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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in JD Logistics, Inc., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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JD Logistics, Inc.
京东物流股份有限公司

(A company incorporated in the Cayman Islands with limited liability)
(Stock Code: 2618)

MAJOR TRANSACTION
ACQUISITION OF EQUITY INTEREST IN THE DEPPON HOLDCO
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Board is set out on pages 7 to 30 of this circular.

A notice of the EGM to be held at 10:00 a.m. on Thursday, July 21, 2022 at Building A, No. 18 Kechuang 11 Street, Yizhuang Economic and Technological Development Zone, Daxing District, Beijing, the People’s Republic of China, or any adjournment thereof is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://ir.jdl.com>.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 10:00 a.m. on Tuesday, July 19, 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish and in such event, the proxy form shall be deemed to be revoked.

References to time and dates in this circular are to Hong Kong time and dates.

June 30, 2022

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	7
APPENDIX I FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II FINANCIAL INFORMATION OF THE DEPPON	II-1
APPENDIX IIIA RECONCILIATION STATEMENTS OF THE DEPPON	IIIA-1
APPENDIX IIIB UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	IIIB-1
APPENDIX IV MANAGEMENT DISCUSSION AND ANALYSIS OF THE DEPPON	IV-1
APPENDIX V GENERAL INFORMATION	V-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	EGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2023 Audited Report”	the audited financial statements of the Deppon Group for the year ending December 31, 2023
“Acquisition”	the acquisition of the Target Shares by the Purchaser from the Vendors pursuant to the Agreements
“Agreements”	the Founding Vendors Agreement, the Management Vendors Agreement and the Minority Vendors Agreements
“Articles of Association”	the articles of association of the Company as amended and restated from time to time
“Board”	the board of Directors
“Business Disposal”	the disposal of the Excluded Business by the Deppon Holdco in accordance with the terms and conditions and the procedures under the Business Disposal Agreement and such disposal shall be commenced after the signing of the Business Disposal Agreement
“Business Disposal Agreement”	the agreement entered into on March 11, 2022 among the Purchaser, the Founding Vendors and the Deppon Holdco in relation to the Business Disposal
“China” or “PRC”	the People’s Republic of China, and for the purposes of this circular only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	JD Logistics, Inc. (京东物流股份有限公司), an exempted company with limited liability incorporated in the Cayman Islands on January 19, 2012, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2618)
“Completion”	the First Instalment Completion, the completion of the MVA First Instalment and the completion of the Minority Vendors Agreements, such that the relevant Vendors shall have transferred an aggregate of more than 50% equity interest in the Deppon Holdco to the Purchaser
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“Deloitte”	Deloitte Touche Tohmatsu
“Deppon”	德邦物流股份有限公司 (Deppon Logistics Co., Ltd.), a logistics company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange (stock code: 603056)
“Deppon Group”	the Deppon and its subsidiaries

DEFINITIONS

“Deppon Holdco”	寧波梅山保稅港區德邦投資控股股份有限公司 (Ningbo Meishan Baoshui Area Deppon Investment Holding Company Limited*), a company incorporated in the PRC
“Deppon Prospectus”	the prospectus of the Deppon dated January 3, 2018, which is published on the website of the Shanghai Stock Exchange at http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2018-01-03/603056_20180103_1.pdf
“Deppon Offer Shares”	all the issued, unrestricted and tradable Deppon Shares (other than the Excluded Deppon Shares) as at the date of the Offer
“Deppon Shares”	shares in the issued share capital of the Deppon
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and approving, among others, the Agreements and the transactions contemplated thereunder
“Enlarged Group”	(i) immediately after the Completion but before the completion of the Business Disposal is the Group and the Deppon Holdco (excluding the Excluded Business save and except for the bank borrowings and the tax obligations of the Deppon Holdco which shall be fully settled by the Founding Vendors as soon as practicable pursuant to the Business Disposal Agreement (i.e. the receivable amount from the Founding Vendors)(for further details, please refer to A(I) basis of preparation and A(III) note 3 of the Appendix IIIB to this circular)); and (ii) after the completion of the Business Disposal is the Group and the Deppon Holdco (for the avoidance of doubt, the Excluded Business will be completely disposed of after the completion of the Business Disposal)
“Excluded Business”	the entities that Mr. WX Cui and the Purchaser have agreed to exclude from the consolidated financial statements of the Deppon Holdco, (namely 廣州星光小額貸款有限公司 (Guangzhou Xingguang Small Loan Company Limited*), 天津德基物流管理有限公司 (Tianjin Deji Logistics Management Co., Ltd.*), 成都德基供應鏈管理有限公司 (Chengdu Deji Supply Chain Management Co., Ltd.*), 寧波德周置業管理有限公司 (Ningbo Dezhou Property Management Co., Ltd.*), 寧波德隋置業管理有限公司 (Ningbo Desui Property Management Co., Ltd.*), 重慶德基倉儲服務有限公司 (Chongqing Deji Warehousing Service Co., Ltd.*), 寧波德宋置業管理有限公司 (Ningbo Desong Property Management Co., Ltd.*), 大連德邦物流管理有限公司 (Dalian Debon Logistics Management Co., Ltd.*), 寧波德衛置業管理有限公司 (Ningbo Dewei Real Estate Management Co., Ltd.*), and 德鑫商業保理(深圳)有限公司 (Dexin Commercial Factoring (Shenzhen) Co., Ltd.*)) (including their assets and liabilities), and the other assets (excluding the Deppon Group and the Deppon Shares held by the Deppon Holdco) and the liabilities of the Deppon Holdco
“Excluded Deppon Shares”	the issued and unrestricted Deppon Shares held by the Deppon Holdco
“Founding Vendors”	Mr. WX Cui and Ms. Xue

DEFINITIONS

“Founding Vendors Agreement”	the equity transfer agreement entered into on March 11, 2022 among the Purchaser and the Founding Vendors in relation to the acquisition of the Founding Vendors Target Shares
“Founding Vendors Target Shares”	an aggregate of 41,755,308 shares of the Deppon Holdco held by the Founding Vendors, representing approximately 44.48% of the equity interest of the Deppon Holdco as at the date of the Founding Vendors Agreement
“Group”	the Company and its subsidiaries and consolidated affiliated entities from time to time
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards
“JD.com”	JD.com, Inc., one of the controlling shareholders of the Company, a company incorporated in the British Virgin Islands on November 6, 2006 and subsequently redomiciled to the Cayman Islands on January 16, 2014 as an exempted company registered by way of continuation under the laws of the Cayman Islands and the shares of which are listed on the Main Board (stock code: 9618) under Chapter 19C of the Listing Rules and the ADSs of which are listed on Nasdaq under the symbol “JD” and, where the context requires, includes its consolidated subsidiaries and consolidated affiliated entities from time to time
“Kuayue Express”	Kuayue-Express Group Co., Ltd.
“Latest Practicable Date”	June 22, 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing”	the listing of Deppon Shares on the Shanghai Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Major Transaction Documents”	collectively, the Founding Vendors Agreement, the Management Vendors Agreement, the Business Disposal Agreement, the Transitional Loan Agreement, the Entrustment Agreement, the Second Instalment Pledge, the Third Instalment Pledge, the Deppon Share Pledge and the Option Agreement and other documents related to the Acquisition and other ancillary documents in connection thereto
“Management Lock-up”	the period of up to 6 months from the date on which Mr. WX Cui and the Management Vendors resign from their position as director, supervisor or senior management of the Deppon Holdco and/or the Deppon (as the case may be), during which Mr. WX Cui and the Management Vendors are restricted from transferring their relevant Target Shares. For details, please refer to the section “Transitional loans” in this circular

DEFINITIONS

“Management Vendors”	the six individual vendors under the Management Vendors Agreement, who are or were directors, supervisors or senior management of members of the Target Group, including Mr. WG Cui and Mr. Xu
“Management Vendors Target Shares”	an aggregate of 5,811,902 shares of the Deppon Holdco held by the Management Vendors, representing approximately 6.19% of the equity interest of the Deppon Holdco as at the date of the Management Vendors Agreement
“Managing Vendors Agreement”	the equity transfer agreement entered into on March 11, 2022 among the Purchaser and the Management Vendors in relation to the acquisition of the Management Vendors Target Shares
“Minority Vendors”	a total of 153 minority shareholders of the Deppon Holdco under the Minority Vendors Agreements
“Minority Vendors Agreements”	all of the equity transfer agreements entered into on March 11, 2022 between the Purchaser and each of the Minority Vendors (each a “ Minority Vendors Agreement ”) in relation to the acquisition of the Minority Vendors Target Shares
“Minority Vendors Target Shares”	an aggregate of 46,295,323 shares of the Deppon Holdco held by the Minority Vendors, representing approximately 49.32% of the equity interest of the Deppon Holdco as at the date of the Minority Vendors Agreements
“Mr. WG Cui”	崔維剛 (Cui Weigang)
“Mr. WX Cui”	崔維星 (Cui Weixing)
“Mr. Xu”	徐恩俊 (Xu Enjun)
“Ms. Xue”	薛霞 (Xue Xia)
“Ningbo Debang Growth”	寧波德邦成長投資合夥企業（有限合夥）(Ningbo Debang Growth Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC
“Ningbo Debang Growth II”	寧波德邦成長二期投資合夥企業（有限合夥）(Ningbo Debang Growth Phase II Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC
“Ningbo Debang Growth III”	寧波德邦成長三期投資合夥企業（有限合夥）(Ningbo Debang Growth Phase III Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC
“Offer”	the possible mandatory general offer for the Deppon Offer Shares to be made pursuant to the PRC Takeovers Measures subject to the approval from relevant PRC authorities and the Completion
“Offer Price”	RMB13.15 per Deppon Offer Share
“PRC GAAP”	Accounting Standards for Business Enterprises (ASBEs)

DEFINITIONS

“PRC Takeovers Measures”	Securities Law of the People’s Republic of China (中華人民共和國證券法) and Measures for the Administration of the Takeover of Listed Companies (上市公司收購管理辦法)
“Prospectus”	the prospectus of the Company dated May 17, 2021
“Purchaser”	宿遷京東卓風企業管理有限公司 (Suqian Jingdong Zhuofeng Enterprise Management Co., Ltd.*), a company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company
“Report of Acquisition by Offer Summary”	Summary of the Report of Acquisition by Offer (要約收購報告書摘要)
“RMB”	Renminbi, the lawful currency of China
“RSM HK”	RSM Hong Kong
“SAMR”	State Administration for Market Regulation (市場監督管理局)
“Shanghai Stock Exchange”	The Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.000025 each
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	the Deppon Holdco and the Deppon Group
“Target Share(s)”	the Founding Vendors Target Shares, the Managing Vendors Target Shares and the Minority Vendors Target Shares, being an aggregate of 93,862,533 shares of the Deppon Holdco, representing approximately 99.99% of the equity interest of the Deppon Holdco as at the date of the Agreements
“Vendors”	the Founding Vendors, the Management Vendors and the Minority Vendors
“Voluntary Lock-up”	Mr. WX Cui’s voluntary lock-up undertaking for a further period of two years commencing from the expiry of the three-year mandatory lock-up period under the Deppon Prospectus, during which he shall not dispose of any Deppon Shares directly or indirectly beneficially owned by him, save for he may dispose up to 10% of the Deppon Shares held by him at the time of Listing each year and if he disposes such shares, the price per share for any such disposal shall not be lower than the issue price per share at Listing. Such voluntary lock-up undertaking will expire on January 15, 2023. Details of the Voluntary Lock-up are set out in the Deppon Prospectus
“Zhuhai Chenying”	珠海辰盈股權投資合夥企業 (有限合夥) (Zhuhai Chenying Equity Investment Partnership (Limited Partnership)*), a limited partnership incorporated in the PRC

DEFINITIONS

“Zhuhai Xuanying” 珠海軒盈股權投資合夥企業（有限合夥）(Zhuhai Xuanying Equity Investment Partnership (Limited Partnership)*), a limited partnership incorporated in the PRC

“%” per cent

** English names of the PRC-established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.*

LETTER FROM THE BOARD



JD Logistics, Inc.
京东物流股份有限公司

(A company incorporated in the Cayman Islands with limited liability)
(Stock Code: 2618)

Mr. Yui Yu (余睿)
(Chief Executive Officer, Executive Director)

Mr. Richard Qiangdong Liu (劉強東)
(Chairman, Non-executive Director)

Ms. Nora Gu Yi Wu (顧宜)
(Independent Non-executive Director)

Mr. Liming Wang (王利明)
(Independent Non-executive Director)

Ms. Carol Yun Yau Li (李恩祐)
(Independent Non-executive Director)

Dr. Xiande Zhao (趙先德)
(Independent Non-executive Director)

Mr. Yang Zhang (張揚)
(Independent Non-executive Director)

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Hong Kong

June 30, 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF EQUITY INTEREST IN THE DEPPON HOLDCO
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated March 13, 2022 in relation to, among others, the Acquisition. On March 11, 2022, the Purchaser entered into the Agreements with the Vendors in relation to the acquisition of the Target Shares (representing approximately 99.99% equity interest in the Deppon Holdco in aggregate) at a total consideration of RMB8,975,853,380.62. As at the date of the Agreements, the Deppon Holdco in turn holds a total of approximately 66.50% of the issued share capital of the Deppon, a company listed on the Shanghai Stock Exchange.

LETTER FROM THE BOARD

Each Agreement is subject to a number of conditions. Upon the Completion, the Deppon Holdco (including the Deppon Group) will become a subsidiary of the Company and before the completion of the Business Disposal, its financial results (excluding the financial information in relation to the Excluded Business save and except for the bank borrowings and the tax obligations of the Deppon Holdco which shall be fully settled by the Founding Vendors as soon as practicable pursuant to the Business Disposal Agreement (i.e. the receivable amount from the Founding Vendors)(for further details, please refer to A(I) basis of preparation and A(III) note 3 of the Appendix IIIB to this circular)) will be consolidated into the accounts of the Group. After the completion of the Business Disposal, the financial results of the Deppon Holdco (without the financial information of the Excluded Business as it will be completely disposed of after the completion of the Business Disposal) will be consolidated into the accounts of the Group.

The Deppon Holdco is an investment holding company for the Deppon Group and prior to the Business Disposal, it also owns the Excluded Business. Pursuant to the Business Disposal Agreement, the Deppon Holdco shall dispose the Excluded Business after the signing of the Business Disposal Agreement. For the avoidance of doubt, the transfers of the Target Shares under the Agreements do not include the rights relating to the Excluded Business, of which shall remain with the Founding Vendors and their designated third parties. The Founding Vendors shall be responsible for the costs, expenses and liabilities relating to the Business Disposal and the Excluded Business.

On one hand, the Acquisition is conditional on the completion of the relevant procedures and conditions for the Business Disposal as set out in condition (i) of the First Instalment Conditions (as defined below. For details, please refer to paragraph (a)(i) under the section “Consideration and payment terms” in this circular) but it is not conditional on the completion of all the procedures and conditions for the Business Disposal. On the other hand, the Business Disposal is not conditional on the completion of the Acquisition. In the event that the Acquisition cannot be completed, the Founding Vendors and the Purchaser may then determine whether to proceed with the Business Disposal.

As the Deppon is listed on the Shanghai Stock Exchange, subject to the satisfaction of the conditions set out in the Agreements and the Completion, the Purchaser, as required under the relevant rules of the PRC authorities, will make a mandatory general offer (as the offeror) for all the Deppon Offer Shares at the Offer Price of RMB13.15 per Deppon Offer Shares.

The purpose of this circular is to provide the Shareholders with, among others, (i) further details of the Agreements; (ii) the financial information of the Group and the Deppon; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) the notice of the EGM.

THE FOUNDING VENDORS AGREEMENT

Date: March 11, 2022

Parties: (i) the Purchaser; and
(ii) the Founding Vendors.

Subject of the transaction

Pursuant to the Founding Vendors Agreement, the Purchaser (or its designated entity, including its consolidated affiliated entity if required under PRC laws and regulations) conditionally agreed to purchase, and Mr. WX Cui and Ms. Xue conditionally agreed to sell 40,992,553 Target Shares (representing approximately 43.67% equity interest in the Deppon Holdco), and 762,755 Target Shares (representing approximately 0.81% equity interest in the Deppon Holdco), respectively.

LETTER FROM THE BOARD

Consideration and payment terms

The total consideration of RMB3,992,961,946.50 shall be settled in the following manner:

(a) *First Instalment* (the “**First Instalment**”)

Subject to the Adjustments (as defined below), Mr. WX Cui and Ms. Xue shall transfer to the Purchaser 4,587,420 Target Shares and 762,755 Target Shares (representing approximately 4.89% and 0.81% equity interest in the Deppon Holdco as at the date of the Founding Vendors Agreement, respectively); and RMB438,684,190.58 and RMB72,940,467.58 shall be transferred by the Purchaser to the designated bank accounts of Mr. WX Cui and Ms. Xue, respectively, within 10 business days (the “**First Instalment Completion**”) upon the satisfaction or waiver (as the case may be, save and except for conditions (ix) and (xi) below which cannot be waived, all other conditions are waivable at the discretion of the Purchaser) of the following conditions (the “**First Instalment Conditions**”):

- (i) Mr. WX Cui and/or its designated third party, the Target Group and the Excluded Business having completed the relevant procedures and conditions for the Business Disposal in relation to the First Instalment, including having (1) completed the disposal of 廣州星光小額貸款有限公司 (Guangzhou Xingguang Small Loan Company Limited*), (2)(x) obtained the shareholders’ approval in relation to the liquidation of 德鑫商業保理(深圳)有限公司 (Dexin Commercial Factoring (Shenzhen) Co., Ltd.*, “**Dexin**”), (y) transferred and collected factoring claims receivables and repaid the relevant liabilities and complied with the relevant procedures. For the avoidance of doubt, according to the Business Disposal Agreement, these factoring claims receivables and relevant liabilities are part of the Excluded Business and belong to the Founding Vendors upon the signing of the Business Disposal Agreement; (3) submitted the winding up application of (x) 寧波德衛置業管理有限公司 (Ningbo Dewei Real Estate Management Co., Ltd.*), (y) 寧波德周置業管理有限公司 (Ningbo Dezhou Property Management Co., Ltd.*) and (z) Dexin to the relevant tax authorities;
- (ii) the Deppon Holdco having obtained approvals from its shareholders and board of directors in relation to (1) the first amendment to the articles of association of the Deppon Holdco (the “**First Amendment to Articles of Association**”) that is satisfactory to the Purchaser, (2) the cancellation of the share management agreement of the Deppon Holdco, (3) the Business Disposal and related documents, and (4) the resignation of the Management Vendors from their positions as director, supervisor or senior management and the appointment of new directors, supervisors and senior management of the Deppon Holdco (the “**First Adjustment of Management**”);
- (iii) the Deppon Holdco having registered with the relevant authorities for (1) the First Adjustment of Management, (2) the First Amendment to Articles of Association, and (3) the reduction in the registered capital of the Deppon Holdco from RMB94,224,991 to RMB93,874,768 (the “**Reduction**”);
- (iv) the Deppon Holdco having fully paid the relevant parties in relation to the Reduction and having withheld and paid the relevant parties the relevant taxes relating to the Reduction (including but not limited to income tax and stamp duty);
- (v) the Deppon Holdco having obtained approvals from its shareholders and board of directors in relation to (1) the second amendment to the articles of association of the Deppon Holdco (the “**Second Amendment to Articles of Association**”) that is satisfactory to the Purchaser, and (2) the change to each of the board of directors and supervisors of each of the members of the Target Group (except Deppon Group) and the appointment of persons nominated by the Purchaser as the legal representative and general manager of each of the members of the Target Group (except Deppon Group) (the “**Second Adjustment of Management**”);
- (vi) the concert party agreement entered into by Mr. WX Cui, Mr. WG Cui and Ms. Xue having been duly terminated and there having been no concerted party arrangement among the shareholders of the Deppon Holdco;

LETTER FROM THE BOARD

- (vii) the Target Group having given notice to or obtained the necessary approvals and/or consents from the relevant third parties regarding the Acquisition, and the change of the controlling shareholder of the Deppon Group shall not result in the qualification for the operation of the Deppon Group being terminated or not renewed;
- (viii) the Deppon Group having updated the commercial franchising registration with the relevant authorities in relation to its registered address, distribution of the franchisees' stores and other information required by law;
- (ix) the Acquisition (1) having been approved by the relevant PRC authorities in relation to antitrust review and (2) having obtained the consent or recognition of the relevant authorities;
- (x) from the date of the Founding Vendors Agreement to the First Instalment Completion, there having been no material adverse effect (in an amount of more than RMB300,000,000) on the Target Group's assets, liabilities, profits and normal operation;
- (xi) the Purchaser having obtained all necessary internal approvals (including but not limited to the shareholders' approval and board of directors' approval) for the Acquisition; and
- (xii) the Purchaser having completed due diligence investigation of the Target Group.

As at the Latest Practicable Date, the above First Instalment Conditions (i)(2)(x), (i)(3)(y), (ii)(4), (iii)(1), (iii)(3), (iv) and (ix)(1) have been completed.

