided on individual basis are classified into several groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of loans with similar credit risk characteristics (at five tiers), taking into consideration of the current circumstances.

(c) Long-term receivables (interest-free loans to employees)

The Group's long-term receivables (interest-free loans to employees) are classified into different groupings based on their credit risk characteristics and tested for impairment on portfolio basis. Ratios of provision for impairment are determined according to their groupings with different credit risk characteristics.

As the Group estimates that the actual loss ratio of long-term receivables (interest-free loans to employees) will be extremely low, the ratio of the provision is set as 0%.

(11) Inventories

(a) Classification

Inventories comprise low-value consumables, raw materials in stock, finished goods and aviation consumables, and are stated at the lower of cost and net realisable value.

(b) Valuation method for inventory issued

Raw materials in stock and finished goods are accounted for using the weighted average method upon issuance. Aviation consumables are accounted for using the specific-unit-cost method upon issuance.

(c) Amortisation methods of low-value consumables

Low-value consumables are amortised into expenses in full when issued for use.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Inventories (Cont'd)

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

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs and estimated costs necessary to make the sale and related taxes.

- (e) The Group adopts the perpetual inventory system.

(12) Long-term equity investments

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

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

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

- (a) Determination of investment cost

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

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

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

(b) Subsequent measurement and recognition methods of gains and losses

Long-term equity investments accounted for using the cost method are measured at the initial investment cost. Cash dividend or profit distribution declared by an investee is recognised as investment income in profit or loss for the current period.

For long-term equity investments that are accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of the net losses of an investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the estimated losses that it needs to bear. The changes of the Group's share of the investee's equity other than those arising from the net profit or loss, other comprehensive income and profit appropriation, are recognised in the Group's capital reserve and the carrying amounts of the long-term equity investment are adjusted accordingly. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the transactions between the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, based on which the investment gain or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(c) Basis for determining existence of control, joint control, significant influence over investees

Control means having power over an investee, enjoying variable returns through involvement in relevant activities of the investee, and being able to impact the amount of such variable returns by using the power over the investee.

Joint control is the agreed sharing of control over an arrangement, and the decision of activities relating to such arrangement requires the unanimous consent of the Group and other parties sharing control.

Significant influence is the power to participate in making the decisions on financial and operating policies of the investee, but is not control or joint control over making those policies.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

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

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(20)).

(13) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of investment properties are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation/ amortisation rates
Buildings	10 - 50 years	5%	9.50% - 1.90%
Land use rights	39.75 - 50 years	0%	2.52% - 2.00%

The investment property's estimated useful life, net residual value and depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, motor vehicles, computers and electronic equipment, aircraft and aircraft engines, rotables and high-value aircraft maintenance tools, machinery and equipment, office equipment and other equipment.

Fixed assets are recognised when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. Fixed assets purchased or constructed are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation method for fixed assets

Except for replacement parts for overhaul of engine body, fixed assets are depreciated using the straight-line method to allocate the recorded amount of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives and the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	10 - 50 years	5%	9.50% - 1.90%
Motor vehicles (excluding electromobiles)	4 years	5%	23.75%
Motor vehicles (electromobiles)	2 years	5%	47.50%
Machinery and equipment (excluding automatic sorting equipment imported from abroad)	10 years	5%	9.50%
Machinery and equipment (automatic sorting equipment imported from abroad)	15 years	5%	6.33%
Computers and electronic equipment	3 years	5%	31.67%
Aircraft and engine bodies	10 years	5%	9.50%
Replacement parts for overhaul of aircraft fuselage	1.5 - 12 years	0%	66.67% - 8.33%
Rotables	10 years	5%	9.50%
High-value aircraft maintenance tools	5 years	5%	19.00%
Office equipment and other equipment	5 years	5%	19.00%

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Fixed assets (Cont'd)

(b) Depreciation method for fixed assets (Cont'd)

Replacement parts for overhaul of engines are depreciated using the units-of-production method and taking the expected usable recurring number as the unit of production.

The estimated useful life/expected usable recurring number and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amounts of fixed assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(20)).

(d) Basis for identification of fixed assets held under finance leases and related measurement

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge (Note 2(28)(b)).

Fixed assets held under a finance lease is depreciated on a basis consistent with the depreciation policy adopted for fixed assets that are self-owned. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over its estimated useful life; otherwise, the leased asset is depreciated over the shorter period of the lease term and its estimated useful life.

(e) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefit is expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below its carrying amount (Note 2(20)).

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(16) Borrowing costs

The Group's borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For general borrowings utilised for the acquisition and construction of an asset qualifying for capitalisation, the capitalised amount of the general borrowings is determined by the weighted average of the excess of accumulated capital expenditure over capital expenditure of the special borrowings multiplied by the weighted average effective interest rate of the utilised general borrowings. The effective interest rate is the interest rate at which the future cash flows of the borrowings over the estimated life or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

(17) Intangible assets

Intangible assets include software, land use rights, trademark rights and patents, and are measured at cost.

(a) Software

Software is amortised on the straight-line basis over 5 to 10 years.

(b) Land use rights

Land use rights are amortised on the straight-line basis over 39.75 to 50 years.

(c) Trademark rights

Trademark rights are amortised on the straight-line basis over 5 to 10 years.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(17) Intangible assets (Cont'd)

(d) Patents

Patents are amortised on the straight-line basis over 5 to 10 years.

(e) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(f) Impairment of intangible assets

The carrying amounts of intangible assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(20)).

(18) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sales;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Research and development expenditures previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as research and development expenditures in the balance sheet and transferred to intangible assets at the date when the asset is ready for its intended use.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(19) Long-term prepaid expenses

Long-term prepaid expenses include settling-in allowance and introduction fee for pilots, the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on a straight-line basis over the expected beneficial period (2 to 12 years) and are presented at actual expenditure net of accumulated amortisation.

(20) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets not ready for their intended use are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying amount of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(21) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union costs and employee education costs. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

(b) Post-employment benefits

The Group classifies post-employment benefits plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly included basic pension insurance and unemployment insurance, both of which belong to defined contribution plans.

Basic pension insurance

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the pensions are calculated according to local regulations for pension plan. When employees retire, the local labour and social security authority is obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

The termination benefits expected to be paid within one year since the balance sheet date are classified as current liabilities.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(21) Employee benefits (Cont'd)

(d) Employee incentives

The Group provides incentive plans for on-the-job employees who comply with certain conditions, and makes payments based on the schedule. Provisions for employee incentives are initially measured at the best estimate necessary to settle the present obligation, and expensed as incurred. The Group integrates separation rate, time value of money and other factors into account at initial measurement. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is expensed as incurred. The carrying amount of provisions for employee incentives is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(22) Dividend distribution

Cash dividends are recognised as liabilities in the period in which the dividends are approved by the shareholders' meeting.

(23) Provisions

Provisions are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(24) Share-based payments

(a) Categories of share-based payments

A share-based payment is a transaction in which an enterprise grants equity instruments or assumes liabilities that are determined based on equity instruments, in exchange for services rendered by employees or another party. Equity instruments include the equity instruments that are linked to the enterprise, the parent company of the enterprise or another accounting entity within the same group. Share-based payments comprise equity-settled and cash-settled payments.

(b) Basis for determining the best estimate of exercisable equity instruments

At each balance sheet date in the vesting period, the Group would make best estimate in accordance with the newly acquired information such as changes in the number of employees entitled to equity instruments, and amend the number of exercisable equity instruments. On the exercisable date, the ultimate estimated number of exercisable equity instruments coincides with the actual number.

(c) Accounting treatment of implementation of share-based payments

(i) Equity-settled share-based payment

The equity-settled share-based payment where the Group grants shares or other equity instruments as a consideration in return for services, is measured at the fair value of the equity instruments at the grant date. Where the share-based payment is not exercisable until the service in the vesting period is completed or specified performance conditions are met, then at each balance sheet date within the vesting period, the service obtained in the current period shall be included in relevant cost or expenses and in capital reserve at the fair value of the equity instruments at the grant date based on the best estimates of the quantity of exercisable equity instruments made by the Group, in accordance with latest changes in the number of exercisable employees and subsequent information.

(ii) Cash-settled share-based payment

The cash-settled share-based payment where the Group calculates and determines the cash payment or any other asset obligation on the basis of shares or other equity instruments in return for services, is measured at the fair value of the liabilities calculated based on relevant equity instruments. Where the share-based payment is not exercisable until the service in the vesting period is completed or specified performance conditions are met, then at each balance sheet date within the vesting period, the service obtained in the current period shall be included in cost or expenses and in liabilities at the fair value of the Group's liabilities based on the best estimates of the quantity of exercisable equity instruments made by the Group. At each balance sheet date and settlement date before relevant liabilities are settled, the fair value of the liabilities is remeasured and the changes are recognised in profit or loss.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(25) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific criteria of revenue recognition have been met for each type of the Group's activities as described below. The principles are set out below:

(a) Rendering of services

Revenue from express delivery services includes revenue from inbound and outbound express delivery services; revenue from international freight forwarding agency services; revenue from domestic and international transport services of aviation cargoes; and revenue from express delivery agency services. Besides the aforesaid revenue, the Group's revenue from rendering of services includes revenue from communication service and maintenance service. Revenue from rendering of services is recognised when the service is completed and the right to collect payment is obtained.

(b) Sales of goods

Revenue from the sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the economic benefit associated with the transaction will flow to the Group and the relevant revenue and costs can be measured reliably.

(c) Interest income

The amount of interest income is measured on the basis of time proportion and the effective interest rate.

(26) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to the government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(26) Government grants (Cont'd)

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants measured at nominal amount are recognised in profit or loss for the current period. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants related to daily corporate activities are included in other income or deducted against related costs, expenses or losses directly in current period in accordance with business nature. Government grants not related to daily corporate activities are included in non-operating income or expenses.

Policy-based loans with prime rate to the Group are recorded at actual amount of borrowing received, and related borrowing costs are calculated with borrowing principal and policy-based prime rate. Financial discounts directly received by the Group are deducted against related borrowing costs.

(27) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible tax losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible tax losses). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible tax losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible tax losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

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

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(28) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Lease income under an operating lease is recognised on a straight-line basis over the period of the lease.

(b) Finance leases (as the lessee)

The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(29) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(30) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical accounting estimates and key assumptions

The key assumptions of critical accounting estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Deferred tax assets

Deferred tax assets are recognised for the deductible tax losses and deductible temporary differences that can be carried forward to subsequent years to the extent that it is probable that taxable profit in the future will be available against which the deductible tax losses and deductible temporary differences can be utilised. Whether to recognise the deferred tax assets arising from deductible tax losses and deductible temporary differences largely depends on the judgement of management on: (i) whether the accumulated deductible tax losses and deductible temporary differences in prior years are still effective, and (ii) whether sufficient taxable income that can be used to deduct deductible tax losses and deductible temporary differences can be obtained in the future period. Where there is a difference between the situation and the original estimate, such difference will affect the Group's deferred tax assets and income tax expenses in the future period.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(30) Critical accounting estimates and judgements (Cont'd)

(a) Critical accounting estimates and key assumptions (Cont'd)

(ii) Employee incentives

Provisions for employee incentives are made and long-term liabilities relating to employee incentives are recognised based on the comprehensive assessment of actual departure for past few years and the time value of money of the market. Where the actual separation rate and time value of money are different from existing estimates of management, such difference will affect the Group's employee incentive expenses in the future period.

(iii) Provision for bad debts of loans and receivables

As described in Note 2(10), receivables (including notes receivable and accounts receivable, other receivables and long-term receivables) are assessed for impairment at the end of each period. Judgements and assessments are made by management taking the customer's credit status, credit history, operating status and market conditions into consideration. Where there is a difference between the actual bad debts and the original estimate, such difference will affect the Group's provision for bad debts of the above assets in the future period.

(iv) Risk of impairment on long-term assets

As described in Note 2(20), goodwill, fixed assets with impairment indication, construction in progress, intangible assets, investment properties measured using cost model, long-term equity investments and other long-term assets are tested for impairment annually at the end of each year.

When assessing whether the above assets are impaired, management mainly evaluates and analyses: (1) whether events affecting asset impairment occurred; (2) whether the present value of expected cash flows arising from the continuing use or disposal of the asset is lower than its carrying amount; (3) whether the significant assumptions used in estimating the present value of future cash flows are appropriate.

Relevant assumptions adopted by the Group to determine impairment, e.g. changes in assumptions on discount rate and growth rate used to calculate the present value of future cash flows, may have material impact on the present value used in the impairment test, and cause impairment in the above-mentioned long-term assets of the Group.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(30) Critical accounting estimates and judgements (Cont'd)

(a) Critical accounting estimates and key assumptions (Cont'd)

(v) Determination of fair value of financial instruments by valuation techniques

The fair value of a financial instrument that is not traded in an active market is determined by valuation techniques. Valuation techniques primarily refer to market approach and income approach, including reference to the prices used in recent orderly transactions between market participants, reference to the current fair value of other financial instruments that are substantially identical, discounted cash flow analysis, option pricing models, etc. Observable market information is applied in valuation techniques to the extent possible. When observable market information is not available, the management will make estimate of significant unobservable information included in the valuation method. Different valuation techniques or inputs may lead to significant differences between fair value estimates.

(b) Critical judgements in applying the accounting policies

(i) Judgement on significant influence of the Group over investees

The investees over which the Group has significant influence are accounted for under the equity method. In judging the significant influence over an investee, the management considers based on one or more of the following circumstances and all facts and circumstances: (1) the shareholding in the investee; (2) whether it appoints representative in the Board of Directors or a similar authority of the investee; (3) whether it participates in making decisions on financial and operating policies of the investee; (4) whether it has significant transaction with the investee; (5) whether it assigns management personnel to the investee; (6) whether it provides key technical materials to the investee.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(31) Changes in significant accounting policies

In June 2018, the Ministry of Finance released the *Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for 2018* (Cai Kuai [2018] No. 15). The financial statements for the six months ended 30 June 2018 are prepared in accordance with the above circular, the ending balances and the opening balances of relevant line items in the comparative balance sheet and the amounts incurred in the current period of relevant line items in the comparative income statement are adjusted accordingly, and the impacts are as follows:

Nature and reasons of the changes in accounting policies	Line items affected	Amounts affected (increase/(decrease)) For the six months ended 30 June 2017
Gains and losses on disposals of fixed assets and intangible assets for the six months ended 30 June 2018 are included in losses on disposals of assets. The comparatives for the six months ended 30 June 2017 are reclassified accordingly.	Losses on disposals of assets	7,044,249.36
	Non-operating income	(6,938,505.37)
	Non-operating expenses	(13,982,754.73)

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(31) Changes in significant accounting policies (Cont'd)

Nature and reasons of the changes in accounting policies	Line items affected	Amounts affected (increase/(decrease))			
		31 December 2017 Consolidated	1 January 2017 Consolidated	31 December 2017 Company	1 January 2017 Company
The Group combines “notes receivable” and “accounts receivable” into “notes receivable and accounts receivable”.	Accounts receivable	(5,804,152,565.34)	(4,559,911,486.72)	-	-
	Notes receivable	(9,173,103.94)	(4,406,697.24)	-	-
	Notes receivable and accounts receivable	5,813,325,669.28	4,564,318,183.96	-	-
The Group combines “interest receivable” and “dividends receivable” into “other receivables”.	Interest receivable	(54,710,605.25)	(5,241,461.07)	(31,852,751.65)	-
	Dividends receivable	-	-	(3,089,805,390.21)	(800,000,000.00)
	Other receivables	54,710,605.25	5,241,461.07	3,121,658,141.86	800,000,000.00

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(31) Changes in significant accounting policies (Cont'd)

Nature and reasons of the changes in accounting policies

	Line items affected	Amounts affected (increase/(decrease))			
		31 December 2017 Consolidated	1 January 2017 Consolidated	31 December 2017 Company	1 January 2017 Company
The Group combines "accounts payable" into "notes payable and accounts payable".	Accounts payable Notes payable and accounts payable	(6,905,411,234.18)	(5,259,177,206.37)	-	-
		6,905,411,234.18	5,259,177,206.37	-	-
The Group combines "interest payable" in "other payables".	Interest payable Other payables	(19,741,816.18)	(13,899,791.33)	-	(24,165.67)
		19,741,816.18	13,899,791.33	-	24,165.67

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(31) Changes in significant accounting policies (Cont'd)

Nature and reasons of the changes in accounting policies	Line items affected	Amounts affected (increase/(decrease)) For the six months ended 30 June 2017
The Group presents Research and development expenses, which were originally recorded in general and administrative expenses, as a separate line item.	Research and development expenses General and administrative expenses	203,739,223.62 (203,739,223.62)

3 Taxation

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

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

In addition, pursuant to the *Interim Measures for the Collection, Use and Management of the Civil Aviation Development Fund* (Cai Zong [2012] No. 17) issued by the Ministry of Finance, SF Airlines Co., Ltd. ("SF Airlines") pays the civil aviation development fund based on classification of flight routes, maximum take-off weight, flight mileage and applicable collection standards, and includes such payment in cost.

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3 Taxation (Cont'd)

(1) Enterprise income tax

The subsidiaries entitled to the preferential tax are presented as follows:

- (a) Pursuant to the *Notice on the Policies and Catalogue of Income Tax Preferences for Enterprises in Guangdong Hengqin New Area, Fujian Pingtan Comprehensive Experimental Zone, and Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperative Zone* (Cai Shui [2014] No. 26) jointly issued by the Ministry of Finance and the State Administration of Taxation, the Company's subsidiaries as below are subject to enterprise income tax at the preferential rate of 15% from 2014 to 2020.

Name of subsidiary	Local statutory tax rate	Preferential tax rate
Guangdong S.F. E-Commerce Co., Ltd.	25%	15%
Shenzhen S.F. Supply Chain Co., Ltd.	25%	15%
Shenzhen S.F. International Logistics Co., Ltd.	25%	15%
Shenzhen SF Dadangjia Technology Co., Ltd.	25%	15%

- (b) Pursuant to the *Notice on Tax Policy Issues concerning Further Implementing the Western China Development Strategy* (Cai Shui [2011] No. 58) and the *Notice on Issues concerning the Implementation of the Tax Policies for the Development of Western China by Ganzhou City* (Cai Shui [2013] No. 4) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, the Company's subsidiaries as below are subject to enterprise income tax at the preferential rate of 15% up to 2020:

Name of subsidiary	Local statutory tax rate	Preferential tax rate
S.F. Express (Chongqing) Co., Ltd.	25%	15%
Guizhou S.F. Express Co., Ltd.	25%	15%
Yunnan S.F. Express Co., Ltd.	25%	15%
Sichuan S.F. Express Co., Ltd.	25%	15%
Xi'an S.F. Express Co., Ltd.	25%	15%
Guangxi S.F. Express Co., Ltd.	25%	15%
S.F. Express (Ningxia) Co., Ltd.	25%	15%
Inner Mongolia S.F. Express Co., Ltd.	25%	15%
Xinjiang S.F. Express Co., Ltd.	25%	15%
Qinghai S.F. Express Co., Ltd.	25%	15%
Lanzhou S.F. Express Co., Ltd.	25%	15%
Ganzhou S.F. Express Co., Ltd.	25%	15%
Xi'an Shunlu Logistics Co., Ltd.	25%	15%
Chongqing Huiyifeng Logistics Co., Ltd.	25%	15%
Chengdu Taishun Logistics Co., Ltd.	25%	15%
Tibet S.F. Express Co., Ltd.	25%	15%

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3 Taxation (Cont'd)

(1) Enterprise income tax (Cont'd)

- (c) In accordance with the first article in the *Circular of Taxation on Relevant Issues Concerning Preferential Policies on Enterprise Income Tax for Small Enterprises with Low Profits* (Cai Shui [2014] No. 34) jointly issued by the Ministry of Finance and the State Administration of Taxation, the taxable income of the Company's subsidiaries as below is recognised at 50% of income and they are subject to enterprise income tax at the rate of 20%:

Name of subsidiary	Local statutory tax rate	Preferential tax rate
Weifang Fengtai E-Commerce Industrial Park Management Ltd.	25%	20%
Guizhou Shunlu Logistics Co., Ltd.	25%	20%
Zhengzhou Shuncheng Logistics Co., Ltd.	25%	20%
Shenyang Fengtai E-Commerce Industrial Park Management Ltd.	25%	20%
Shanghai Fengtai Yuanxing Property Management Service Co., Ltd.	25%	20%

- (d) Pursuant to the *Notice on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries* (Cai Shui [2012] No. 27) jointly issued by the Ministry of Finance and the State Administration of Taxation, the *Announcement on Issuing the Measures for the Matters concerning Preferential Enterprise Income Tax Policies* issued by the State Administration of Taxation (Announcement [2015] No. 76), and the *Notice on the Issues of the Policies of Enterprise Income Tax Preferences for Software and Integrated Circuit Industries* (Cai Shui [2016] No. 49) jointly issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission and the Ministry of Industry and Information Technology, and through filing with Shenzhen Nanshan District Local Taxation Bureau, the Company's subsidiaries as below were subject to enterprise income tax at the preferential rate of 10% in 2017 as a key software enterprise under the national planning and layout.

Name of subsidiary	Local statutory tax rate	Preferential tax rate
SF Technology Co., Ltd. ("SF Technology")	25%	10%

In addition, the Company's subsidiaries located in Hong Kong, Singapore, Japan, Korea and USA are subject to enterprise income tax at the rates of 16.5%, 17%, 23.2%, 22% and 21% respectively in the reporting period.

In addition to the above, the Company and its other major subsidiaries are subject to enterprise income tax at the rate of 25%.

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3 Taxation (Cont'd)

(2) VAT

According to different businesses, VAT rates applicable to subsidiaries of the Group include 17%, 16%, 11%, 10% and 6%. Applicable tax rates for different business types are as follows:

Business type	Applicable VAT rates
Sales of goods (i)	17% or 16%
Transportation service (ii)	11% or 10%
Logistics supporting service	6%
R&D and technical service	6%
Information technology service	6%
Property leases (iii)	11% or 10%

Pursuant to the *Circular on Adjusting Value-added Tax Rates* (Cai Shui [2018] No. 32), the VAT taxable sales or goods import, which were originally subject to the tax rates of 17% and 11%, are adjusted to 16% and 10% respectively upon adjustment. The aforesaid circular has been effective since 1 May 2018.