Further, Mr. WX Cui and the Purchaser agreed to withhold RMB200 million (the "**Withheld Funds**") from the consideration of the First Instalment by the Purchaser at the First Instalment Completion and use it as a security deposit to cover any liabilities and expenses arising from the Business Disposal and the Excluded Business. Pursuant to the Business Disposal Agreement, at the settlement for the Business Disposal, if the net asset value of the Excluded Business is a negative value, the Founding Vendors shall compensate the Deppon Holdco or the Purchaser the amount equivalent to such negative net asset value. Subject to the further negotiation between the Purchaser and Mr. WX Cui, the Purchaser may offset such amount against the Withheld Funds. All or part of the Withheld Funds shall then be released after the Business Disposal having been duly completed and completely settled, and where applicable, Mr. WX Cui having offset the aforementioned compensation amount against the Withheld Funds.

When determining the amount of consideration being withheld, the Company has considered the following factors:

- (a) the net loss of approximately RMB230 million expected to be incurred from the Business Disposal estimated based on the unaudited financial information of the Deppon Holdco obtained by the Company during the due diligence investigation;
- (b) the agreement between the Founding Vendors and the Purchaser under the Business Disposal Agreement that all expenses, costs and liabilities related to or arising from the Business Disposal and the Excluded Business to be borne by the Founding Vendors; and
- (c) the release condition under the agreement for each of the Second Instalment Pledge (as defined below), the Third Instalment Pledge (as defined below) and the Deppon Share Pledge (as defined below) that the said pledges shall only be released upon the satisfaction of having fulfilled all Mr. WX Cui's respective obligations under the Major Transaction Documents (including the Business Disposal Agreement).

Based on the above, Mr. WX Cui and the Company agreed that the amount of the consideration being withheld for security deposit purpose to be set at RMB200 million, so that the Company will have

LETTER FROM THE BOARD

sufficient funds to cover the potential loss to be incurred as a result of the Business Disposal even if the Founding Vendors fail to compensate the Deppon Holdco and/or the Purchaser of any loss incurred as a result of the Business Disposal. Further, in the situation where the negative net asset value of the Excluded Business exceeds the Withheld Funds of RMB200 million and the Founding Vendors fail to pay the excess amount, this will constitute a breach under the Business Disposal Agreement and (a) the Purchaser may claim compensation from the Founding Vendors jointly and severally for any loss equivalent to the excess amount under the Business Disposal Agreement; (b) the Purchaser has the right to declare that the Third Instalment Condition (iii) not being met and not go forward with the Third Instalment Completion; and (c) the Purchaser may enforce the Second Instalment Pledge, the Third Instalment Pledge and the Deppon Share Pledge. In addition, as part of the due diligence investigation, the Company has conducted online searches (including credit search, litigation search and searches on information relating to breach of law or regulations and dishonesty brought by PRC securities market regulators (i.e. 相關市場主體違法違規失信信息, including disciplinary actions)) in the PRC against Mr. WX Cui and his spouse, Ms. Xue. The said searches show that each of Mr. WX Cui and Ms. Xue has no pending or ongoing litigation or any information relating to breach of law and regulations and dishonesty brought by the PRC securities market regulators (including disciplinary actions) against him/her. The Company considers that all the above measures are sufficient to limit the Company's exposure to potential risks or liabilities associated with the Excluded Business arising from its acquisition of the Deppon Holdco and are in the best interest of the Company as a whole.

(b) *Second Instalment* (the "**Second Instalment**")

Subject to the Adjustments (as defined below), Mr. WX Cui shall transfer 33,847,114 Target Shares (representing approximately 36.06% equity interest in the Deppon Holdco as at the date of the Founding Vendors Agreement), and RMB3,236,719,944.70 shall be transferred by the Purchaser to Mr. WX Cui's designated bank account within 10 business days (the "**Second Instalment Completion**") upon the satisfaction or waiver (as the case may be, save and except for condition (ii) below which cannot be waived, all other conditions are waivable at the discretion of the Purchaser) of the following conditions (the "**Second Instalment Conditions**"):

- (i) the First Instalment and the MVA First Instalment (as defined below) having been completed;
- (ii) Voluntary Lock-up having been expired or waived, and each of the Management Vendors having resigned from his/her position as director, supervisor or senior management of the Deppon Holdco and Deppon Group for no less than six months; and
- (iii) the Second Instalment Pledge (as defined below) having been released.

(c) *Adjustments* (the "**Adjustments**")

In the event that the waiver for the Voluntary Lock-up is obtained prior to the First Instalment Completion, Mr. WX Cui shall transfer an additional 5,660,718 of his Target Shares at the First Instalment and the amount of shares to be transferred at the Second Instalment shall be reduced accordingly. In respect of Mr. WX Cui, the number of shares to be transferred and the consideration for the First Instalment and the Second Instalment after the Adjustments shall be as follows:

- (i) **First Instalment:** 10,248,138 Target Shares (representing approximately 10.92% equity interest in the Deppon Holdco), at a consideration of RMB980,005,345.82; and
- (ii) **Second Instalment:** 28,186,396 Target Shares (representing approximately 30.03% equity interest in the Deppon Holdco), at a consideration of RMB2,695,398,789.46.

For the avoidance of doubt, the total number of Target Shares to be transferred by Mr. WX Cui and the total consideration to be received under the First Instalment and Second Instalment, i.e. 38,434,534 Target Shares and RMB3,675,404,135.28, shall not change after the Adjustments.

LETTER FROM THE BOARD

(d) *Third Instalment* (the “**Third Instalment**”)

Mr. WX Cui shall transfer 2,558,019 Target Shares (representing approximately 2.72% equity interest in the Deppon Holdco), and RMB244,617,343.63 shall be transferred by the Purchaser to Mr. WX Cui’s designated bank account within 10 business days (the “**Third Instalment Completion**”) upon the satisfaction or waiver (as the case may be) of the following conditions (the “**Third Instalment Conditions**”):

- (i) the First Instalment, the MVA First Instalment (as defined below), the Second Instalment and the MVA Second Instalment (as defined below) having been completed;
- (ii) the Third Instalment Pledge (as defined below) having been released; and
- (iii) the following date has occurred: (x) the date on which Deppon Group announces its 2023 Audited Report and (y) April 30, 2024 (the later date is referred to as the “**Announcement Date**”), and before the Announcement Date, (a) each of the parties to the agreement has had settled his/her dispute or claims (if any) against the other party to the agreement, or (b) any such dispute or claim had been adjudicated by the relevant authority and enforced accordingly, such that the Purchaser and the Founding Vendors, and the Target Group and the Founding Vendors shall not have any outstanding dispute or claims after the First Instalment.

Further, Mr. WX Cui and the Purchaser agreed to withhold an amount from the consideration of the Third Instalment by the Purchaser at the Third Instalment Completion and use it as a security deposit to cover any tax liabilities and expenses in relation to the Business Disposal and the Excluded Business. Such withholding amount shall be determined based on the actual circumstances of the Business Disposal, the parties have preliminary agreed that the said amount shall be no more than 10% of the actual consideration for the disposal of the assets in the Excluded Business and shall be subject to further negotiation between Mr. WX Cui and the Purchaser on the calculation, payment terms and confirmation method of such withholding amount.

Other conditions precedent under the Founding Vendors Agreement

Notwithstanding the conditions above for each instalment under the Founding Vendors Agreement, each instalment completion under the Founding Vendors Agreement is conditional upon the fulfilment or waiver (as the case may be, save and except for condition (b)(i), (iii) and (iv) below which cannot be waived, all other conditions are waivable at the discretion of the Purchaser) of the following conditions precedent (the “**Conditions Precedent**”):

- (a) on the date of each completion under the Founding Vendors Agreement, all the transaction documents in relation to the Acquisition having been duly signed by relevant parties under each agreement and shall remain effective. Each of the Founding Vendors and the Management Vendors having confirmed that the representations and warranties made by him/her remain true, accurate, not misleading, and the Founding Vendors and the Management Vendors have fulfilled their respective obligations under the transaction documents in relation to the Acquisition;
- (b) (i) the Acquisition and the transaction documents in relation to the Acquisition having been approved by the relevant authorities; (ii) there having been no proceedings, arbitration, other disputes or judicial seizure on the relevant Target Shares; (iii) there having been no law, regulations or any actions from the relevant authorities which restrict, prohibit or cancel the transfer of the relevant Target Shares; (iv) the Acquisition and the relevant transaction documents are in compliant with applicable Listing Rules (except those which waiver had been applied for);
- (c) the Vendors having obtained all the necessary internal approvals in relation to the Acquisition and there having been no selling restrictions in relation to the relevant Target Shares or such restrictions have been duly waived;

LETTER FROM THE BOARD

- (d) (i) the Deppon Holdco having completed the relevant registrations and procedures relating to the transfers of the relevant Target Shares in respect of the Founding Vendors Agreement and the Management Vendors Agreement with Guangzhou Equity Exchange (廣州產權交易所), such that through the Acquisition (including the transactions contemplated under the Founding Vendors Agreement and the Management Vendors Agreement), the Vendors shall have transferred an aggregate of more than 51% equity interest in the Deppon Holdco and such transfers having been reflected in the register of shareholders of the Deppon Holdco, and (ii) each of the shareholders of the Deppon Holdco (except Mr. WX Cui) having entrusted the voting rights attached to his/her shares and transferred the relevant Target Shares to the Purchaser so that the Purchaser shall control more than 51% of the voting rights in the Deppon Holdco;
- (e) each of the Founding Vendors and the Management Vendors in the transactions contemplated under the Founding Vendors Agreement (for the Founding Vendors) and the Management Vendors Agreement (for the Management Vendors) having provided his/her relevant information on income tax in relation to the Acquisition to the Purchaser at each instalment under the Founding Vendors Agreement (for the Founding Vendors) and Management Vendors Agreement (for the Management Vendors); and
- (f) the Founding Vendors (for the First Instalment) or Mr. WX Cui (for the Second Instalment and Third Instalment) having provided to the Purchaser a written confirmation stating that the conditions had been fulfilled.

For the avoidance of doubt, as completion of each instalment under the Founding Vendors Agreement is subject to the above condition (d), the First Instalment Completion is subject to the completion of the MVA First Instalment and a majority number (i.e. more than 51% but not all) of the Minority Vendors Agreements.

Pursuant to MVA First Instalment (as defined below) condition under the Management Vendors Agreement as stated in the section “Management Vendors Agreement” of this circular and the condition (b) under the Minority Vendors Agreements in the section “Minority Vendors Agreements” of this circular, the completion of the MVA First Instalment and the completion of the Minority Vendors Agreements are each conditional upon the satisfaction or waiver (as the case may be) of the First Instalment Conditions. The Agreements are inter-conditional upon each other to the above extent.

Completion

Completion for each instalment shall take place within 10 business days after the respective conditions having been fulfilled or as waived (as the case may be) or on a date as otherwise agreed by the Purchaser and Mr. WX Cui.

THE MANAGEMENT VENDORS AGREEMENT

Date: March 11, 2022

Parties: (i) the Purchaser; and
(ii) the Management Vendors.

Subject of the transaction and consideration

Pursuant to the Management Vendors Agreement, the Purchaser conditionally agreed to purchase, and the Management Vendors conditionally agreed to sell in aggregate 5,811,902 Target Shares (representing approximately 6.19% equity interest in the Deppon Holdco) at a total consideration of RMB555,778,525.75.

- (a) *First instalment* (the “**MVA First Instalment**”): the Management Vendors shall transfer to the Purchaser an aggregate of 1,452,974 Target Shares (representing approximately 1.55% equity interest in the Deppon

LETTER FROM THE BOARD

Holdco as at the date of the Management Vendors Agreement), and the relevant consideration (in aggregate RMB138,944,488) shall be transferred by the Purchaser to the designated bank accounts of the respective Management Vendors, within 10 business days upon the satisfaction or waiver (as the case may be, save and except for First Instalment Conditions (ix) and (xi), MVA Conditions Precedent (b)(i), (iii) and (iv) which cannot be waived, all other conditions are waivable at the discretion of the Purchaser) of the MVA Conditions Precedent (as defined below) and the First Instalment Conditions.

- (b) *Second instalment* (the “**MVA Second Instalment**”): the Management Vendors shall transfer to the Purchaser in aggregate 4,358,928 Target Shares (representing approximately 4.64% equity interest in the Deppon Holdco as at the date of the Management Vendors Agreement), and the relevant consideration (in aggregate RMB416,834,037.75) shall be transferred by the Purchaser to the designated bank accounts of the respective Management Vendors, within 10 business days upon the satisfaction or waiver (as the case may be, save and except for Second Instalment Condition (ii) and MVA Conditions Precedent (b)(i), (iii) and (iv) which cannot be waived, all other conditions are waivable at the discretion of the Purchaser) of the MVA Conditions Precedent (as defined below) and the Second Instalment Conditions.

Other conditions precedent under the Management Vendors Agreement

Notwithstanding the conditions above for each instalment under the Management Vendors Agreement, each instalment completion under the Management Vendors Agreement is conditional upon the fulfilment or waiver (as the case may be, save and except for condition (b)(i), (iii) and (iv) below which cannot be waived, all other conditions are waivable at the discretion of the Purchaser) of the following conditions precedent (the “**MVA Conditions Precedent**”):

- (a) on the date of each completion under the Management Vendors Agreement, all the transaction documents in relation to the Acquisition having been duly signed by relevant parties under each agreement and shall remain effective. Each of the Management Vendors and the Founding Vendors having confirmed that the representations and warranties made by him/her remain true, accurate, not misleading, and the Management Vendors and the Founding Vendors have fulfilled their respective obligations under the transaction documents in relation to the Acquisition;
- (b) (i) the Acquisition and the transaction documents in relation to the Acquisition having been approved by the relevant authorities; (ii) there having been no proceedings, arbitration, other disputes or judicial seizure on the relevant Target Shares; (iii) there having been no law, regulations or any actions from the relevant authorities which restrict, prohibit or cancel the transfer of the relevant Target Shares; (iv) the Acquisition and the relevant transaction documents are in compliant with applicable Listing Rules (except those which waiver had been applied for);
- (c) the Vendors having obtained all the necessary internal approvals in relation to the Acquisition and there having been no selling restrictions in relation to the relevant Target Shares or such restrictions have been duly waived;
- (d) (i) the Deppon Holdco having completed the relevant registrations and procedures relating to the transfers of the relevant Target Shares in respect of the Founding Vendors Agreement and the Management Vendors Agreement with Guangzhou Equity Exchange (廣州產權交易所), such that through the Acquisition (including the transactions contemplated under the Management Vendors Agreement and Founding Vendors Agreement), the Vendors shall have transferred an aggregate of more than 51% equity interest in Deppon Holdco and such transfers having been reflected in the register of shareholders of the Deppon Holdco, and (ii) each of the shareholders of the Deppon Holdco (except Mr. WX Cui) having entrusted the voting rights attached to his/her shares and transferred the relevant Target Shares to the Purchaser so that the Purchaser shall control more than 51% of the voting rights in Deppon Holdco;
- (e) each of the Management Vendors and the Founding Vendors in the transactions contemplated under the Management Vendors Agreement (for the Management Vendors) and the Founding Vendors Agreement

LETTER FROM THE BOARD

(for the Founding Vendors) having provided his/her relevant information on income tax in relation to the Acquisition to the Purchaser at each instalment under the Management Vendors Agreement (for the Management Vendors) and Founding Vendors Agreement (for the Founding Vendors); and

- (f) the Management Vendors having provided to the Purchaser a written confirmation stating that the conditions had been fulfilled or waived (as the case may be).

Completion for each instalment under the Management Vendors Agreement shall take place within 10 business days after the above respective conditions having been fulfilled or waived (as the case may be), or a date as otherwise agreed.

MINORITY VENDORS AGREEMENTS

On March 11, 2022, the Purchaser entered into separate Minority Vendors Agreements with each of the Minority Vendors. Pursuant to the Minority Vendors Agreements, the Purchaser conditionally agreed to purchase and the Minority Vendors conditionally agreed to sell in aggregate 46,295,323 Target Shares (representing approximately 49.32% equity interest in the Deppon Holdco) at a total consideration of RMB4,427,112,908.38. The Purchaser shall transfer the consideration to the respective Minority Vendors' designated bank account within 10 business days upon the satisfaction or waiver (as the case may be) of the following conditions:

- (a) the Minority Vendors Agreement having been duly signed by the parties and remain effective, each of the Minority Vendors having confirmed that the representations and warranties under the Minority Vendor Agreement remain true, accurate, not misleading and has fulfilled its obligations thereunder;
- (b) the First Instalment Conditions having been satisfied;
- (c) each of the Minority Vendors having completed the transfer of the relevant Target Shares to the Purchaser, and the Purchaser through the Acquisition having purchased an aggregate of more than 51% equity interest in Deppon Holdco and such transfers having been reflected in the register of the members of the Deppon Holdco; and
- (d) the Minority Vendors having provided to the Purchaser, the relevant information on income tax in relation to the Acquisition.

One of the Minority Vendors Agreements (entered into with an individual who used to be a supervisor of the Deppon Holdco) has an additional condition which is not waivable. The said condition provides that the individual having resigned from his/her position as director, supervisor or senior management of the Deppon Holdco for no less than six months and there having been no other transfer restrictions on the relevant Target Shares. As at the Latest Practicable Date, the said condition has been satisfied.

Completion of each of the Minority Shareholders Agreement shall take place within 10 business days after the above conditions having been fulfilled or waived (as the case may be) or a date as otherwise agreed.

TRANSITIONAL ARRANGEMENTS

Transitional loans

In order to satisfy Mr. WX Cui's and the Management Vendors' capital needs, Mr. WX Cui, the Management Vendors (as the borrowers) and the Purchaser (as the lender) entered into a loan agreement on March 11, 2022 (the "**Transitional Loan Agreement**"), pursuant to which the Purchaser shall lend RMB2,640,025,756.70 (or RMB2,198,497,970.26 after the Adjustments) to Mr. WX Cui, and an aggregate amount of RMB334,562,195.98 to the Management Vendors, within 10 business days upon the

LETTER FROM THE BOARD

satisfaction or waiver (as the case may be, save and except condition (vii) (a) below, all other conditions are waivable at the discretion of the Purchaser) of the conditions, including (i) the transaction documents in relation to the Acquisition having been duly signed and effective, (ii) the First Instalment and the MVA First Instalment having been completed (subject to waiver of the relevant conditions precedent under the Founding Vendors Agreement and the Management Vendors Agreement as stated in the relevant sections above (where applicable)), (iii) Mr. WX Cui and the relevant Management Vendors having resigned from their position as director, supervisor or senior management of the Deppon Holdco and/or the Deppon (as the case may be, save and except Mr. WX Cui agrees to remain in his position as director of the Deppon and shall not voluntarily resign from the aforementioned position for at least 12 months from the date of the First Instalment Completion or a date as otherwise agreed by the Purchaser and Mr. WX Cui) and completed the relevant business registration procedures in relation to the Second Amendment to Articles of Association and the Second Adjustment of Management, (iv) each of the said vendors having entered into the Entrustment Agreement (as described below), (v) each of the share pledges (as described below) having been registered with the relevant authorities, (vi) each of the borrowers having confirmed that the representations and warranties under the Major Transaction Documents remain true, accurate, complete and not misleading and has fulfilled its obligations thereunder and there having been no material breach of the said documents, and (vii) (a) there having been no law, regulations, judgment, ruling or injunction from the relevant authorities which restrict, prohibit or cancel the Acquisition and (b) there having been no proceedings, arbitration, judgment, ruling or injunction which has adverse effect on all parties and the transaction contemplated under the Acquisition. The provision of the transitional loans is subject to the satisfaction or waiver (as the case may be) of the above conditions and once all the conditions are satisfied or waived, the Purchaser has to provide the loan according to the agreement. Therefore, the provision of the transitional loans is not at the discretion of the Purchaser.

Pursuant to the Transitional Loan Agreement, the said transitional loans are interest-free loans, however, there is an overdue interest at the rate of 15.2% per annum payable by the respective borrowers when his/her loan becomes overdue unless otherwise exempted under the Transitional Loan Agreement.

The term of such loan shall expire on (a) the date of the Second Instalment Completion (for Mr. WX Cui) or the date of completion of the MVA Second Instalment (for the Management Vendors), (b) the termination of the Second Instalment or the MVA Second Instalment (as the case may be), or (c) a breach of the Transitional Loan Agreement by the borrowers, whichever the earlier. On or prior to the Second Instalment Completion (for Mr. WX Cui) or the completion of the MVA Second Instalment (for the Management Vendors), the Purchaser may, by written notice, request to offset the outstanding amount against the consideration to be paid by the Purchaser to the relevant Vendors. The Company expects the Second Instalment Completion and the completion of the MVA Second Instalment to occur in around February or March 2023. For details, please refer to the section “The expected timeline of the completion of the Acquisition, the Offer and the Business Disposal” in this circular.

After arms-length negotiation between the parties, the Purchaser has agreed to provide the interest-free transitional loans to the respective borrowers after taking into account of the following:

- (a) the capital needs of the borrowers and the Company’s intention to proceed with the Acquisition expeditiously;
- (b) the inability of Mr. WX Cui and the Management Vendors to transfer the relevant Target Shares in respect of the Second Instalment (for Mr. WX Cui) and the MVA Second Instalment (for the Management Vendors) at the same time with the relevant Target Shares in respect of the First Instalment (for Mr. WX Cui) and the MVA First Instalment (for the Management Vendors). This is because the relevant Target Shares in respect of the Second Instalment (for Mr. WX Cui) and the MVA Second Instalment (for the Management Vendors) are subject to the Voluntary Lock-up (for Mr. WX Cui) and the Management Lock-up (for Mr. WX Cui and the Management Vendors) (as the case may be) and other relevant restrictions in relation to the transfer of shares by directors, supervisors and senior management of companies under PRC

LETTER FROM THE BOARD

laws, so that Mr. WX Cui and the Management Vendors can only transfer the relevant Target Shares upon the expiry of the relevant lock-up periods (as disclosed below);

- (c) Mr. WX Cui and the Management Vendors agreed to provide security for their respective transitional loans by pledging all their relevant Target Shares in respect of the Second Instalment (for Mr. WX Cui) and the MVA Second Instalment (for the Management Vendors) in favor of the Purchaser after the First Instalment Completion; and
- (d) the Purchaser shall have control over the voting rights of all the relevant Target Shares of Mr. WX Cui and the Management Vendors in respect of the Second Instalment and the Third Instalment (for Mr. WX Cui) and the MVA Second Instalment (for the Management Vendors) at the date of the First Instalment Completion and the completion of the MVA First Instalment as Mr. WX Cui and the Management Vendors have entrusted all their respective voting rights of the relevant Target Shares to the Purchaser under the Entrustment Agreement (as defined below).

Based on the above, the Company is of the view that the Entrustment Agreement (as defined below) and the Second Instalment Pledge (as defined below) minimize the risk of the Purchaser in terms of the transitional loans and provide sufficient protection of the interest of the Company as (i) the Purchaser already has control over the voting rights of the relevant Target Shares as mentioned in the above (d) as at the date of completion of the First Instalment and the MVA First Instalment and (ii) if Mr. WX Cui and/or the Management Vendors do not fulfil their respective duties under the Major Transaction Documents (including the Transitional Loan Agreement), subject to conditions stated in the “Share pledges” section below, the Second Instalment Pledge may not be released and the Purchaser may enforce these pledges. Hence, the Company considers that the interest-free transitional loans are fair and reasonable and in the interest of the Company and the Shareholder as a whole.

The Management Lock-up comprises of:

- (a) the directors, supervisors and senior management of the Deppon Holdco, which include Mr. WX Cui (*Note*), Mr. WG Cui, Mr. Xu and two other individuals, are restricted from transferring their relevant Target Shares within 6 months from the date they resign from their position as director, supervisor or senior management of the Deppon Holdco due to the restrictions imposed by the Company Law of the PRC. According to the information provided by the Deppon Holdco, all the aforementioned individuals (including Mr. WX Cui) have resigned in late March 2022 and early April 2022, hence the lock-up is expected to expire in around late September and early October 2022, respectively.
- (b) the directors, supervisors and senior management of the Deppon, which include Mr. WG Cui and two other individuals, have undertaken that they will not transfer the relevant Target Shares directly or indirectly held by them within 6 months from the date they resign from their position as director, supervisor or senior management of the Deppon. To the knowledge of the Company, these individuals will resign at or after the Completion and the lock-up will expire six months thereafter.

Note As Mr. WX Cui was the director of the Deppon Holdco, his relevant Target Shares are subject to the Management Lock-up in accordance with the Company Law of the PRC. Further, under the Voluntary Lock-up, Mr. WX Cui shall not dispose of any Deppon Shares directly or indirectly beneficially owned by him, save for he may dispose up to 10% of the Deppon Shares held by him at the time of Listing each year and as Mr. WX Cui held certain relevant Deppon Shares through his Target Shares, his relevant Deppon Shares and Target Shares are subject to the Voluntary Lock-up. Both the Management Lock-up and the Voluntary Lock-up exist in parallel. For the avoidance of doubt, Mr. WX Cui is not a party of the Management Vendors Agreement.

Entrustment agreement

To ensure that the transactions subsequent to the First Instalment under the Founding Vendors Agreement and the MVA First Instalment under the Management Vendors Agreement can be carried out smoothly, Mr. WX Cui and the Management Vendors entered into an agreement with the Purchaser on

LETTER FROM THE BOARD

March 11, 2022 (the “**Entrustment Agreement**”) to entrust all of his/her voting rights of the relevant Target Shares in respect of the Second and Third Instalments (for Mr. WX Cui) and the MVA Second Instalment (for the Management Vendors) to the Purchaser for the period from, (a) the date of the First Instalment Completion to the termination of the Entrustment Agreement (for Mr. WX Cui); or (b) the date of the completion of MVA First Instalment to the termination of the Entrustment Agreement (for the Managing Vendors). The Entrustment Agreement shall be terminated on the earlier of the following events: (i) the Second Instalment and the Third Instalment (for Mr. WX Cui) and the MVA Second Instalment (for the Management Vendors) being terminated, (ii) the completion of the Second Instalment (for Mr. WX Cui) and the MVA Second Instalment (for the Management Vendors), or (iii) as mutually agreed by the parties.

Share pledges

To ensure that the parties under the Founding Vendors Agreement and the Management Vendors Agreement will fulfil its obligations thereunder, on March 11, 2022, the parties entered into the following share pledges in relation to the relevant Target Shares, such pledges shall be registered with SAMR within 15 business days after the First Instalment Completion or the completion of the MVA First Instalment (as the case may be):

- (a) Mr. WX Cui, the Management Vendors and the Purchaser entered into a share pledge agreement (the “**Second Instalment Pledge**”), pursuant to which:
- (i) Mr. WX Cui shall pledge all of his relevant Target Shares in respect of the Second Instalment in favour of the Purchaser. Pursuant to the Founding Vendors Agreement, the pledge shall be released upon (i) the expiry or waiver (as the case may be) of the Voluntary Lock-up, and (ii) Mr. WX Cui having resigned from his position as the director and senior management of the Deppon Holdco for 6 months and his relevant Target Shares in respect of the Second Instalment having become unrestricted. Such shares shall be transferred to the Purchaser after the release; and
 - (ii) the Management Vendors shall pledge in aggregate 4,358,928 Target Shares (representing 4.64% equity interest in the Deppon Holdco) in favour of the Purchaser. Pursuant to the Management Vendors Agreement, upon the expiry of the respective Management Lock-up and the relevant Target Shares of the Management Vendors having become unrestricted, such share pledges shall be released and the relevant shares shall be transferred to the Purchaser thereafter.

The agreement in relation to the Second Instalment Pledge shall be terminated on the earlier of the following events: (i) the Second Instalment (for Mr. WX Cui) and the MVA Second Instalment (for the Management Vendors) being terminated, (ii) the completion of the Second Instalment (for Mr. WX Cui) and the MVA Second Instalment (for the Management Vendors), or (iii) as mutually agreed by the parties.

- (b) Mr. WX Cui and the Purchaser entered into a share pledge agreement (the “**Third Instalment Pledge**”), pursuant to which Mr. WX Cui shall pledge all of his relevant Target Shares in respect of the Third Instalment in favour of the Purchaser. Pursuant to the Founding Vendors Agreement, the pledge shall be released upon the satisfaction of the conditions precedent of the Third Instalment, and the relevant shares shall be transferred to the Purchaser thereafter.

Pursuant to the agreements in relation to the Second Instalment Pledge and the Third Instalment Pledge, each of the share pledges shall only be released upon the satisfaction of having fulfilled all his/her respective obligations under the Major Transaction Documents (including the Business Disposal Agreement). Further, under each of the agreements, such pledges may be released (i) by the Purchaser’s written consent, (ii) as otherwise agreed under the Founding Vendors Agreement or the Management Vendors Agreement (for the Second Instalment Pledge), (iii) upon the termination of the respective agreement for the share pledge as stated above, or (iv) in the event that all the Major Transaction Documents have been terminated.

LETTER FROM THE BOARD

Deppon Shares

As of the date of the Agreements, Mr. WX Cui directly holds 43,009,184 Deppon Shares, representing 4.19% of the issued share capital of the Deppon.

Deppon Share Pledge

On March 11, 2022, Mr. WX Cui and the Purchaser entered into a share pledge in relation to Mr. WX Cui's 43,009,184 unrestricted Deppon Shares in favour of the Purchaser ("**Deppon Share Pledge**"), pursuant to which the pledge shall only be released upon the satisfaction of having fulfilled all his obligations under the Major Transaction Documents, and such pledge may be released (i) by the Purchaser's written consent, (ii) as otherwise agreed under the Founding Vendors Agreement, (iii) in accordance with the Option Agreement (as described below), (iv) upon the termination of the agreement in relation to the Deppon Share Pledge, or (v) in the event that all the Major Transaction Documents have been terminated.

The agreements in relation to the Third Instalment Pledge and the Deppon Share Pledge shall be terminated on the earlier of the following events: (i) Mr. WX Cui having fulfilled all his obligations under the Major Transaction Documents (including the Business Disposal Agreement), or (ii) as mutually agreed by the parties.

Option Agreement

Further, on March 11, 2022, Mr. WX Cui and the Purchaser entered into an option agreement (the "**Option Agreement**") in relation to the 43,009,184 Deppon Shares (the "**Option Shares**") pledged to the Purchaser under the Deppon Share Pledge. Pursuant to the Option Agreement,

- (i) **Put Right:** at any time within 15 business days from the Announcement Date, Mr. WX Cui shall have the right (the "**Put Right**") to cause the Purchaser to purchase all (but not less than all) of the Option Shares at the put option price of RMB13.14 per share. The put option price of RMB13.14 per share is based on the corresponding price for each Deppon Share indirectly acquired by the Purchaser through the Acquisition.

The exercise of the Put Right is subject to conditions (the "**Put Right Conditions**", each a "**Put Right Condition**") including, (1) the First Instalment and the Second Instalment having been completed, the relevant Target Shares having been transferred and the Deppon Share Pledge having been registered with the CSDC and remain effective; (2) the following date has occurred: (x) the date on which the Deppon Group announces its 2023 Audited Report and (y) April 30, 2024, whichever the later; (3) Mr. WX Cui having completed the settlement with the Deppon Holdco in accordance with the Business Disposal Agreement; and (4) either one of the following being satisfied, (a) prior to the Announcement Date, there having been no claims brought against the Founding Vendors by the Purchaser; or (b) in the event that the Purchaser having brought a claim against the Founding Vendors prior to the Announcement Date, the parties had settled such claim or the claim had been adjudicated and enforced by the relevant authorities before the exercise of the Put Right. Upon the exercise of the Put Right, the total purchase price would be satisfied by the Purchaser by cash.

- (ii) **Call Right:** at any time within 15 business days from the Announcement Date, the Purchaser shall have the right (the "**Call Right**") to cause Mr. WX Cui to sell all (but not less than all) of the Option Shares at the call option price of RMB13.14 or 90% of the closing price of Deppon Shares on the trading day immediately prior to the exercise date, whichever the higher. The Call Right is subject to the conditions that the First Instalment and the Second Instalment having been completed and the relevant Target Shares having been transferred. The Call Right can be exercised once by the Purchaser during the above exercise period (the "**Exercise Date**"), and within 10 trading days from the Exercise Date, Mr. WX Cui may notify the Purchaser in writing if he does not wish to accept the exercise of the Call Right by the Purchaser.

LETTER FROM THE BOARD

Upon exercise of the Put Right and/or the Call Right, the completion of the put option and/or the call option is subject to the following conditions (the “**Option Completion Conditions**”) (which may be waived by the Purchaser):

- (a) save and except for the Deppon Share Pledge, there having been no transfer restrictions, by agreement or by law, on the relevant Deppon Shares;
- (b) (i) there having been no claims brought against the Founding Vendors by the Purchaser; or (ii) in the event that the Purchaser having brought a claim against the Founding Vendors, the parties had settled such claim or the claim had been adjudicated and enforced by the relevant authorities, and there having been no unsettled or unenforced claims between the Founding Vendors and the Purchaser;
- (c) (i) the representations and warranties made by Mr. WX Cui remain true, accurate and not misleading as at the date of the Option Agreement and each of the completion date of the subject option, (ii) there having been no omission of any material facts, and (iii) the respective transfer of the relevant Deppon Shares under the subject option has obtained the necessary internal approval by Mr. WX Cui and the Purchaser; and
- (d) there having been no law, regulations or any actions from the relevant authorities which restrict, prohibit or cancel the transfer of the relevant Deppon Shares under the subject option.

The Company is of the view that the Option Agreement and its associated terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole (i) as the Option Agreement provides an opportunity for the Purchaser to acquire the subject Deppon Shares after the First Instalment, Second Instalment and the Business Disposal are duly completed at the put option price and the call option price (both being RMB13.14), which is in line with the corresponding price for each Deppon Share indirectly acquired by the Purchaser through the Acquisition, (ii) as the Option Agreement is part of the package deal in connection with the disposal of the relevant Target Shares by Mr. WX Cui under the Founding Vendors Agreement, and based on the following arrangements under the Option Agreement:

- (a) in relation to the Put Right, although the exercise of the Put Right is not at the discretion of the Purchaser, if all the Put Right Conditions have been satisfied, the Company can ensure that (i) the First Instalment and the Second Instalment having been completed, (ii) the Business Disposal having been duly completed and settled, and (iii) all such claims against Mr. WX Cui (including any claims in connection with the Completion and/or the Business Disposal) having been duly settled before Mr. WX Cui can exercise the Put Right. As such, the Put Right will only be exercised at a stage where the Acquisition and the Business Disposal have been duly completed;
- (b) in relation to the Call Right, except for Mr. WX Cui’s right to reject the exercise of the Call Right, the exercise of the Call Right is at the discretion of the Purchaser, the Purchaser can decide whether to exercise such right based on the actual circumstances and hence, provides an opportunity for the Purchaser to further acquire Deppon Shares when the situation is favourable; and
- (c) the completion of the put option and/or the call option is subject to the Option Completion Conditions. In particular, by fulfilling Option Completion Condition (b), the Company can ensure that all claims or potential claims against Mr. WX Cui have already been settled and in the event that the Option Completion Conditions cannot be satisfied, the relevant Deppon Shares will continue to be subject to the Deppon Share Pledge until all conditions are fulfilled. Therefore, the Company is of the view that its rights and interests are protected sufficiently.

Based on the above, the Company is of the view that the Option Agreement and its associated terms are fair and reasonable and in the interests of the Company and the Shareholders.

LETTER FROM THE BOARD

The exercise of the Put Right is not at the discretion of the Purchaser. According to Rule 14.74 of the Listing Rules, on the grant of the Put Right, the transaction will be classified as if the Put Right has been exercised. After taking into account the highest possible monetary value of RMB565,140,677.76, the percentage ratios under Chapter 14 of the Listing Rules still remains within the range of more than 25% and less than 100%.

As the exercise of the Call Right is at the discretion of the Purchaser, according to Rule 14.75(1) of the Listing Rules, on the grant of the Call Right only the premium (which is nil) will be taken into consideration for calculating the percentage ratios under Chapter 14 of the Listing Rules.

BASIS OF CONSIDERATION OF THE ACQUISITION

The aggregate consideration for the Acquisition was determined after arm's length negotiations between the parties to the Agreements with reference to, among others: (i) the latest financial position of the Deppon Group (which includes but not limited to the revenue, net profit and gross profit margin of the Deppon Group for the year ended December 31, 2021, being approximately RMB31,359 million, RMB142 million and 10.62%, respectively) and the historical financial performance of the Deppon Group for the three years ended December 31, 2019, 2020 and 2021 (which includes but not limited to the revenue, being approximately RMB25,992 million, RMB27,503 million and RMB31,359 million with a year on year growth rate of 12.58%, 6.10% and 14.02%, respectively, the net profit, being approximately RMB324 million, RMB565 million, RMB142 million with a year on year growth rate of -53.82%, 74.62% and -74.81%, respectively, and the gross profit margins, being approximately 9.93%, 11.66% and 10.62% with a year on year growth rates of -29.57%, 17.42%, -8.92%, respectively, details of the audited financial information of the Deppon Group for the three years ended December 31, 2019, 2020 and 2021 are provided in Appendix II to this circular); (ii) the prevailing market value for the Deppon, which as indicated by the "Announcement on Suspension of Trading on Major Events of the Deppon" (Announcement No.: 2022-008), was approximately RMB13,001 million as at February 25, 2022; and the companies engaged in similar field of business (express delivery and freight delivery) in the PRC as the Deppon, which includes but not limited to the comparison of the financial ratios such as price-to-earning ratio and EV/EBITA (which is a parameter commonly referred to by research analysts and the investment communities in assessing the valuation of companies) as at December 31, 2021, and (iii) the Deppon's market position being a comprehensive logistics and express entity which offers integrated services including express delivery, freight delivery, cross-border, warehousing and supply chain. In addition, the Company also considered (i) the potential synergy effect between the business of the Deppon Group and the Group after the Acquisition, as well as (ii) the controlled premium attributable to the acquisition of a majority stake in a A-share listed company and other benefits in connection thereto, and (iii) the factors set out in the section headed "Reasons for and Benefits of the Acquisition" in this circular. Based on the above, the Company is of the view that that the aggregate consideration for the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group intends to finance the consideration by its own funds and/or financing.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a leading technology-driven supply chain solutions and logistics services provider in China. It offers a full spectrum of supply chain solutions and high-quality logistics services enabled by technology, ranging from warehousing to distribution, spanning across manufacturing to end-customers, covering regular and specialized. The Group's superior supply chain solutions and logistics services are built on a foundation comprised of six highly-synergized networks, including warehouse network, line-haul transportation network, last-mile delivery network, bulky item logistics network, cold chain logistics network and cross-border logistics network. The Deppon Group is an integrated, customer-centered logistics company providing a wide range of solutions including Less-Than-Truckload (LTL) transportation, Full Truck Load (FTL) transportation, delivery services, and warehousing management. As of the end of 2021, the Deppon Group has over 9,000 service stations in China, covering almost all counties and districts in China with 153 transfer centers of over 2 million square meters. It also owned over 20,000 vehicles.

LETTER FROM THE BOARD

Given that the Target Group is one of the leading logistics companies in the PRC, with well-established existing logistics infrastructure, clientele, network and systems, through the Acquisition, the Group believes that (i) it enables the Group to gain access to the Target Group's well-established nationwide Less-than-Truckload (LTL) network and infrastructure in relation to the freight delivery services, which can further expand and strengthen the Group's existing logistics network coverage; (ii) the Group and the Target Group can share their network resources to further enhance economies of scale, optimize cost structures, and improve customer experience; (iii) the Target Group has a strong service capability and customer base in the manufacturing industries (such as machinery, equipment and electronic appliances), which enables the Group to expand its service products and customer base, help the Group to further enhance its integrated supply chain services from the consumption end, distribution end and production end, and to further increase the market share of the Group; and (iv) the Target Group has established a good brand image and reputation, and its focus and emphasis on the importance of customer experience is highly compatible with the "Customer First" corporate culture of the Group. The Directors are of the view that the Acquisition is in line with the strategic development of the Group and believe that it will bring long-term and strategic benefits to the Group.

Having considered the aforesaid, the Directors consider that the transaction contemplated under the Agreements is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the transaction contemplated under the Agreements or is required to abstain from voting on the Board resolution for considering and approving the same.

INFORMATION ON THE PARTIES

The Group

The Company is an investment holding company and is incorporated in the Cayman Islands and the Shares are listed on the Main Board of the Stock Exchange (stock code: 2618). As a leading technology-driven supply chain solutions and logistics services provider in China, the Group offers a full spectrum of supply chain solutions and high-quality logistics services enabled by technology, ranging from warehousing to distribution, spanning across manufacturing to end-customers, covering regular and specialized items.

The Purchaser

The Purchaser is a company incorporated in the PRC and is an investment holding company. The Purchaser is an indirect wholly-owned subsidiary of the Company.

The Vendors

The Founding Vendors

Mr. WX Cui is a PRC resident. As at the date of the Agreements, Mr. WX Cui directly holds approximately 43.67% equity interest in the Deppon Holdco and in aggregate holds 33.23% of the issued share capital of the Deppon. Mr. WX Cui is a founder and director of the Deppon Holdco and the Deppon prior to the Acquisition. After the Acquisition, subject to the further arrangement as agreed by Mr. WX Cui and the Purchaser, Mr. WX Cui agrees to remain in his position as the director of the Deppon and shall not voluntarily resign from the aforementioned position for at least 12 months from the date of the First Instalment Completion or a date as otherwise agreed by the Purchaser and Mr. WX Cui, to ensure that the Deppon Group will operate smoothly after the Acquisition. Mr. WX Cui is the brother of Mr. WG Cui and the spouse of Ms. Xue.