- (i) The revenue from sales of goods acquired by the Group before 1 May 2018 is subject to the VAT rate of 17%, while the revenue from sales of goods acquired since 1 May 2018 is subject to the VAT rate of 16%.
- (ii) The revenue from transportation service acquired by the Group before 1 May 2018 is subject to the VAT rate of 11%, while the revenue from transportation service acquired since 1 May 2018 is subject to the VAT rate of 10%.
- (iii) The property leasing business acquired by the Group before 1 May 2018 is subject to the VAT rate of 11%, while the property leasing business acquired since 1 May 2018 is subject to the VAT rate of 10%.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	30 June 2018	31 December 2017
Cash on hand	70,544.56	325,311.33
Cash at bank (a)	11,816,998,472.66	15,986,187,106.98
Balances with central bank from Group Finance Company	1,141,087,768.58	1,287,049,930.36
Including: Balances with central bank - statutory reserve (b)	1,135,652,760.16	1,277,240,782.59
Balances with central bank - excess reserve (b)	5,435,008.42	9,809,147.77
Other cash balances (a)	320,250,178.45	44,810,442.45
	<u>13,278,406,964.25</u>	<u>17,318,372,791.12</u>
Including: Total overseas deposits	<u>927,990,963.63</u>	<u>784,369,015.82</u>

(a) As at 30 June 2018, term deposit amounting to RMB 30,000,000.00 (31 December 2017: RMB 30,000,000.00) was pledged as collateral for long-term borrowings amounting to RMB 91,200,000.00 (31 December 2017: RMB 96,000,000.00)(Note 4(28)(a)); RMB 619,907.00 (31 December 2017: RMB 1,959,907.00) which was included in other cash balances represented guarantee deposits with banks. All of these cash balances were restricted cash.

(b) On 18 September 2016, Taisen Holdings incorporated SF Holdings Group Finance Company Limited (hereinafter "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 7% of due to customers denominated in RMB. Statutory reserve deposits are not available for use by the Group in its day to day operations. Surplus reserve of Group Finance Company deposited with the central bank represents the excess over the required statutory reserve paid by financial institutions in the central bank, and it is bank deposit that can be readily drawn on demand.

(2) Financial assets at fair value through profit or loss

	30 June 2018	31 December 2017
Investments in equity instrument held for trading (a)	14,298,919.01	16,232,692.66
Forward interest rate swap contracts	1,071,619.48	1,586,700.69
	<u>15,370,538.49</u>	<u>17,819,393.35</u>

(a) The fair value of the investments in equity instrument held for trading is determined at the closing prices of Shenzhen Stock Exchange on the last trading day of the year.

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

(3) Notes receivable and accounts receivable

	30 June 2018	31 December 2017
Notes receivable	25,661,317.69	9,173,103.94
Accounts receivable (a)	<u>5,686,898,038.60</u>	<u>5,804,152,565.34</u>
	<u>5,712,559,356.29</u>	<u>5,813,325,669.28</u>

(a) Accounts receivable

	30 June 2018	31 December 2017
Accounts receivable	5,754,878,794.04	5,876,055,887.27
Less: Provision for bad debts	<u>(67,980,755.44)</u>	<u>(71,903,321.93)</u>
	<u>5,686,898,038.60</u>	<u>5,804,152,565.34</u>

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

(i) The ageing of accounts receivable is analysed below:

	30 June 2018	31 December 2017
Within 1 year (inclusive)	5,697,231,710.56	5,835,161,672.96
1 - 2 years (inclusive)	44,261,180.58	21,816,111.28
2 - 3 years (inclusive)	<u>13,385,902.90</u>	<u>19,078,103.03</u>
	<u>5,754,878,794.04</u>	<u>5,876,055,887.27</u>

As at 30 June 2018 and 31 December 2017, the Group had no significant accounts receivable that were overdue but not impaired on individual basis.

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

(3) Notes receivable and accounts receivable (Cont'd)

(a) Accounts receivable (Cont'd)

(ii) Accounts receivable are analysed by category as follows:

	30 June 2018			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Percentage
Provision for bad debts on individual basis				
Receivables from related parties (Note 8(4)(a))	12,943,815.05	0.22%	(12,943,815.05)	100.00%
Receivables from non-related parties	17,674,128.50	0.31%	(17,674,128.50)	100.00%
Provision for bad debts on portfolio basis				
Receivables from related parties (Note 8(4)(a))	172,236,261.65	2.99%	-	-
Receivables from non-related parties	5,552,024,588.84	96.48%	(37,362,811.89)	0.67%
	<u>5,754,878,794.04</u>	<u>100.00%</u>	<u>(67,980,755.44)</u>	<u>1.18%</u>
	31 December 2017			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Percentage
Provision for bad debts on individual basis				
Receivables from related parties (Note 8(4)(a))	12,825,061.28	0.22%	(12,825,061.28)	100.00%
Receivables from non-related parties	24,142,937.61	0.41%	(24,142,937.61)	100.00%
Provision for bad debts on portfolio basis				
Receivables from related parties (Note 8(4)(a))	101,753,955.64	1.73%	-	-
Receivables from non-related parties	5,737,333,932.74	97.64%	(34,935,323.04)	0.61%
	<u>5,876,055,887.27</u>	<u>100.00%</u>	<u>(71,903,321.93)</u>	<u>1.22%</u>

Where the provision for bad debts is made against the accounts receivable on portfolio basis, no provision for bad debts is made for related party group, and provision for bad debts is made using percentage of outstanding balance for non-related party group (Note 2(10)(a)).

(iii) For the six months ended 30 June 2018, the provision for bad debts made by the Group amounted to RMB 8,340,474.49, and there was no reversal of provision for bad debts (for the six months ended 30 June 2017: Nil) (Note 4(20)).

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

(3) Notes receivable and accounts receivable (Cont'd)

(a) Accounts receivable (Cont'd)

(iv) For the six months ended 30 June 2018, the provision for bad debts of accounts receivable that was written off amounted to RMB 12,263,040.98 and no accounts receivable with amounts that are individually significant were written off.

(v) As at 30 June 2018, the Group's accounts receivable that are individually material and which related provision for bad debts is provided on individual basis amounted to RMB 12,943,815.05.

(vi) The Group's accounts receivable comprise the accounts receivable from the customers under monthly settlement. As at 30 June 2018, the five largest accounts receivable aggregated by debtor were summarised and analysed as follows:

	30 June 2018		
	Amount	Amount of provision for bad debts	% of total balance
Sum of the five largest accounts receivable	479,025,175.48	(1,782,972.89)	8.32%

(4) Other receivables

	30 June 2018	31 December 2017
Current accounts receivable from related parties (Note 8(4)(c))	174,838,612.33	632,354,802.87
Guarantees and deposits	388,973,095.05	330,133,274.66
Cash on delivery service	255,564,373.10	282,767,969.67
Employee borrowings and advances	103,307,607.53	104,762,069.94
Social insurance premium prepaid	12,897,423.00	11,666,434.10
Compensation receivable from commercial insurance	5,316,319.22	2,410,777.24
Interest receivable	35,484,868.16	54,710,605.25
Others	204,872,807.00	195,147,065.05
	1,181,255,105.39	1,613,952,998.78
Less: Provision for bad debts	(4,503,291.68)	(4,485,359.11)
	<u>1,176,751,813.71</u>	<u>1,609,467,639.67</u>

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

(4) Other receivables (Cont'd)

(a) The ageing of other receivables is analysed as follows:

	30 June 2018	31 December 2017
Within 1 year (inclusive)	921,190,135.21	1,367,333,527.20
1 - 2 years (inclusive)	155,640,578.73	148,737,665.49
Over 2 years	104,424,391.45	97,881,806.09
	<u>1,181,255,105.39</u>	<u>1,613,952,998.78</u>

As at 30 June 2018 and 31 December 2017, the Group had no significant other receivables that were overdue but not impaired on individual basis.

(b) Other receivables are analysed by category as follows:

	30 June 2018			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Percentage
Provision for bad debts on individual basis				
Receivables from related parties	270,985.37	0.02%	(270,985.37)	100.00%
Provision for bad debts on portfolio basis				
Receivables from related parties	174,567,626.96	14.78%	-	-
Receivables from non-related parties	1,006,416,493.06	85.20%	(4,232,306.31)	0.42%
	<u>1,181,255,105.39</u>	<u>100.00%</u>	<u>(4,503,291.68)</u>	<u>0.38%</u>

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

(4) Other receivables (Cont'd)

(b) Other receivables are analysed by category as follows (Cont'd):

	31 December 2017			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Percentage
Provision for bad debts on individual basis				
Receivables from related parties	255,259.87	0.02%	(255,259.87)	100.00%
Provision for bad debts on portfolio basis				
Receivables from related parties	632,099,543.00	39.16%	-	-
Receivables from non-related parties	981,598,195.91	60.82%	(4,230,099.24)	0.43%
	<u>1,613,952,998.78</u>	<u>100.00%</u>	<u>(4,485,359.11)</u>	<u>0.28%</u>

(c) For the six months ended 30 June 2018, the Group's provision for bad debts amounted to RMB 5,458,295.02, balances written-off amounted to RMB 5,440,362.45, and there was no provision for bad debts being reversed (Note 4(20)).

(d) As at 30 June 2018, the Group had no other receivables that were individually material which related provision for bad debts was provided on individual basis, and no other receivables that were individually material were written off.

(e) As at 30 June 2018, the five largest other receivables aggregated by debtor were summarised and analysed as follows:

	Nature of business	Ageing	30 June 2018		
			Amount	Amount of provision for bad debts	% of total balance
S. F. Holding (Group) Commerce Co., Ltd. and its subsidiaries ("Commerce Holding and its subsidiaries") (Note 8(4)(c))	Agency collection and payment	Within 2 years	121,581,444.00	-	10.29%
Taiwan S.F. Express Holdings Co., Ltd.	Agency collection and payment	Within 1 year	36,289,220.30	(181,308.03)	3.07%
Shenzhen Hive Box Technology Co., Ltd. ("Hive Box Technology") and its subsidiaries	Agency collection and payment	Within 1 year	42,077,907.85	-	3.56%
Guangdong Baolichi Vehicle Sales Co., Ltd.	Deposit Transport capacity return	Within 2 years	42,500,000.00	(212,500.00)	3.60%
Changchun Xinglong	Transport capacity return	Within 1 year	16,322,651.15	(81,613.26)	1.38%
			<u>258,771,223.30</u>	<u>(475,421.29)</u>	<u>21.91%</u>

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

(5) Advances to suppliers

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

Ageing	30 June 2018		31 December 2017	
	Amount	% of total balance	Amount	% of total balance
Within 1 year (inclusive)	1,853,058,993.72	97.85%	1,733,490,991.84	97.69%
1 - 2 years (inclusive)	25,483,661.12	1.35%	26,138,841.94	1.47%
Over 2 years	15,230,550.03	0.80%	14,834,538.25	0.84%
	<u>1,893,773,204.87</u>	<u>100.00%</u>	<u>1,774,464,372.03</u>	<u>100.00%</u>

As at 30 June 2018, advances to suppliers with ageing over one year were mainly prepaid property rents and fuel cards. As relevant business transactions were not completed, the amounts were not settled yet.

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

(5) Advances to suppliers (Cont'd)

(b) As at 30 June 2018, the amount of top five advances to suppliers was analysed as follows:

	30 June 2018	
	Amount	% of total balance
Sum of the top five advances to suppliers	<u>374,418,517.80</u>	<u>19.77%</u>

(6) Loans and advances

As at 30 June 2018 and 31 December 2017, loans and advances were all from S.F. Finance (Hong Kong) Limited ("S.F. Finance"), which is a subsidiary of the Group in Hong Kong.

(a) Loans and advances by individual and enterprise

	30 June 2018	31 December 2017
Personal loans	200,639.74	233,277.49
Enterprise loans		
Non-related party loans	<u>119,078,611.94</u>	<u>127,191,509.56</u>
Loans and advances - total	<u>119,279,251.68</u>	<u>127,424,787.05</u>
Less: Loan losses provisions	<u>(1,230,560.34)</u>	<u>(1,321,883.36)</u>
Loans and advances - net	<u>118,048,691.34</u>	<u>126,102,903.69</u>

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

(6) Loans and advances (Cont'd)

(b) Loans and advances analysed by type of collateral

	30 June 2018	31 December 2017
Unsecured loans	112,323,171.94	120,504,149.56
Guaranteed loans	6,956,079.74	6,920,637.49
Loans and advances - total	<u>119,279,251.68</u>	<u>127,424,787.05</u>

(c) Overdue loans are presented by ageing as follows:

	30 June 2018				Total
	Within 3 months	3 months - 1 year	1 - 3 years	Over 3 years	
Unsecured loans	<u>59,110.10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,110.10</u>

	31 December 2017				Total
	Within 3 months	3 months - 1 year	1 - 3 years	Over 3 years	
Unsecured loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(d) For the six months ended 30 June 2018, the Group did not make or write off any provision for bad debts, and the provision for bad debts reversed amounted to RMB 91,323.02 (Note 4(20)).

As at 30 June 2018 and 31 December 2017, the Group made loan impairment provisions on portfolio basis.

(e) As at 30 June 2018, the Group had no loans that were individually material which related provision for bad debts was provided on individual basis, and no loans that were individually material were written off.

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

(7) Inventories

Inventories are summarised by category as follows:

	30 June 2018		
	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials in stock	339,416,045.90	-	339,416,045.90
Aviation consumables	107,507,043.70	-	107,507,043.70
Low-value consumables	51,190,193.82	-	51,190,193.82
Finished goods	1,061,358.86	-	1,061,358.86
	<u>499,174,642.28</u>	<u>-</u>	<u>499,174,642.28</u>

	31 December 2017		
	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials in stock	329,476,828.25	-	329,476,828.25
Aviation consumables	73,741,005.69	-	73,741,005.69
Low-value consumables	41,301,646.32	-	41,301,646.32
Finished goods	1,839,546.60	-	1,839,546.60
	<u>446,359,026.86</u>	<u>-</u>	<u>446,359,026.86</u>

(8) Other current assets

	30 June 2018	31 December 2017
Bank wealth management products (i)	4,293,441,510.80	3,013,647,849.29
Input VAT to be offset	1,658,954,916.97	1,341,218,755.69
Prepaid enterprise income tax	33,581,098.81	28,962,186.21
Others	662,269.13	936,326.37
	<u>5,986,639,795.71</u>	<u>4,384,765,117.56</u>

(i) The investment cycle of bank wealth management products is generally within 1 month to 4 months.

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

(9) Available-for-sale financial assets

	30 June 2018	31 December 2017
Measured at fair value		
- Available-for-sale equity instruments (a)	2,243,199,811.64	1,734,756,526.14
Measured at cost		
- Available-for-sale equity instruments (b)	155,844,517.21	68,510,805.78
Less: Provision for impairment	-	-
	<u>2,399,044,328.85</u>	<u>1,803,267,331.92</u>

Related information of available-for-sale financial assets is analysed as follows:

(a) Available-for-sale financial assets measured at fair value:

	30 June 2018	31 December 2017
Available-for-sale equity instruments		
- Fair value	2,243,199,811.64	1,734,756,526.14
- Cost	2,128,878,412.42	1,495,876,215.86
- Accumulated amount recognised in other comprehensive income	114,321,399.22	238,880,310.28
- Accumulated provision for impairment	-	-
	<u>-</u>	<u>-</u>

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

(9) Available-for-sale financial assets (Cont'd)

(b) Available-for-sale financial assets measured at cost:

The available-for-sale financial assets measured at cost mainly comprise the investments in unlisted equities held by the Group which are not quoted in an active market and whose fair value cannot be reliably measured as the reasonable range of fair value estimates is large and probabilities for forming these estimates cannot be reasonably determined. The Group has no plan to dispose of these investments.

(10) Long-term receivables

	30 June 2018	31 December 2017
Interest-free loans to employees receivable	243,550,000.00	247,450,000.00
Less: Prepaid discount interest	<u>(25,915,350.98)</u>	<u>(31,383,949.20)</u>
Amortised cost of interest-free loans to employees	217,634,649.02	216,066,050.80
Less: Current portion of interest-free loans to employees	(68,194,000.00)	-
Provision for bad debts	<u>-</u>	<u>-</u>
	<u>149,440,649.02</u>	<u>216,066,050.80</u>

As at 30 June 2018, long-term receivables represented the interest-free loans to qualified employees with a term of 5 years.

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

(11) Long-term equity investments

	30 June 2018	31 December 2017
Cost:		
Joint ventures	557,870,522.73	100,294,970.45
Associates	539,541,201.54	536,737,898.22
	<u>1,097,411,724.27</u>	<u>637,032,868.67</u>
Less: Provision for impairment of long-term equity investments		
- Joint ventures	-	-
- Associates	(29,359,632.02)	(32,348,978.00)
	<u>(29,359,632.02)</u>	<u>(32,348,978.00)</u>
Joint ventures (a)	557,870,522.73	100,294,970.45
Associates (b)	510,181,569.52	504,388,920.22
	<u>1,068,052,092.25</u>	<u>604,683,890.67</u>

(a) Joint ventures

	Movements in the current period				Carrying amount as at 30 June 2018	Balance of provision for impairment loss at the end of the period
	Carrying amount as at 31 December 2017	Increase in investments	Share of net profit/(loss) under the equity method	Exchange differences on translation of foreign currency financial statements		
Shang Shun Supply Chain Management (China) Co., Ltd.	22,062,688.77	-	(1,872.92)	215,628.29	22,276,444.14	-
POST110Ü	9,354,749.40	-	3,835,317.17	(84,392.01)	13,105,674.56	-
Hubei International Aviation Industry Metro Development Co., Ltd.	39,816,184.58	-	474,509.99	-	40,290,694.57	-
Shenzhen Shenghai Information Service Co., Ltd. ("Shenghai Information")	2,595,734.59	-	229,901.84	-	2,825,636.43	-
Shanghai Geling Information Technology Co., Ltd. ("Geling Information")	2,534,800.31	-	(828,360.81)	-	1,706,439.50	-
Guangzhou Leshou Network Technologies Co., Ltd. ("Leshou Network")	23,276,688.68	-	(287,675.18)	-	22,989,013.50	-
Global Connect Holding Limited	654,124.12	-	6,698.43	15,796.48	676,619.03	-
Beijing Shunhetongxin Technology Co., Ltd.	-	20,000,000.00	-	-	20,000,000.00	-
Hubei International Logistics Airport Co., Ltd.	-	230,000,000.00	-	-	230,000,000.00	-
ZBHA Group Co., Ltd. ("ZBHA")	-	200,000,000.00	-	-	200,000,000.00	-
Zhongyunda Aviation Ground Services Co., Ltd.	-	4,000,001.00	-	-	4,000,001.00	-
	<u>100,294,970.45</u>	<u>454,000,001.00</u>	<u>3,428,518.52</u>	<u>147,032.76</u>	<u>557,870,522.73</u>	<u>-</u>

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

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

(b) Associates

	Movements in the current period					Carrying amount as at 30 June 2018	Balance of provision for impairment loss at the end of the period
	Carrying amount as at 31 December 2017	Increase in investments	Decrease in investments	Share of net profit/(loss) under the equity method	Other changes in equity (i)		
Beijing GreenValley Technology Limited	22,253,336.27	-	-	(574,446.16)	-	21,678,890.11	-
Shenzhen Bai Mi Life Co., Ltd.	70,051,454.18	-	-	8,950,262.95	5,425,804.79	84,427,521.92	-
Feng Wang Investment Co., Ltd.	49,870,586.30	-	-	746,702.59	-	50,617,288.89	-
Zhuhai Sui Bian Technology Co., Ltd. ("Zhuhai Sui Bian")	171,521,842.49	-	(13,515,734.74)	2,903,521.96	3,428,000.00	164,337,629.71	(8,031,343.62)
Little Red Hat Issuance Co., Ltd.	42,581,459.08	-	-	(2,307,658.55)	-	40,273,800.53	-
Shenzhen Zhi Hang UAV Co., Ltd.	20,407,404.26	-	-	(1,504,028.93)	4,741,516.63	23,644,891.96	-
Langxing UAV System Co., Ltd.	46,944,094.45	-	-	(2,036,718.03)	-	44,907,376.42	-
Shenzhen Shun Jie Feng Da Express Co., Ltd.	8,074,385.00	-	-	270,645.52	-	8,345,030.52	(20,480,557.60)
SF Lottery (Shenzhen) Technology Development Co., Ltd. ("SF Lottery")	21,126,302.23	-	-	(400,774.48)	-	20,725,527.75	-
Zhejiang Galaxis Technology Co., Ltd.	46,000,000.00	-	-	13,166.27	-	46,013,166.27	-
Beijing Prettyfeather Brand Management Co., Ltd.	4,933,076.25	-	-	(179,849.77)	-	4,753,226.48	-
Shenzhen Xiaofeng Technology Co., Ltd.	624,979.71	-	-	(167,760.75)	-	457,218.96	(847,730.80)
Shenzhen Fengle Property Co., Ltd. (ii)	-	399,000.00	(98,659.83)	(300,340.17)	-	-	-
	<u>504,388,920.22</u>	<u>399,000.00</u>	<u>(13,614,394.57)</u>	<u>5,412,722.45</u>	<u>13,595,321.42</u>	<u>510,181,569.52</u>	<u>(29,359,632.02)</u>

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

(ii) In February 2018, the Group and an independent third party jointly established Shenzhen Fengle Property Co., Ltd., in which the Group held 39.9% equity, and it was accounted for as an associate; in May 2018, the Group acquired 20.1% equity; Shenzhen Fengle Property Co., Ltd. was changed from an associate to a subsidiary after the above transactions were completed (Note 5(1)).

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

(12) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2017	1,068,872,476.86	1,035,300,437.52	2,104,172,914.38
Transfer from self-used assets in the current period (Note 4(13), (15))	125,695,950.49	35,609,651.19	161,305,601.68
Increase in the current period	43,664,746.90	-	43,664,746.90
Transfer to self-used assets in the current period (Note 4(13), (15))	(58,701,116.48)	(72,884,569.26)	(131,585,685.74)
Decrease in the current period	(10,559,344.01)	-	(10,559,344.01)
Effect of translation of foreign currency financial statements	9,000,414.19	12,520,719.21	21,521,133.40
30 June 2018	<u>1,177,973,127.95</u>	<u>1,010,546,238.66</u>	<u>2,188,519,366.61</u>
Accumulated depreciation			
31 December 2017	60,976,096.54	51,602,495.82	112,578,592.36
Transfer from self-used assets in the current period (Note 4(13), (15))	9,369,004.60	1,795,712.22	11,164,716.82
Provision in the current period	13,744,664.27	11,968,469.58	25,713,133.85
Transfer to self-used assets in the current period (Note 4(13), (15))	(4,471,611.58)	(4,783,784.27)	(9,255,395.85)
Effect of translation of foreign currency financial statements	566,915.62	598,651.50	1,165,567.12
30 June 2018	<u>80,185,069.45</u>	<u>61,181,544.85</u>	<u>141,366,614.30</u>
Carrying amount			
30 June 2018	<u>1,097,788,058.50</u>	<u>949,364,693.81</u>	<u>2,047,152,752.31</u>
31 December 2017	<u>1,007,896,380.32</u>	<u>983,697,941.70</u>	<u>1,991,594,322.02</u>

For the six months ended 30 June 2018, no borrowing cost was recognised in investment properties for the six months ended 30 June 2017: Nil).

As at 30 June 2018, the Group was still in the process of applying for certificates of ownership for certain investment properties with carrying amount of RMB 56,089,615.78 (cost of RMB 56,299,271.65) (31 December 2017: carrying amount of RMB 14,922,550.26 and cost of RMB 14,965,355.64). In addition, there was no land use right with pending certificate of ownership as at 30 June 2018 (31 December 2017: Nil).

As at 30 June 2018, the investment properties with carrying amount of RMB 1,433,941,203.85 (cost of RMB 1,537,489,390.72) (31 December 2017: carrying amount of RMB 1,537,596,994.89 and cost of RMB 1,626,599,122.09) were pledged as collateral for long-term borrowings (Note 4(28)(b)).

As at 30 June 2018 and 31 December 2017, the Group has assessed that no impairment loss should be recognised for investment properties.

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

(13) Fixed assets

	Buildings	Motor vehicles	Computers and electronic equipment	Aircraft, engine bodies, rotables and high-value aircraft maintenance tools	Machinery and equipment	Office equipment and other equipment	Total
Cost							
31 December 2017	3,625,296,380.06	4,492,856,186.14	2,117,858,529.60	4,650,492,374.93	1,911,781,524.94	2,587,305,642.44	19,385,590,638.11
Transfer from construction in progress in the current period (Note 4(14))	105,987,544.74	6,576,947.30	2,829,128.12	304,214,633.23	35,054,623.56	142,493,198.08	597,156,075.03
Transfer from investment properties in the current period (Note 4(12))	58,701,116.48	-	-	-	-	-	58,701,116.48
Increase in the current period	92,911,777.08	411,308,557.43	385,613,296.34	52,727,928.58	41,918,853.17	56,049,891.18	1,040,530,303.78
Transfer to investment properties in the current period (Note 4(12))	(125,695,950.49)	-	-	-	-	-	(125,695,950.49)
Decrease in the current period	(35,648,134.58)	(142,567,696.14)	(86,701,562.42)	(1,048,401.64)	(6,072,126.13)	(21,144,639.22)	(293,182,560.13)
Reclassification in the current period	-	(82,772,912.35)	-	(2,386,935.57)	85,064,949.62	94,898.30	-
Effect of translation of foreign currency financial statements	7,004,390.01	1,470,455.56	491,442.25	-	2,134,420.00	255,431.36	11,356,139.18
30 June 2018	<u>3,728,557,123.30</u>	<u>4,686,871,537.94</u>	<u>2,420,090,833.89</u>	<u>5,003,999,599.53</u>	<u>2,069,882,245.16</u>	<u>2,765,054,422.14</u>	<u>20,674,455,761.96</u>
Accumulated depreciation							
31 December 2017	382,783,172.12	3,053,673,866.35	1,273,383,793.23	1,383,754,989.09	325,357,636.44	1,071,507,799.70	7,490,461,256.93
Transfer from investment properties in the current period (Note 4(12))	4,471,611.58	-	-	-	-	-	4,471,611.58
Provision in the current period	55,109,149.14	402,206,970.75	237,945,674.10	252,412,378.74	74,440,509.97	239,780,837.62	1,261,895,520.32
Transfer to investment properties in the current period (Note 4(12))	(9,369,004.60)	-	-	-	-	-	(9,369,004.60)
Decrease in the current period	(35,748.92)	(132,391,918.08)	(76,757,961.70)	(161,309.92)	(1,698,249.55)	(17,049,731.10)	(228,094,919.27)
Reclassification in the current period	-	(38,625,435.65)	-	(1,024,622.03)	39,649,703.85	353.83	-
Effect of translation of foreign currency financial statements	556,402.76	1,374,300.77	447,455.62	-	432,926.33	179,153.21	2,990,238.69
30 June 2018	<u>433,515,582.08</u>	<u>3,286,237,784.14</u>	<u>1,435,018,961.25</u>	<u>1,634,981,435.88</u>	<u>438,182,527.04</u>	<u>1,294,418,413.26</u>	<u>8,522,354,703.65</u>
Carrying amount							
30 June 2018	<u>3,295,041,541.22</u>	<u>1,400,633,753.80</u>	<u>985,071,872.64</u>	<u>3,369,018,163.65</u>	<u>1,631,699,718.12</u>	<u>1,470,636,008.88</u>	<u>12,152,101,058.31</u>
31 December 2017	<u>3,242,513,207.94</u>	<u>1,439,182,319.79</u>	<u>844,474,736.37</u>	<u>3,266,737,385.84</u>	<u>1,586,423,888.50</u>	<u>1,515,797,842.74</u>	<u>11,895,129,381.18</u>

S.F. HOLDING CO., LTD.

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(All amounts are stated in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (Cont'd)

(13) Fixed assets (Cont'd)

- (i) For the sixth months ended 30 June 2018, the amount of depreciation expenses charged to cost of revenue, selling and distribution expenses, general and administrative expenses and Research and development expenses was RMB 1,240,755,912.28 (for the sixth months ended 30 June 2017: RMB 1,127,666,681.26).
- (ii) As at 30 June 2018, fixed assets with carrying amount of RMB 1,389,003,362.43 (cost of RMB 1,493,112,758.29) (31 December 2017: carrying amount of RMB 1,358,011,244.35 and cost of RMB 1,438,160,005.75) were pledged as collateral for long-term borrowings (Note 4(28)(b)).
- (iii) Fixed assets with pending certificates of ownership

	30 June 2018			Carrying amount
	Cost	Accumulated depreciation	Provision for impairment	
Buildings	<u>332,336,468.63</u>	<u>(5,304,313.59)</u>	<u>-</u>	<u>327,032,155.04</u>

	31 December 2017			Carrying amount
	Cost	Accumulated depreciation	Provision for impairment	
Buildings	<u>107,962,735.66</u>	<u>(1,998,166.82)</u>	<u>-</u>	<u>105,964,568.84</u>

In addition, as at 30 June 2018, buildings with carrying amount of RMB 25,892,585.02 and cost of RMB 29,844,036.64 (31 December 2017: carrying amount of RMB 26,596,028.77 and cost of RMB 29,844,036.64) represented public rental houses with restricted transfer rights purchased by the Group for enterprise talents.

- (iv) As at 30 June 2018 and 31 December 2017, the Group has assessed that no impairment loss should be recognised for fixed assets.

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

(13) Fixed assets (Cont'd)

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

For the six months ended 30 June 2018					
	Reason for disposal	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Aircraft rotables	Scrapped	91,319.37	(48,443.46)	-	42,875.91
Aircraft rotables	Sold	155,266.03	(15,709.71)	-	139,556.32
		<u>246,585.40</u>	<u>(64,153.17)</u>	<u>-</u>	<u>182,432.23</u>
For the six months ended 30 June 2017					
	Reason for disposal	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Aircraft rotables	Scrapped	309,463.61	(95,663.15)	-	213,800.46
Aircraft rotables	Sold	7,336.67	(1,393.95)	-	5,942.72
High-value aircraft maintenance tools	Scrapped	3,400.00	(3,230.00)	-	170.00
		<u>320,200.28</u>	<u>(100,287.10)</u>	<u>-</u>	<u>219,913.18</u>

S.F. HOLDING CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**(All amounts are stated in RMB Yuan unless otherwise stated)
[English translation for reference only]**4 Notes to the consolidated financial statements (Cont'd)****(14) Construction in progress**

	30 June 2018	31 December 2017
Aircraft import and refit	986,881,950.29	796,506,349.37
Qianhai S.F. Headquarters Office	469,427,299.72	374,370,152.30
Intelligent Sorting Hefei Base Project	261,365,972.08	175,096,569.38
Shanghai Qingpu Huaxin project	244,342,133.38	194,973,517.21
Wuxi Fengtai E-Commerce Industrial Park Project	213,275,772.83	129,335,243.67
Changchun E-Commerce Industrial Park Project	166,552,108.18	110,991,650.73
Tianjin Fengtai E-Commerce Industrial Park Project	153,824,518.94	113,493,305.64
Wuhu Fengtai E-Commerce Industrial Park Project	144,421,275.18	93,466,582.76
Yancheng Smart E-Commerce Logistics Park Project	124,892,227.15	107,654,654.86
Changsha E-Commerce Industrial Park Project	50,449,743.02	18,711,354.78
Nantong Regional Air Pivot (Phase 2) Project	29,698,530.81	1,391,305.59
Shenyang Ancient City Distribution Hub Project	28,738,710.61	3,479,729.73
Chongqing Yubei Distribution Hub Renovation Project	18,044,681.56	-
Wuhan Wujiashan Comprehensive Distribution Hub Project	13,761,261.26	-
Nanjing Medical Warehouse Renovation Project	-	12,916,342.38
Yinzhou S.F. Express Transit Centre	-	102,533,432.61
Others	115,284,398.53	72,000,222.28
	<u>3,020,960,583.54</u>	<u>2,306,920,413.29</u>

As at 30 June 2018 and 31 December 2017, the Group has assessed that no impairment loss should be recognised for construction in progress.

S.F. HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts are stated in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (Cont'd)

(14) Construction in progress (Cont'd)

Name of projects	Budget	31 December 2017	Increase in the current period	Transfer to fixed assets in the current period (Note 4(13))	Transfer to long-term prepaid expenses in the current period	30 June 2018	% 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(45))	Capitalisation rate	Source of funds
Aircraft import and refit	1,067,441,294.81	796,506,349.37	500,929,226.58	(304,214,633.23)	(6,338,992.43)	986,881,950.29	46.93%	46.93%	-	-	-	Self-owned funds and loans from financial institutions
Qianhai S.F. Headquarters Office Intelligent Sorting Hefei Base Project	958,204,124.09	374,370,152.30	95,057,147.42	-	-	469,427,299.72	48.99%	48.99%	29,272,954.04	7,765,050.78	4.54%	Self-owned funds
Shanghai Qingpu Huaxin project	495,423,615.55	175,096,569.38	86,269,402.70	-	-	261,365,972.08	52.76%	52.76%	-	-	-	Self-owned funds
Wuxi Fengtai E-Commerce Industrial Park Project	786,928,207.94	194,973,517.21	49,368,616.17	-	-	244,342,133.38	97.83%	97.83%	-	-	-	Self-owned funds
Changchun E-Commerce Industrial Park Project	337,612,182.57	129,335,243.67	83,940,529.16	-	-	213,275,772.83	63.17%	63.17%	-	-	-	Self-owned funds
Tianjin Fengtai E-Commerce Industrial Park Project	333,263,139.60	110,991,650.73	55,560,457.45	-	-	166,552,108.18	49.98%	49.98%	-	-	-	Self-owned funds
Wuhu Fengtai E-Commerce Industrial Park Project	297,436,117.91	113,493,305.64	40,331,213.30	-	-	153,824,518.94	51.72%	51.72%	-	-	-	Self-owned funds
Yancheng Smart E-commerce Industrial Park Project	166,075,501.09	93,466,582.76	50,954,692.42	-	-	144,421,275.18	86.96%	86.96%	-	-	-	Self-owned funds
Changsha E-Commerce Industrial Park Project	152,224,552.40	107,654,654.86	17,237,572.29	-	-	124,892,227.15	82.04%	82.04%	-	-	-	Self-owned funds
Nantong Regional Air Pivot (Phase 2) Project	525,893,305.03	18,711,354.78	31,738,388.24	-	-	50,449,743.02	9.59%	9.59%	-	-	-	Self-owned funds
Shenyang Ancient City Distribution Hub Project	295,119,203.83	1,391,305.59	28,307,225.22	-	-	29,698,530.81	10.06%	10.06%	-	-	-	Self-owned funds
Chongqing Yubei Distribution Hub Renovation Project	49,187,755.63	3,479,729.73	39,353,949.80	-	(14,094,968.92)	28,738,710.61	87.08%	87.08%	-	-	-	Self-owned funds
Wuhan Wujiaoshan Comprehensive Distribution Hub Project	33,446,067.76	-	18,044,681.56	-	-	18,044,681.56	53.95%	53.95%	-	-	-	Self-owned funds
Nanjing Medical Warehouse Renovation Project	60,792,032.57	-	13,761,261.26	-	-	13,761,261.26	22.64%	22.64%	-	-	-	Self-owned funds
Yinzhou S.F. Express Transit Centre	19,209,466.49	12,916,342.38	56,925.00	-	(12,973,267.38)	-	67.54%	100.00%	-	-	-	Self-owned funds
Others	134,400,187.81	102,533,432.61	3,454,112.13	(105,987,544.74)	-	-	78.86%	100.00%	-	-	-	Self-owned funds
		<u>72,000,222.28</u>	<u>307,433,547.76</u>	<u>(186,953,897.06)</u>	<u>(77,195,474.45)</u>	<u>115,284,398.53</u>						
		<u>2,306,920,413.29</u>	<u>1,421,798,948.46</u>	<u>(597,156,075.03)</u>	<u>(110,602,703.18)</u>	<u>3,020,960,583.54</u>			<u>29,272,954.04</u>	<u>7,765,050.78</u>		

(i) As at 30 June 2018, no construction in progress (31 December 2017: Nil) was pledged as collateral for long-term borrowings.

(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.

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

(15) Intangible assets

	Land use rights	Purchased software	Self-developed software	Patents	Trademarks	Others	Total
Cost							
31 December 2017	4,550,686,217.31	324,261,436.34	992,831,550.96	45,482,079.50	29,081,082.37	13,859,625.35	5,956,201,991.83
Increase in the current period							
Transfer from investment properties (Note 4(12))	72,884,569.26	-	-	-	-	-	72,884,569.26
Transfer from research and development expenditures (Note 4(16))	-	-	242,250,729.34	-	-	-	242,250,729.34
Addition	104,767,954.60	52,184,577.23	-	2,102,765.99	888,951.46	2,217,144.81	162,161,394.09
Decrease in the current period							
Transfer to investment properties in the current period (Note 4(12))	(35,609,651.19)	-	-	-	-	-	(35,609,651.19)
Disposal	-	(189,734.57)	-	-	-	-	(189,734.57)
Effect of translation of foreign currency financial statements	11,720,107.49	231,538.48	-	-	-	-	11,951,645.97
30 June 2018	<u>4,704,449,197.47</u>	<u>376,487,817.48</u>	<u>1,235,082,280.30</u>	<u>47,584,845.49</u>	<u>29,970,033.83</u>	<u>16,076,770.16</u>	<u>6,409,650,944.73</u>
Accumulated amortisation							
31 December 2017	217,949,074.72	213,271,132.76	226,849,481.37	22,206,991.13	6,932,609.45	5,469,388.24	692,678,677.67
Increase in the current period							
Transfer from investment properties (Note 4(12))	4,783,784.27	-	-	-	-	-	4,783,784.27
Provision	54,020,068.59	25,446,735.82	110,898,237.40	4,975,617.94	1,515,849.17	725,433.23	197,581,942.15
Decrease in the current period							
Transfer to investment properties in the current period (Note 4(12))	(1,795,712.22)	-	-	-	-	-	(1,795,712.22)
Disposal	-	(15,811.22)	-	-	-	-	(15,811.22)
Effect of translation of foreign currency financial statements	536,326.02	117,876.13	-	-	-	-	654,202.15
30 June 2018	<u>275,493,541.38</u>	<u>238,819,933.49</u>	<u>337,747,718.77</u>	<u>27,182,609.07</u>	<u>8,448,458.62</u>	<u>6,194,821.47</u>	<u>893,887,082.80</u>
Carrying amount							
30 June 2018	<u>4,428,955,656.09</u>	<u>137,667,883.99</u>	<u>897,334,561.53</u>	<u>20,402,236.42</u>	<u>21,521,575.21</u>	<u>9,881,948.69</u>	<u>5,515,763,861.93</u>
31 December 2017	<u>4,332,737,142.59</u>	<u>110,990,303.58</u>	<u>765,982,069.59</u>	<u>23,275,088.37</u>	<u>22,148,472.92</u>	<u>8,390,237.11</u>	<u>5,263,523,314.16</u>

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

(15) Intangible assets (Cont'd)

For the six months ended 30 June 2018, the amortisation of intangible assets amounted to RMB 197,581,942.15 (for the six months ended 30 June 2017: RMB 133,790,575.55).

(a) The Group's land use rights pledged as collateral for long-term borrowings (Note 4(28)(b)):

	30 June 2018		
	Cost	Accumulated amortisation	Carrying amount
Land use rights	2,911,648,256.39	(190,426,878.24)	2,721,221,378.15
	31 December 2017		
	Cost	Accumulated amortisation	Carrying amount
Land use rights	2,835,820,576.83	(152,028,919.24)	2,683,791,657.59

(b) As at 30 June 2018, the Group was still in the process of applying for certificates of ownership for land use rights with carrying amount of RMB 177,771,272.73 (cost of RMB 181,112,953.51) (31 December 2017: carrying amount of RMB 203,832,330.28 and cost of RMB 204,990,712.65).

(c) As at 30 June 2018, the intangible assets developed by the Group accounted for 16.27% (31 December 2017: 14.55%) of the carrying amount of intangible assets.

	30 June 2018	31 December 2017
Carrying amount of self-developed intangible assets	897,334,561.53	765,982,069.59
Carrying amount of intangible assets	5,515,763,861.93	5,263,523,314.16
Proportion	16.27%	14.55%

(d) As at 30 June 2018 and 31 December 2017, the Group has assessed that no impairment loss should be recognised for intangible assets.

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

(16) Research and development expenditures

	31 December 2017	Increase in the current period	Transfer to intangible assets in the current period (Note 4(15))	30 June 2018
Intra-city Express Unmanned Aerial Vehicle Project	20,310,837.46	44,666,367.05	(46,047,294.51)	18,929,910.00
CPS	19,968,305.80	16,451,849.19	(2,004,849.07)	34,415,305.92
Warehousing Management System	17,576,384.15	70,443,215.87	(43,013,991.30)	45,005,608.72
Foundation Revolution System of Product Operation	16,310,723.42	4,683,326.28	(5,185,965.94)	15,808,083.76
CSSC Efficiency Improvement Project	12,033,233.05	20,810,275.67	(18,148,441.82)	14,695,066.90
SAP Settlement Platform System	11,857,085.93	2,558,980.30	-	14,416,066.23
Corporate Customer Service Platform	10,452,743.32	1,259,830.83	-	11,712,574.15
International Export Management System	9,601,076.22	2,379,992.79	(10,405,122.62)	1,575,946.39
Fengchi Project Operation and Management Platform	6,741,142.38	1,899,136.31	(8,640,278.69)	-
Virtual System	3,919,250.10	13,957,536.05	(9,516,791.48)	8,359,994.67
Fengsheng System	1,400,231.14	4,525,998.02	(5,369,327.68)	556,901.48
Geodetic Network System	1,354,282.22	2,978,842.12	(2,969,874.04)	1,363,250.30
Big Data Platform	-	15,321,967.96	(15,321,967.96)	-
Others	-	10,619,588.54	(10,619,588.54)	-
	39,649,735.39	113,612,285.14	(65,007,235.69)	88,254,784.84
	<u>171,175,030.58</u>	<u>326,169,192.12</u>	<u>(242,250,729.34)</u>	<u>255,093,493.36</u>

As at 30 June 2018, the Group has assessed that no impairment loss should be recognised for research and development expenditures.