LETTER FROM THE BOARD

Ms. Xue is a Canadian resident. As at the date of the Founding Vendors Agreement, Ms. Xue holds 0.81% of the Deppon Holdco. Ms. Xue is the spouse of Mr. WX Cui.

The Management Vendors

The Management Vendors comprise of six individuals who are or were directors or senior management of the Target Group, among which, individuals who hold 1% or more equity interest in the Deppon Holdco as at the date of the Management Vendors Agreement are:

- (a) Mr. WG Cui holds 4,112,990 Target Shares (representing approximately 4.38% equity interest in the Deppon Holdco). Mr. WG Cui is the brother of Mr. WX Cui; and
- (b) Mr. Xu holds 997,023 Target Shares (representing approximately 1.06% equity interest in the Deppon Holdco).

The Minority Vendors

There are a total of 153 Minority Vendors. Save as disclosed below, each of the Minority Vendors are shareholders of the Deppon Holdco holding less than 1% equity interest in the Deppon Holdco as at the date of the Minority Vendors Agreements. The following are the Minority Vendors which hold 1% or more of the equity interest in the Deppon Holdco as at the date of the relevant Minority Vendors Agreement:

- (a) Ningbo Debang Growth is a limited partnership established in the PRC and is an investment holding partnership, Mr. WX Cui owns 99% of the general partner of Ningbo Debang Growth which is a limited company. As at the date of the relevant Minority Vendors Agreement, Ningbo Debang Growth holds approximately 2.74% of the Deppon Holdco;
- (b) Ningbo Debang Growth II is a limited partnership established in the PRC and is an investment holding partnership, Mr. WX Cui owns 99% of the general partner of Ningbo Debang Growth II which is a limited company. As at the date of the relevant Minority Vendors Agreement, Ningbo Debang Growth II holds approximately 2.48% of the Deppon Holdco;
- (c) Ningbo Debang Growth III is a limited partnership established in the PRC and is an investment holding partnership. The general partner of Ningbo Debang Growth III is a limited company wholly-owned by Mr. WX Cui and Mr. WG Cui. As at the date of the relevant Minority Vendors Agreement, Ningbo Debang Growth III holds approximately 1.18% of the Deppon Holdco;
- (d) Zhuhai Chenying is a limited partnership established in the PRC and is an investment holding partnership. The general partner of Zhuhai Chenying is Zhuhai Gao Ling Tiancheng II Investment Management Co., Limited, a limited liability company owned as to 55% by Zhang Haiyan, 15% by Ma Cuifang, 10% by Cao Wei, 10% by Li Liang, and 10% by Zhu Jia. As at the date of the relevant Minority Vendors Agreement, Zhuhai Chenying holds approximately 3.29% of the Deppon Holdco;
- (e) Zhuhai Xuanying is a limited partnership established in the PRC and is an investment holding partnership. The general partner of Zhuhai Xuanying is Zhuhai Gao Ling Tiancheng II Investment Management Co., Limited, a limited liability company owned 55% by Zhang Haiyan, 15% by Ma Cuifang, 10% by Cao Wei, 10% by Li Liang, and 10% by Zhu Jia. As at the date of the relevant Minority Vendors Agreement, Zhuhai Xuanying holds approximately 1.08% of the Deppon Holdco;
- (f) Li Yunman 李雲滿 is a PRC resident. As at the date of the relevant Minority Vendors Agreement, Mr. Li holds approximately 2.70% of the Deppon Holdco;
- (g) Ding Shaohong 丁紹宏 is a PRC resident. As at the date of the relevant Minority Vendors Agreement, Mr. Ding holds approximately 2.54% of the Deppon Holdco;

LETTER FROM THE BOARD

- (h) Zhu Yu 朱域 is a PRC resident. As at the date of the relevant Minority Vendors Agreement, Mr. Zhu holds approximately 1.60% of the Deppon Holdco;
- (i) Ren Guifang 任桂芳 is a PRC resident. As at the date of the relevant Minority Vendors Agreement, Ms. Ren holds approximately 1.07% of the Deppon Holdco;
- (j) Jiang Haiping 姜海屏 is a PRC resident. As at the date of the relevant Minority Vendors Agreement, Ms. Jiang holds approximately 1.06% of the Deppon Holdco; and
- (k) Li Zhongmin 李忠民 is a PRC resident. As at the date of the relevant Minority Vendors Agreement, Mr. Li holds approximately 1.02% of the Deppon Holdco.

The Company confirms that it does not intend to change its board composition upon completion of the Acquisition and the Offer and none of the Vendors and/or substantial shareholder of the Deppon will be appointed as a director or chief executive of the Company.

The Target Group

The Deppon Holdco is a company established under the laws of the PRC and is an investment holding company of the Deppon. As at the date of the Agreements, it holds approximately 66.50% issued share capital of the Deppon. The controlling shareholder of the Deppon Holdco is Mr. WX Cui, who holds approximately 43.67% equity interest in the Deppon Holdco.

Deppon is a company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 603056). The controlling shareholder of the Deppon is the Deppon Holdco, which holds approximately 66.50% issued share capital of the Deppon as at the date of the Agreements.

Deppon is an integrated, customer-centered logistics company providing a wide range of solutions including Less-Than-Truckload (LTL) transportation, Full Truck Load (FTL) transportation, delivery services, and warehousing management.

Based on the consolidated financial statements of the Deppon Group prepared in accordance with the PRC GAAP, the financial information of the Deppon Group for the two financial years ended December 31, 2021 is as follows:

	For the year ended December 31,	
	2021	2020
	(audited)	(audited)
	(RMB'000)	(RMB'000)
Revenue	31,359,068	27,503,446
Profit before taxation	171,223	736,176
Profit after taxation	142,353	565,137

Based on the audited consolidated financial statements of the Deppon Group for the year ended December 31, 2020 and the audited consolidated financial statements of the Deppon Group for the year ended December 31, 2021, the net asset value of the Deppon Group as at December 31, 2020 and 2021 was approximately RMB4,623,818,886 and RMB6,195,877,538, respectively.

The significant drop in the profits before and after taxation of the Deppon Group in 2021 as compared to 2020 despite the increase in revenue was due to the intensified industry competition in the express delivery business in the first three quarters of 2021 and the increase in labor cost of the Deppon Group for the year 2021.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Agreements, each of the Founding Vendors, the Management Vendors, the Minority Vendors, the Deppon Holdco and the Deppon, and their respective ultimate beneficial owner(s) is third party independent of the Company and its connected person.

POSSIBLE MANDATORY GENERAL OFFER OF DEPPON SHARES UNDER PRC LAW

Deppon is listed on the Shanghai Stock Exchange. Subject to the satisfaction of the conditions set out in the Agreements and the Completion, the Purchaser, as the offeror, as required by the relevant rules of the PRC authorities, will make a mandatory general offer for all the Deppon Offer Shares, on the following basis:

For each Deppon Offer Share RMB13.15 in cash

The Offer Price has been determined in accordance with the requirements under the PRC Takeovers Measures, taking into consideration, among others, (i) the arithmetic mean of the weighted average price of RMB10.87 per Deppon Shares for 30 trading days prior to the date of the Report of Acquisition by Offer Summary (as traded on the Shanghai Stock Exchange); and (ii) the corresponding price of RMB13.1456 for each Deppon Share indirectly acquired by the Purchaser through the Acquisition, and there having been no direct acquisition or sales of any Deppon Shares by the Purchaser within 6 months prior to the date of the Report of Acquisition by Offer Summary.

According to the Report of Acquisition by Offer Summary, the Offer is unconditional.

As at the date of the Agreements, there are 1,026,957,470 Deppon Shares in issue, comprising of 66,957,470 restricted shares and 960,000,000 unrestricted shares, representing 6.52% and 93.48% issued share capital of the Deppon. Taking into account an aggregate of 682,890,461 Excluded Deppon Shares and 66,957,470 restricted shares of the Deppon, there will be 277,109,539 Deppon Offer Shares. For the avoidance of doubt, the 277,109,539 Deppon Offer Shares include the 43,009,184 unrestricted Deppon Shares held by Mr. WX Cui (i.e. the Option Shares under the Option Agreement) but as the 43,009,184 unrestricted Deppon Shares held by Mr. WX Cui will be pledged to the Purchaser after the First Instalment Completion pursuant to the agreement in relation to the Deppon Share Pledge, Mr. WX Cui cannot accept the Offer when the relevant Deppon Shares have been pledged to the Purchaser. Based on the Offer Price, the share offer is valued at approximately RMB3,643,990,437.85. The Group intends to finance the Offer by its own funds and/or financing.

The Company's intention in respect of the Deppon after the Offer, (i) is to terminate the listing status of Deppon Shares. According to the Shanghai Stock Exchange Listing Rules, if the proportion of the Deppon Shares held by the public to the total share capital at 15:00 on the last trading day of the offer period is less than 10%, the Deppon Shares will no longer be eligible for listing on the Shanghai Stock Exchange, whereas, if the proportion of the Deppon Shares held by the public to the total share capital is not less than 10% at 15:00 on the last trading day within the offer period, the Offer will still be valid and the original pre-acceptance declaration will also remain valid; and (ii) in relation to the business operation, is for the Deppon Group to continue with the operation of its principal business to the extent possible after the Acquisition and/or the Offer.

On March 12, 2022, Deppon also published the Report of Acquisition by Offer Summary on the website of the Shanghai Stock Exchange (www.sse.com.cn) in compliance with the PRC Takeovers Measures. Further announcement(s) about the status and details of the Offer will be made by the Company as and when appropriate.

THE EXPECTED TIMELINE OF THE COMPLETION OF THE ACQUISITION, THE OFFER AND THE BUSINESS DISPOSAL

The following is the Company's expected timeline of the completion of the Acquisition, the Offer and the Business Disposal:

- (a) the Acquisition

LETTER FROM THE BOARD

- (i) the Completion (including the First Instalment Completion, the completion of the MVA First Instalment and the Minority Vendors Agreements) is expected to occur in around August or September 2022. However, due to the impact of COVID-19, it is expected that longer time will be needed to complete the registrations and procedures relating to the transfers of the relevant Target Shares with the Guangzhou Equity Exchange (廣州產權交易所);
 - (ii) the Second Instalment Completion and the completion of MVA Second Instalment are preliminary expected to occur in February or March 2023; and
 - (iii) the Third Instalment Completion is primarily expected to occur in May or June 2024.
- (b) the Offer
- (i) within 30 days from the date of the Completion (including the First Instalment Completion, the completion of the MVA First Instalment and the Minority Vendors Agreements), the Purchaser, as the offeror, will make a mandatory general offer for all the Deppon Offer Shares; and
 - (ii) according to the Report of Acquisition by Offer Summary, the offer period shall be 30 days from the day the Offer is made (except where there is a competitive offer, further announcements will be published on the website of the Shanghai Stock Exchange in relation to the commencement and expiry date of the offer period as and when appropriate).
- (c) the Company expects that the Business Disposal will be completed on or before March 31, 2024.

The above timetable represents the Company's anticipated timing taking into account currently available information and is subject to change based on the actual situation. **Shareholders and potential investors should note that (i) the Acquisition is subject to fulfilment (or waiver) of certain conditions precedent and may or may not proceed, (ii) the Offer is subject to the approval from relevant PRC authorities and the Completion and (iii) the Offer, if made, may not be successful and may not complete. Shareholders and potential investors should exercise caution when dealing in the relevant securities of the Company.**

FINANCIAL EFFECTS OF THE ACQUISITION ON THE ENLARGED GROUP

The following table sets forth the financial effects of the Acquisition on the Enlarged Group identified in the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IIIB to this circular ("**Pro Forma Financial Information**"), assuming that completion of the Acquisition had taken place on December 31, 2021, as compared to the financial position of the Group as at December 31, 2021:

	As at December 31, 2021				
	The Group Audited RMB'000	Deppon Group (Under the Group's Accounting Policies) Unaudited RMB'000	Total Pro Forma adjustment Unaudited RMB'000	Upon Completion (Pro Forma Enlarged Group) Unaudited RMB'000	Change %
Net assets	40,389,133	6,147,920	(3,171,841)	43,365,212	7.4
Total assets	76,795,068	15,623,230	2,883,364	95,301,662	24.1
Total liabilities	36,405,935	9,475,310	6,055,205	51,936,450	42.7

LETTER FROM THE BOARD

Assets and liabilities

Based on the Pro Forma Financial Information, the unaudited pro forma consolidated total assets of the Enlarged Group as at December 31, 2021 would increase by approximately RMB18,507 million to approximately RMB95,302 million and the unaudited pro forma consolidated total liabilities of the Enlarged Group as at December 31, 2021 would increase by approximately RMB15,531 million to approximately RMB51,936 million after the Acquisition. The unaudited pro forma consolidated net assets of the Enlarged Group as at December 31, 2021 would increase by approximately RMB2,976 million to approximately RMB43,365 million, assuming that completion of the Acquisition had taken place on December 31, 2021 but before the completion of the Business Disposal. As disclosed in the section headed “Working Capital Sufficiency” of Appendix I to this circular, the Directors are of the opinion that, after taking into account the Completion and the financial resources available to the Enlarged Group, the Enlarged Group has sufficient working capital for its requirement for at least the next 12 months from the date of this circular.

The net assets, the total assets and the total liabilities of the Enlarged Group which are referred to in this subsection were extracted from the Pro Forma Financial Information, which was based on, among other things, the assumption that the completion of the Acquisition had occurred on December 31, 2021 and the Group would be able to control approximately 99.99% equity interest in the Deppon Holdco (representing approximately 66.5% equity interest in the Deppon).

Earnings

Upon the Completion, the Deppon Holdco (including the Deppon Group) will become the subsidiary of the Company. Based on the consolidated statements of comprehensive income of the Deppon as set out in Appendix IIIA to this circular, the acquisition of the Deppon is expected to make a positive contribution to the profit of the Group. Nonetheless, after considering the uncertainty of the macroeconomy and the potential impact of the COVID-19 pandemic on the revenue and cost of the Enlarge Group, the Directors prudently expect that the earnings of the Enlarged Group will basically remain the same level as a result of the Acquisition.

IMPLICATIONS OF THE ACQUISITION AND THE OFFER UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition and the transactions contemplated thereunder (including but not limited to the Offer and the Option Agreement) is more than 25% and less than 100%, the Acquisition and the transactions contemplated thereunder (including but not limited to the Offer) constitute a major transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

For details of the implications under the Listing Rules of the Put Right and Call Right, please refer to the section “Option Agreement” in this circular.

WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, this circular must contain, among others, an accountants’ report on the Deppon Holdco in accordance with Chapter 4 of the Listing Rules.

LETTER FROM THE BOARD

Waivers Sought

The Company has applied to the Stock Exchange and the Stock Exchange has granted waiver from strict compliance with Rule 14.67(6)(a)(i) on the following grounds:

Waiver for the inclusion of the accountants' report of the Deppon Holdco

1. The Deppon Holdco is an investment holding company for the Deppon Group. Prior to the Business Disposal, it also owns the Excluded Business. The accountants' report of the Deppon Holdco for the three years ended December 31, 2021 have been prepared in accordance with the PRC GAAP.
2. However, the Acquisition does not include the transfer of the Excluded Business, and pursuant to the Business Disposal Agreement, all rights of income, dispositions, obligations, liabilities and losses under the Excluded Business to be divested shall be deemed to have been fully transferred to the Founding Vendors from the date of the Business Disposal Agreement, and all profits and losses arising therefrom shall be enjoyed and borne by the Founding Vendors, it was the intention of the Company and the Founding Vendors to dispose the Excluded Business as soon as practicable, and after the Business Disposal, the Deppon Holdco will be an investment holding company for the Deppon Group only and will not be engaged in any other businesses. Hence, (i) after Completion, the financial information of the Excluded Business (save and except for, before the completion of the Business Disposal, the bank borrowings and the tax obligations of the Deppon Holdco which shall be fully settled by the Founding Vendors as soon as practicable pursuant to the Business Disposal Agreement (i.e. the receivable amount from the Founding Vendors)) will not be consolidated into the consolidated financial statements of the Group, and (ii) after the completion of the Business Disposal, the Excluded Business (including the bank borrowings and tax obligations of the Deppon Holdco) will be completely disposed by or transferred to the Founding Vendors and its financial information will not be consolidated into the accounts of the Group. For further details, please refer to A(I) basis of preparation and A(III) note 3 of the Appendix IIIB to this circular. The Company confirms that the bank borrowings and tax obligations are a part of the Excluded Business and not part of the Acquisition, the pro forma adjustment as shown in Appendix IIIB is due to accounting policies.
3. Given that (a) the Excluded Business does not form part of the Acquisition, (b) to the knowledge of the Company, the Excluded Business does not form a significant part of the Deppon Holdco in terms of total assets and revenue, and (c) according to the Agreements, the Company has no power or the ability to direct the operations of the Excluded Business to affect the amount of its returns and the Company has no exposure or rights to variable returns of the Excluded Business, the Company considers that the inclusion of an accountants' report of the Deppon Holdco would either (i) (if including the financial information of the Excluded Business) give a distortive and misleading financial picture of the Target Group to the Shareholders; or (ii) (if excluding the financial information of the Excluded Business) duplicate in substance with the financial information of the Deppon which would afford no extra information or value to the Shareholders in assessing the performance and financial position of the Target Group.
4. Given that the financial information of the Deppon is material in assessing the performance and financial position of the Target Group, which has already been provided in the published financial information of the Deppon, will be included together with other alternative disclosure in this circular, when taken together with the related management discussion and analysis will afford the Shareholders with all material information necessary to assess the financial performance of the Target Group throughout the periods presented.
5. Given that the Deppon Holdco and the Company have adopted different financial reporting standards, it is unduly burdensome and practically difficult for the Company to engage internal and external resources to prepare an accountants' report on the Deppon Holdco under Rule 14.67(6)(a)(i) of the Listing Rules in light of the substantial time, resources and costs required.

LETTER FROM THE BOARD

Waiver for the inclusion of the accountants' report of the Deppon to be prepared in accordance with IFRS

1. Deppon is listed on the Shanghai Stock Exchange. Deppon publishes financial information on a regular basis pursuant to applicable laws and regulations. Such financial information can be easily obtained by the Shareholders and will enable them and the investing public to make a properly informed assessment of the Deppon's historical financial performance.
2. Deppon's financial statements are prepared in accordance with PRC GAAP. Deppon's auditors issued a clean opinion on the audited financial statements. Deppon's financial statements for each of the financial years ended December 2019, 2020 and 2021 were audited by Deppon's auditors, RSM China CPA LLP (容誠會計師事務所(特殊普通合夥)) ("**RSM China**"), in accordance with the PRC Auditing Standards. RSM China also prepared the audit report on internal control of Deppon for each of the aforementioned financial years in accordance with "企業內部控制審計指引" and PRC Auditing Standards. RSM China is a firm with an international name and reputation, registered with the Chinese Institute of Certified Public Accountants and is subject to the oversight of China Securities Regulatory Commission.
3. Given that the Deppon and the Company have adopted different financial reporting standards, it is unduly burdensome and practically difficult for the Deppon and the company to engage internal and external resources to prepare an accountants' report on the Deppon under Rule 14.67(6)(a)(i) of the Listing Rules in light of the substantial time, resources and costs required.
4. Given that the Company currently has no shareholding in, and does not exercise any degree of control over the Deppon prior to Completion, the Company is not in a position to gain access to confidential non-public information, including the accounting records or other information of the Deppon to facilitate its own auditors preparing financial statements in accordance with IFRS.

Alternative disclosures

In replacement of an accountants' report of the Deppon Holdco and the Deppon prepared in accordance with IFRS, the Company therefore proposes to include the following disclosure in this circular:

1. the audited consolidated financial statements of the Deppon for the financial years ended December 31, 2019, 2020 and 2021 prepared in accordance with PRC GAAP, extracted from the PRC equivalents of the annual reports of the Deppon, which are set out in Appendix II to this circular;
2. a line-by-line reconciliation of the financial statements of the Deppon for the financial years ended December 31, 2019, 2020 and 2021 to address the differences in Deppon's financial statements had they been prepared in accordance with the Company's accounting policies under IFRS, with explanations of the differences (the "**Reconciliation**"). The Company has engaged RSM HK to review the Reconciliation under Hong Kong Standard of Assurance Engagements 3000. The line-by-line reconciliation will demonstrate the differences and financial impact of each line items of Deppon's financial history of results and assets and liabilities between its accounting policies under PRC GAAP and the accounting policies of the Group under IFRS, with an explanation of the differences and financial impact of each line items in accompanying notes. As such, the line-by-line reconciliation would provide Deppon's financial information under IFRS to facilitate the Shareholders' assessment of its historical performance and financial position, which is set out in Appendix IIIA to this circular; and
3. the unaudited pro-forma consolidated assets and liabilities of the Enlarged Group as at December 31, 2021 as if the Acquisition had been completed on December 31, 2021 but before the completion of the Business Disposal which the Company's auditors, Deloitte, has performed relevant procedures in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA, which are set out in Appendix IIIB to this circular.

LETTER FROM THE BOARD

Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange granted the waiver from strict compliance with Rules 14.67(6)(a)(i) under the Listing Rules.