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

(17) Goodwill

	31 December 2017	Increase in the current period	Exchange rate difference in the current period	30 June 2018
Goodwill:				
Xiamen Ruite Information Technology Co., Ltd. ("Xiamen Ruite")	56,502,329.98	-	-	56,502,329.98
Chongqing Xuehu Express LLC	10,555,317.54	-	-	10,555,317.54
Guizhou Xingcheng Zhaipei Express Co., Ltd.	10,199,760.21	-	-	10,199,760.21
Sichuan Wu Lian Yi Da Technology Co., Ltd. ("Wu Lian Yi Da") and its subsidiaries	4,940,247.25	-	-	4,940,247.25
Chengdu Shunyifeng Pharmaceuticals Co., Ltd.	2,434,509.81	-	-	2,434,509.81
Hanxing Industrial Co., Ltd.	1,424,568.80	-	14,502.68	1,439,071.48
Guangdong Shunxin Express Co., Ltd. ("Shunxin Express") (Note 5(1))	-	167,309,240.51	-	167,309,240.51
	<u>86,056,733.59</u>	<u>167,309,240.51</u>	<u>14,502.68</u>	<u>253,380,476.78</u>
Less: Provision for impairment (Note 4(20)) -				
Chengdu Shunyifeng Pharmaceuticals Co., Ltd.	(2,434,509.81)	-	-	(2,434,509.81)
Chongqing Xuehu Express LLC	(10,555,317.54)	-	-	(10,555,317.54)
Guizhou Xingcheng Zhaipei Express Co., Ltd.	(10,199,760.21)	-	-	(10,199,760.21)
	<u>(23,189,587.56)</u>	<u>-</u>	<u>-</u>	<u>(23,189,587.56)</u>
	<u>62,867,146.03</u>	<u>167,309,240.51</u>	<u>14,502.68</u>	<u>230,190,889.22</u>

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(All amounts are stated in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (Cont'd)

(18) Long-term prepaid expenses

	31 December 2017	Increase in the current period	Amortisation in the current period	Decrease in the current period	30 June 2018
Leasehold improvements	934,724,319.10	266,189,635.21	(213,497,577.03)	(456,639.11)	986,959,738.17
Settling-in allowance and introduction fee for pilots	346,796,666.19	15,905,010.31	(25,471,444.81)	(1,627,066.14)	335,603,165.55
Prepaid discount interest on interest-free loans to employees	31,383,949.20	-	(5,034,077.33)	(434,520.89)	25,915,350.98
Others	17,175,299.80	1,744,412.04	(3,228,722.80)	-	15,690,989.04
	<u>1,330,080,234.29</u>	<u>283,839,057.56</u>	<u>(247,231,821.97)</u>	<u>(2,518,226.14)</u>	<u>1,364,169,243.74</u>

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(All amounts are stated in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (Cont'd)

(19) Other non-current assets

	30 June 2018	31 December 2017
Prepaid earnest money for office building admission	1,300,000,000.00	-
Prepaid engineering equipment	273,202,131.31	87,212,810.90
Prepaid land lease	75,616,792.56	35,748,888.89
Prepaid rental and deposit	23,132,616.20	20,251,650.61
	<u>1,671,951,540.07</u>	<u>143,213,350.40</u>

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

(20) Provision for asset impairment

	31 December 2017	Increase in the current period	Decrease in the current period		30 June 2018
			Reversal in the current year	Write-off/Disposal	
Provision for bad debts	76,388,681.04	13,798,769.51	-	(17,703,403.43)	72,484,047.12
Including: Provision for bad debts of accounts receivable (Note 4(3)(a))	71,903,321.93	8,340,474.49	-	(12,263,040.98)	67,980,755.44
Provision for bad debts of other receivables (Note 4(4)(b))	4,485,359.11	5,458,295.02	-	(5,440,362.45)	4,503,291.68
Provision for impairment of loans and advances (Note 4(6)(a))	1,321,883.36	-	(91,323.02)	-	1,230,560.34
Provision for impairment of long-term equity investments (Note 4(11))	32,348,978.00	-	-	(2,989,345.98)	29,359,632.02
Provision for impairment of goodwill (Note 4(17))	23,189,587.56	-	-	-	23,189,587.56
	<u>133,249,129.96</u>	<u>13,798,769.51</u>	<u>(91,323.02)</u>	<u>(20,692,749.41)</u>	<u>126,263,827.04</u>

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

(21) Short-term borrowings

	Currency	30 June 2018	31 December 2017
Unsecured borrowings	RMB	4,990,000,000.00	3,780,000,000.00
Guaranteed borrowings (a)	HKD	1,441,106,604.43	839,193,530.69
		<u>6,431,106,604.43</u>	<u>4,619,193,530.69</u>

(a) As at 30 June 2018 and 31 December 2017, guaranteed borrowings were guaranteed by subsidiaries within the Group.

(b) As at 30 June 2018, the range of annual interest rate of short-term borrowings was 2.61% to 5.84% (31 December 2017: 1.79% to 4.72%).

(22) Notes payable and accounts payable

	30 June 2018	31 December 2017
Notes payable	-	-
Accounts payable (a)	6,486,860,179.88	6,905,411,234.18
	<u>6,486,860,179.88</u>	<u>6,905,411,234.18</u>

(a) Accounts payable

	30 June 2018	31 December 2017
Payables to related parties (Note 8(4)(d))	181,281,246.80	184,529,901.25
Outsourcing cost payable	3,591,708,838.88	4,015,840,284.97
Transportation cost payable	1,225,876,590.16	1,274,830,590.56
Supply and material expenses payable	770,170,617.37	794,531,909.00
Office and rental fees payable	581,703,839.73	507,649,817.22
Customs cost payable	23,446,995.56	26,879,147.63
Others	112,672,051.38	101,149,583.55
	<u>6,486,860,179.88</u>	<u>6,905,411,234.18</u>

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

(22) Notes payable and accounts payable (Cont'd)

(a) Accounts payable (Cont'd)

Accounts payable with ageing over 1 year are analysed as follows:

	30 June 2018	31 December 2017	Main reason for unsettlement
Transportation cost payable	9,996,832.20	11,615,728.01	No invoice issued by supplier
Office and rental fees payable	1,248,129.87	7,628,158.30	No invoice issued by supplier
Supply and material expenses payable	5,913,877.57	4,829,139.36	No invoice issued by supplier
Outsourcing cost payable	1,625,294.93	257,996.40	No invoice issued by supplier
Others	8,180,131.97	3,975,475.15	
	<u>26,964,266.54</u>	<u>28,306,497.22</u>	

(23) Advances from customers

	30 June 2018	31 December 2017
Advances from related parties (Note 8(4)(e))	4,627,053.40	3,055,558.28
Prepaid value cards	194,001,445.87	179,373,777.67
Advances for restricted shares	-	74,961,331.87
Advances of freight charges and others	164,709,492.77	110,789,211.47
	<u>363,337,992.04</u>	<u>368,179,879.29</u>

As at 30 June 2018, the Group had no advances from customers with ageing over 1 year (31 December 2017: Nil).

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

(24) Employee benefits payable

	30 June 2018	31 December 2017
Short-term employee benefits payable (a)	2,219,645,637.22	2,692,855,506.36
Defined contribution plans payable (b)	35,941,462.06	28,568,318.87
	<u>2,255,587,099.28</u>	<u>2,721,423,825.23</u>

(a) Short-term employee benefits payable

	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018
Wages and salaries, bonuses, allowances and subsidies	2,337,559,611.05	8,573,012,791.96	(9,075,210,243.94)	1,835,362,159.07
Employee welfare	2,731,884.27	123,005,644.27	(125,006,938.24)	730,590.30
Social security contributions	12,431,752.76	254,698,046.14	(252,116,247.00)	15,013,551.90
Including: Medical insurance	9,992,017.74	209,874,922.47	(207,351,865.16)	12,515,075.05
Work injury insurance	1,179,734.17	24,891,803.18	(25,016,424.69)	1,055,112.66
Maternity insurance	1,260,000.85	19,931,320.49	(19,747,957.15)	1,443,364.19
Housing funds	2,055,670.52	91,875,231.03	(88,940,310.48)	4,990,591.07
Labour union funds and employee education funds	309,321,967.84	107,229,311.67	(105,293,539.49)	311,257,740.02
Non-monetary welfare	17,206,635.34	285,242,030.43	(295,198,234.04)	7,250,431.73
Others	11,547,984.58	91,162,896.14	(57,670,307.59)	45,040,573.13
	<u>2,692,855,506.36</u>	<u>9,526,225,951.64</u>	<u>(9,999,435,820.78)</u>	<u>2,219,645,637.22</u>

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

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

(24) Employee benefits payable (Cont'd)

(b) Defined contribution plans

	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018
Basic pension insurance	27,418,432.79	468,350,173.15	(461,153,127.66)	34,615,478.28
Unemployment insurance	<u>1,149,886.08</u>	<u>14,887,050.23</u>	<u>(14,710,952.53)</u>	<u>1,325,983.78</u>
	<u>28,568,318.87</u>	<u>483,237,223.38</u>	<u>(475,864,080.19)</u>	<u>35,941,462.06</u>

(25) Taxes payable

	30 June 2018	31 December 2017
Enterprise income tax payable	370,987,634.15	618,806,621.86
Unpaid VAT	63,684,730.89	142,728,105.12
Individual income tax payable	85,108,528.26	76,036,735.23
City maintenance and construction tax payable	7,696,314.88	10,421,795.36
Educational surcharge payable	5,841,858.49	8,659,894.58
Others	<u>8,461,548.13</u>	<u>10,814,251.92</u>
	<u>541,780,614.80</u>	<u>867,467,404.07</u>

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

(26) Other payables

	30 June 2018	31 December 2017
Other payables to related parties (Note 8(4)(f))	118,321,794.53	40,258,637.37
Payables of cash on delivery service	1,019,140,966.81	1,322,818,418.19
Engineering equipment payable	1,303,000,389.67	1,252,087,527.58
Deposits payable	341,722,041.57	290,331,874.06
Investments payable	283,122,100.23	-
Restricted share repurchases payable	202,255,537.22	-
Warranty deposits payable	126,631,749.93	103,501,929.20
Temporary collection payable	66,396,047.55	59,681,282.15
Advances payable	41,894,933.10	42,832,354.26
Interest payable on debentures (Note 4(29))	17,336,888.89	5,076,383.56
Professional service fee payable	13,002,317.80	21,993,187.55
Interest payable for long-term borrowings repayable in installments	6,195,471.81	9,408,928.74
Interest payable for short-term borrowings	7,772,248.68	5,256,503.88
Others	129,226,477.35	122,023,003.64
	<u>3,676,018,965.14</u>	<u>3,275,270,030.18</u>

Other payables with ageing over 1 year

	30 June 2018	31 December 2017	Main reason for unsettlement
Deposits payable	92,986,150.89	114,310,240.01	Deposit-related business in operation
Engineering equipment payable	83,655,724.08	121,363,083.82	Project payment unsettled
Warranty deposits payable	39,364,195.05	36,248,527.59	Warranty in effect Indemnities from insurance companies on hold and others
Others	33,293,311.83	19,649,134.15	
	<u>249,299,381.85</u>	<u>291,570,985.57</u>	

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

(27) Current portion of non-current liabilities

	30 June 2018	31 December 2017
Current portion of long-term borrowings (Note 4(28))	1,886,554,943.95	2,633,936,397.97
Current portion of employee incentives (Note 4(31))	87,025,034.22	147,699,012.89
Current portion of long-term payables (Note 4(30))	10,022,850.45	6,075,000.00
	<u>1,983,602,828.62</u>	<u>2,787,710,410.86</u>

(28) Long-term borrowings

	30 June 2018	31 December 2017
Unsecured borrowings	1,563,000,000.00	2,346,000,000.00
Guaranteed borrowings (a)	569,159,681.51	661,117,333.45
Secured borrowings (b)	2,027,360,374.91	1,972,059,345.80
	<u>4,159,520,056.42</u>	<u>4,979,176,679.25</u>

Less: Current portion of long-term borrowings (Note 4(27))

Unsecured borrowings	(1,563,000,000.00)	(2,337,000,000.00)
Guaranteed borrowings	(214,132,530.48)	(186,957,698.81)
Secured borrowings	(109,422,413.47)	(109,978,699.16)
	<u>(1,886,554,943.95)</u>	<u>(2,633,936,397.97)</u>
	<u>2,272,965,112.47</u>	<u>2,345,240,281.28</u>

(a) As at 30 June 2018, the Group's guaranteed borrowings were all guaranteed by subsidiaries within the Group. In addition, part of the guaranteed borrowings amounting to RMB 91,200,000.00 (31 December 2017: RMB 96,000,000.00) was secured by the fixed deposits of RMB 30,000,000.00 (31 December 2017: RMB 30,000,000.00).

(b) As at 30 June 2018, the secured borrowings of RMB 29,750,000.00 (31 December 2017: RMB 31,500,000.00) were secured by the Group's land use rights with carrying amount of RMB 3,705,951.28 (31 December 2017: RMB 3,761,263.99) and were fully guaranteed by Taisen Holdings. The interest is paid quarterly. The principal should be repaid during the period from 15 September 2017 to 14 September 2025 by instalments.

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

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

(b) (Cont'd)

As at 30 June 2018, the secured bank borrowings of RMB 224,000,000.00 (31 December 2017: RMB 228,000,000.00) were secured by the Group's fixed assets with carrying amount of RMB 351,676,385.07 (31 December 2017: RMB 360,555,921.70) and land use rights with carrying amount of RMB 39,896,266.21 (31 December 2017: RMB 40,306,159.36) and were fully guaranteed by Taisen Holdings, and S.F. Express Co., Ltd. (hereinafter "S.F. Express") was the co-borrower. The interest is paid quarterly. The principal should be repaid during the period from 25 July 2016 to 30 July 2023 by instalments.

As at 30 June 2018, the secured bank borrowings of RMB 351,380,762.22 (31 December 2017: RMB 303,119,555.76) were secured by the Group's land use rights with carrying amount of RMB 1,261,467,263.15 (31 December 2017: RMB 1,278,475,810.52). The interest is paid quarterly. The principal should be repaid during the period from 18 November 2016 to 18 November 2026 by instalments.

As at 30 June 2018, the secured bank borrowings of RMB 1,021,886.70 (31 December 2017: RMB 2,554,716.90) were secured by the Group's fixed assets with carrying amount of RMB 27,281,900.26 (31 December 2017: RMB 27,580,635.88). The interest is paid monthly. The principal should be repaid by 26 October 2018.

As at 30 June 2018, the secured bank borrowings of RMB 1,421,207,725.99 (31 December 2017: RMB 1,406,885,073.14) were secured by the Group's land use rights with carrying amount of RMB 1,416,151,897.51 (31 December 2017: RMB 1,361,248,423.72), fixed assets with carrying amount of RMB 1,010,045,077.10 (31 December 2017: RMB 969,874,686.77) and investment properties with carrying amount of RMB 1,433,941,203.85 (31 December 2017: RMB 1,537,596,994.89). The interest is paid quarterly. The principal should be repaid by 27 September 2027.

(c) As at 30 June 2018, the range of annual interest rate of long-term borrowings was 3.35% to 5.80% (31 December 2017: 2.69% to 5.01%).

S.F. HOLDING CO., LTD.

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

(29) Debentures payable

	31 December 2017	Issued in the current period	Amortisation of premium/discount	Repaid in the current period	30 June 2018
Corporate debentures (a)	529,406,177.70	-	101,226.48	-	529,507,404.18

- (a) Taisen Holdings was approved to issue corporate debentures of no more than RMB 2 billion (inclusive) in instalments to the public under the Regulatory Permission [2017] No. 1015 as issued by China Securities Regulatory Commission. In 2017, Taisen Holdings publicly issued the corporate debentures (1st instalment) (“17SF01”, code “112597” and hereinafter “the Debentures”) to qualified investors. The Debentures were issued on 17 October 2017 with a volume of RMB 530 million at a nominal interest rate of 4.60%. The interest is annually calculated and paid at simple interest rate, and the final instalment of interest shall be paid with the principal. As at 30 June 2018, accrued interest payable on debentures amounted to RMB 17,336,888.89 (31 December 2017: RMB 5,076,383.56) (Note 4(26)).

(30) Long-term payables

	30 June 2018	31 December 2017
Advances payable	42,955,616.39	-
Long-term payables to China Development Fund Co., Ltd.	26,634,600.00	26,634,600.00
Others	3,801,149.94	-
Less: Current portion of long-term payables (Note 4(27))	<u>(10,022,850.45)</u>	<u>(6,075,000.00)</u>
	<u>63,368,515.88</u>	<u>20,559,600.00</u>

(31) Long-term employee benefits payable

	30 June 2018	31 December 2017
Employee incentives	179,691,979.10	300,134,734.04
Less: Current portion of employee incentives (Note 4(27))	<u>(87,025,034.22)</u>	<u>(147,699,012.89)</u>
Long-term service bonus	<u>15,110,604.75</u>	<u>20,029,404.13</u>
	<u>107,777,549.63</u>	<u>172,465,125.28</u>

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

(32) Deferred income

	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018	Source
Government grants (a)	133,652,387.03	37,982,039.01	(12,318,561.87)	159,315,864.17	Received government grants pending for future recognition in income

(a) The government grants related to deferred income in the current period are presented as follows:

Program of government grant	31 December 2017	Increase in grants in the current period	Amount recognised in other income in the current period (Note 4(52))	30 June 2018	Related to assets/income
Comprehensive pilot program of Shanghai modern service industry	27,642,880.96	-	(200,654.64)	27,442,226.32	Related to assets
Ancillary grant of infrastructure for Wuhu E-Commerce Industrial Park	26,991,625.77	-	(280,625.88)	26,710,999.89	Related to assets
Yancheng Smart E-Commerce Logistics Park Project	10,437,925.58	-	(108,352.20)	10,329,573.38	Related to assets
Yiwu Comprehensive Service Centre Project	5,891,717.32	-	(281,236.10)	5,610,481.22	Related to assets
Grant for maintenance of aircraft engines	5,971,894.73	5,000,000.00	(365,982.27)	10,605,912.46	Related to assets
Specific subsidy for modern service industry granted by Jinhua Transportation Authority	6,930,249.48	-	(521,172.70)	6,409,076.78	Related to assets
Enterprise Expansion Fund	4,430,555.61	-	(470,238.06)	3,960,317.55	Related to assets
North China Air Express Pivot	4,040,994.38	-	(941,107.20)	3,099,887.18	Related to assets
Special fund of Shanghai pilot program of standardisation	3,055,862.16	-	(335,172.30)	2,720,689.86	Related to assets
Construction subsidy for Taizhou Shunfeng E-Commerce Service Platform	1,995,022.65	-	(364,462.86)	1,630,559.79	Related to assets
Logistics Project of Yiwu Industrial Park	-	3,051,700.00	(16,232.45)	3,035,467.55	Related to assets
Construction development fund for Tianjin Project	-	21,000,000.00	-	21,000,000.00	Related to assets
Compensation for land acquisition of Nanning Distribution Hub	-	3,962,432.64	(216,132.69)	3,746,299.95	Related to assets
Others	36,263,658.39	4,967,906.37	(8,217,192.52)	33,014,372.24	Related to assets
	<u>133,652,387.03</u>	<u>37,982,039.01</u>	<u>(12,318,561.87)</u>	<u>159,315,864.17</u>	

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

(33) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	30 June 2018		31 December 2017	
	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Deductible tax losses	1,178,655,632.00	249,797,688.21	1,091,548,193.65	217,169,386.96
Accrued expenses	536,859,372.86	115,459,548.43	524,774,267.91	117,165,279.62
Employee incentives	84,831,207.96	21,036,178.92	145,929,511.04	34,865,513.82
Provision for asset impairment	61,641,285.31	13,975,704.93	103,366,518.65	23,643,810.81
Deferred income	125,760,112.20	30,670,016.46	121,588,703.13	29,874,596.93
Depreciation and amortisation differences	214,303,824.08	41,661,177.16	163,331,191.96	32,624,683.05
Changes in fair value of available-for-sale financial assets	40,960,110.00	10,240,027.50	9,673,190.80	2,418,297.70
	<u>2,243,011,544.41</u>	<u>482,840,341.61</u>	<u>2,160,211,577.14</u>	<u>457,761,568.89</u>
Including:				
Expected to be recovered within one year (inclusive)		169,329,143.48		183,964,832.88
Expected to be recovered after one year		<u>313,511,198.13</u>		<u>273,796,736.01</u>
		<u>482,840,341.61</u>		<u>457,761,568.89</u>

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

	30 June 2018	31 December 2017
Deductible tax losses (c)	1,496,572,086.14	1,226,148,166.98
Deductible temporary differences	<u>19,135,696.56</u>	<u>13,283,585.45</u>
	<u>1,515,707,782.70</u>	<u>1,239,431,752.43</u>

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

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

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

	30 June 2018	31 December 2017
2018	57,636,989.67	57,636,989.67
2019	349,611,108.23	349,611,108.23
2020	155,846,422.30	155,846,422.30
2021	211,606,493.77	232,607,985.61
2022	197,088,247.35	224,896,748.31
2023 and subsequent years	524,782,824.82	205,548,912.86
	<u>1,496,572,086.14</u>	<u>1,226,148,166.98</u>

(d) Deferred tax liabilities before offsetting

	30 June 2018		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of available-for-sale financial assets	110,043,220.00	27,510,805.00	150,000,000.00	37,500,000.00
Changes in fair value upon reclassification of remaining equity of Hive Box Technology to available-for-sale financial assets	446,796,225.96	111,699,056.49	446,796,225.96	111,699,056.49
Depreciation of fixed assets	529,580,309.47	129,167,204.14	306,016,266.56	75,844,812.74
Appreciation in asset value arising from business combination involving enterprises not under common control	40,287,787.00	6,043,168.05	45,713,787.00	6,857,068.05
	<u>1,126,707,542.43</u>	<u>274,420,233.68</u>	<u>948,526,279.52</u>	<u>231,900,937.28</u>
Including:				
Expected to be recovered within one year (inclusive)		52,211,499.31		29,821,015.10
Expected to be recovered after one year		222,208,734.37		202,079,922.18
		<u>274,420,233.68</u>		<u>231,900,937.28</u>

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

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

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

	30 June 2018	31 December 2017
Deferred tax assets, net	<u>376,924,917.42</u>	<u>396,795,346.02</u>
Deferred tax liabilities, net	<u>168,504,809.49</u>	<u>170,934,714.41</u>

(34) Share capital

	31 December 2017	Increase in the current period	30 June 2018
Ordinary shares denominated in RMB (Note 4(36))	<u>4,411,015,524.00</u>	<u>7,788,643.00</u>	<u>4,418,804,167.00</u>
	31 December 2016	Increase in the current period	30 June 2017
Ordinary shares denominated in RMB	<u>4,183,678,213.00</u>	<u>-</u>	<u>4,183,678,213.00</u>

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

(35) Capital reserve

	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018
Capital premium				
- Capital contribution by shareholders	15,768,464,376.95	-	-	15,768,464,376.95
- Business combinations involving enterprises under common control (Note 5(2))	20,820,000.00	-	(37,862,100.00)	(17,042,100.00)
- Share-based payment in capital contribution by shareholders (Note 4(36))	-	194,466,894.22	-	194,466,894.22
Other capital reserve				
- Amount of share-based payments recognised in capital reserve (Note 9(1))	419,902.42	23,930,346.08	-	24,350,248.50
- Others	104,066,451.66	14,094,942.26	(23,663,996.34)	94,497,397.58
	<u>15,893,770,731.03</u>	<u>232,492,182.56</u>	<u>(61,526,096.34)</u>	<u>16,064,736,817.25</u>
	31 December 2016	Increase in the current period (i)	Decrease in the current period	30 June 2017
Capital premium	8,229,240,937.62	-	(65,457,773.47)	8,163,783,164.15
Other capital reserve	7,457,404.02	152,851,299.29	-	160,308,703.31
	<u>8,236,698,341.64</u>	<u>152,851,299.29</u>	<u>(65,457,773.47)</u>	<u>8,324,091,867.46</u>

- (i) The increase in other capital reserve represents the increase in the share of equity of Hive Box Technology, which is attributable to Shenzhen S.F. Investment Co., Ltd. ("SF Investment"), a wholly-owned subsidiary of the Company, and is calculated at the changed shareholding percentage subsequent to the capital injection to Hive Box Technology by SF Investment in January 2017, amounting to RMB 152,851,299.29.

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4 Notes to the consolidated financial statements (Cont'd)**(36) Treasury stock**

	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018
Restricted shares	<u>-</u>	<u>202,255,537.22</u>	<u>-</u>	<u>202,255,537.22</u>

As stated in Note 1, the Company implemented restricted shares incentive plan in 2017 and 2018 which 7,788,643.00 ordinary A shares were issued to the incentive recipients raising funds totalling RMB 202,255,537.22, including an increment of share capital of RMB 7,788,643.00 and an increment of capital reserve of RMB 194,466,894.22. In addition, the repurchasing obligation is recognised in liabilities (as purchase of treasury stock) at the number of restricted shares issued multiplied by the repurchasing price.

(37) Special reserve

	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018
Safety reserve	<u>-</u>	<u>2,727,907.70</u>	<u>(2,727,907.70)</u>	<u>-</u>
	31 December 2016	Increase in the current period	Decrease in the current period	30 June 2017
Safety reserve	<u>-</u>	<u>2,101,818.70</u>	<u>(2,101,818.70)</u>	<u>-</u>

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

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

(38) Surplus reserve

	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018
Statutory surplus reserve	<u>586,501,527.41</u>	<u>-</u>	<u>-</u>	<u>586,501,527.41</u>
	31 December 2016	Increase in the current period	Decrease in the current period	30 June 2017
Statutory surplus reserve	<u>272,113,202.75</u>	<u>-</u>	<u>-</u>	<u>272,113,202.75</u>

(39) Retained earnings

	For the six months ended 30 June	
	2018	2017
Retained earnings at the end of the period before adjustment	11,494,769,383.51	7,552,595,222.64
Less: Business combinations involving enterprises under common control	<u>(5,828,736.29)</u>	<u>-</u>
Retained earnings at the beginning of the period after adjustment	11,488,940,647.22	7,552,595,222.64
Add: Net profit attributable to shareholders of the parent company	2,233,730,274.21	1,883,626,237.90
Less: Ordinary share dividends payable (a)	<u>(970,985,880.70)</u>	<u>(418,367,821.30)</u>
Retained earnings at the end of the period	<u>12,751,685,040.73</u>	<u>9,017,853,639.24</u>

- (a) The Company held a shareholders' meeting on 4 April 2018. On the basis of the total share capital of 4,413,572,185 shares, cash dividends of RMB 970,985,880.70 were distributed to all shareholders at RMB 2.2 (including tax) per 10 shares. As at 30 June 2018, the above cash dividends were paid.

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

(40) Revenue and cost of revenue

	For the six months ended 30 June	
	2018	2017
Revenue from main operations (a)	42,473,927,675.21	32,143,762,684.06
Revenue from other operations (b)	29,671,836.72	17,169,679.75
Total revenue	<u>42,503,599,511.93</u>	<u>32,160,932,363.81</u>
Cost of revenue from main operations (a)	34,456,174,361.56	25,338,827,489.92
Cost of revenue from other operations (b)	11,038,458.62	8,649,775.65
Total cost of revenue	<u>34,467,212,820.18</u>	<u>25,347,477,265.57</u>

(a) Revenue and cost of revenue from main operations:

	For the six months ended 30 June			
	2018		2017	
	Revenue from main operations	Cost of revenue from main operations	Revenue from main operations	Cost of revenue from main operations
Express & logistics	42,160,162,854.77	34,214,278,112.75	32,003,280,296.22	25,245,392,477.96
Sales of goods	54,768,168.17	54,683,418.92	28,114,357.57	26,961,226.58
Others	<u>258,996,652.27</u>	<u>187,212,829.89</u>	<u>112,368,030.27</u>	<u>66,473,785.38</u>
	<u>42,473,927,675.21</u>	<u>34,456,174,361.56</u>	<u>32,143,762,684.06</u>	<u>25,338,827,489.92</u>

(b) Revenue and cost of revenue from other operations:

	For the six months ended 30 June			
	2018		2017	
	Revenue from other operations	Cost of revenue from other operations	Revenue from other operations	Cost of revenue from other operations
Disposals of materials	7,873,198.29	3,839,357.84	4,197,279.49	2,078,051.52
Others	<u>21,798,638.43</u>	<u>7,199,100.78</u>	<u>12,972,400.26</u>	<u>6,571,724.13</u>
	<u>29,671,836.72</u>	<u>11,038,458.62</u>	<u>17,169,679.75</u>	<u>8,649,775.65</u>

S.F. HOLDING CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
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[English translation for reference only]**4 Notes to the consolidated financial statements (Cont'd)****(41) Taxes and surcharges**

	For the six months ended 30 June		Payment criterion
	2018	2017	
City maintenance and construction tax	37,144,422.91	30,626,016.12	Refer to Note 3
Educational surcharge	27,620,854.05	22,836,795.88	Refer to Note 3
Stamp tax	23,922,814.60	18,404,827.52	
Property tax	14,519,251.20	6,811,375.93	
Land use tax	5,607,928.31	5,374,714.63	
Flood-control project expenses	347,591.97	453,262.89	
Others	175,001.91	516,624.28	
	<u>109,337,864.95</u>	<u>85,023,617.25</u>	

(42) Selling and distribution expenses

	For the six months ended 30 June	
	2018	2017
Employee benefits	390,427,126.69	226,226,625.57
Information technology service - Outsourcing	207,446,231.11	207,646,356.02
Marketing expenses	131,429,384.17	58,492,434.53
IT and information platform expenses	90,833,874.80	60,404,571.65
Office and rental fees	84,521,496.14	47,052,062.81
Supply and material expenses	22,961,218.78	10,127,345.40
Depreciation and amortisation expenses	9,653,060.72	10,179,744.99
Travelling and transportation expenses	9,258,655.22	5,719,541.17
Others	13,037,082.29	9,763,462.21
	<u>959,568,129.92</u>	<u>635,612,144.35</u>

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

(43) General and administrative expenses

	For the six months ended 30 June	
	2018	2017
Employee benefits	3,096,626,377.07	2,548,111,842.21
Office and rental fees	221,486,259.66	185,353,360.55
Depreciation and amortisation expenses	164,701,987.03	128,269,952.25
Professional service fees	88,914,035.89	169,007,980.81
Travelling and transportation expenses	65,758,600.92	55,779,993.91
Supply and material expenses	44,336,206.17	38,502,783.87
Entertainment expenses	78,961,802.40	53,848,381.46
Taxes	13,277,832.26	16,127,396.33
Others	41,460,481.22	11,868,760.58
	<u>3,815,523,582.62</u>	<u>3,206,870,451.97</u>

(44) Research and development expenses

	For the six months ended 30 June	
	2018	2017
Employee benefits	252,830,417.37	125,863,179.29
Outsourcing cost	41,631,096.16	9,200,824.59
IT and information platform expenses	33,922,485.60	20,032,291.23
Office and rental fees	13,650,307.97	7,203,023.22
Supply and material expenses	2,403,283.33	2,155,887.61
Depreciation and amortisation expenses	35,540,209.04	6,475,841.93
Travelling and transportation expenses	5,643,048.04	3,070,741.61
Professional service fees	3,810,153.83	23,800,197.63
Others	7,508,567.00	5,937,236.51
	<u>396,939,568.34</u>	<u>203,739,223.62</u>

(45) Finance costs

	For the six months ended 30 June	
	2018	2017
Interest on borrowings	254,113,707.02	229,365,372.67
Less: Capitalised interest (Note 4(14))	<u>(7,765,050.78)</u>	<u>(3,598,647.07)</u>
Interest expenses	246,348,656.24	225,766,725.60
Less: Interest income	(256,330,197.35)	(103,952,692.85)
Net exchange (gains)/losses	(5,507,106.10)	1,298,309.91
Commission expenses and others	25,816,237.28	41,068,656.48
	<u>10,327,590.07</u>	<u>164,180,999.14</u>

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4 Notes to the consolidated financial statements (Cont'd)**(46) 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	
	2018	2017
Employee benefits	9,745,068,357.45	7,446,210,867.76
Outsourcing costs	18,054,257,870.76	12,566,458,797.29
Transportation costs	4,433,684,663.63	3,718,865,504.68
Including: Aircraft maintenance costs	83,909,218.24	66,667,020.73
Office and rental fees	2,466,710,483.77	1,741,340,428.66
Supply and material expenses	1,834,735,272.78	1,307,145,618.57
Depreciation and amortisation expenses	1,673,138,399.40	1,479,720,096.40
IT and information platform expenses	249,453,285.42	198,613,844.80
Customs costs	140,239,527.49	155,325,366.81
Claims expenses	379,775,938.43	230,174,110.82
Marketing expenses	131,429,384.17	58,492,434.53
Professional service fees	92,724,189.72	193,101,956.74
Travelling and transportation expenses	108,480,352.73	81,657,690.33
Cost of revenue of goods	54,683,418.92	26,961,226.58
Taxes	14,943,003.13	19,581,446.24
Others	259,919,953.26	170,049,695.30
	39,639,244,101.06	29,393,699,085.51

For the six months ended 30 June 2018, the Group's government grants which were offset against expenses amounted to RMB 20,576,287.11 (for the six months ended 30 June 2017: RMB 30,195,625.50) and were fully offset against the cost of revenue. Therein, the amount that was recognised in non-recurring profit or loss amounted to RMB 11,541,881.11.

(47) Impairment losses

	For the six months ended 30 June	
	2018	2017
Loss from bad debts (Note 4(20))	13,798,769.51	7,799,377.15
(Reversal of)/Provision for impairment of loans and advances (Note 4(20))	(91,323.02)	761,862.76
	13,707,446.49	8,561,239.91

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

(48) Gains or losses arising from changes in fair value

	For the six months ended 30 June	
	2018	2017
Losses arising from changes in fair value of financial assets/liabilities held for trading	4,812,095.66	2,557,614.40

(49) Non-operating income and expenses

(a) Non-operating income

	For the six months ended 30 June			
	2018	Amount recognised in non-recurring profit or loss in 2018	2017	Amount recognised in non-recurring profit or loss in 2017
Government grants (i)	18,468,239.86	18,468,239.86	22,991,944.64	22,991,944.64
Compensation income	4,997,518.01	4,997,518.01	20,577,394.95	20,577,394.95
Income from penalty	774,761.71	774,761.71	252,862.46	252,862.46
Income from sales of waste products	-	-	153,561.10	153,561.10
Others	31,381,977.29	31,381,977.29	23,003,589.28	23,003,589.28
	<u>55,622,496.87</u>	<u>55,622,496.87</u>	<u>66,979,352.43</u>	<u>66,979,352.43</u>

(i) Details of government grants

	For the six months ended 30 June			
	2018	Related to assets /income	2017	Related to assets /income
Government reward	16,641,612.63	Related to income	22,849,728.73	Related to income
Tax payment reward	275,417.23	Related to income	-	Related to income
Others	1,551,210.00	Related to income	142,215.91	Related to income
	<u>18,468,239.86</u>		<u>22,991,944.64</u>	

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

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

(b) Non-operating expenses

	For the six months ended 30 June			
	2018	Amount recognised in non-recurring profit or loss in 2018	2017	Amount recognised in non-recurring profit or loss in 2017
Compensation expenses	10,805,478.76	10,805,478.76	19,617,516.78	19,617,516.78
Donation expenses	21,455,358.49	21,455,358.49	522,211.67	522,211.67
Penalties and overdue fines	8,884,726.16	8,884,726.16	4,512,778.39	4,512,778.39
Others	7,223,137.93	7,223,137.93	3,472,975.07	3,472,975.07
	<u>48,368,701.34</u>	<u>48,368,701.34</u>	<u>28,125,481.91</u>	<u>28,125,481.91</u>

(50) Investment income/(losses)

	For the six months ended 30 June	
	2018	2017
Investment income from wealth management products	102,830,226.45	71,455,021.62
Investment income from entrusted loans	-	5,060,242.88
Share of net gains or losses of investees under the equity method (Note 4(11))	8,841,240.97	(81,242,764.48)
Investment losses on financial assets held for trading	(162,184.43)	(299,934.48)
Gains/(losses) arising from disposal of other long-term equity investments	90,348,615.94	(8,974,760.31)
Losses from disposal of available-for-sale financial assets	(2,670,436.99)	-
	<u>199,187,461.94</u>	<u>(14,002,194.77)</u>

The Group has no significant repatriation restrictions on investment income.

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

(51) Losses on disposals of assets

	For the six months ended 30 June			
	2018	Amount recognised in non-recurring profit or loss in 2018	2017	Amount recognised in non-recurring profit or loss in 2017
Gains on disposals of fixed assets	12,251,310.61	12,251,310.61	6,938,505.37	6,938,505.37
Losses on disposals of fixed assets	<u>(19,234,090.64)</u>	<u>(19,234,090.64)</u>	<u>(13,982,754.73)</u>	<u>(13,982,754.73)</u>
	<u>(6,982,780.03)</u>	<u>(6,982,780.03)</u>	<u>(7,044,249.36)</u>	<u>(7,044,249.36)</u>

(52) Other income

	For the six months ended 30 June		Related to assets/ income
	2018	2017	
Fiscal appropriation for logistics	49,953,937.49	31,344,985.64	Related to income
Grant from Social Security Bureau	6,318,349.17	9,946,192.73	Related to income
Tax refund	6,139,529.02	10,964,889.14	Related to income
Amortisation of deferred income (Note 4(32))	<u>12,318,561.87</u>	<u>9,304,008.63</u>	Related to assets
	<u>74,730,377.55</u>	<u>61,560,076.14</u>	

(53) Income tax expenses

	For the six months ended 30 June	
	2018	2017
Current income tax	757,576,429.29	664,436,620.17
Deferred income tax	<u>35,251,448.48</u>	<u>52,484,659.93</u>
	<u>792,827,877.77</u>	<u>716,921,280.10</u>

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4 Notes to the consolidated financial statements (Cont'd)**(53) Income tax expenses (Cont'd)**

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

	For the six months ended 30 June	
	2018	2017
Total profit	3,000,359,268.69	2,586,277,310.13
Income tax expenses calculated at the standard tax rate of 25%	750,089,817.17	646,569,327.53
Costs, expenses and losses not deductible for tax purposes	20,399,925.11	18,376,943.38
Effect of prior year tax filing differences	22,825,134.33	51,720,882.12
Effect of different tax rates among different subsidiaries and branches on income tax expenses	(25,695,497.51)	(11,687,984.94)
Deductible tax losses and deductible temporary differences for which no deferred tax asset was recognised in the current period	90,894,009.49	24,666,175.10
Utilisation of deductible tax losses and other deductible temporary differences for which no deferred tax asset was recognised in prior periods	(49,201,665.06)	(2,938,258.77)
Recognition of deductible tax losses and other deductible temporary differences for which no deferred tax asset was recognised in prior periods	(6,394,907.15)	-
Tax preference	(6,505,389.39)	(3,975,510.37)
Income not subject to tax	(3,583,549.22)	(5,810,293.95)
Income tax expenses	792,827,877.77	716,921,280.10

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

(54) Earnings per share

(a) Basic earnings per share

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

	For the six months ended 30 June	
	2018	2017
Consolidated net profit attributable to ordinary shareholders of the parent company	2,233,730,274.21	1,883,626,237.90
Less: Cash dividends distributed to holders whose restricted shares are expected to be released	(554,345.44)	-
Adjusted consolidated net profit attributable to ordinary shareholders of the parent company for calculation of earnings per share	2,233,175,928.77	1,883,626,237.90
Weighted average number of outstanding ordinary shares of the Company	4,411,015,524.00	4,183,678,213.00
Basic earnings per share	<u>0.51</u>	<u>0.45</u>
Including:		
- Basic earnings per share from continuing operations	0.51	0.45

(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 2018, the Company had dilutive potential ordinary shares (for the six months ended 30 June 2017: Nil):

	For the six months ended 30 June	
	2018	2017
Consolidated net profit attributable to ordinary shareholders of the parent company	2,233,730,274.21	1,883,626,237.90
Weighted average number of outstanding ordinary shares of the Company	4,411,015,524.00	4,183,678,213.00
Weighted average number of ordinary shares increased from share-based payment	294,453.28	Not applicable
Weighted average number of outstanding diluted ordinary shares	4,411,309,977.28	Not applicable
Diluted earnings per share	<u>0.51</u>	<u>0.45</u>

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

(55) Minority interests

	30 June 2018	31 December 2017
Xiamen Ruite	51,974,694.50	57,095,962.02
Shunxin Express	33,859,936.16	-
Others	1,983,214.08	(5,290,527.62)
	<u>87,817,844.74</u>	<u>51,805,434.40</u>

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

(56) 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 2018 and 30 June 2017:

	Other comprehensive income in balance sheet			Other comprehensive income in income statement for the six months ended 30 June 2018				
	31 December 2017	Attributable to the parent company - net of tax	30 June 2018	Amount incurred before tax for the current period	Less: Reclassification of previous other comprehensive income to profit or loss	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to minority shareholders - net of tax
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss	-	147,032.76	147,032.76	147,032.76	-	-	147,032.76	-
Exchange differences on translation of foreign currency financial statements	17,159,014.31	32,951,648.82	50,110,663.13	31,347,438.15	-	-	32,951,648.82	(1,604,210.67)
Changes in fair value of available-for-sale financial assets	<u>202,671,218.52</u>	<u>(106,747,986.27)</u>	<u>95,923,232.25</u>	<u>(127,625,141.88)</u>	<u>3,066,230.82</u>	<u>17,810,924.79</u>	<u>(106,747,986.27)</u>	<u>-</u>
	<u>219,830,232.83</u>	<u>(73,649,304.69)</u>	<u>146,180,928.14</u>	<u>(96,130,670.97)</u>	<u>3,066,230.82</u>	<u>17,810,924.79</u>	<u>(73,649,304.69)</u>	<u>(1,604,210.67)</u>
	Other comprehensive income in balance sheet			Other comprehensive income in income statement for the six months ended 30 June 2017				
	31 December 2016	Attributable to the parent company - net of tax	30 June 2017	Amount incurred before tax for the current period	Less: Reclassification of previous other comprehensive income to profit or loss	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to minority shareholders - net of tax
Exchange differences on translation of foreign currency financial statements	262,202,380.74	(90,943,679.08)	171,258,701.66	(89,391,308.70)	-	-	(90,943,679.08)	1,552,370.38
Changes in fair value of available-for-sale financial assets	<u>4,480,306.19</u>	<u>(114,389,456.99)</u>	<u>(109,909,150.80)</u>	<u>(117,739,262.58)</u>	<u>-</u>	<u>3,349,805.59</u>	<u>(114,389,456.99)</u>	<u>-</u>
	<u>266,682,686.93</u>	<u>(205,333,136.07)</u>	<u>61,349,550.86</u>	<u>(207,130,571.28)</u>	<u>-</u>	<u>3,349,805.59</u>	<u>(205,333,136.07)</u>	<u>1,552,370.38</u>

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

(57) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	For the six months ended 30 June	
	2018	2017
Inflows from cash on delivery service	24,226,774,735.21	21,705,561,211.23
Interest income	275,555,934.45	103,952,692.85
Government grants related to income	109,587,642.65	117,623,787.53
Others	704,622,829.65	322,470,588.75
	25,316,541,141.96	22,249,608,280.36

(b) Cash paid relating to other operating activities

	For the six months ended 30 June	
	2018	2017
Outflows from cash on delivery service	24,535,583,400.73	21,825,269,122.24
Office and rental fees	2,687,326,759.30	1,580,566,000.21
Claims expenses	379,775,938.43	230,174,110.82
IT and information platform expenses	264,420,482.55	198,613,844.80
Customs costs	143,671,679.56	155,325,366.81
Professional service fees	107,278,510.85	177,822,711.46
Travelling and transportation expenses	114,989,173.89	81,657,690.33
Marketing expenses	139,315,147.22	58,492,434.53
Entertainment expenses	83,699,510.54	54,907,856.02
Bank charges	25,816,237.28	41,068,656.48
Compensation and penalties	19,690,204.92	24,130,295.17
Donation expenses	21,455,358.49	522,211.67
Others	1,109,845,661.28	646,834,006.75
	29,632,868,065.04	25,075,384,307.29

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

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

(c) Cash received relating to other investing activities

	For the six months ended 30 June	
	2018	2017
Redemption of bank wealth management products	16,997,950,000.00	24,247,078,767.12
Asset-related government grants received	37,982,039.01	24,298,689.44
	17,035,932,039.01	24,271,377,456.56

(d) Cash paid relating to other investing activities

	For the six months ended 30 June	
	2018	2017
Purchase of bank wealth management products	18,276,500,000.00	19,195,198,260.25
Deposits for land bidding	24,100,000.00	30,000,000.00
	18,300,600,000.00	19,225,198,260.25

(e) Cash received relating to other financing activities

	For the six months ended 30 June	
	2018	2017
Capital contribution to Fonair Aviation Technology Co., Ltd. ("Fonair Aviation") by Shenzhen Mingde Fengtai Investment Co., Ltd. ("Mingde Investment")	29,180,000.00	-
	29,180,000.00	-

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

(58) Supplementary information to the cash flow statement

(a) Notes to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	For the six months ended 30 June	
	2018	2017
Net profit	2,207,531,390.92	1,869,356,030.03
Add: Impairment losses	13,707,446.49	8,561,239.91
Depreciation of fixed assets	1,240,755,912.28	1,127,666,681.26
Depreciation of investment properties	25,713,133.85	24,182,469.61
Amortisation of intangible assets	164,471,608.63	101,042,808.37
Amortisation of long-term prepaid expenses	247,231,821.97	226,828,137.16
Net losses on disposal of fixed assets	6,982,780.03	7,044,249.36
Gains or losses arising from changes in fair value	4,812,095.66	2,557,614.40
Finance costs	235,807,472.81	227,065,035.51
Investment (income)/losses	(199,187,461.94)	14,002,194.77
Recognised expenses on share-based payments	23,930,346.08	-
Decrease in deferred tax assets	27,692,158.40	41,663,659.05
Increase in deferred tax liabilities	7,559,290.08	8,108,837.58
Amortisation of deferred income	(12,318,561.87)	(9,304,008.63)
Increase in inventories	(52,815,615.42)	(17,871,454.33)
Increase in operating receivables	(417,005,296.67)	(168,062,452.98)
Decrease in operating payables	(1,244,287,402.34)	(1,656,984,968.94)
Net cash flows from operating activities	<u>2,280,581,118.96</u>	<u>1,805,856,072.13</u>