EGM

The EGM will be held to consider and, if thought fit, pass, with or without modification, the ordinary resolution to approve the Agreements and the transactions contemplated thereunder (including but not limited to the Offer and the Option Agreement) by way of poll. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder had a material interest and had to abstain from voting on the resolution in relation to the Agreements and transactions contemplated thereunder (including but not limited to the Offer and the Option Agreement) at the EGM.

A form of proxy is accompanied with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish.

RECOMMENDATION

The Directors are of the opinion that the terms of the Agreements and the Offer are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, and accordingly the Board would recommend the Shareholders to vote in favour of the resolution to approve the Acquisition and the transactions contemplated under the Agreements (including but not limited to the Offer and the Option Agreement) at the EGM.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the EGM, the register of members and transfer books of the Company will be closed from Monday, July 18, 2022 to Thursday, July 21, 2022 (both days inclusive), during which period no transfer of Shares will be registered. The record date for entitlement to attend and vote at the EGM is Thursday, July 21, 2022. In order to qualify to attend and vote at the EGM, all transfers of Shares, accompanied by relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, July 15, 2022.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
JD Logistics, Inc.
Mr. Yui Yu
Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the financial years ended December 31, 2019, December 31, 2020 and December 31, 2021 is disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://ir.jdl.com>). Web links to the Prospectus and the annual report of the Company are set out below:

Prospectus (with financial information for the years ended December 31, 2019 and December 31, 2020):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0517/2021051700091.pdf>

Annual report of the Company for the year ended December 31, 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042901290.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on April 30, 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group and the Target Group (excluding the Excluded Business save and except for the bank borrowings of the Deppon Holdco (for details, please refer to A(I) basis of preparation and A(III) note 3 of the Appendix IIIB to this circular)) was as follows:

	As of April 30, 2022		
	The Group RMB'000	The Target Group RMB'000	The Enlarged Group RMB'000
<i>Borrowings</i>			
Secured and guaranteed bank borrowings	—	438,165	438,165
Secured bank borrowings	—	370,000	370,000
Guaranteed bank borrowings	—	2,150,000	2,150,000
Unsecured and unguaranteed bank borrowings	1,350,000	500,000	1,850,000
Unsecured and unguaranteed medium term note	—	303,237	303,237
	<u>1,350,000</u>	<u>3,761,402</u>	<u>5,111,402</u>
Lease liabilities	15,221,458	1,677,279	16,898,737
Provision for major overhauls	131,286	—	131,286
Provision for litigations	36,758	—	36,758
Amounts due to related parties	120,506	—	120,506
Amount due to non-controlling shareholder	214,645	—	214,645
Equity instruments with preference rights	642,856	—	642,856
	<u>17,717,509</u>	<u>5,438,681</u>	<u>23,156,190</u>

The Group

Borrowings

As of April 30, 2022, the Group had unsecured and unguaranteed bank borrowings amounted to RMB1,350.0 million.

Lease Liabilities

The lease liabilities represent payment for right of using underlying assets, certain of which were secured by the rental deposits and certain of which were guaranteed by letter of guarantee. As of April 30, 2022, the Group's lease liabilities amounted to RMB15,221.5 million.

Provision for major overhauls

The provision for major overhauls represents the estimated maintenance costs of major overhauls to fulfil the Group's contractual commitment to return the aircraft held under leases to the lessors in conditions agreed with the lessors at the inception of each lease. As of April 30, 2022, the Group's provision for major overhauls amounted to RMB131.3 million.

Provision for Litigations

From time to time, the Group is subject to legal proceedings and claims in the ordinary course of business. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Amounts due to related parties

As of April 30, 2022, the Group had unsecured and unguaranteed amounts due to certain related parties of RMB120.5 million, which were non-trade in nature.

Amount due to non-controlling shareholder

Amount due to non-controlling shareholder was originated from the interest-bearing borrowings provided by non-controlling shareholder of Kuayue Express, which had an original term of 3 years and were unsecured and unguaranteed. As of April 30, 2022, amount due to non-controlling shareholder had a total balance of RMB214.6 million.

Equity instruments with preference rights

As a result of the acquisition of the controlling interest of Kuayue Express in August 2020, the equity instruments with preference rights issued by Kuayue Express were consolidated into the Group's consolidated financial statements, which had a carrying value of RMB642.9 million as of April 30, 2022. All of the equity instruments with preference rights were unsecured and unguaranteed.

As at the close of business on April 30, 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, except as disclosed above and apart from intra-group liabilities, the Group did not have, as at April 30, 2022, any debt securities issued or outstanding, and authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, lease liabilities, mortgages, charges, guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the indebtedness position and contingent liabilities of the Group since the close of business on April 30, 2022.

The Target Group**Borrowings**

As of April 30, 2022, the Target Group had (i) secured and guaranteed bank borrowings of RMB438.2 million, (ii) secured bank borrowings of RMB370.0 million, (iii) guaranteed bank borrowings of RMB2,150.0 million, (iv) unsecured and unguaranteed bank borrowings of RMB500.0 million, and (v) unsecured and unguaranteed medium term note of RMB303.2 million, of which RMB770.0 million are bank borrowings in the Excluded Business which will be fully settled with the Founding Vendors as soon as practicable pursuant to the Business Disposal Agreement (i.e. the receivable amount due from the Founding Vendors).

Lease Liabilities

The lease liabilities represent payment for right of using underlying assets, certain of which were secured by the rental deposits and certain of which were guaranteed by letter of guarantee. As of April 30, 2022, the Target Group's lease liabilities amounted to RMB1,677.3 million.

As at the close of business on April 30, 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, except as disclosed above and apart from intra-group liabilities, the Target Group did not have, as at April 30, 2022, any debt securities issued or outstanding, and authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, lease liabilities, mortgages, charges, guarantees or other material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

After due and careful consideration, the Directors are of the opinion that, taking into account the financial resources available to the Enlarged Group including cash flows to be generated from the operating activities and the available credit facilities, the Enlarged Group has sufficient working capital for its requirements for at least 12 months from the date of this circular, in the absence of unforeseen circumstances, and also taking into account of the bank borrowings and tax obligations of the Deppon Holdco to be fully settled by the Founding Vendors as soon as practicable pursuant to the Business Disposal Agreement (for details, please refer to A(I) basis of preparation and A(III) note 3 of the Appendix IIIB to this circular).

As at the Latest Practicable Date, the Company has obtained the confirmation as required under Rule 14.66(12) of the Listing Rules from the auditors of the Company.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2021, being the date to which the latest published audited consolidated accounts of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

During the financial year ended December 31, 2021, the Group has maintained its industry leadership in integrated supply chain logistics market. The Group is committed to accelerate the development of its integrated supply chain logistics services to continuously enhance value creation and transmission for society through the construction of logistics infrastructure and/or the application of digital and intelligent technologies. The Group is optimistic that its businesses will continue to grow significantly.

The Group reviews its funding requirements regularly to maintain financial flexibility for its operations, potential investments and growth plans. In March to May 2022, the Company issued 150,500,000 Shares under the general mandate to a group of third-party investors in a placement and raised a total of HK\$3,102 million (or approximately RMB2,523 million) and issued 261,400,000 Shares under the specific mandate to a subsidiary of JD.com and raised a total of US\$692 million (or approximately RMB4,409 million). The net proceeds of such placing and subscription are intended to be used for a range of corporate uses, including but not limited to (1) improving the Group's logistics network and solutions organically and/ or through acquisitions, and (2) increasing cash reserve for general corporate use. Such that the Group can maintain a sustainable capital structure.

In addition, the Directors believe that the Acquisition will significantly expand and diversify the Group's service offerings and geographical reach, thereby offering a greater potential for profit and long-term business sustainability. Following the signing of the Agreements, the Group continues to push

forward on satisfying the conditions for Completion and plan for the integration between the Group and the Target Group. The Acquisition will provide synergies to the Group's business portfolio and introduce a new growth engine to the Group. Leveraging the Group's and the Target Group's well-established immersive ecosystem of service offerings to its customers and the community, the Group envisages that the Acquisition will provide more growth opportunities and synergies to the Group and the Target Group after the Completion.

The following is an extract of the audited consolidated financial statements of the Deppon for the years ended December 31, 2019, 2020 and 2021, which were prepared in accordance with PRC GAAP, as extracted from the respective annual reports and consolidated financial statements of the Deppon for the years ended December 31, 2019, 2020 and 2021. These financial statements were issued in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

The annual reports and consolidated financial statements of the Deppon for the three years ended December 31, 2019, 2020 and 2021 are available at the website of the Shanghai Stock Exchange (www.sse.com.cn).

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Company has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the shareholders and investors should exercise caution and should not place undue reliance on such information.

Section 11 Financial Report**I. Audit Report**

Applicable Not applicable

Audit Report

Rong Cheng Shen Zi [2020] No. 216Z0029

To all Shareholders of Deppon Logistics Co., Ltd.,

I. Audit Opinions

We have audited the financial statements of Deppon Logistics Co., Ltd. (“Deppon”), which comprise the consolidated and parent company balance sheets as of December 31, 2019, the consolidated and parent company income statements, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in owners’ equity for the year 2019, and the related notes to the financial statements.

In our opinion, the accompanying financial statements, prepared in accordance with the provisions of the ASBEs in all material respects, present fairly the consolidated and parent company financial position as of December 31, 2019 and the consolidated and parent company results of operations and cash flows for the year 2019 of Deppon.

II. Basis for Audit Opinions

We carried out the audit work according to the Auditing Standards for CPAs of China. Our responsibilities under these standards are further clarified in the section entitled “Responsibilities of CPAs for Auditing Financial Statements” of the audit report. We are independent from Deppon according to the Code of Professional Conduct for Chinese CPAs and have fulfilled our other responsibilities in terms of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are considered to be most significant to the audit of the financial statements for the period. These matters are addressed in the context of an audit of the financial statements as a whole and the formation of audit opinions, and we do not express an opinion on these matters individually.

(I) Integrated logistics revenue recognition**1. Description of the matter**

Related disclosures are detailed in Note V. 36. Revenue Recognition and Note VII. 59. Revenue and cost of revenue to the financial statements. In 2019, Deppon achieved a total consolidated logistics revenue of RMB25,896,881,300. Integrated logistics revenue is recognized when the labor provided has been completed and signed for by the consignee.

Deppon’s integrated logistics revenue is characterized by a large number of customers that are decentralized, and a large number of transactions with a small amount of an individual transaction. Deppon uses information systems to track the provision of integrated logistics services on a continuous and real-time basis. Revenue recognition relies heavily on the effectiveness of the design and operation of internal controls related to information systems.

We identified integrated logistics revenue recognition as a key audit matter because of the inherent high risk of revenue recognition due to the revenue characteristics of integrated logistics business and the complex information systems and system control processes.

2. Audit response

The procedures we have implemented in relation to the recognition of revenue from integrated logistics of Deppon mainly include:

(1) Evaluated whether the revenue recognition policy met the requirements of accounting standards by understanding the model and process of integrated logistics business and the vouchers corresponding to the point in time of revenue recognition;

(2) Interviewed with the finance department, business department, IT department, and the management to understand and test internal controls related to revenue recognition, including the understanding and testing of the information system environment related to the integrated logistics revenue, the general controls, and application controls, data interface testing of data interaction between systems, and overall reconciliation of data between the finance system and the business system by internal IT specialists of RSM China (the “Firm”);

(3) Performed analytical procedures on integrated logistics revenues, including comparative analysis with industry data, volatility analysis, gross margin analysis, and validation analysis of financial data with operational data;

(4) Executed inspection procedures for integrated logistics revenue, including sampling of operational and financial data, sampling of waybills by a statistical sampling method, tracing from the issuance of waybills to the signing of waybills, checking the related business trajectory, checking the amount of revenue recognition, and tracing to the collection documents for fund payments;

(5) Selected a sample to certify the amount of revenue transactions;

(6) For consolidated logistics revenues recognized around the balance sheet date, selected a sample to check to the waybills and customer sign-off records to test whether the revenues were recorded in the appropriate accounting period.

(II) Measurement of expected credit losses on accounts receivable from integrated logistics services

1. Description of the matter

Related disclosures are detailed in Note V. 10. Financial Instruments and Note VII. 5. Accounts Receivable.

As of December 31, 2019, the original value of accounts receivable in the consolidated financial statements of Deppon was RMB1,690,118,100 and the allowance for bad debts was RMB41,041,100.

The balance of the allowance for bad debts receivable reflected the management’s best estimate of expected credit losses as of the balance sheet date. In making these estimates, the management is required to consider prior years’ credit default history, collection rates, estimation on the creditworthiness of the debtor, and forward-looking economic indicators. The above matters involve significant accounting estimates and management’s judgment and are material to the financial statements, therefore, we identified the expected credit loss on accounts receivable as a key audit matter.

2. Audit response

The procedures we performed on the measurement of expected credit losses on accounts receivable from Deppon consisted primarily of:

(1) Understood, evaluated and tested internal controls over the measurement of expected credit losses on accounts receivable;

(2) Examined the measurement model for expected credit losses and assessed the reasonableness of significant assumptions and key parameters in the model and the appropriateness of the credit risk portfolio classification method;

(3) Selected a sample to assess the appropriateness of management's credit loss projections for the entire duration by examining the customer's credit history, payment records, post-period collection and considering forward-looking information;

(4) Examined key data from the expected credit loss model, including historical data, to assess its completeness and accuracy;

(5) Selected a sample to certify the accounts receivable.

IV. Additional Information

The Management of Deppon (the "Management") shall be liable for the additional information. Additional information includes information covered in the Annual Report 2019 of Deppon, but does not include the financial statements and our audit report.

Our audit opinion on the financial statements does not cover additional information, and we do not express an assurance conclusion of any kind on additional information.

In conjunction with our audit of the financial statements, our responsibility is to read additional information and, in doing so, consider whether additional information is materially inconsistent with, or appears to be materially misstated in, the financial statements or what we have learned during the audit.

Based on what we have done, if we determine that additional information is materially misstated, we shall report that fact. We have no matters to report in this regard.

V. Responsibilities of the Management and the Governance Team for the Financial Statements

The Management shall be responsible for preparing the financial statements in accordance with the Accounting Standards, and realizing their fair presentation, and designing, implementing and maintaining necessary internal controls relevant to the preparation of financial statements that are free from material misstatement due to fraud or errors.

In preparing the financial statements, the management is responsible for assessing the ability of Deppon to continue as a going concern, for disclosing matters related to going concern (where applicable) and for applying the going concern assumptions, unless the management plans to liquidate Deppon, discontinue operations or has no other realistic alternative.

The governance team is responsible for overseeing the financial reporting process of Deppon.

VI. Responsibilities of CPA for Auditing Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes audit opinions. The reasonable assurance is a high-level assurance, but we cannot guarantee that whatever material misstatement can be detected when carrying out the audit according to audit standards. The misstatement may be caused by fraud or error. If the misstatements either alone or put together are

reasonably expected to possibly influence the economic decision made by the financial statement user based on the financial statements, they will usually be regarded as material.

In performing our audit in accordance with auditing standards, we use professional judgment and maintain professional skepticism. At the same time, we perform the following tasks:

(1) We identified and evaluated the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures to address those risks, and obtain sufficient and appropriate audit evidence as a basis for expressing audit opinions. The risk of failure to detect a material misstatement due to fraud is higher than that due to error because fraud may involve collusion, forgery, intentional omissions, misrepresentation or override of internal control.

(2) We tried to understand the audit-related internal control, so as to design proper audit procedures.

(3) We evaluated the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and relevant disclosures.

(4) We drew conclusions about the appropriateness of the management's use of the going concern assumption. At the same time, based on the audit evidence obtained, a conclusion is reached as to whether there is a material uncertainty regarding matters or circumstances that may cast significant doubt on the ability of Deppon to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require that we draw the attention of users of the financial statements to the relevant disclosures in the audit report; if the disclosures are not adequate, we shall express a non-unqualified opinion. Our conclusion is based on information available to us as of the date of our audit report. However, future events or circumstances may cause Deppon to be unable to continue as a going concern.

(5) We evaluated the overall presentation, structure and contents of the financial statements and judged if the financial statements fairly reflected the relevant transactions and events.

(6) We obtained sufficient and appropriate audit evidence about the financial information of the entities or business activities in Deppon to express an audit opinion on the financial statements. We are responsible for directing, supervising and performing group audits and accept full responsibility for audit observations.

We communicate with the governance team on matters such as planned audit scope, timing, and significant audit findings, including communication of internal control deficiencies of concern identified during our audit.

We also provide a statement to the governance team regarding compliance with ethical requirements related to independence and communicate with the governance team about all relationships and other matters that could reasonably be perceived to affect our independence, as well as related precautions, if applicable.

From the matters communicated with the governance team, we determined which matters were most significant to the audit of the financial statements for the period and therefore constituted key audit matters. We describe these matters in our auditor's report except in those cases where public disclosure of such matters is prohibited by law or regulation, or in those rare cases where we determine that we shall not communicate a matter in our auditor's report if we reasonably expect that the negative consequences of communicating it in our auditor's report would outweigh the benefits in the public interest.

RSM China CPA LLP Chinese Certified Public Accountant (Project Partner):

Chinese Certified Public Accountant :

Beijing, China

Chinese Certified Public Accountant :

April 29, 2020

II. Financial Statements

Consolidated balance sheet

December 31, 2019

Prepared by: Deppon Logistics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	December 31, 2019	December 31, 2018
Current assets:			
Monetary funds	VII. 1	1,317,453,527.68	2,757,100,266.89
Trading financial assets	VII. 2	220,462,418.16	N/A
Financial liabilities at fair value through profit or loss		N/A	
Derivative financial assets			
Notes receivable	VII. 4	19,699,798.81	9,801,332.68
Accounts receivable	VII. 5	1,649,077,038.10	1,356,284,333.18
Accounts receivable financing			N/A
Prepayments	VII. 7	376,270,477.13	352,898,829.89
Factoring receivables	VII. 83	437,369,715.49	2,001,635.55
Other receivables	VII. 8	244,104,052.82	242,411,014.35
Including: interest receivable		628,653.10	114,489.81
Dividend receivable			
Inventories	VII. 9	21,350,268.45	19,259,619.16
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	VII. 12	776,243,149.38	578,135,560.09
Total current assets		<u>5,062,030,446.02</u>	<u>5,317,892,591.79</u>
Non-current assets:			
Debt investments			N/A
Available-for-sales financial assets		N/A	512,973,422.31
Other debt investments			N/A
Held-to-maturity investments		N/A	
Long-term receivables			
Long-term equity investments	VII. 16	148,549,015.54	57,690,627.05
Other equity instrument investments	VII. 17	350,495,786.91	N/A
Other non-current financial assets	VII. 18	108,996,507.12	N/A
Investment properties			
Fixed assets	VII. 20	2,643,241,926.51	1,848,830,268.85
Construction in progress	VII. 21	3,241,417.48	233,018.90
Productive biological assets			
Oil and gas assets			
Intangible assets	VII. 25	34,283,265.49	32,802,894.99
Development expenditures			
Goodwill			
Long-term deferred expenses	VII. 28	388,624,354.80	344,089,720.88
Deferred tax assets	VII. 29	304,324,449.15	107,213,099.25
Other non-current assets	VII. 30	34,194,613.52	34,855,954.16
Total non-current assets		<u>4,015,951,336.52</u>	<u>2,938,689,006.39</u>
Total assets		<u>9,077,981,782.54</u>	<u>8,256,581,598.18</u>

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Note	December 31, 2019	December 31, 2018
Current liabilities:			
Short-term borrowings	VII. 31	1,161,851,548.42	1,000,671,190.00
Trading financial liabilities			N/A
Financial liabilities at fair value through profit or loss		N/A	
Derivative financial liabilities			
Notes payable	VII. 34	130,755,214.10	29,465,118.00
Accounts payable	VII. 35	1,934,402,613.60	1,201,896,946.13
Advances from customers	VII. 36	82,927,914.08	60,047,450.89
Payroll payables	VII. 37	890,858,521.43	1,110,961,177.09
Taxes payable	VII. 38	135,323,143.07	163,526,017.62
Other payables	VII. 39	329,411,031.23	432,372,789.07
Including: interest payable			5,866,748.58
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			337,162.47
Other current liabilities			
Total current liabilities		<u>4,665,529,985.93</u>	<u>3,999,277,851.27</u>
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payables	VII. 47	19,941,028.55	60,949,634.78
Estimated liabilities	VII. 48	12,356,682.20	10,815,276.69
Deferred revenues	VII. 49	15,174,988.68	1,223,105.44
Deferred tax liabilities	VII. 29	309,306,926.91	121,570,242.90
Other non-current liabilities			
Total non-current liabilities		<u>356,779,626.34</u>	<u>194,558,259.81</u>
Total liabilities		<u>5,022,309,612.27</u>	<u>4,193,836,111.08</u>
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII. 51	960,000,000.00	960,000,000.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	VII. 53	317,116,815.48	353,624,556.59
Less: treasury stock	VII. 54	69,430,125.93	
Other comprehensive income	VII. 55	-37,567,500.00	
Special reserves	VII. 56		
Surplus reserves	VII. 57	339,745,956.96	267,681,429.01
General risk reserves		4,025,472.49	
Retained earnings	VII. 58	<u>2,541,781,551.27</u>	<u>2,481,439,501.50</u>
Total owners' equity (or shareholders' equity) attributable to parent company		<u>4,055,672,170.27</u>	<u>4,062,745,487.10</u>
Total owners' equity (or shareholders' equity)		<u>4,055,672,170.27</u>	<u>4,062,745,487.10</u>
Total liabilities and owners' equity (or shareholders' equity)		<u>9,077,981,782.54</u>	<u>8,256,581,598.18</u>