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

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

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

Net increase/(decrease) in cash and cash equivalents

	For the six months ended 30 June	
	2018	2017
Cash at the end of the period	12,169,851,329.47	10,366,079,589.57
Less: Cash at the beginning of the year	<u>(16,081,969,440.60)</u>	<u>(6,369,775,801.18)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(3,912,118,111.13)</u>	<u>3,996,303,788.39</u>
 (b) Cash and cash equivalents		
	30 June 2018	31 December 2017
Cash on hand	70,544.56	325,311.33
Cash at bank that can be readily drawn on demand	11,792,433,481.08	15,965,996,254.76
Other cash balances that can be readily drawn on demand	319,630,271.45	42,850,535.45
Other balances that can be readily drawn on demand	<u>57,717,032.38</u>	<u>72,797,339.06</u>
	<u>12,169,851,329.47</u>	<u>16,081,969,440.60</u>

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(All amounts are stated in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (Cont'd)

(59) Monetary items denominated in foreign currency

As at 30 June 2018 and 31 December 2017, the Group's companies whose recording currency is RMB held no significant assets or liabilities denominated in foreign currency. Those companies mainly operating in Hong Kong with HKD as recording currency held assets and liabilities denominated in non-recording currency (mainly USD and RMB), 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 2018			
	Amount in the original currency	Exchange rate to HKD	Equivalent to HKD	Equivalent to RMB
Cash at bank and on hand -				
RMB	14,803,748.79	1.1861	17,558,726.44	14,803,748.79
USD	3,467,678.69	7.8479	27,213,995.59	22,944,242.82
Notes receivable and accounts receivable -				
RMB	13,000.00	1.1861	15,419.30	13,000.00
USD	1,078,016.78	7.8479	8,460,167.89	7,132,805.83
Notes payable and accounts payable -				
RMB	205,592.20	1.1861	243,852.91	205,592.20
USD	1,238,324.99	7.8479	9,718,250.69	8,193,501.13
	31 December 2017			
	Amount in the original currency	Exchange rate to HKD	Equivalent to HKD	Equivalent to RMB
Cash at bank and on hand -				
RMB	43,041,467.58	1.1963	51,490,507.67	43,041,467.16
USD	5,090,954.48	7.8169	39,795,482.07	33,265,314.76
Notes receivable and accounts receivable -				
RMB	-	1.1963	-	-
USD	1,673,537.25	7.8169	13,081,873.33	10,935,227.10
Notes payable and accounts payable -				
RMB	1,620,295.89	1.1963	1,938,359.97	1,620,295.89
USD	1,887,630.47	7.8169	14,755,418.62	12,334,155.02

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5 Changes in the consolidation scope

- (1) Business combinations involving enterprises not under common control
- (a) Business combinations involving enterprises not under common control in the current period

Acquiree	Timing of acquisition	Acquisition cost	% interest acquired	Method of acquisition	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from the acquisition date to the end of the period	Profit/(loss) of the acquiree from the acquisition date to the end of the period
Shunxin Express (b) Shenzhen Fengle Property Co., Ltd.	1 March 2018	238,980,712.23	58.715%	By cash	1 March 2018	Transfer of control right Completion of equity delivery	242,313,672.39	(40,051,609.86)
	28 May 2018	2,098,660.82	60%	By cash	28 May 2018		458,246.60	222,624.11

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5 Changes in the consolidation scope (Cont'd)

- (1) Business combinations involving enterprises not under common control (Cont'd)
- (b) Shunxin Express

On 1 March 2018, the Group acquired certain assets of Guangdong Xinbang Logistics Co., Ltd. ("Xinbang Logistics") from an independent third party through Shunxin Express and accepted relevant personnel and businesses of Xinbang Logistics. Although the above acquired assets do not reach the qualification of an independent legal entity, they are capable of investing, processing and producing and related costs or revenue can be independently accounted for. So such transaction is considered as a business combination.

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

	Shunxin Express
Combination cost	
- Cash	238,980,712.23
Less: Share of fair value of identifiable net assets acquired (i)	<u>(71,671,471.72)</u>
Goodwill	<u>167,309,240.51</u>

- (i) As at the issuing date of the financial statements, the assessment on Shunxin Express had not been completed. At the acquisition date, the carrying amounts of the acquired assets were considered as the temporary value of the fair value of identifiable net assets for calculation of goodwill. If the assessment on Shunxin Express is completed and the fair values of identifiable net assets of the acquired assets are determined, the goodwill of this transaction will be adjusted accordingly.

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5 Changes in the consolidation scope (Cont'd)

(2) Business combinations involving enterprises under common control

Acquiree acquisition	% of	Basis of business combinations involving enterprises under common control	Combination date	Basis of combination date	Acquiree's revenue for the period from 1 January 2018 to the combination date	Acquiree's net loss for the period from 1 January 2018 to the combination date	Acquiree's revenue in 2017	Acquiree's net loss in 2017	Acquiree's cash flows from operating activities for the period from 1 January 2018 to the combination date	Acquiree's net cash flows for the period from 1 January 2018 to the combination date
Fonair Aviation	100%	The Group and Fonair Aviation were under the control of Mingde Holdings prior and subsequent to the acquisition of Fonair Aviation and such control was not temporary.	19 June 2018	Control obtained	145,358.01	(13,494,110.16)	-	(5,828,736.29)	134,621.81	10,177,220.24

On 30 June 2018, Shenzhen S. F. Chuangxing Investment Co., Ltd. ("Chuangxing Investment"), one of the Company's subsidiaries, acquired 100% equity of Fonair Aviation held by Mingde Investment, a related party which was under common control of Mingde Holdings, the ultimate parent company. The combination date of this transaction is 19 June 2018, when Chuangxing Investment effectively obtained the control over Fonair Aviation. This transaction is classified as a business combination involving enterprises under common control as Fonair Aviation and Chuangxing Investment are both ultimately controlled by Mingde Holdings prior and subsequent to the combination and the control is not temporary.

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5 Changes in the consolidation scope (Cont'd)**(2) Business combinations involving enterprises under common control (Cont'd)**

The combination cost of the business combinations and carrying amounts of net assets acquired are as follows:

Combination cost		
- Cash		67,042,100.00
Less: Carrying amount of net assets obtained		<u>(31,033,843.70)</u>
		36,008,256.30
Recover: Retained earnings realised by the acquiree attributable to the acquirer before the combination date		<u>(18,966,156.30)</u>
Adjustment to capital reserve		<u>17,042,100.00</u>

The carrying amounts of assets and liabilities of Fonair Aviation at the combination date are as follows:

	Carrying amount	
	Combination date	31 December 2017
Cash at bank and on hand	10,210,489.44	33,269.20
Accounts receivable	172,976.03	-
Advances to suppliers	838,527.71	437,093.15
Other receivables	454,758.83	393,742.54
Other current assets	635,491.86	192,056.53
Fixed assets	1,667,739.90	172,209.13
Intangible assets	851,023.15	-
Other non-current assets	33,645,859.36	14,600,000.00
Less: Accounts payable	(94,656.62)	-
Employee benefits payable	(1,351,806.99)	(717,762.62)
Taxes payable	(411,320.94)	(109,736.39)
Other payables	(15,585,238.03)	(9,607.83)
Net assets obtained	<u>31,033,843.70</u>	<u>14,991,263.71</u>

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5 Changes in the consolidation scope (Cont'd)

(3) Other changes in the consolidation scope

(a) In 2018, the Group set up the following subsidiaries by cash:

	Capital commitment	Actual investment	Method of acquisition
Shenzhen S.F Runtai Management Consulting Co., Ltd.	RMB 5 million	RMB 2 million	By new establishment
Shunyuanyuan Leasing (Tianjin) Co., Ltd. ("Shunyuanyuan Leasing")	RMB 170 million	RMB 170 million	By new establishment
S.F Technology (Beijing) Co., Ltd.	RMB 5 million	Investment uncompleted	By new establishment
Fengtou Technology (Shenzhen) Co., Ltd.	RMB 8 million	Investment uncompleted	By new establishment
S.F Pharmaceutical Supply Chain Hubei Co., Ltd.	RMB 30 million	Investment uncompleted	By new establishment
Ezhou Shunlu Logistics Co., Ltd.	RMB 50 million	Investment uncompleted	By new establishment
Zhejiang Fengchi Network Technology Co., Ltd.	RMB 10 million	Investment uncompleted	By new establishment
Tianjin S.F Import and Export Trading Co., Ltd.	RMB 5 million	Investment uncompleted	By new establishment
Xiamen Fengyutai Industrial Park Management Co., Ltd.	RMB 200 million	Investment uncompleted	By new establishment
Ganzhou Fengtai Industrial Park Management Co., Ltd.	RMB 20 million	Investment uncompleted	By new establishment
Nanchang Fengtai Industrial Park Management Co., Ltd.	RMB 100 million	RMB 50 million	By new establishment
Xuzhou Fengtai Industrial Park Management Co., Ltd.	RMB 150 million	Investment uncompleted	By new establishment
Ma'anshan Fengyutai Enterprise Management Co., Ltd.	RMB 80 million	Investment uncompleted	By new establishment
Jinjiang Jietai Enterprise Management Co., Ltd.	RMB 110 million	Investment uncompleted	By new establishment
Lhasa Fengtai Industrial Park Management Co., Ltd.	RMB 40 million	RMB 14.22 million	By new establishment
Shanxi Fengnong Technology Co., Ltd.	RMB 5 million	Investment uncompleted	By new establishment
S.F Multimodal Transport Co., Ltd. ("Multimodal Transport")	RMB 200 million	Investment uncompleted	By new establishment
Wulian Yuncang (Chengdu) Technology Co., Ltd.	RMB 20 million	RMB 5 million	By new establishment
Zhongtian Cai (Shenzhen) Technology Co., Ltd.	RMB 27 million	RMB 9 million	By new establishment

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5 Changes in the consolidation scope (Cont'd)

(3) Other changes in the consolidation scope (Cont'd)

(a) In 2018, the Group set up the following subsidiaries by cash (Cont'd):

	Capital commitment	Actual investment	Method of acquisition
SF Express Ltd.	CAD 1 million	Investment uncompleted	By new establishment
Jolly Union Limited	USD 1	Investment uncompleted	By new establishment
Bright Hazel Limited	USD 1	Investment uncompleted	By new establishment
Equal Wind Limited	USD 1	Investment uncompleted	By new establishment
Joyous Advantage Limited	USD 1	Investment uncompleted	By new establishment
Superior Hawk Limited	USD 1	Investment uncompleted	By new establishment
Top Haze Limited	USD 1	Investment uncompleted	By new establishment
Castle Way Corporation Limited	HKD 1	Investment uncompleted	By new establishment
World Brave Limited	HKD 1	Investment uncompleted	By new establishment
SF Holding Investment Limited	USD 10,000	Investment uncompleted	By new establishment
Exaleap SF Limited	USD 51	Investment uncompleted	By new establishment
Crystal Era Limited	USD 1	Investment uncompleted	By new establishment
Fame Trend International Limited	HKD 1	Investment uncompleted	By new establishment
Foshan Fengyutai Industrial Park Operation Management Co., Ltd.	RMB 90 million	RMB 90 million	By new establishment
Chengdu Yifeng Home Technology Service Co., Ltd.	RMB 0.8 million	RMB 0.5 million	By new establishment
Ezhou Fengtai Qisheng Logistics Development Co., Ltd.	RMB 50 million	RMB 40 million	By new establishment
Ezhou Fengyutai Helin Logistics Development Co., Ltd.	RMB 50 million	Investment uncompleted	By new establishment
Guangzhou S.F. Information Services Co., Ltd.	RMB 10 million	Investment uncompleted	By new establishment

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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	Registered capital	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Taisen Holdings	Shenzhen	Shenzhen	RMB 2 billion	Investment holding	100%	-	Reverse acquisitions Business combination involving enterprises under common control
S.F. Express	Shenzhen	Shenzhen	RMB 150 million	International freight forwarding, domestic and international express service, etc.	-	100%	Technical maintenance and development service
SF Technology	Shenzhen	Shenzhen	RMB 50 million	Cargo transportation and freight forwarding	-	100%	By new establishment Business combination involving enterprises under common control
Shenzhen Shunlu Logistics Co., Ltd.	Shenzhen	Shenzhen	RMB 150 million	Value-added telecommunication service	-	100%	By new establishment Business combination involving enterprises under common control
Anhui S.F. Telecommunication Service Co., Ltd.	Anhui Province	Anhui Province	RMB 50 million	Consulting service	-	100%	By new establishment Business combination involving enterprises under common control
Shenzhen Yuhui Management Consulting Co., Ltd. (i)	Shenzhen	Shenzhen	RMB 250 million	Supply chain management and other services	-	100%	By new establishment Business combination involving enterprises under common control
Shenzhen S.F. Supply Chain Co., Ltd.	Shenzhen	Shenzhen	RMB 700 million	Transport service of aviation cargo	-	100%	Business combination involving enterprises under common control
SF Airlines	Shenzhen	Shenzhen	RMB 1,500 million	Cargo express agent service	-	100%	Business combination involving enterprises under common control
Dongguan Jiada Express Service Co., Ltd.	Dongguan	Dongguan	RMB 4 million	E-Commerce industrial park asset management	-	100%	Business combination involving enterprises under common control
Shenzhen Fengtai E-Commerce Industrial Park Asset Management Ltd.	Shenzhen	Shenzhen	RMB 4 billion	Management consulting	-	100%	By new establishment
Shenzhen Fengtai E-Commerce Industrial Park Investment Ltd.	Shenzhen	Shenzhen	RMB 55 million	Industrial investment	-	100%	By new establishment Business combination involving enterprises under common control
Shenzhen S. F. Airport Investment Co., Ltd.	Shenzhen	Shenzhen	RMB 100 million	Investment holding	-	100%	By new establishment Business combination involving enterprises under common control
SF Holding Limited	Hong Kong	Hong Kong	HKD 10,000				

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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	Registered capital	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Group Finance Company	Shenzhen	Shenzhen	RMB 1,000 million	Financing, wealth management and consulting services	-	100%	By new establishment
Chuangxing Investment (ii)	Shenzhen	Shenzhen	RMB 150 million	Industrial investment	-	100%	By new establishment
Shenzhen Fengnong Technology Co., Ltd.	Shenzhen	Shenzhen	RMB 5 million	Retail	-	100%	By new establishment
Shenzhen Fenglang Supply Chain Co., Ltd.	Shenzhen	Shenzhen	RMB 30 million	Supply chain management and other services	-	100%	By new establishment
Shenzhen S.F Runtai Management Consulting Co., Ltd. (iii)	Shenzhen	Shenzhen	RMB 5 million	Consulting service	-	100%	By new establishment
Shunyuan Leasing (iv)	Tianjin	Tianjin	RMB 170 million	Leasing business	-	100%	By new establishment
Multimodal Transport (v)	Shenzhen	Shenzhen	RMB 200 million	Goods delivery services	-	100%	By new establishment

- (i) On 21 June 2018, Taisen Holdings increased its investment in Shenzhen Yuhui Management Consulting Co., Ltd., whose registered capital increased from RMB 7.86 million to RMB 250 million.
- (ii) On 21 June 2018, Taisen Holdings increased its investment in Chuangxing Investment, whose registered capital increased from RMB 50 million to RMB 150 million.
- (iii) On 8 March 2018, the Group established Shenzhen S.F Runtai Management Consulting Co., Ltd., with a total capital commitment of registered capital of RMB 5 million.
- (iv) On 2 May 2018, the Group established Shunyuan Leasing, with a total capital commitment of registered capital of RMB 170 million.
- (v) On 23 May 2018, the Group established Multimodal Transport, with a total capital commitment of registered capital of RMB 200 million.

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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

As at 30 June 2018, the minority interests in the Group's subsidiaries had no significant influence on the Group.

(2) Interests in joint ventures and associates

(a) The Group's associates have no significant influence on the Group and are summarised as follows:

	Ending balance/ Amount in the current period	Opening balance/ Amount in the prior period
Aggregated carrying amount of investments (Note 4(11)(b))	510,181,569.52	504,388,920.22
Aggregation of the following items in proportion:		
Net loss	5,412,722.45	(79,397,315.14)
Other comprehensive income	-	(238,150.33)
Total comprehensive income	<u>5,412,722.45</u>	<u>(79,635,465.47)</u>

As at 30 June 2018, an investment loss of RMB 13,429,763.49 was unrecognised (30 June 2017: RMB 5,014,985.66) because the carrying amount of long-term equity investments in investees was written down to RMB 0.

(b) The Group's joint ventures have no significant influence on the Group and are summarised as follows:

	Ending balance/ Amount in the current period	Opening balance/ Amount in the prior period
Aggregated carrying amount of investments (Note 4(11)(a))	557,870,522.73	100,294,970.45
Aggregation of the following items in proportion:		
Net income/(loss)	3,428,518.52	(1,697,938.84)
Other comprehensive income	147,032.76	212,420.23
Total comprehensive income	<u>3,575,551.28</u>	<u>(1,485,518.61)</u>

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7 Segment information

The reportable segments of the Group are the business units that provide different 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.

The segment information is not presented any more since the Group mainly provides express & logistics service and there is only one major business segment.

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 controlling party is Mingde Holdings.

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

	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018
Mingde Holdings	<u>113,405,734.21</u>	<u>-</u>	<u>-</u>	<u>113,405,734.21</u>

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

	30 June 2018		31 December 2017	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Mingde Holdings	<u>61.15%</u>	<u>61.15%</u>	<u>61.25%</u>	<u>61.25%</u>

S.F. HOLDING CO., LTD.

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(All amounts are stated in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (Cont'd)

(2) Nature of related parties that do not control or are not controlled by the Company

	Relationship with the Company
Taiwan S.F. Express Holdings Co., Ltd. ^{Note 1}	Controlled by close family members of the ultimate controlling person in the past 12 months as at 31 December 2017 Significantly influenced by the key management of the Company
Shenzhen Henglu Logistics Co., Ltd. Shenzhen Fengmaiwang Network Technology Co., Ltd. ("Fengmaiwang Technology")	Controlled by the ultimate controlling person of the Company Significantly influenced by the key management of the Company
Ping An Insurance (Group) Company of China, Ltd. ("Ping An Insurance") and its subsidiaries China Pacific Insurance (Group) Co., Ltd. ("Pacific Insurance") and its subsidiaries	Significantly influenced by the key management of the Company Significantly influenced by the key management of the Company in the past 12 months
Juneyao Airlines Co., Ltd. McDonald's (China) Co., Ltd. ("McDonald's") and its subsidiaries ^{Note 6}	Significantly influenced by the key management of the Company
Geling Information	The Group's joint venture
Shanghai Information	The Group's joint venture
POST110Ü	The Group's joint venture
ZBHA and its subsidiaries ^{Note 7}	The Group's joint venture
Fengchengda Network Technology Co., Ltd. Hive Box Technology	Controlled by the ultimate controlling person of the Company Associate of the ultimate controlling person
Shenzhen Shun Jie Feng Da Express Co., Ltd. Zhuhai Sui Bian	The Group's associate The Group's associate
SF Lottery	The Group's associate
Little Red Hat Issuance Co., Ltd. Beijing Little Red Hat Network Technology Co., Ltd. ^{Note 5}	The Group's associate Subsidiary of the Group's associate
Shanghai Qianqu Network Technology Co., Ltd. Hubei International Logistics Airport Co., Ltd. Qianqu Import & Export Co., Ltd. ^{Note 2}	The Group's associate The Group's joint venture Subsidiary of the Group's associate
Shenzhen Weirong Enterprise Development Co., Ltd. S. F. Holding (Group) Commerce Co., Ltd. Shenzhen SF Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company Controlled by the ultimate controlling person of the Company Controlled by the ultimate controlling person of the Company
Foshan Shunxiaofeng Commerce Co., Ltd. ^{Note 3} Meizhou S.F. Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company Controlled by the ultimate controlling person of the Company

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(All amounts are stated in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (Cont'd)

(2) Nature of related parties that do not control or are not controlled by the Company (Cont'd)

	Relationship with the Company
Zhuhai Shunxiaofeng Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Zhongshan Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Huizhou S.F. Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Maoming Shunyifeng Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company in the past 12 months
Yangjiang S.F. Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company in the past 12 months
Heyuan S.F. Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Changzhou Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Zhanjiang Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company in the past 12 months
Shantou S.F. Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Jiangmen Shunyifeng Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Jieyang S.F. Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company in the past 12 months
Chaozhou S.F. Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company in the past 12 months
Shaoguan Shunyifeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company in the past 12 months
Jiangsu Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Suzhou Industrial Park Shunhengshun Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Lianyungang Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Zhenjiang S.F. Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Xuzhou Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Suqian Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Huai'an Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Yangzhou Shunheng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Taizhou Shunjiefeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Qinghai Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Wuxi Shunfengshun Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Yancheng Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Zhejiang S.F. Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Wenzhou S.F. Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Taizhou Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Shaoxing Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Zhoushan Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Ningbo Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Huzhou Shun Xiao Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Jiaxing Shun Xiao Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Jinhua S.F. Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company

S.F. HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

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

(2) Nature of related parties that do not control or are not controlled by the Company (Cont'd)

	Relationship with the Company
Quzhou Shunyifeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Liaoning Shunyifeng Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Dalian Shunyifeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Shandong Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Qingdao Shunyifeng Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Beijing Shunxiaofeng Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Shanghai S.F. Industrial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Xiamen S.F. Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Chongqing Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Jiangxi Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Tianjin Shunfengshun Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Inner Mongolia S.F. Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Shanxi Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Jilin S.F. Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Xinjiang Shunyifeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Guangxi Shunyifeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Hainan S.F. Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Shaanxi Shunyifeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company in the past 12 months
Ningxia Shunyifeng Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Hunan Shunyifeng Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Hubei Shunyifeng Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Anhui Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Henan Shunyifeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company in the past 12 months
Guizhou Shunyifeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Gansu S.F. Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Hebei Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Fujian Shunyifeng Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Sichuan Shunyifeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Heilongjiang Shunyifeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Yunnan Shunyaheng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Dongguan Shunxiaofeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Zhaoqing Shunyifeng Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Dongguan S.F. Commercial Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Shenzhen S.F. Electronic Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Beijing S.F. E-Commerce Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
S. F. You Xuan International Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company
Shenzhen Shunshang Investment Co., Ltd. ^{Note 3}	Controlled by the ultimate controlling person of the Company