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

Balance sheet of parent company

December 31, 2019

Prepared by: Deppon Logistics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	December 31, 2019	December 31, 2018
Current assets:			
Monetary funds		1,147,913,635.82	2,632,657,166.42
Trading financial assets		60,462,418.16	N/A
Financial liabilities at fair value through profit or loss		N/A	
Derivative financial assets			
Notes receivable		9,839,798.81	6,687,115.68
Accounts receivable	XVII. 1	27,615,722.62	3,688,409.59
Accounts receivable financing			
Prepayments		33,815,457.75	16,555,033.08
Other receivables	XVII. 2	2,825,573,704.19	1,731,898,576.53
Including: interest receivable			
Dividend receivable			
Inventories			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		193,725,491.21	24,350,502.65
Total current assets		<u>4,298,946,228.56</u>	<u>4,415,836,803.95</u>
Non-current assets:			
Debt investments			N/A
Available-for-sales financial assets		N/A	205,000,000.00
Other debt investments			N/A
Held-to-maturity investments		N/A	
Long-term receivables			
Long-term equity investments	XVII. 3	1,392,617,175.65	1,284,576,726.81
Other equity instrument investments		205,000,000.00	N/A
Other non-current financial assets			N/A
Investment properties			
Fixed assets		787,174.42	798,370.01
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets		132,316.04	217,967.98
Development expenditures			
Goodwill			
Long-term deferred expenses		1,228,957.08	281,205.31
Deferred tax assets		7,493,615.30	11,021,981.10
Other non-current assets		11,432,581.37	10,360,600.00
Total non-current assets		<u>1,618,691,819.86</u>	<u>1,512,256,851.21</u>
Total assets		<u><u>5,917,638,048.42</u></u>	<u><u>5,928,093,655.16</u></u>

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Note	December 31, 2019	December 31, 2018
Current liabilities:			
Short-term borrowings		1,110,860,754.86	895,000,000.00
Trading financial liabilities			N/A
Financial liabilities at fair value through profit or loss ...		N/A	
Derivative financial liabilities			
Notes payable		146,013,357.56	2,599,583.00
Accounts payable		18,705,302.84	45,354,698.56
Advances from customers		461,292.06	66,741.77
Payroll payables		9,318,184.09	22,470,093.61
Taxes payable		5,746,508.64	16,717,438.92
Other payables		851,736,391.29	1,600,868,376.34
Including: interest payable			5,744,807.44
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		<u>2,142,841,791.34</u>	<u>2,583,076,932.20</u>
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payables		6,155,098.15	21,035,181.93
Estimated liabilities		1,266,122.29	720,649.30
Deferred revenues			
Deferred tax liabilities		285,432.43	180,148.78
Other non-current liabilities			
Total non-current liabilities		<u>7,706,652.87</u>	<u>21,935,980.01</u>
Total liabilities		<u>2,150,548,444.21</u>	<u>2,605,012,912.21</u>
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)		960,000,000.00	960,000,000.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves		321,637,310.87	318,603,603.14
Less: treasury stock		69,430,125.93	
Other comprehensive income			
Special reserves			
Surplus reserves		339,745,956.96	267,681,429.01
Retained earnings		<u>2,215,136,462.31</u>	<u>1,776,795,710.80</u>
Total owners' equity (or shareholders' equity)		<u>3,767,089,604.21</u>	<u>3,323,080,742.95</u>
Total liabilities and owners' equity (or shareholders' equity)		<u>5,917,638,048.42</u>	<u>5,928,093,655.16</u>

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

Consolidated income statement

January-December 2019

Unit: Yuan Currency: RMB

Item	Note	2019	2018
I. Total operating revenues		25,922,101,314.82	23,025,797,902.94
Including: operating revenues	VII. 59	25,922,101,314.82	23,025,797,902.94
II. Total operating cost		25,862,523,237.35	22,414,754,584.01
Including: operating cost	VII. 59	23,348,702,448.46	19,779,048,355.57
Taxes and surcharges	VII. 60	77,760,867.10	65,976,095.91
Selling and marketing expenses	VII. 61	406,945,569.42	395,825,022.89
General and administrative expenses	VII. 62	1,804,587,421.42	1,913,348,389.08
Research and development expenses	VII. 63	101,059,971.76	130,291,690.63
Finance expenses	VII. 64	123,466,959.19	130,265,029.93
Including: interest expense		66,662,279.04	76,988,805.18
Interest income		14,182,625.16	17,823,727.99
Add: other income	VII. 65	299,109,893.52	189,947,177.02
Investment income (loss is indicated with "-")	VII. 66	82,106,763.84	120,606,603.31
Including: income from investments in associates and joint ventures		6,553,738.49	-69,372.95
Gains from derecognition of financial assets at amortized cost			N/A
Net exposure hedging income (loss is indicated with "-")			N/A
Gain from fair value changes (loss is indicated with "-")	VII. 68	462,418.16	
Impairment losses under expected credit loss model (loss is indicated with "-")	VII. 69	-41,864,074.87	N/A
Asset impairment losses (loss is indicated with "-")	VII. 70		-49,995,340.78
Gains from asset disposal (loss is indicated with "-")	VII. 71	15,016,886.77	22,291,710.02
III. Operating profit (loss is indicated with "-")		414,409,964.89	893,893,468.50
Add: non-operating income	VII. 72	45,347,323.09	36,302,176.37
Less: non-operating expenses	VII. 73	46,076,387.64	32,750,405.84
IV. Total profit (total loss is indicated with "-")		413,680,900.34	897,445,239.03
Less: income tax expenses	VII. 74	90,048,850.13	196,572,392.16
V. Net profit (net loss is indicated with "-")		323,632,050.21	700,872,846.87
(I) Classified by operating continuity			
1. Net profit from continuing operations (net loss is indicated with "-")		323,632,050.21	700,872,846.87
2. Net profit from discontinued operations (net loss is indicated with "-")			
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company (net loss is indicated with "-")		323,632,050.21	700,872,846.87
2. Non-controlling interests (net loss is indicated with "-")			
VI. Other comprehensive income, net of tax		-20,287,500.00	1,100,721.74
(I) Other comprehensive income attributable to owners of parent company, net of tax		-20,287,500.00	1,100,721.74
1. Other comprehensive income that cannot be reclassified to profit or loss		-20,287,500.00	
(3) Changes in fair value of other equity instrument investments		-20,287,500.00	

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Note	2019	2018
2. Other comprehensive income that will be reclassified into profit or loss			1,100,721.74
(8) Exchange differences from translation of financial statements denominated in foreign currencies			1,100,721.74
(II) Other comprehensive income attributable to non-controlling interests, net of tax			
VII. Total comprehensive income		<u>303,344,550.21</u>	<u>701,973,568.61</u>
(I) Total comprehensive income attributable to owners of the parent company		<u>303,344,550.21</u>	<u>701,973,568.61</u>
(II) Total comprehensive income attributable to non-controlling interests			
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.34	0.74
(II) Diluted earnings per share (RMB/share)			

In the case of business combination under common control in the current period, the net profit realized by the merged entity before the merger was RMB4,054,837.11, and the net profit realized by the merged entity in the previous period was RMB465,658.28.

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

Income statement of parent company

January-December 2019

Unit: Yuan Currency: RMB

Item	Note	2019	2018
I. Operating revenues	XVII. 4	395,595,515.44	460,040,546.40
Less: operating cost	XVII. 4	125,366,154.59	73,020,313.34
Taxes and surcharges		1,008,116.45	885,570.20
Selling and marketing expenses		68,867,843.62	72,586,064.36
General and administrative expenses		151,452,677.69	248,317,104.29
Research and development expenses			
Finance expenses		84,403,502.36	90,255,623.78
Including: interest expense		66,037,762.95	74,114,121.61
Interest income		13,652,020.11	17,656,520.69
Add: other income		11,933,352.02	2,693,521.48
Investment income (loss is indicated with "-")	XVII. 5	733,424,301.94	503,264,160.06
Including: income from investments in associates and joint ventures			
Gains from derecognition of financial assets at amortized cost			N/A
Net exposure hedging income (loss is indicated with "-")			N/A
Gain from fair value changes (loss is indicated with "-")		462,418.16	
Impairment losses under expected credit loss model (loss is indicated with "-")		-262,218.69	N/A
Asset impairment losses (loss is indicated with "-")			441,038.12
Gains from asset disposal (loss is indicated with "-")		109,159.00	770,383.24
II. Operating profit (loss is indicated with "-")		710,164,233.16	482,144,973.33
Add: non-operating income		25,284,689.19	20,921,851.39
Less: non-operating expenses		480,607.05	1,342,478.88
III. Total profit (total loss is indicated with "-")		734,968,315.30	501,724,345.84
Less: income tax expenses		14,323,035.84	7,536,031.04
IV. Net profit (net loss is indicated with "-")		720,645,279.46	494,188,314.80
(I) Net profit from continuing operations (net loss indicated with "-")		720,645,279.46	494,188,314.80
(II) Net profit from discontinued operations (net loss is indicated with "-")			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
(II) Other comprehensive income that will be reclassified into profit or loss			
VI. Total comprehensive income		720,645,279.46	494,188,314.80
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

Consolidated cash flow statement

January-December 2019

Unit: Yuan Currency: RMB

Item	Note	2019	2018
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		27,133,193,311.25	24,266,254,591.87
Tax refunds received		9,314,136.00	5,999,560.00
Cash received from other operating activities	VII. 76	405,504,659.87	355,459,361.99
Subtotal of cash inflows from operating activities		27,548,012,107.12	24,627,713,513.86
Cash paid for goods purchased and services rendered		14,699,346,924.02	11,627,280,926.98
Net increase in factoring receivables		245,430,774.48	-3,420,583.46
Cash paid to and for employees		10,248,266,680.61	9,758,483,121.29
Payments of all types of taxes		660,456,492.78	660,759,337.27
Cash paid to other operating activities	VII. 76	1,034,933,101.38	997,797,601.44
Subtotal of cash outflows from operating activities		26,888,433,973.27	23,040,900,403.52
Net cash flows from operating activities		659,578,133.85	1,586,813,110.34
II. Cash flows from investing activities:			
Cash received from recovery of investments		26,431,128.28	8,878,611.11
Cash received from acquisition of investment income		77,353,025.35	120,675,976.26
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets		48,057,446.12	39,543,526.91
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities	VII. 76	23,578,866,783.16	20,997,303,994.88
Subtotal of cash inflows from investing activities		23,730,708,382.91	21,166,402,109.16
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,526,119,131.23	843,225,995.67
Cash paid for investments		86,104,650.00	103,297,853.00
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid to other investing activities	VII. 76	23,993,496,207.89	21,054,492,314.00
Subtotal of cash outflows from investing activities		25,605,719,989.12	22,001,016,162.67
Net cash flows from investing activities		-1,875,011,606.21	-834,614,053.51
III. Cash flows from financing activities:			
Cash received from capital contributions			418,867,430.79
Including: cash received from subsidiaries' absorbing minority shareholder investment			
Cash received from borrowings		2,813,732,330.98	2,463,888,655.08
Cash received from other financing activities	VII. 76	397,000,460.82	13,700,000.00
Subtotal of cash inflows from financing activities		3,210,732,791.80	2,896,456,085.87
Cash payments for settlement of debts		2,655,830,193.50	2,541,257,019.08
Cash paid for distributing dividends and profits or paying interests		279,490,806.68	237,093,589.48
Including: dividends and profits paid to minority shareholders by subsidiaries			
Cash paid to other financing activities		496,312,883.67	59,322,315.51
Subtotal of cash outflows from financing activities	VII. 76	3,431,633,883.85	2,837,672,924.07
Net cash flows from financing activities		-220,901,092.05	58,783,161.80
IV. Effect of changes in exchange rate on cash and cash equivalents			
		964,164.09	2,334,370.06
V. Net increase in cash and cash equivalents			
		-1,435,370,400.32	813,316,588.69
Add: opening balance of cash and cash equivalents		2,712,100,266.89	1,898,783,678.20
VI. Closing balance of cash and cash equivalents			
		1,276,729,866.57	2,712,100,266.89

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

Cash flow statement of parent company

January-December 2019

Unit: Yuan Currency: RMB

Item	Note	2019	2018
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		392,302,133.24	480,820,375.01
Tax refunds received			
Cash received from other operating activities		923,656,208.57	1,053,039,050.44
Subtotal of cash inflows from operating activities ...		1,315,958,341.81	1,533,859,425.45
Cash paid for goods purchased and services rendered		153,876,004.98	93,606,966.04
Cash paid to and for employees		65,422,683.97	82,930,739.30
Payments of all types of taxes		31,229,789.58	12,236,970.37
Cash paid to other operating activities		2,075,455,207.41	310,078,892.05
Subtotal of cash outflows from operating activities ..		2,325,983,685.94	498,853,567.76
Net cash flows from operating activities		-1,010,025,344.13	1,035,005,857.69
II. Cash flows from investing activities:			
Cash received from recovery of investments			
Cash received from acquisition of investment income		402,295,195.45	344,782,114.87
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets		373,819.87	1,170,517.33
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities		22,646,500,549.00	18,003,891,314.00
Subtotal of cash inflows from investing activities ...		23,049,169,564.32	18,349,843,946.20
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,581,197.41	10,301,246.61
Cash paid for investments		108,040,448.84	392,294,675.59
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid to other investing activities		23,279,287,824.19	18,023,892,314.00
Subtotal of cash outflows from investing activities ..		23,388,909,470.44	18,426,488,236.20
Net cash flows from investing activities		-339,739,906.12	-76,644,290.00
III. Cash flows from financing activities:			
Cash received from capital contributions			418,867,430.79
Cash received from borrowings		2,759,576,274.33	2,304,552,630.08
Cash received from other financing activities		67,000,000.00	13,700,000.00
Subtotal of cash inflows from financing activities ...		2,826,576,274.33	2,737,120,060.87
Cash payments for settlement of debts		2,546,968,000.00	2,412,861,830.08
Cash paid for distributing dividends and profits or paying interests		278,770,089.86	234,269,208.99
Cash paid to other financing activities		131,540,125.93	58,738,631.44
Subtotal of cash outflows from financing activities ..		2,957,278,215.79	2,705,869,670.51
Net cash flows from financing activities		-130,701,941.46	31,250,390.36
IV. Effect of changes in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-1,480,467,191.71	989,611,958.05
Add: opening balance of cash and cash equivalents		2,587,657,166.42	1,598,045,208.37
VI. Closing balance of cash and cash equivalents		1,107,189,974.71	2,587,657,166.42

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Paid-in capital (or share capital)	Other equity instruments		Capital reserves	Less: treasury stock	2018 Owners' equity attributable to parent company					Subtotal	Non-controlling interests	Total owners' equity	
		Preferred shares	Perpetual bonds			Others	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves				Retained earnings
I. Closing balance of the previous year	860,000,000.00					-1,100,721.74	218,262,597.53	1,994,145,486.11	3,071,307,361.90			3,071,307,361.90		
Add: changes in accounting policies														
Correction of errors in the prior period														
Business combination common control														
Others														
II. Opening balance of the current year	860,000,000.00					-1,100,721.74	218,262,597.53	1,994,145,486.11	3,071,307,361.90			3,071,307,361.90		
III. Increase/decrease for the period														
(Decrease indicated with "-")	100,000,000.00			353,624,556.59		1,100,721.74	49,418,831.48	487,294,015.39	991,438,125.20			991,438,125.20		
(I) Total comprehensive income						1,100,721.74		700,872,846.87	701,973,568.61			701,973,568.61		
(II) Contribution and withdrawal of capital by owners	100,000,000.00			318,603,603.14					418,603,603.14			418,603,603.14		
1. Ordinary shares invested by owners	100,000,000.00			318,603,603.14					418,603,603.14			418,603,603.14		
2. Capital contributed by holders of other equity instruments														
3. Amount included in owners' equity arising from share-based payment														
4. Others														
(III) Profit distribution														
1. Appropriation to surplus reserves							49,418,831.48	-213,578,831.48	-164,160,000.00			-164,160,000.00		
2. Appropriation to general risk reserves							49,418,831.48	-49,418,831.48						
3. Distribution to owners (or shareholders)														
4. Others														
(IV) Transfers within owners' equity														
1. Transfer of capital reserves to capital (or share capital)														
2. Transfer of surplus reserve to capital (or share capital)														
3. Covering loss with surplus reserve														
4. Change of defined benefit plan transferred to retained earnings														
5. Other comprehensive income transferred to retained earnings														
6. Others														
(V) Special reserves														
1. Appropriation for the period														
2. Utilization for the period														
(VI) Others				35,020,953.45										
IV. Closing balance for the period	960,000,000.00			353,624,556.59			267,681,429.01	2,481,439,501.50	4,062,745,487.10			4,062,745,487.10		

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

Statement of changes in owners' equity of parent company

January-December 2019

Unit: Yuan Currency: RMB

Item	Paid-in capital (or share capital)	Other equity instruments		Capital reserves	Less: treasury stock	2019 Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bonds							
I. Closing balance of the previous year	960,000,000.00			318,603,603.14				267,681,429.01	1,776,795,710.80	3,323,080,742.95
Add: changes in accounting policies										
Correction of errors in the prior period										
Others										
II. Opening balance of the current year	960,000,000.00			318,603,603.14				267,681,429.01	1,776,795,710.80	3,323,080,742.95
III. Increase/decrease for the period (decrease is indicated with "-")										
(I) Total comprehensive income				3,033,707.73	69,430,125.93			72,064,527.95	438,340,751.51	444,008,861.26
(II) Contribution and withdrawal of capital by owners					69,430,125.93				720,645,279.46	720,645,279.46
1. Ordinary shares invested by owners										
2. Capital contributed by holders of other equity instruments										
3. Amount included in owners' equity arising from share-based payment										
4. Others					69,430,125.93					-69,430,125.93
(III) Profit distribution										
1. Appropriation to surplus reserves								72,064,527.95	-282,304,327.95	-69,430,125.93
2. Distribution to owners (or shareholders)								72,064,527.95	-72,064,527.95	-210,240,000.00
3. Others										
(IV) Transfers within owners' equity										
1. Transfer of capital reserves to capital (or share capital)										
2. Transfer of surplus reserve to capital (or share capital)										
3. Covering loss with surplus reserve										
4. Change of defined benefit plan transferred to retained earnings										
5. Other comprehensive income transferred to retained earnings										
6. Others										
(V) Special reserves										
1. Appropriation for the period							508,436.38			508,436.38
2. Utilization for the period							508,436.38			
(VI) Others				3,033,707.73						3,033,707.73
IV. Closing balance for the period	960,000,000.00			321,637,310.87	69,430,125.93			339,745,956.96	2,215,136,462.31	3,767,089,604.21

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Paid-in capital (or share capital)	Other equity instruments			Less: treasury stock	2018 Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bonds	Others						
I. Closing balance of the previous year	860,000,000.00						218,262,597.53	1,496,186,227.48	2,574,448,825.01	
Add: changes in accounting policies										
Correction of errors in the prior period										
Others										
II. Opening balance of the current year	860,000,000.00						218,262,597.53	1,496,186,227.48	2,574,448,825.01	
III. Increase/decrease for the period (decrease is indicated with "-")	100,000,000.00						49,418,831.48	280,609,483.32	748,631,917.94	
(I) Total comprehensive income					318,603,603.14			494,188,314.80	418,603,603.14	
(II) Contribution and withdrawal of capital by owners	100,000,000.00				318,603,603.14				418,603,603.14	
1. Ordinary shares invested by owners	100,000,000.00				318,603,603.14					
2. Capital contributed by holders of other equity instruments										
3. Amount included in owners' equity arising from share-based payment										
4. Others										
(III) Profit distribution										
1. Appropriation to surplus reserve							49,418,831.48	-213,578,831.48	-164,160,000.00	
2. Distribution to owners (or shareholders)							49,418,831.48	-49,418,831.48	-164,160,000.00	
3. Others										
(IV) Transfers within owners' equity										
1. Transfer of capital reserves to capital (or share capital)										
2. Transfer of surplus reserve to capital (or share capital)										
3. Covering loss with surplus reserve										
4. Change of defined benefit plan transferred to retained earnings										
5. Other comprehensive income transferred to retained earnings										
6. Others										
(V) Special reserves						310,042.52			310,042.52	
1. Appropriation for the period						310,042.52			310,042.52	
2. Utilization for the period										
(VI) Others										
IV. Closing balance for the period	960,000,000.00				318,603,603.14		267,681,429.01	1,776,795,710.80	3,323,080,742.95	

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

III. Corporate Information

1. Company profile

Applicable Not applicable

Deppon Logistics Co., Ltd. (“the Company” or “Company”) was a joint stock limited company jointly established by 廣東德邦投資控股股份有限公司 (now renamed 寧波梅山保稅港區德邦投資控股股份有限公司, referred to as “Deppon Holdco”) and Cui Weixing (崔維星) in August 2009, with a registered capital of RMB50 million.

Approved by the China Securities Regulatory Commission on the Approval of the Initial Public Offering of Shares by Deppon Logistics Co., Ltd. (《關於核准德邦物流股份有限公司首次公開發行股票的批復》) (Zheng Jian Xu Ke (2017) No. 2374), the Company applied for the initial public offering of 100 million ordinary shares (A shares) with a par value of RMB1 per share at an actual offering price of RMB4.84 per share. After the issuance, the registered capital (share capital) of the Company was changed to RMB960 million. The Company was listed on the SSE STAR since January 16, 2018, with the stock abbreviation of “Deppon Shares” and the stock code of 603056.

The Company’s unified social credit code is 91310000692944327T, registered address and headquarters address of Building 1, No. 316, Xuxiang Road, Xujing Town, Qingpu District, Shanghai, and the legal representative of Cui Weixing (崔維星).

The Company and its subsidiaries are mainly engaged in the provision of integrated logistics services such as general freight, freight forwarding, domestic express and warehousing, as well as commercial factoring business related to the main business.

The Company has established a corporate governance structure consisting of a general meeting of shareholders, a Board of Directors and a Supervisory Committee, with a Strategy Committee, a Remuneration and Evaluation Committee, a Nomination Committee and an Audit Committee under the Board of Directors. There are currently departments such as Board of Directors Office, General Manager Office, Corporate Development Office, Risk Management Department, Public Affairs Department, Capital and Supply Chain Management Department, Business Department, Operation Department, Express Department, Marketing Department, Human Resources Department and Finance Department. As of the end of the reporting period, we had 89 wholly-owned subsidiaries, with a total of 6,328 directly operated service stations in Mainland China and Hong Kong SAR.

The controlling shareholder of the Company is Deppon Holdco and the ultimate beneficial owner is Cui Weixing (崔維星).

Approval date for issue of the financial statements: the financial statements were approved for issue by the Board of Directors of the Company on April 29, 2020.

2. Scope of consolidated financial statements

Applicable Not applicable

As of the end of the reporting period, 89 subsidiaries were included in the scope of consolidated financial statements, as detailed in Note IX. Equity in Other Entities.

For details of changes in the scope of the consolidated financial statements during the reporting period, see Note VIII. Changes in the Consolidation Scope.

IV. Basis for Preparation of Financial Statements

1. Basis of preparation

The Company prepares its financial statements on a going concern basis by recognizing and measuring transactions and events that actually occur in accordance with the provisions of ASBEs and their application guidelines and interpretations of standards. The Company also discloses relevant financial information in accordance with the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports (revised in 2014) (《公開發行證券的公司資訊披露編報規則第15號——財務報告的一般規定》(2014年修訂)) issued by the CSRC.

2. Going concern

Applicable Not applicable

The Company has assessed its ability to continue as a going concern for the 12 months since the end of the reporting period, and no matters affecting the Company's ability to continue as a going concern have been identified. It is reasonable for the Company to prepare its financial statements on a going concern basis.

V. Significant Accounting Policies and Accounting Estimates

Reminders on specific accounting policies and accounting estimates:

Applicable Not applicable

The Company mainly provides integrated logistics services, and the fixed assets of its operating activities are mainly transportation means, and the buildings of its office and operation sites are leased. The Company determines the accounting estimates for revenue recognition, depreciation of fixed assets, long-term deferred expenses, and operating leases based on its own operating characteristics. Please refer to Note V. 22, 30, 36 and 39 for specific accounting policies and estimates.

1. Statement of Compliance with the ASBEs

The financial statements prepared by the Company comply with the requirements of the ASBEs and give a true and complete picture of the Company's financial position, results of operations, changes in shareholders' equity and cash flows, etc.

2. Accounting period

The Company's fiscal year begins on January 1 and ends on December 31 in the calendar year.

3. Business cycle

Applicable Not applicable

The normal operating cycle of the Company is 12 months.

4. Functional currency

The functional currency of the Company is RMB.

5. Accounting treatments for business combination under common control and not under common control

Applicable Not applicable

Accounting treatments for business combination under common control

Assets and liabilities acquired in a business combination are measured at the carrying amount of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of the merger. In particular, if the accounting policies adopted by the merged entity and the Company before the business combination are different, the accounting policies are unified based on the principle of materiality, i.e., the carrying amounts of the merged entity's assets and liabilities are adjusted in accordance with the Company's accounting policies. If there is a difference between the carrying amount of the net assets acquired in a business combination and that of the consideration paid, the Company first adjusts capital reserves (capital premium or share capital premium), and if the balance of capital reserves (capital premium or share capital premium) is not sufficient for write-downs, it is written down by surplus reserves and retained earnings in turn.

6. Methods for preparation of the consolidated financial statements

Applicable Not applicable

(1) Determination of the scope of consolidation

The scope of consolidation in the consolidated financial statements is determined on a control basis and includes not only subsidiaries determined on the basis of voting rights (or similar voting rights) or in combination with other arrangements, but also structured entities determined on the basis of one or more contractual arrangements.

Control means that the Company has power over the investee, enjoys variable returns through its participation in the investee's related activities, and has the ability to use its power over the investee to influence the amount of its returns. Subsidiaries are subjects controlled by the Company (including enterprises, divisible portions of investees, and structured subjects controlled by enterprises, etc.), and structured subjects are subjects that are not designed to have voting or similar rights as a determining factor in determining their controlling parties (Note: sometimes referred to as special purpose subjects).

(2) Methods for preparation of the consolidated financial statements

The Company prepares consolidated financial statements based on its own financial statements and those of its subsidiaries, and on other relevant information.

The Company prepares consolidated financial statements by considering the entire enterprise group as one accounting entity, reflecting the financial position, results of operations and cash flows of the enterprise group as a whole in accordance with the recognition, measurement and presentation requirements of the relevant ASBEs and in accordance with uniform accounting policies and accounting periods.

① Combine the assets, liabilities, owner's equity, income, expenses and cash flow items of the parent company and subsidiaries.

② Offset the parent company's long-term equity investment in the subsidiary against the parent company's share in the ownership interest of the subsidiary.

③ Offset the effect of internal transactions that occur between the parent company and its subsidiaries and between subsidiaries. If an internal transaction indicates an impairment loss on the related asset, the full amount of such loss shall be recognized.

④ Adjust special transactions from the perspective of the enterprise group.

7. Classification of joint venture arrangements and accounting treatment method for joint operations

Applicable Not applicable

8. Determination standards for cash and cash equivalents

Cash equivalents are investments that are held for a short period of time (generally maturing within three months from the date of purchase), are highly liquid, easily convertible to known amounts of cash, and having minimal risk of changes in value.

9. Foreign currency business and foreign currency statement translation

Applicable Not applicable

(1) Foreign currency business

The foreign currency business of the Company shall be converted into the functional currency amount based on the spot exchange rate on the transaction date.

At the balance sheet date, for monetary items denominated in foreign currencies, the spot exchange rate at the balance sheet date is used for translation. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and that at the time of initial recognition or the previous balance sheet date shall be included in the current profit and loss. For foreign currency non-monetary items measured at historical cost, the spot exchange rate on the transaction date shall be adopted for translation. For foreign currency non-monetary items measured at fair value, the spot exchange rate on the date when the fair value is determined shall be used for translation, and the difference between the amount in the converted functional currency and the amount in the original functional currency shall be included in the current profit and loss.

10. Financial instruments

Applicable Not applicable

Applicable as of January 1, 2019

A financial instrument is a contract that forms a financial asset of one party and creates a financial liability or equity instrument of another party.

(1) Recognition and derecognition of financial instruments

When the Company becomes a party to a financial instrument contract, it shall recognize the underlying financial asset or financial liability.

The financial asset shall be derecognized when meeting one of the following conditions:

- ① The contractual right to receive cash flows from the financial asset is terminated;
- ② The financial asset has been transferred and the transfer meets the following requirements for derecognition of financial assets.

A financial liability (or a portion thereof) is derecognized when the present obligation is discharged. If the Company (as the borrower) and the lender enters into an agreement to replace the original financial liability by assuming a new financial liability, and the contract terms of the new financial liability deviated materially from the original financial liability, the Company derecognizes the original financial liability and recognizes a new financial liability. If the Company materially modifies the contractual terms of the original financial liability (or part thereof), it shall terminate the original financial liability and recognize a new financial liability in accordance with the modified terms.

Purchases and sales of financial assets in the regular way shall be accounted for and derecognized on a trade date basis. Purchases and sales of financial assets in the regular way means delivery of financial assets in accordance with the terms of the contract and at a schedule determined by regulations or market practice. The transaction date is the date on which the Company commits to buying or selling a financial asset.

(2) Classification and measurement of financial assets

On initial recognition, the Company classifies financial assets into: financial assets at amortized cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income based on the business mode for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial assets may not be reclassified after initial recognition unless the Company changes its business mode for managing financial assets, in which case all underlying financial assets affected are reclassified on the first day of the first reporting period following the change in the business mode.

Financial assets are measured at fair value on initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are recognized directly in profit or loss, and for other categories of financial assets, the related transaction costs are recognized in their initial recognition amounts. Notes and accounts receivable arising from the sale of goods or provision of services that do not contain or consider a significant financing component are initially measured at the transaction price as defined in the income guidelines.

The subsequent measurement of a financial asset depends on its classification:

① Financial assets at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met: the Company's business mode for managing the financial asset is to collect the contractual cash flows; the contractual terms of the financial asset provide that the cash flows arising on a specific date are only payments of principal and interest based on the outstanding principal amount. For such financial assets, the effective interest rate method is used for subsequent measurement at amortized cost, and any gain or loss arising from derecognition, amortization or impairment under the effective interest rate method is recognized in profit or loss for the current period.

② Financial assets at fair value through other comprehensive income

A financial asset is classified as a financial asset at fair value through other comprehensive income if both of the following conditions are met: the Company's business mode of managing the financial asset aims at both collecting the contractual cash flow and selling the financial asset; and the contractual terms of the financial asset provide that the cash flows arising on a specific date are solely payments of principal and interest based on the principal amount outstanding. Such financial assets shall be subsequently measured at fair value. Except for impairment losses or gains and exchange gains or losses recognized in profit or loss, changes in the fair value of such financial assets are recognized as other comprehensive income until the financial assets are derecognized, at which time the cumulative gain or loss is transferred to current profit or loss. However, the interest income related to this financial asset calculated using the effective interest rate method is recognized in profit or loss for the current period.

The Company irrevocably elects to designate certain investments in non-trading equity instruments as financial assets at fair value through other comprehensive income, with only the related dividend income recognized in profit or loss for the current period, while the changes in fair value are recognized as other comprehensive income until the financial assets are derecognized, with the accumulated gains or losses transferred to retained earnings.

③ Financial assets at fair value through profit or loss

Financial assets other than those measured at amortized cost or fair value through other comprehensive income as described above are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value, with all changes in fair value recognized in profit or loss for the current period.

(3) Classification and measurement of financial liabilities

The Company classifies financial liabilities as those at fair value through profit or loss and those at amortized cost.

The subsequent measurement of a financial liability depends on its classification:

① Financial liabilities at fair value through profit or loss

Such financial liabilities include those held for trading (including derivatives that are financial liabilities) and those designated as at fair value through profit or loss. Subsequent to initial recognition, such financial liabilities are subsequently measured at fair value, with gains or losses (including interest expense) recognized in profit or loss for the current period, except for those related to hedge accounting. However, for financial liabilities designated as at fair value through profit or loss, the amount of change in fair value of such financial liabilities arising from changes in their own credit risk is recognized in other comprehensive income, and when such financial liabilities are derecognized, the cumulative gains and losses previously recognized in other comprehensive income shall be transferred from other comprehensive income to retained earnings.

② Financial liabilities at amortized cost

After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

Except in special cases, financial liabilities are distinguished from equity instruments in accordance with the following principles:

① A contractual obligation meets the definition of a financial liability if the Company cannot unconditionally avoid meeting that obligation by delivering cash or other financial assets. Some financial instruments do not explicitly contain terms and conditions of delivering cash or other financial asset but may indirectly create contractual obligations through other terms and conditions.

② If a financial instrument is required to be settled with or available for settlement with the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument are used as a substitute for cash or other financial assets or to give the holder of the instrument a residual interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is a financial liability of the issuer; in the latter case, the instrument is an equity instrument of the issuer. In certain circumstances, a financial instrument contract that requires the Company to settle the financial instrument with or available for using its own equity instruments, where the amount of the contractual right or contractual obligation is equal to the number of its own equity instruments available for acquisition or delivery multiplied by their fair value at the time of settlement, is classified as a financial liability whether the amount of the contractual right or contractual obligation is fixed or changes based, in whole or in part, on changes in variables other than the market price of the Company's own equity instruments (for example, interest rates, the price of a commodity or the price of a financial instrument).

(4) Impairment of financial instruments

For financial assets at amortized cost, debt investments at fair value through other comprehensive income, contract assets and lease receivables, the Company recognizes an allowance for losses based on expected credit losses.

① Measurement of expected credit losses

Expected credit loss refers to the weighted average credit losses on financial instruments weighted by the risk of default. Credit losses represent the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Company, discounted at the original effective interest rate, i.e., the present value of all cash shortfalls. Financial assets purchased or originated by the Company that are credit-impaired shall be discounted at the credit-adjusted effective interest rate of the financial assets.

Expected credit loss for the entire life is the expected credit loss resulting from all possible events of default throughout the expected life of the financial instrument.

Expected credit losses within the next 12 months are expected credit losses resulting from possible default events on financial instruments within 12 months after the balance sheet date (or the expected duration if the expected duration of the financial instrument is less than 12 months) and are part of the expected credit losses for the entire duration.

At each balance sheet date, the Company measures expected credit losses separately for financial instruments that are in different stages. If the credit risk of a financial instrument has not increased significantly since initial recognition, it is in the first stage, and the Company measures the allowance for losses based on the expected credit losses over the next 12 months; if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in the second stage, and the Company measures the allowance for losses based on the expected credit losses over the entire life of the instrument; if the credit of a financial instrument has been impaired since initial recognition, it is in the third stage, and the Company measures the allowance for losses based on the expected credit losses over the entire life of the instrument.

For financial instruments with low credit risk at the balance sheet date, the Company assumes that their credit risk has not increased significantly since initial recognition, and measures the allowance for losses based on expected credit losses over the next 12 months.

The Company calculates the interest income on financial instruments that are in the first and second stages, as well as those with a low credit risk, based on their carrying amounts before deducting impairment allowances and using the effective interest rates. For financial instruments in the third stage, interest income is calculated on the basis of their carrying amount less the amortized cost after the impairment allowances and using the effective interest rate.

For notes receivable, accounts receivable, factoring receivables and receivables financing, the Company measures the allowance for losses based on the expected credit losses throughout their lives, regardless of whether there is a significant financing component.

A. Receivables

For notes receivable, accounts receivable, factoring receivables, other receivables, receivables financing, etc. for which objective evidence of impairment exists or applicable to individual assessments, separate impairment tests are performed, expected credit losses are recognized and individual impairment allowances are made. For notes receivable, accounts receivable, factoring receivables, other receivables, receivables financing for which there is no objective evidence of impairment, or when information on expected credit losses cannot be assessed at a reasonable cost for individual financial assets, the Company divides notes receivable, accounts receivable, factoring receivables, other receivables, receivables financing, etc. into certain combinations based on credit risk characteristics, and calculates expected credit losses on the basis of the combinations, which are determined on the following basis:

The basis for determining the portfolio of notes receivable is as follows:

Portfolio of notes receivable 1 commercial acceptance note

Portfolio of notes receivable 2 Bank acceptance note

For notes receivable classified as a portfolio, the Company calculates expected credit losses by referring to historical credit loss experience, current conditions and forecasts of future economy through default risk exposures and expected credit loss rates throughout the life of the notes.

The basis for determining the portfolio of accounts receivable is as follows:

Accounts receivable portfolio 1 Receivables from related parties in the scope of consolidation

Accounts receivable portfolio of 2 Due from other customers

For accounts receivable classified as a portfolio, the Company prepares a table of aging of accounts receivable against the expected credit loss rate for the entire duration to calculate expected credit losses by referring to historical credit loss experience, taking into account current conditions and forecasts of future economy.

The basis for determining the portfolio of factoring receivables is as follows:

Portfolio of factoring receivables 1 Factoring receivables

For factoring receivables classified as a portfolio, the Company calculates expected credit losses by taking into account historical credit loss experience, current conditions and forecasts of future economy based on default risk exposures and expected credit loss rates throughout the duration.

The basis for determining the portfolio of other receivables is as follows:

Portfolio of other receivables 1 Interest receivable

Portfolio of other receivables 2 Margins, deposits, reserve funds and other receivables from employees

Portfolio of other receivables 3 Receivables from related parties in the scope of consolidation

Portfolio of other receivables 4 Other receivables

For other receivables classified as a portfolio, the Company calculates expected credit losses by referring to historical credit loss experience, current conditions and forecasts of future economy through default risk exposures and expected credit loss rates over the next 12 months or the entire duration.

B. Debt investments, other debt investments

For debt investments and other debt investments, the Company calculates expected credit losses through default risk exposures and expected credit loss rates over the next 12 months or the entire duration, depending on the nature of the investment and the types of counterparties and risk exposures.

② Low credit risk

A financial instrument is considered to have low credit risk if the default risk of financial instruments is low, the borrower is competent in meeting its contractual cash flow obligations in the short term, and even if adverse changes in economic conditions and business environment in the longer term do not necessarily reduce the borrower's ability to meet its contractual cash flow obligations.

③ A significant increase in credit risk

The Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the probability of default over the expected life of the financial instrument as determined at the balance sheet date with the probability of default over the expected life of the financial instrument as determined at initial recognition to determine the relative change in the probability of default over the expected life of the financial instrument.

In determining whether the credit risk has increased significantly since initial recognition, the Company considers reasonable and substantiated information, including forward-looking information that is available without undue additional cost or effort. The Company considers the following information:

A. Whether there is a significant change in internal price indicators resulting from changes in the credit risk;

B. Whether there is an adverse change in business, finance or economy that is expected to result in a significant change in the debtor's ability to meet its debt service obligations;

C. Whether there has been a significant change in the actual or expected results of the debtor's operations; and whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor operates;

D. Whether there has been a significant change in the value of the collateral pledged as security for the debt or in the quality of the guarantee or credit enhancement provided by third parties. These changes are expected to reduce the debtor's economic incentive to repay by the contractual deadline or to affect the probability of default;

E. Whether there has been a significant change in the economic incentive that is expected to reduce the debtor's ability to repay by the contractual deadline;

F. Anticipated changes to the borrowing contract, including whether the anticipated breach may result in a waiver or amendment of contractual obligations, the granting of an interest-free period, a jump in interest rates, a requirement for additional collateral or security, or other changes to the contractual framework of the financial instrument;

G. Whether there has been a significant change in the debtor's expected performance and repayment behavior;

Depending on the nature of the financial instruments, the Company assesses whether there is a significant increase in the credit risk on the basis of individual financial instruments or a portfolio of financial instruments.

When conducting an evaluation on the basis of a portfolio of financial instruments, the Company may classify financial instruments based on common credit risk characteristics.

④ Credit-impaired financial asset

The Company assesses at the balance sheet date whether financial assets at amortized cost and debt investments at fair value through other comprehensive income are credit-impaired. A financial asset becomes credit-impaired when one or more events occur that have an adverse effect on the expected future cash flows of the financial asset. Evidence that a financial asset is credit-impaired includes the following observable information:

Significant financial difficulties of the issuer or debtor; breach of contract by the debtor, such as default or delinquency in interest or principal payments; creditors granting concessions to the debtor that would not otherwise be made because of economic or contractual considerations related to the debtor's

financial difficulties; probable bankruptcy or other financial reorganization of the debtor; disappearance of an active market for the financial asset as a result of the issuer's or debtor's financial difficulties; purchase or origination of a financial asset at a significant discount that reflects the credit loss.

⑤ Presentation of allowance for expected credit losses

To reflect changes in the credit risk of financial instruments since initial recognition, the Company re-measures expected credit losses at each balance sheet date, and the resulting increase or reversal in the allowance for losses shall be recognized as an impairment loss or gain in profit or loss for the current period. For financial assets at amortized cost, the allowance for losses shall be offset against the carrying amount of the financial assets presented in the balance sheet; for debt investments at fair value through other comprehensive income, the Company recognizes its allowance for losses in other comprehensive income, without deducting the carrying amount of the financial assets.