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

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

(2) Nature of related parties that do not control or are not controlled by the Company (Cont'd)

	Relationship with the Company
Zhiye Enterprise Co., Ltd. ("Zhiye Enterprise")	Controlled by the ultimate controlling person of the Company
Ma'anshan Shuntai Rare Earth & New Materials Co., Ltd.	Controlled by the ultimate controlling person of the Company
Shenzhen Shunheng Rongfeng Investment Co., Ltd.	Controlled by the ultimate controlling person of the Company
Shenzhen Hengyi Logistics Service Co., Ltd.	Controlled by the ultimate controlling person of the Company
Shenzhen Shuncheng Lefeng Factoring Co., Ltd.	Controlled by the ultimate controlling person of the Company
Shenzhen S.F. Hefeng Microfinance Co., Ltd.	Controlled by the ultimate controlling person of the Company
Shuncheng Financial Leasing (Shenzhen) Co., Ltd.	Controlled by the ultimate controlling person of the Company
Shuncheng Qianhai I Financial Leasing (Shenzhen) Co., Ltd. ^{Note 4}	Controlled by the ultimate controlling person of the Company
Shuncheng Qianhai II Financial Leasing (Shenzhen) Co., Ltd. ^{Note 4}	Controlled by the ultimate controlling person of the Company
Shuncheng Qianhai III Financial Leasing (Shenzhen) Co., Ltd. ^{Note 4}	Controlled by the ultimate controlling person of the Company
Shuncheng Qianhai IV Financial Leasing (Shenzhen) Co., Ltd. ^{Note 4}	Controlled by the ultimate controlling person of the Company
Shuncheng Qianhai V Financial Leasing (Shenzhen) Co., Ltd. ^{Note 4}	Controlled by the ultimate controlling person of the Company
Shuncheng I (Tianjin) Financial Leasing Co., Ltd. ^{Note 4}	Controlled by the ultimate controlling person of the Company
Shuncheng II (Tianjin) Financial Leasing Co., Ltd. ^{Note 4}	Controlled by the ultimate controlling person of the Company
Shuncheng III (Tianjin) Financial Leasing Co., Ltd. ^{Note 4}	Controlled by the ultimate controlling person of the Company
Shunheng Financial Leasing (Tianjin) Co., Ltd. ^{Note 4}	Controlled by the ultimate controlling person of the Company
Shuncheng IV (Tianjin) Financial Leasing Co., Ltd. ^{Note 4}	Controlled by the ultimate controlling person of the Company
Shuncheng V (Tianjin) Financial Leasing Co., Ltd. ^{Note 4}	Controlled by the ultimate controlling person of the Company
Shenzhen S.F. Financing Investment Management Co., Ltd. ("Financing Investment")	Controlled by the ultimate controlling person of the Company
Suzhou Ruihuang Equity Investment Management Limited Partnership ("Suzhou Ruihuang")	Another company in which a director of the Group acts as managing partner
SF Foundation	Organisation sponsored by controlling shareholders and the Company's subsidiaries, in which director and supervisor of the company serve on the Board of Management
Mingde Investment	Controlled by the ultimate controlling person of the Company

S.F. HOLDING CO., LTD.

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

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

(2) Nature of related parties that do not control or are not controlled by the Company (Cont'd)

Note 1: It was related party which controlled by close family members of the ultimate controlling person and currently it has been transferred to independent third parties: Able Express Investment Limited transferred Taiwan S.F. Express Holdings Co., Ltd. to an independent third party on 31 March 2016. Pursuant to the *Listing Rules of Shenzhen Stock Exchange*, Taiwan S.F. Express Holdings Co., Ltd. was no longer associated with the Group since 31 March 2017. The related party transactions with Taiwan S.F. Express Holdings Co., Ltd. disclosed in the financial statements refer to the transaction amounts for the period from 1 January 2017 to 31 March 2017. Therefore, the Group's related party transactions with Taiwan S.F. Express Holdings Co., Ltd. in the period from January to June 2018 are presented as "Not applicable";

Note 2: It is a subsidiary of Shanghai Qianqu Network Technology Co., Ltd. Shanghai Qianqu Network Technology Co., Ltd. and its subsidiaries are hereinafter referred to as "Qianqu Network and its subsidiaries";

Note 3: They are Commerce Holding and its subsidiaries. On 1 October 2015, the Group lost its de facto control over Shenzhen SF Commerce Co., Ltd. and Shenzhen S.F. Electronic Commerce Co., Ltd., and de-consolidated them from the date when such control ceased;

Note 4: They are subsidiaries of Shuncheng Financial Leasing;

Note 5: It is a subsidiary of Little Red Hat Issuance Co., Ltd. Little Red Hat Issuance Co., Ltd. and its subsidiary Beijing Little Red Hat Network Technology Co., Ltd. are hereinafter referred to as "Little Red Hat and its subsidiary";

Note 6: It became a related party of the Group in July 2017 as key management of the Group had significant influence over it. Therefore, the transactions between the Group and it in the period from January to June 2017 are presented as "Not applicable";

Note 7: It is a new joint venture of the Group for the current period, so the transactions between the Group and it in the period from January to June 2017 are presented as "Not applicable".

(3) Related party transactions

(b) Pricing policies

The pricing method of transactions and transaction price between the Company and related parties are determined, following arm's length principle, by making reference to the market price or through negotiation among parties.

(c) Air freight income

	For the six months ended 30 June	
	2018	2017
Taiwan S.F. Express Holdings Co., Ltd.	Not applicable	4,686,799.97

S.F. HOLDING CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
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[English translation for reference only]**8 Related parties and related party transactions (Cont'd)**

(3) Related party transactions (Cont'd)

(d) Income from courier service, combined transport and freight forwarding services

	For the six months ended 30 June	
	2018	2017
McDonald's and its subsidiaries	102,481,373.75	Not applicable
Commerce Holding and its subsidiaries	56,375,336.54	64,537,173.37
Ping An Insurance and its subsidiaries	38,999,609.26	30,823,152.29
Pacific Insurance and its subsidiaries	9,151,322.54	4,978,221.09
Fengchengda Network Technology Co., Ltd.	6,145,205.76	554,060.06
Geling Information	2,304,109.62	1,418,692.44
Fengmaiwang Technology	1,875,966.15	204,087.93
Shenzhen Henglu Logistics Co., Ltd.	725,251.59	354,321.78
Taiwan S.F. Express Holdings Co., Ltd.	Not applicable	82,562,450.39
Others	816,640.43	544,918.11
	<u>218,874,815.64</u>	<u>185,977,077.46</u>

(e) Income from royalties for IT system and trademark

	For the six months ended 30 June	
	2018	2017
Taiwan S.F. Express Holdings Co., Ltd.	<u>Not applicable</u>	<u>14,652,004.49</u>

(f) Communication income

	For the six months ended 30 June	
	2018	2017
Hive Box Technology	13,788,232.03	8,210,474.58
Taiwan S.F. Express Holdings Co., Ltd.	Not applicable	2,906,454.19
Commerce Holding and its subsidiaries	-	1,336,556.81
Others	565,644.90	-
	<u>14,353,876.93</u>	<u>12,453,485.58</u>

S.F. HOLDING CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
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[English translation for reference only]**8 Related parties and related party transactions (Cont'd)**

(3) Related party transactions (Cont'd)

(g) Commission income for collection and settlement on behalf of related parties

	For the six months ended 30 June	
	2018	2017
Shenzhen S.F Hefeng Microfinance Co., Ltd.	2,659,098.50	-
Commerce Holding and its subsidiaries	327,067.81	671,423.07
Others	3,854.87	-
	<u>2,990,021.18</u>	<u>671,423.07</u>

(h) Income from platform and other services

	For the six months ended 30 June	
	2018	2017
Commerce Holding and its subsidiaries	9,103,589.92	-
Shenzhen Shunheng Rongfeng Investment Co., Ltd.	3,914,109.36	2,598,276.60
Shenzhen Shuncheng Lefeng Factoring Co., Ltd.	2,548,548.98	23,009.75
Shenzhen S.F Hefeng Microfinance Co., Ltd. Financing Investment	1,634,252.04	1,825,384.04
Shuncheng Financial Leasing and its subsidiaries	1,169,239.19	-
SF Lottery	734,092.96	2,111,495.92
	282,946.85	-
	<u>19,386,779.30</u>	<u>6,558,166.31</u>

(i) Technology development service income

	For the six months ended 30 June	
	2018	2017
Commerce Holding and its subsidiaries	37,061,216.46	-
Hive Box Technology	169,811.32	174,052.65
	<u>37,231,027.78</u>	<u>174,052.65</u>

S.F. HOLDING CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts are stated in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(3) Related party transactions (Cont'd)

(j) Revenue from rent and property management

	For the six months ended 30 June	
	2018	2017
Commerce Holding and its subsidiaries	230,658.63	97,926.79
Others	38,043.71	41,891.89
	<u>268,702.34</u>	<u>139,818.68</u>

(k) Consideration for equity and receivables transfer

	For the six months ended 30 June	
	2018	2017
Shenzhen Hengyi Logistics Service Co., Ltd.		
- Financing Investment	<u>-</u>	<u>10,000,000.00</u>

(l) Consideration for equity and payables transfer

	For the six months ended 30 June	
	2018	2017
Mingde Investment	<u>67,042,100.00</u>	<u>-</u>

S.F. HOLDING CO., LTD.

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

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

(3) Related party transactions (Cont'd)

(m) Income from equity transfer

	For the six months ended 30 June	
	2018	2017
Shenzhen Hengyi Logistics Service Co., Ltd.		
- Financing Investment	-	(101,560.51)

(n) Combined transport and freight forwarding expenses

	For the six months ended 30 June	
	2018	2017
Shenzhen Shun Jie Feng Da Express Co., Ltd.	94,210,538.42	5,332,482.58
POST110Ü	48,553,701.67	101,354,007.34
Juneyao Airlines Co., Ltd.	25,416,371.26	19,840,763.44
Little Red Hat and its subsidiaries	3,330,010.85	4,923,890.50
Taiwan S.F. Express Holdings Co., Ltd.	Not applicable	83,471,211.43
Others	316,786.48	236,439.59
	<u>171,827,408.68</u>	<u>215,158,794.88</u>

(o) Express delivery agent service fees

	For the six months ended 30 June	
	2018	2017
Commerce Holding and its subsidiaries	4,604,362.86	6,960,718.58
Hive Box Technology	1,490,566.23	-
Others	429,333.33	-
	<u>6,524,262.42</u>	<u>6,960,718.58</u>

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

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

(3) Related party transactions (Cont'd)

(p) Collection commissions fee

	For the six months ended 30 June	
	2018	2017
Hive Box Technology	24,193,805.30	8,326,334.87

(q) Security service fee

	For the six months ended 30 June	
	2018	2017
ZBHA and its subsidiaries	2,283,057.50	Not applicable

(r) Rent and property management fees

	For the six months ended 30 June	
	2018	2017
Little Red Hat and its subsidiaries	-	36,668.00
Shenghai Information	6,791,744.03	460,786.59
Zhiye Enterprise	163,514.20	147,815.00
Shenzhen Shuncheng Lefeng Factoring Co., Ltd.	59,000.00	-
	<u>7,014,258.23</u>	<u>645,269.59</u>

(s) Management fee

	For the six months ended 30 June	
	2018	2017
Suzhou Ruihuang	5,000,000.00	5,000,000.00

S.F. HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts are stated in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(3) Related party transactions (Cont'd)

(t) Technology development and operation & maintenance service fee

	For the six months ended 30 June	
	2018	2017
Shenghai Information	5,961,166.33	3,095,059.15
Zhuhai Sui Bian	-	504,766.55
	<u>5,961,166.33</u>	<u>3,599,825.70</u>

(u) Promotion fee

	For the six months ended 30 June	
	2018	2017
Commerce Holding and its subsidiaries	<u>7,272,898.58</u>	<u>3,971,482.86</u>

S.F. HOLDING CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts are stated in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(3) Related party transactions (Cont'd)

(v) Purchase of materials

	For the six months ended 30 June	
	2018	2017
Commerce Holding and its subsidiaries	29,429,604.52	9,468,091.86
Shanghai Information	1,111,729.29	-
Others	-	358,044.69
	<u>30,541,333.81</u>	<u>9,826,136.55</u>

(w) Insurance premium

	For the six months ended 30 June	
	2018	2017
Pacific Insurance and its subsidiaries	<u>50,963,129.09</u>	<u>61,030,490.28</u>

Insurance premium represents the amount amortised over the benefit period of insurance policies.

(x) Donation expenses

S.F. Express, one of the Group's subsidiaries, donated RMB 40 million to SF Foundation and obtained advertising resources worthy of RMB 20 million.

(y) Remuneration of key management personnel

	For the six months ended 30 June	
	2018	2017
Remuneration of key management personnel	<u>23,545,200.00</u>	<u>15,888,500.00</u>

S.F. HOLDING CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**(All amounts are stated in RMB Yuan unless otherwise stated)
[English translation for reference only]**8 Related parties and related party transactions (Cont'd)**

(4) Receivables from and payables to related parties

(a) Notes receivable and accounts receivable

	30 June 2018	31 December 2017
Commerce Holding and its subsidiaries	122,430,598.01	69,990,754.31
McDonald's and its subsidiaries	26,779,173.81	14,519,515.74
Qianqu Network and its subsidiaries (i)	12,943,815.05	12,825,061.28
Ping An Insurance and its subsidiaries	8,929,336.44	8,225,922.88
Fengchengda Network Technology Co., Ltd.	3,098,876.63	1,450.00
Hive Box Technology	2,810,794.09	2,082,874.83
Pacific Insurance and its subsidiaries	2,233,749.05	3,434,004.61
Shenzhen S.F Hefeng Microfinance Co., Ltd.	1,446,783.65	31,475.68
Fengmaiwang Technology	1,112,587.76	614,250.74
Geling Information	1,003,998.27	2,296,371.65
Shenzhen Shuncheng Lefeng Factoring Co., Ltd.	809,180.79	-
Shenzhen Shunheng Rongfeng Investment Co., Ltd.	689,790.14	72,037.60
Others	891,393.01	485,297.60
	<u>185,180,076.70</u>	<u>114,579,016.92</u>

(i) The Group has made full provision for bad debts of accounts receivable from Qianqu Network and its subsidiaries.

(b) Advances to suppliers

	30 June 2018	31 December 2017
Pacific Insurance and its subsidiaries	12,861,732.73	22,699,971.15
Hive Box Technology	3,818,800.00	-
Shenzhen Shuncheng Lefeng Factoring Co., Ltd.	3,090,507.33	7,226,494.34
Others	908,903.19	1,390,452.19
	<u>20,679,943.25</u>	<u>31,316,917.68</u>

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

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

(c) Other receivables

	30 June 2018	31 December 2017
Commerce Holding and its subsidiaries (i)	121,581,444.00	116,831,539.91
Hive Box Technology and its subsidiaries	42,077,907.85	37,929,182.23
Hubei International Logistics Airport Co., Ltd.	9,620,534.20	-
Pacific Insurance and its subsidiaries	661,552.79	1,045,780.36
Shenzhen Weirong Enterprise Development Co., Ltd.	-	475,908,000.00
Others	897,173.49	640,300.37
	<u>174,838,612.33</u>	<u>632,354,802.87</u>

(i) The Group's other receivables from Commerce Holding and its subsidiaries mainly represent balances generated during the ordinary course of business.

(d) Notes payable and accounts payable

	30 June 2018	31 December 2017
Shenzhen Shuncheng Lefeng Factoring Co., Ltd.	132,472,670.03	161,601,249.47
POST110Ü	27,590,561.68	-
Commerce Holding and its subsidiaries	10,049,853.16	13,447,737.99
Pacific Insurance and its subsidiaries	9,664,367.74	8,796,478.91
Shenghai Information	1,023,217.80	191,482.08
Others	480,576.39	492,952.80
	<u>181,281,246.80</u>	<u>184,529,901.25</u>

(e) Advances from customers

	30 June 2018	31 December 2017
Hive Box Technology	2,002,857.11	7,142.85
Commerce Holding and its subsidiaries	1,955,501.44	1,320,601.63
Others	668,694.85	1,727,813.80
	<u>4,627,053.40</u>	<u>3,055,558.28</u>

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

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

(f) Other payables

	30 June 2018	31 December 2017
Mingde Investment	67,042,100.00	-
Commerce Holding and its subsidiaries	16,579,012.06	16,895,068.22
Mingde Holdings	15,531,643.83	-
Suzhou Ruihuang	5,000,000.00	10,000,000.00
Shenzhen Shuncheng Lefeng Factoring Co., Ltd.	4,927,611.87	4,257,352.81
Shenghai Information	4,266,754.01	324,460.01
Pacific Insurance and its subsidiaries	2,869,217.02	5,413,408.15
Qianqu Network and its subsidiaries	897,104.92	900,713.48
Others	1,208,350.82	2,467,634.70
	<u>118,321,794.53</u>	<u>40,258,637.37</u>

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9 Share-based payments

(1) Overview of share-based payments

30 June 2018

Total equity instruments granted during the period	Refer to Note 9(2)
Total equity instruments exercised during the period	-
Total equity instruments forfeited during the period	-
The exercise price of outstanding restricted shares at the end of the period and residual life of the restricted shares contracts	Refer to Note 9(2)

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

	For the six months ended 30 June	
	2018	2017
Equity-settled share-based payments	23,930,346.08	-
Cash-settled share-based payments	423,976.70	-
	<u>24,354,322.78</u>	<u>-</u>

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

(a) Information on equity-settled share-based payments of the Company

On 30 November 2017, the Company held the 4th interim shareholders' meeting in 2017, at which the proposal of the *Restricted Shares Incentive Plan (Draft) and Summary for 2017* was approved. Authorised by the 4th interim shareholders' meeting in 2017, the Company held the 11th meeting of the 4th Board of Directors on 27 December 2017, at which the *Proposal of Granting Restricted Shares to Incentive Recipients* was approved. The restricted shares were granted on 27 December 2017 and entitled the holders to purchase restricted shares at a price of RMB 29.32 per share, which was 50% of RMB 58.63, the average share price on the prior trading day (total transaction amount on the prior trading day / total transaction volume on the prior trading day) before the *Restricted Shares Incentive Plan (Draft) of S.F. Holding Co., Ltd. for 2017* was released. The Company's Board of Directors was authorised to grant 802 qualified employees restricted A ordinary shares with a total number of 2,705,400 at a consideration of RMB 29.32 per share, accounting for about 0.06% of S.F. Holding's total shares, which totalled 4,411,015,500 shares upon announcement of the incentive plan.

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9 Share-based payments (Cont'd)

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

On 17 May 2018, the Company held the 2nd interim shareholders' meeting in 2018, at which the proposal of the *Restricted Shares Incentive Plan (Draft) and Summary for 2018* was approved. ("the Restricted Shares Incentive Plan") was approved. Authorised by the 2nd interim shareholders' meeting in 2018, the Company held the 15th meeting of the 4th Board of Directors on 13 June 2018, at which the *Proposal of Granting Restricted Shares to Incentive Recipients for 2018* was approved. The restricted shares were granted on 13 June 2018 and entitled the holders to purchase restricted shares at a price of RMB 24.33 per share, which was 50% of RMB 48.65, the average share price on the prior 20 trading days (total transaction amount on the prior 20 trading days / total transaction volume on the prior 20 trading days) before the *Restricted Shares Incentive Plan (Draft) of S.F. Holding Co., Ltd.* was released. The Group's Board of Directors was authorised to grant 1,181 qualified employees restricted A ordinary shares with an estimated number of 5,421,881 shares at a consideration of RMB 24.33 per share, accounting for about 0.12% of the Company's total shares, which totalled 4,413,572,200 shares upon announcement of the incentive plan.

The post lock-up periods and their schedules for the restricted shares for 2017 and 2018 are presented in the table below:

Post lock-up period	Timing	Proportion of shares exercisable
1st post lock-up period	From the first trading day after 12 months since the registration of granting to the last trading day within 24 months after the registration of granting	50%
2nd post lock-up period	From the first trading day after 24 months since the registration of granting to the last trading day within 36 months after the registration of granting	50%

In addition to the Company's performance, individual performance assessment, which is specified in the *Restricted Shares Incentive Plan*, has also to be satisfied to unlock the restricted shares.

After it comes into the post lock-up period, the Group deals with unlocking procedures for the holders that meet unlocking conditions as well as repurchases and cancels the restricted shares that do not meet unlocking conditions. The repurchasing price comprises the granting price plus the interest accruing thereon at the current deposit rate.

If the Company transfers capital reserve to paid-in capital, distributes share dividends, splits shares, pays dividends, allocates shares or reduces shares after restricted shares are granted, the number and the price of repurchasing restricted shares shall be adjusted in accordance with the *Restricted Shares Incentive Plan*.

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9 Share-based payments (Cont'd)

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

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

In 2017, the Company issued 2,556,661 ordinary A shares denominated in RMB according to the restricted shares incentive plan, with raised funds totalling RMB 74,961,331.87. On 9 January 2018, the Company completed the granting and registration of the restricted shares incentive plan for 2017.

In 2018, the Company issued 5,231,982.00 ordinary A shares denominated in RMB according to the restricted shares incentive plan, with raised funds totalling RMB 127,294,205.35. On 25 June 2018, the Company completed the granting and verification of the restricted shares incentive plan for 2018.

During the reporting period, no restricted shares were unlocked or repurchased and cancelled. The restricted shares that were granted to and held by incentive recipients but not unlocked amounted to 7,788,643 shares.

On 30 June 2018, the Group made best estimation of the quantity of unlockable equity instruments according to the latest information such as changes in the number of incentive recipients, company performance and incentive recipients' individual performance. The Group recognised share-based compensation expense and capital reserve simultaneously in this period based on the fair value of equity instruments determined by the stock price at the grant date of the equity instruments. As at 30 June 2018, the equity-settled share-based payment recognised in the capital reserve accumulated to RMB 23,320,445.47 (31 December 2017: RMB 419,902.42). For the six months ended 30 June 2018, expenses recognised for equity-settled share-based payment amounted to RMB 22,900,543.05 (for the six months ended 30 June 2017: Nil).

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

In 2017 and 2018, the Group granted some equities of Wu Lian Yi Da and Beijing SF Intra-city Technology Co., Ltd. ("Intra-city Technology"), two of its subsidiaries, to senior management and other employees of the aforesaid companies respectively.

As at 30 June 2018, the equity-settled share-based payments recognised by Wu Lian Yi Da and Intra-city Technology accumulated to RMB 5,067,968.18 (31 December 2017: RMB 4,395,989.30) and RMB 357,824.15 (31 December 2017: Nil) respectively. For the six months ended 30 June 2018, expenses recognised for equity-settled share-based payments amounted to RMB 671,978.88 (for the six months ended 30 June 2017: Nil) and RMB 357,824.15 (for the six months ended 30 June 2017: Nil) respectively.

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9 Share-based payments (Cont'd)

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

On 30 November 2017, the Company held the 4th interim shareholders' meeting in 2017, at which the proposal of the *Incentive Plan of Share Appreciation Rights (Draft) and Summary* ("the *Incentive Plan of Share Appreciation Rights*") was approved. Authorised by the 4th interim shareholders' meeting in 2017, the Company held the 11th meeting of the 4th Board of Directors on 27 December 2017, at which the *Proposal of Granting Share Appreciation Rights to Incentive Recipients* was approved. The share appreciation rights were granted on 27 December 2017. The exercise price of the share appreciation rights was RMB 29.32 per share. The incentive recipients of the plan refer to 20 key foreign talents.

On 17 May 2018, the Company held the 2nd interim shareholders' meeting in 2018, at which the proposal of the *Incentive Plan of Share Appreciation Rights (Draft) and Summary* ("the *Incentive Plan of Share Appreciation Rights*") was approved. Authorised by the 2nd interim shareholders' meeting in 2018, the Company held the 15th meeting of the 4th Board of Directors on 13 June 2018, at which the *Proposal of Granting Share Appreciation Rights to Incentive Recipients* was approved. The share appreciation rights were granted on 13 June 2018. The exercise price of the share appreciation rights was RMB 24.33 per share. The incentive recipients of the plan refer to 29 key foreign talents.

The exercise periods and their schedules for the share appreciation rights for 2017 and 2018 are presented in the table below:

Exercise period	Timing	Exercise proportion
1st exercise period	From the first trading day after 12 months since the registration of granting to the last trading day within 24 months after the registration of granting	50%
2nd exercise period	From the first trading day after 24 months since the registration of granting to the last trading day within 36 months after the registration of granting	50%

In addition to the Company's performance, individual performance assessment, which is specified in the *Restricted Shares Incentive Plan*, has also to be satisfied for the share appreciation rights granted.

As at 30 June 2018, the accumulated liabilities arising from cash-settled share-based payment amounted to RMB 426,852.17 (31 December 2017: RMB 2,875.47). For the six months ended 30 June 2018, expenses recognised for cash-settled share-based payment amounted to RMB 423,976.70 (for the six months ended 30 June 2017: Nil).

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10 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet required to be recognised in the balance sheet are as follows:

	30 June 2018	31 December 2017
Investment contracts that have been signed but not fulfilled or not absolutely fulfilled	4,169,330,086.73	2,300,000,000.00
Buildings, machinery and equipment	989,858,513.27	1,459,630,368.68
Others	83,760,365.00	38,757,546.85
	<u>5,242,948,965.00</u>	<u>3,798,387,915.53</u>

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	30 June 2018	31 December 2017
Within 1 year	2,707,058,194.19	2,273,377,672.55
1 - 2 years	1,826,997,495.80	1,488,924,389.35
2 - 3 years	1,074,088,350.70	942,830,314.76
Over 3 years	1,479,436,351.79	1,374,415,354.04
	<u>7,087,580,392.48</u>	<u>6,079,547,730.70</u>

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10 Commitments (Cont'd)

(3) Profit compensation commitments

According to the *Profit Forecast Compensation Agreement* dated 14 June 2016 and the *Supplementary Agreement to the Profit Forecast Compensation Agreement* dated 9 September 2016 (collectively "the Compensation Agreements") among the Company, Mingde Holdings, Shun Da Feng Run, Jia Qiang Shunfeng, Zhao Guang Investment, Oriza Shunfeng, Gu Yu Qiu Chuang and Shun Xin Feng He (collectively "the Restructuring Parties"), for the purpose of ensuring legitimate rights and interests of the Company and its shareholders, the Restructuring Parties made a commitment that, after completion of major assets restructuring, the net profits attributable to owners of the parent company that are predicted to be realised by Taisen Holdings in 2016, 2017 and 2018 in the scope of consolidated financial statements, after deducting non-recurring profit or loss, will be no less than RMB 2,185 million, RMB 2,815 million and RMB 3,488 million. As Taisen Holdings's net profits after deducting non-recurring profit or loss in the consolidated financial statements for the years ended 31 December 2016 and 31 December 2017 are RMB 2,643,209,400 and RMB 3,650,375,100 respectively, the actual profits of Taisen Holdings in 2016 and 2017 are more than the committed net profit, and the Restructuring Parties shall not perform the compensation obligations. Where the actual net profit (cumulative amount) of Taisen Holdings as at the end of 2018 fails to reach the committed net profit (cumulative amount), the Restructuring Parties should still perform the compensation obligations pursuant to the *Profit Forecast Compensation Agreement*.

11 Events after the balance sheet date

- (1) The Company held the 11th meeting of the 4th Board of Directors on 27 December 2017 and the 1st interim shareholders' meeting in 2018 on 12 January 2018, at which *the Proposal of Overseas Issue of Debentures by a Wholly-owned Subsidiary* and *the Proposal of Guaranteeing for Overseas Issue of Debentures by a Wholly-owned Subsidiary* were approved. SF Holding Investment Limited, a wholly-owned overseas subsidiary of the Company, was to make an overseas offering of debentures of no more than USD 500 million (inclusive), and the Company was to provide unconditional and irrevocable cross-border guarantee. The overseas offering of debentures of USD 500 million was completed by SF Holding Investment Limited on 26 July 2018. Such debentures, with a term of 5 years and a nominal interest rate of 4.125%, were listed on the Stock Exchange of Hong Kong Limited on 27 July 2018.
- (2) Taisen Holdings, a wholly-owned subsidiary of the Company, was approved to make a public offering of corporate debentures of no more than RMB 2 billion (inclusive) in instalments under the Regulatory Permission [2017] No. 1015 as issued by China Securities Regulatory Commission. On 1 August 2018 and 2 August 2018, Taisen Holdings made a public offering of corporate debentures (1st instalment) to qualified investors with a volume of RMB 800 million at a nominal interest rate of 4.29%.

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12 Business combinations

See Note 5(1) and 5(2).

13 Financial risk

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Part of operational activities are carried out in regions/countries including Hong Kong, America and Korea and relevant transactions are settled in HKD, USD and KRW. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies, to reduce foreign exchange risk to the greatest extent.

As at 30 June 2018 and 31 December 2017, the Group's companies whose recording currency is RMB held no significant assets or liabilities denominated in foreign currency. Those companies mainly operating in Hong Kong with HKD as recording currency held assets and liabilities denominated in foreign currency (mainly USD and RMB), 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 2018			
	RMB (HKD)	USD (HKD)	Total (HKD)	Total (RMB)
Financial assets denominated in foreign currency				
Cash at bank and on hand	17,558,726.44	27,213,995.59	44,772,722.03	37,747,991.61
Notes receivable and accounts receivable	15,419.30	8,460,167.89	8,475,587.19	7,145,805.83
	<u>17,574,145.74</u>	<u>35,674,163.48</u>	<u>53,248,309.22</u>	<u>44,893,797.44</u>
Financial liabilities denominated in foreign currency				
Notes payable and accounts payable	243,852.91	9,718,250.69	9,962,103.60	8,399,093.33

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13 Financial risk (Cont'd)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	31 December 2017			
	RMB (HKD)	USD (HKD)	Total (HKD)	Total (RMB)
Financial assets denominated in foreign currency				
Cash at bank and on hand	51,490,507.16	39,795,482.07	91,285,989.23	76,306,781.92
Notes receivable and accounts receivable	-	13,081,873.33	13,081,873.33	10,935,227.10
	<u>51,490,507.16</u>	<u>52,877,355.40</u>	<u>104,367,862.56</u>	<u>87,242,009.02</u>
Financial liabilities denominated in foreign currency				
Notes payable and accounts payable	<u>1,938,359.97</u>	<u>14,755,418.62</u>	<u>16,693,778.59</u>	<u>13,954,450.91</u>

As HKD is pegged to USD, there is little difference arising from translating the Group's financial assets and financial liabilities denominated in USD to HKD and it does not have significant influence on the Group's net profit.

As at 30 June 2018, if HKD had strengthened/weakened by 10% against RMB while all other variables had been held constant, the Group's profit before tax for the year would have been approximately HKD 1,733,000.00 (equivalent to approximately RMB 1,461,000.00) (31 December 2017: HKD 4,955,000.00, equivalent to approximately RMB 4,142,000.00) lower/higher for various financial assets and liabilities denominated in RMB.

The changes in exchange rate of other foreign currencies have no significant influence on the Group's operating activities.

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13 Financial risk (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 2018, the Group's long-term interest bearing debts were mainly long-term borrowings denominated in RMB with floating interest rate, amounting to RMB 837,388,621.01 (31 December 2017: RMB 782,515,467.96), long-term borrowings denominated in HKD with floating interest rate, amounting to HKD 1,700,053,872.39, equivalent to RMB 1,435,576,491.46 (31 December 2017: HKD 1,869,466,950.57, equivalent to RMB 1,562,724,813.32) and debentures payable denominated in RMB with fixed interest rate, amounting to RMB 530,000,000.00.

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new interest bearing borrowings and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The 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 2018, if interest rates on the floating rate borrowings had risen/fallen by 50 basis points while all other variables had been held constant, the Group's profit before tax would have decreased/increased by RMB 11,364,825.56 (31 December 2017: RMB 11,726,201.41).

- (2) Credit risk

Credit risk is managed on portfolio basis. Credit risk mainly arises from cash at bank, notes receivable and accounts receivable, loans and advances, other receivables, long-term receivables, etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Notes receivable and accounts receivable and other 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 and will focus on their credit and recovery situation on a regular basis. In respect of customers with a poor credit history, the Group will use payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

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13 Financial risk (Cont'd)

(2) Credit risk (Cont'd)

As at 30 June 2018 and 31 December 2017, loans and advances were from S.F. Finance, an overseas subsidiary of the Group (Note 4(6)). In accordance with its internal risk rating system, S.F. Finance set up five-tier classification of credit assets that classifies credit assets into five tiers including pass, special mention, substandard, doubtful and loss. As at 30 June 2018 and 31 December 2017, the loans held by S.F. Finance were basically pass.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters 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 2018				Total
	Within 1 year	1 - 2 years	2 - 5 years	Over 5 years	
Financial liabilities -					
Notes payable and accounts payable	6,486,860,179.88	-	-	-	6,486,860,179.88
Other payables	3,676,018,965.14	-	-	-	3,676,018,965.14
Short-term borrowings	6,577,617,823.20	-	-	-	6,577,617,823.20
Current portion of non-current liabilities	2,013,590,862.71	-	-	-	2,013,590,862.71
Long-term borrowings	121,830,051.56	376,898,243.86	1,339,345,945.68	1,015,317,687.08	2,853,391,928.18
Debentures payable	24,380,000.00	24,380,000.00	554,380,000.00	-	603,140,000.00
Long-term payables	-	-	12,150,000.00	51,730,616.39	63,880,616.39
	<u>18,900,297,882.49</u>	<u>401,278,243.86</u>	<u>1,905,875,945.68</u>	<u>1,067,048,303.47</u>	<u>22,274,500,375.50</u>

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13 Financial risk (Cont'd)

(3) Liquidity risk (Cont'd)

	31 December 2017				Total
	Within 1 year	1 - 2 years	2 - 5 years	Over 5 years	
Financial liabilities -					
Financial liabilities at fair value through profit or loss	784,639.53	-	-	-	784,639.53
Notes payable and accounts payable	6,905,411,234.18	-	-	-	6,905,411,234.18
Other payables	3,275,270,030.18	-	-	-	3,275,270,030.18
Short-term borrowings	4,789,668,879.92	-	-	-	4,789,668,879.92
Current portion of non-current liabilities	2,717,898,533.26	-	-	-	2,717,898,533.26
Long-term borrowings	113,593,132.70	512,934,358.48	1,104,519,133.27	1,187,180,316.31	2,918,226,940.76
Debentures payable	24,380,000.00	24,380,000.00	554,380,000.00	-	603,140,000.00
Long-term payables	-	-	12,150,000.00	8,775,000.00	20,925,000.00
	<u>17,827,006,449.77</u>	<u>537,314,358.48</u>	<u>1,671,049,133.27</u>	<u>1,195,955,316.31</u>	<u>21,231,325,257.83</u>

14 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.

Financial assets and liabilities of the Group and the Company not measured at fair value mainly represent receivables and payables.

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[English translation for reference only]

14 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis

As at 30 June 2018, the 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				
Financial assets at fair value through profit or loss				
- Investments in equity instrument held for trading	14,298,919.01	-	-	14,298,919.01
- Forward interest rate swap contracts	-	1,071,619.48	-	1,071,619.48
Available-for-sale financial assets				
- Available-for-sale equity instruments	<u>613,223,008.38</u>	<u>-</u>	<u>1,629,976,803.26</u>	<u>2,243,199,811.64</u>
Total financial assets	<u>627,521,927.39</u>	<u>1,071,619.48</u>	<u>1,629,976,803.26</u>	<u>2,258,570,350.13</u>

S.F. HOLDING CO., LTD.

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(All amounts are stated in RMB Yuan unless otherwise stated)
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14 Fair value estimates (Cont'd)

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

As at 31 December 2017, the 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				
Financial assets at fair value through profit or loss				
- Investments in equity instrument held for trading	16,232,692.66	-	-	16,232,692.66
- Forward interest rate swap contracts	-	1,586,700.69	-	1,586,700.69
Available-for-sale financial assets				
- Available-for-sale equity instruments	684,756,526.14	-	1,050,000,000.00	1,734,756,526.14
Total financial assets	<u>700,989,218.80</u>	<u>1,586,700.69</u>	<u>1,050,000,000.00</u>	<u>1,752,575,919.49</u>
	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	784,639.53	-	784,639.53

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is no transfer between Level 1 and Level 2 for the current period.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable company model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier, liquidity discount etc.

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14 Fair value estimates (Cont'd)

- (1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

The changes in Level 3 financial assets are analysed below:

	Available-for-sale financial assets - Available-for-sale equity instruments
31 December 2017	1,050,000,000.00
Increase in available-for-sale financial assets	619,933,583.26
Gains or losses recognised in other comprehensive income (i)	(39,956,780.00)
30 June 2018	1,629,976,803.26

- (i) Those are the changes in the fair value of Hive Box Technology as at 30 June 2018, determined with reference to the transaction price of the financing carried out by Hive Box Technology in June 2018.
- (2) Assets and liabilities not measured at fair value but disclosed

The Group's financial assets and liabilities measured at amortised cost mainly include receivables, loans and advances, long-term receivables, available-for-sale financial assets measured at cost, short-term borrowings, payables, long-term borrowings, debentures payable, current portion of non-current liabilities and long-term payables.

The fair value of the Group's available-for-sale financial assets measured at cost cannot be reliably measured as those financial assets are not quoted in an active market, the variability in the range of reasonable fair value measurements is significant and the probabilities of the various estimates used to determine the fair value cannot be reasonably determined.

In addition to available-for-sale financial assets measured at cost, the carrying amount of the financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

The fair value of debentures payable that are traded in an active market is determined at quoted prices in the active market, categorised within Level 1 of the fair value hierarchy. The fair value of long-term borrowings and long-term payables 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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15 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 "equity" as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements.

As at 30 June 2018 and 31 December 2017, the Group's gearing ratio was as follows:

	30 June 2018	31 December 2017
Gearing ratio	<u>42.46%</u>	<u>43.22%</u>

16 Notes to the Company's financial statements

(1) Cash at bank and on hand

	30 June 2018	31 December 2017
Cash at bank	817,417,717.86	1,046,986,313.39
Other cash balances	<u>139,907.00</u>	<u>139,907.00</u>
	<u>817,557,624.86</u>	<u>1,047,126,220.39</u>

S.F. HOLDING CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

16 Notes to the Company's financial statements (Cont'd)**(2) Other receivables**

	30 June 2018	31 December 2017
Dividends receivable from Taisen Holdings	2,117,405,390.21	3,089,805,390.21
Other receivables (i)	6,133,468,718.90	4,218,016,446.65
Interest receivable	88,198,606.36	31,852,751.65
	<u>8,339,072,715.47</u>	<u>7,339,674,588.51</u>
Less: Provision for bad debts	-	-
	<u>8,339,072,715.47</u>	<u>7,339,674,588.51</u>

- (i) As at 30 June 2018, the Company's other receivables were all other receivables from wholly-owned subsidiaries and comprised the funds granted to the subsidiaries after the accomplishment of funds raising.

The ageing of other receivables is analysed as follows:

	30 June 2018	31 December 2017
Within 1 year	<u>8,339,072,715.47</u>	<u>7,339,674,588.51</u>

(3) Other current assets

	30 June 2018	31 December 2017
Wealth management products (i)	1,463,363,649.32	2,987,161,190.38
Input VAT to be offset	4,198,736.77	9,753,216.04
	<u>1,467,562,386.09</u>	<u>2,996,914,406.42</u>

- (i) The investment cycle of bank wealth management products is generally within 1 month to 4 months.

(4) Long-term equity investments

	30 June 2018	31 December 2017
Subsidiaries (a)	43,323,747,297.64	43,300,422,777.89
Less: Provision for impairment of long-term equity investments	-	-
	<u>43,323,747,297.64</u>	<u>43,300,422,777.89</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

(All amounts are stated in RMB Yuan unless otherwise stated)
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16 Notes to the Company's financial statements (Cont'd)

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

(a) Subsidiaries

	Accounting method	31 December 2017	Increase in the current period	30 June 2018	Shareholding (%)	Voting rights (%)	Explanation of disparity between percentages of shareholding and voting rights	Provision for impairment	Cash dividends declared in the current period
Taisen Holdings	Cost method	43,300,000,000.00	178,183.97	43,300,178,183.97	100.00%	100.00%	Not applicable	-	-
Others	Cost method	422,777.89	23,146,335.78	23,569,113.67	100.00%	100.00%	Not applicable	-	-
		<u>43,300,422,777.89</u>	<u>23,324,519.75</u>	<u>43,323,747,297.64</u>				<u>-</u>	<u>-</u>

S.F. HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

(All amounts are stated in RMB Yuan unless otherwise stated)
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16 Notes to the Company's financial statements (Cont'd)

(5) Investment income

	For the six months ended 30 June	
	2018	2017
Investment income from wealth management products	45,445,973.04	-
Income from utilisation of raised funds by subsidiaries	54,419,718.73	-
	<u>99,865,691.77</u>	<u>-</u>

1 Statement of non-recurring profit or loss

	For the six months ended 30 June	
	2018	2017
Gains/(losses) on disposals of non-current assets	83,365,835.91	(16,019,009.67)
Government grants recognised in profit or loss for the current period (government grants recognised in non-operating income, other income and deducted against related cost, expenses or losses)	104,740,498.52	114,747,646.28
Gains or losses on changes in fair value of financial assets and liabilities held for trading and investment losses arising from disposals of financial assets and liabilities held for trading and available-for-sale financial assets	(7,644,717.08)	(2,857,548.88)
Net loss of the subsidiaries for the period from the beginning of the period to the combination date arising from business combinations involving enterprises under common control	(13,494,110.16)	-
Income from outward entrusted loans	-	5,060,242.88
Net amount of other non-operating income and expenses	(11,214,444.33)	15,861,925.88
Subtotal	155,753,062.86	116,793,256.49
Less: Income tax effect	(11,671,788.69)	(26,545,919.50)
Less: Total non-recurring profit or loss attributable to minority shareholders	(723,413.33)	(544,570.88)
Non-recurring profit or loss attributable to shareholders of the parent company	143,357,860.84	89,702,766.11
Including: Non-recurring profit or loss from continuing operations	143,357,860.84	89,702,766.11

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

Pursuant to the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No.1 - Non-recurring Profit or Loss (2008)* issued by China Securities Regulatory Commission, non-recurring profit or loss refers to profit or loss arising from transactions and events those are not directly related to the company's normal course of business, also from transactions and events those even are related to the company's normal course of business, but will interfere with the right judgement of users of the financial statements on the company's operation performance and profitability due to their special nature and occasional occurrence.

2 Return on net assets and earnings per share

	Weighted average 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	
	2018	2017	2018	2017	2018	2017
Net profit attributable to ordinary shareholders of the parent company	6.67%	8.84%	0.51	0.45	0.51	0.45
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	6.25%	8.42%	0.47	0.43	0.47	0.43
Including: - Continuing operations						
Net profit attributable to ordinary shareholders of the parent company	6.67%	8.84%	0.51	0.45	0.51	0.45
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	6.25%	8.42%	0.47	0.43	0.47	0.43

Chapter 11 Documents Available for Reference

- (I). Financial statements with the signatures and seals of the Company principal, the principal of finances, and the principal of the auditor;
- (II). Texts of all the Company's documents ever publicly disclosed in newspapers designated by the CSRC in the reporting period and the originals of the public announcements;
- (III). Original 2018 Semi-Annual Report with the signature of the Chairman of the Board of Directors;
- (IV). Place for archiving the above-mentioned documents for reference: office of the Company's Board of Directors.

S.F. Holding Co., Ltd.

Wanji Business Building, Xinzhou 11th Street, Futian District, Shenzhen, Guangdong Province

Zip Code: 518048

Customer service hotline: +86 95338

Website: <http://www.sf-express.com>