⑥ Write-offs

If the Company no longer has a reasonable expectation that the contractual cash flows from a financial asset will be fully or partially recovered, the carrying amount of the financial asset shall be written down directly. Such write-downs constitute derecognition of the underlying financial assets. This usually occurs when the Company determines that the debtor does not have assets or sources of income that will generate sufficient cash flows to repay the amount to be written down.

If a financial asset that has been written down is subsequently recovered, the reversal of the impairment loss is recognized as a gain or loss in the period in which it is recovered.

(5) Transfer of financial assets

A transfer of financial assets is either:

A. Transferring the contractual right to receive cash flows from a financial asset to another party;

B. Transferring the financial asset, in whole or in part, to another party, but retaining a contractual right to receive cash flows from the financial asset and a contractual obligation to pay the cash flows received to one or more recipients.

① Derecognition of transferred financial assets

A financial asset is derecognized if substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee, or if substantially all the risks and rewards of ownership of the financial asset have neither been transferred nor retained, but control over the financial asset has been relinquished.

In determining whether control over the transferred financial asset has been relinquished, the actual ability of the transferee to sell the financial asset is considered. If the transferee is able to unilaterally sell the transferred financial asset in its entirety to an unrelated third party without additional conditions limiting such sale, the Company has relinquished its control over the financial asset.

The Company focuses on the substance of the transfer of financial assets when determining whether the conditions for derecognition of a financial asset are met.

When a transfer of a financial asset as a whole satisfies the derecognition condition, the difference between the following two amounts is recognized in profit or loss for the current period:

A. The carrying amount of the financial asset transferred;

B. The sum of the consideration received for the transfer and the amount of derecognized portion of the cumulative amount of changes in fair value previously recognized directly in other comprehensive income (financial assets involved in the transfer are those classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of ASBEs No. 22 — Recognition and Measurement of Financial Instruments).

When a partial transfer of a financial asset meets the derecognition condition, the carrying amount of the financial asset as a whole is apportioned between the derecognized portion and the unrecognized portion (in which case the retained service asset is treated as part of the continuing recognition of the financial asset), based on their respective relative fair values at the date of transfer, and the difference between the following amounts is recognized in profit or loss for the current period:

A. The carrying value of the derecognized portion at the date of derecognition;

B. The sum of the consideration for the derecognized portion and the amount of derecognized portion of the cumulative amount of changes in fair value previously recognized directly in other comprehensive income (financial assets involved in the transfer are those classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of ASBEs No. 22 — Recognition and Measurement of Financial Instruments).

② Continuing involvement in transferred financial assets

If neither substantially all the risks and rewards of ownership of a financial asset are transferred nor retained, and control over the financial asset is not relinquished, the underlying financial asset shall be recognized to the extent of its continuing involvement in the transferred financial asset, and the related liability shall be recognized accordingly.

The extent of continuing involvement in transferred financial assets is the extent to which the enterprise bears the risk or reward of changes in the value of the transferred financial assets.

③ Continue to recognize the transferred financial assets

If substantially all the risks and rewards associated with ownership of the transferred financial asset are retained, the transferred financial asset shall be recognized in its entirety, and the consideration received shall be recognized as a financial liability.

The financial asset and the underlying financial liability recognized shall not offset against each other. In subsequent accounting periods, the Company shall continue to recognize the income (or gain) from the financial asset and the expense (or loss) from the financial liability.

(6) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the balance sheet and not be offset against each other. The net offsetting amount is shown in the balance sheet if the following conditions are met:

the Company has a legal right to offset the recognized amount and such a legal right is currently enforceable;

the Company plans to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously.

For transfers of financial assets that do not meet the derecognition criteria, the transferor shall not make the transferred financial assets set against related liabilities.

(7) Methodology for determining the fair value of financial instruments

Fair value is the price that a market participant would receive to sell an asset or pay to transfer a liability in an orderly transaction occurring on the measurement date.

The Company measures the fair value of the relevant asset or liability at the price in the principal market, or if no principal market exists, the Company measures the fair value of the relevant asset or liability at the price in the most advantageous market. The Company adopts the assumptions used by market participants in pricing the asset or liability to maximize their economic benefits.

The principal market, which is the market where the relevant assets or liabilities are most traded and where trading is most active; and the most advantageous market, which is the market where the relevant assets can be sold for the highest amount or the relevant liabilities can be transferred for the lowest amount, after taking into account transaction and transportation costs.

Regarding financial assets or financial liabilities for which there is an active market, the Company uses quoted prices in an active market to determine their fair values. If there is no active market for a financial instrument, the Company uses valuation techniques to determine its fair value.

Where a non-financial asset is measured at fair value, consideration is given to the ability of a market participant to generate economic benefits from the use of the asset for its best purpose or the ability to generate economic benefits from the sale of the asset to other market participants who are able to use it for its best purpose.

① Valuation techniques

The Company gives priority to the use of relevant observable inputs in the application of valuation techniques and uses unobservable inputs only when relevant observable inputs are unavailable or impracticable to obtain. Observable input is input that is available from market data. This input reflects the assumptions used by market participants in pricing the underlying asset or liability. Unobservable inputs are inputs that are unavailable from market data. This input is based on the best available information on assumptions used by market participants in pricing the underlying asset or liability.

② Fair value levels

The Company divides the inputs used for fair value measurement into three levels, and firstly uses inputs of level 1, and then the input of level 2, and finally level 3. Inputs of level 1 are unadjusted quoted prices in active markets for identical assets or liabilities that are available on the measurement date. Inputs of level 2 are directly or indirectly observable inputs of an underlying asset or liability in addition to the inputs of level 1. Inputs of level 3 are unobservable inputs for the underlying asset or liability.

The following financial instruments accounting policies apply to year 2018 and prior**(1) Classification of financial assets****① Financial assets at fair value through profit or loss**

They include financial assets held for trading and financial assets at fair value through profit or loss, of which the former are mainly stocks, bonds, funds and investments in derivative instruments that are not effective hedging instruments and are held by the Company for sale in the near future. Such assets are initially recognized at fair value at the time of acquisition and transaction costs are recognized in profit or loss for the period as incurred. The payment, which includes cash dividends declared but not yet paid or interest on bonds that are up for payment but not yet received, is recognized separately as a receivable. Interest or cash dividends earned during the holding period are recognized as investment income. At the balance sheet date, the Company recognizes such financial assets at fair value through profit or loss.

Upon disposal of such financial assets, the difference between their fair value and the initial carrying amount is recognized as investment income with an adjustment to the gain or loss on changes in fair value.

② Held-to-maturity investments

They are mainly government bonds and corporate bonds with fixed maturities and fixed or determinable recoveries, and which the Company has the explicit intention and ability to hold until maturity. Such financial assets are initially recognized at the sum of the fair value at the time of acquisition and related transaction costs. Interest on bonds that are due for interest payment but have not yet been issued, included in the payment, is recognized as a separate receivable. Interest income from held-to-maturity investments is recognized over the holding period at amortized cost and effective interest rate and is included in investment income. Upon disposal of a held-to-maturity investment, the difference between the payment acquisition and the carrying amount of the investment is recognized as investment income.

③ Receivables

Receivables mainly include accounts receivable and other receivables, etc. Accounts receivable are receivables resulting from the sale of goods or provision of services by the Company. Accounts receivable are initially recognized at the contractual or agreed price receivable from the purchaser.

④ Available-for-sales financial assets

They are mainly financial assets not classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables by the Company. Available-for-sale financial assets are initially recognized at the sum of the fair value of the financial assets acquired and related transaction costs. Interest on bonds that are due but not yet received or cash dividends declared but not yet paid included in the payment are recognized separately as receivables. Interest or cash dividends received during the holding period of available-for-sale financial assets are recognized as investment income.

If an available-for-sale financial asset is a foreign-currency monetary financial asset, the resulting exchange gain or loss shall be recognized in profit or loss for the current period. Interest on investments in available-for-sale debt instruments calculated using the effective interest method is recognized in profit or loss for the period; cash dividends from investments in available-for-sale equity instruments are recognized in profit or loss for the period when dividends are declared by the investees. At the balance sheet date, available-for-sale financial assets are measured at fair value, and the changes are recognized in other comprehensive income. Upon disposal of an available-for-sale financial asset, the difference between the payment acquisition and the carrying amount of the financial asset is recognized as investment income; at the same time, the amount corresponding to the disposal portion of the accumulated changes in fair value previously recognized in owners' equity is reversed out and recognized as investment income.

(2) Classification of financial liabilities

① Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities designated as fair value through profit or loss. Such financial liabilities are measured at fair value on initial recognition, with related transaction costs recognized directly in profit or loss, and changes in fair value recognized in profit or loss at the balance sheet date.

② Other financial liabilities are financial liabilities other than those at fair value through profit or loss.

(3) Distinction between financial liabilities and equity instruments

Except in special cases, financial liabilities are distinguished from equity instruments in accordance with the following principles:

① A contractual obligation meets the definition of a financial liability if the Company cannot unconditionally avoid meeting that obligation by delivering cash or other financial assets. Some financial instruments do not explicitly contain terms and conditions of delivering cash or other financial asset but may indirectly create contractual obligations through other terms and conditions.

② If a financial instrument is required to be settled with or available for settlement with the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument are used as a substitute for cash or other financial assets or to give the holder of the instrument a residual interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is a financial liability of the issuer; in the latter case, the instrument is an equity instrument of the issuer. In certain circumstances, a financial instrument contract that requires the Company to settle the financial instrument with or available for using its own equity instruments, where the amount of the contractual right or contractual obligation is equal to the number of its own equity instruments available for acquisition or delivery multiplied by their fair value at the time of settlement, is classified as a financial liability whether the amount of the contractual right or contractual obligation is fixed or changes based, in whole or in part, on changes in variables other than the market price of the Company's own equity instruments (for example, interest rates, the price of a commodity or the price of a financial instrument).

(4) Transfer of financial assets

A transfer of financial assets is either:

A. Transferring the contractual right to receive cash flows from a financial asset to another party;

B. Transferring the financial asset, in whole or in part, to another party, but retaining a contractual right to receive cash flows from the financial asset and a contractual obligation to pay the cash flows received to one or more recipients.

① Derecognition of transferred financial assets

A financial asset is derecognized if substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee, or if substantially all the risks and rewards of ownership of the financial asset have neither been transferred nor retained, but control over the financial asset has been relinquished.

In determining whether control over the transferred financial asset has been relinquished, the actual ability of the transferee to sell the financial asset is considered. If the transferee is able to unilaterally sell the transferred financial asset in its entirety to an unrelated third party without additional conditions limiting such sale, the Company has relinquished its control over the financial asset.

The Company focuses on the substance of the transfer of financial assets when determining whether the conditions for derecognition of a financial asset are met.

When a transfer of a financial asset as a whole satisfies the derecognition condition, the difference between the following two amounts is recognized in profit or loss for the current period:

A. The carrying amount of the financial asset transferred;

B. The sum of the consideration received for the transfer and the cumulative amount of changes in fair value originally recognized directly in owners' equity (in the case where the financial assets involved in the transfer are available-for-sale financial assets).

If a partial transfer of a financial asset satisfies the derecognition condition, the carrying amount of the financial asset transferred as a whole is apportioned between the derecognized portion and the unrecognized portion (in which case the retained service asset is considered as part of the unrecognized financial asset) based on their respective relative fair values, and the difference between the following two amounts is recognized in profit or loss for the period:

A. The carrying value of the derecognized portion;

B. The sum of the consideration for the derecognized portion and the amount corresponding to the derecognized portion of the cumulative amount of changes in fair value originally recognized directly in owners' equity (in the case where the financial assets involved in the transfer are available-for-sale financial assets).

② Continuing involvement in transferred financial assets

If substantially all the risks and rewards of ownership of a financial asset are neither transferred nor retained, and control over the financial asset is not relinquished, the underlying financial asset shall be recognized to the extent of its continuing involvement in the transferred financial asset, and the related liability shall be recognized accordingly.

The extent of continuing involvement in transferred financial assets is the level of risk to which the enterprise is exposed as a result of changes in the value of that financial asset.

③ Continue to recognize the transferred financial assets

If substantially all the risks and rewards associated with ownership of the transferred financial asset are retained, the transferred financial asset shall be recognized in its entirety, and the consideration received shall be recognized as a financial liability.

The financial asset and the underlying financial liability recognized shall not offset against each other. In subsequent accounting periods, the Company shall continue to recognize the income from the financial asset and the expense from the financial liability. If the transferred financial assets are measured at amortized cost, the related liabilities recognized shall not be designated as financial liabilities at fair value through profit or loss.

(5) Derecognition of financial liabilities

A financial liability or part thereof is derecognized when the present obligation of the financial liability is discharged in whole or in part.

When assets used to settle a financial liability are transferred to an institution or a trust is established, and the present obligation to settle the liability still exists, the financial liability is not derecognized and the transferred assets are not derecognized.

If an agreement is entered into with a creditor to replace an existing financial liability by assuming a new financial liability, and the contractual terms of the new financial liability are materially different from those of the existing financial liability, the existing financial liability is derecognized and the new financial liability is recognized at the same time.

If the contractual terms of all or part of an existing financial liability are materially modified, the existing financial liability or part of it is derecognized, and the modified financial liability is recognized as a new financial liability.

If a financial liability is derecognized in whole or in part, the difference between the carrying amount of the derecognized portion and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) is recognized in profit or loss for the current period.

(6) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the balance sheet and not be offset against each other. The net offsetting amount is shown in the balance sheet if the following conditions are met:

the Company has a legal right to offset the recognized amount and such a legal right is currently enforceable;

the Company plans to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously.

For transfers of financial assets that do not meet the derecognition criteria, the transferor shall not make the transferred financial assets set against related liabilities.

(7) Impairment test and provision for impairment loss of financial assets

① Objective evidence of impairment of financial assets:

A. The issuer or debtor has serious financial difficulties;

B. The debtor breaches the contract terms, for instance, failing to pay or delaying the payment of interests or the principal;

C. Concessions by creditors to debtors in financial difficulty for economic or legal reasons, etc.;

D. The possibility of the debtor going out of business or undergoing other financial restructuring;

E. The financial asset cannot continue to be traded in an active market due to significant financial difficulties of the issuer;

F. It is not possible to identify whether the cash flows of a group of financial assets have decreased, but a general evaluation of the group based on publicly available data shows that the expected future cash flows of the group have indeed decreased and are measurable since initial recognition;

G. A material adverse change in the technological, market, economic or legal environment in which the debtor operates, such that investors in equity instruments may not be able to recover the cost of their investment;

H. A significant or other than temporary decline in the fair value of an investment in an equity instrument, such as when the fair value of an investment in an equity instrument at the balance sheet date is less than 50% (inclusive) of its initial investment cost or remains less than its initial investment cost for more than 12 months (inclusive).

The duration of being lower than the initial investment cost for more than 12 months (inclusive) means that the average monthly fair value of the equity instrument investment has been lower than its initial investment cost for 12 consecutive months;

I. Other objective evidence of impairment of financial assets.

② Impairment testing of financial assets (excluding receivables)

A. Financial assets at amortized cost

If there is objective evidence that a financial asset is impaired, the carrying amount of the financial asset is written down to the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred), and the amount of the write-down is recognized in profit or loss for the current period.

The present value of the expected future cash flows is determined by discounting the original effective interest rate of the held-to-maturity investment, taking into account the value of the related collateral (costs incurred to acquire and sell the collateral are deducted). The original effective interest rate is the effective interest rate calculated and determined at the time of initial recognition of the held-to-maturity investment. For held-to-maturity investments with floating interest rates, the current effective interest rate specified in the contract may be used as the discount rate in calculating the present value of future cash flows.

When performing impairment tests on financial assets at amortized cost, the Company considers financial assets with an amount greater than or equal to RMB1 million as financial assets with a single significant amount and those with an amount below this standard as financial assets with a single insignificant amount.

Financial assets with individually significant amounts are individually tested for impairment, and if there is objective evidence that they are impaired, an impairment loss is recognized in profit or loss; financial assets with individually insignificant amounts are individually tested for impairment or included in a portfolio of financial assets with similar credit risk characteristics for impairment testing.

Financial assets that are individually tested for non-impairment (including individually significant and insignificant financial assets) are included in a portfolio of financial assets with similar credit risk characteristics and then tested for impairment; financial assets for which impairment losses have been recognized individually are not included in a portfolio of financial assets with similar credit risk characteristics for impairment testing.

After the Company recognizes an impairment loss on a financial asset at amortized cost, if there is objective evidence that the value of the financial asset has recovered and the recovery is objectively related to an event occurring after the loss was recognized, the impairment loss originally recognized is reversed and recognized in profit or loss for the current period. However, the carrying amount after such reversal does not exceed the amortized cost of the financial asset at the date of reversal assuming no provision for impairment is made.

B. Impairment testing of available-for-sale financial assets

If an available-for-sale financial asset is impaired, the cumulative loss resulting from the decline in fair value that was previously recognized directly in owners' equity is transferred together with the impairment loss on the asset when the impairment loss is recognized. After an impairment of an available-for-sale debt instrument financial asset, interest income is recognized at the discount rate used to discount future cash flows in determining the impairment loss.

For available-for-sale debt instruments for which an impairment loss has been recognized, if the fair value has increased in a subsequent accounting period and can be objectively related to an event occurring after the recognition of the original impairment loss, the originally recognized impairment loss is reversed and recognized in profit or loss for the current period. Impairment losses incurred on investments in available-for-sale equity instruments are not reversed through profit or loss.

(8) Methods for determining the fair value of financial assets and financial liabilities

The fair value determination method for financial assets and financial liabilities is described in Note V. 10. (7).

11. Notes receivable**Method of determining expected credit losses on notes receivable and accounting treatment**

Applicable Not applicable

For details, please refer to Section XI of this report on Financial Report V. Significant accounting policies and accounting estimates: 10. Financial instruments.

12. Accounts receivable**Method of determining expected credit losses on accounts receivable and accounting treatment**

Applicable Not applicable

For details, please refer to Section XI of this report on Financial Report V. Significant accounting policies and accounting estimates: 10. Financial instruments.

13. Accounts receivable financing

Applicable Not applicable

14. Other receivables**Method of determining expected credit losses on other receivables and accounting treatment**

Applicable Not applicable

For details, please refer to Section XI of this report on Financial Report V. Significant accounting policies and accounting estimates: 10. Financial instruments.

15. Inventories

Applicable Not applicable

(1) Categories of inventories

All of the Company's inventories are low-value consumables.

(2) Measurement of outgoing inventories

The Company's inventories are valued at actual cost at the time of acquisition, and the first-in, first-out method is used to determine the cost of outgoing inventories.

(3) Determination basis of net realizable value of inventories and method of making provision for inventory impairment

The net realizable value of inventories is based on the estimated selling price of the inventories less estimated selling and marketing expenses and related taxes. The determination of the net realizable value of inventories is based on conclusive evidence obtained, taking into account the purpose for which the inventories are held and the effect of events after the balance sheet date.

On the balance sheet date, provision for inventory impairment shall be made if the cost of inventory is higher than its net realizable value. The Company usually makes provision for inventory impairment based on an individual category of inventory items. At the balance sheet date, if the factors affecting the value of previously written down inventory disappear, the provision for inventory impairment is reversed within the amount originally provided for.

(4) Inventory system

The Company's inventories are inventoried on a perpetual basis, at least once a year, and the amount of inventory gain or loss is recognized in profit or loss for the year.

16. Held-for-sale assets

Applicable Not applicable

17. Debt investments

(1). Method of determining expected credit losses on debt investments and accounting treatment

Applicable Not applicable

18. Other debt investments

(1). Method of determining expected credit losses on other debt investments and accounting treatment

Applicable Not applicable

19. Long-term receivables

(1). Method of determining expected credit losses on long-term receivables and accounting treatment

Applicable Not applicable

20. Long-term equity investments

Applicable Not applicable

Long-term equity investments include equity investments in subsidiaries and associates. Where the Company is able to exert significant influence on the investee, the investee is an associate of the Company.

(1) Investment cost determination

For long-term equity investments acquired in a business combination under common control, the cost of investment at the date of consolidation is based on the acquisition of the share of the ownership interest of the merged entity in the carrying amount of the consolidated financial statements of the ultimate controlling party.

For long-term equity investments acquired by paying cash other than in a business combination, the initial investment cost is based on the actual price paid.

(2) Subsequent measurement and recognition method of profits and losses

Long-term equity investments in which the Company is able to exercise control over the investee are accounted for using the cost method. Profits declared by the investee are recognized as investment income and recognized in profit or loss for the current period.

In the case of making accounting using the equity method, the Company shall recognize the investment income and other comprehensive income according to the share of the realized net profit and loss and other comprehensive income of the investee attributable to the Company, and adjust the book value of the long-term equity investment. The Company shall write down the book value of the long-term equity investment according to share of the profit or cash dividend declared by the investee attributable to the Company. Other changes to the owner's equity of the investee, other than the net profit and loss, other comprehensive income and profit distribution, shall be used to adjust the book value of the long-term equity investment and included in capital reserves (other capital reserves). When recognizing its share in the net profit and loss of the investee, the Company shall recognize it on the basis of the fair value of the identifiable assets of the investee when acquiring the investment and after adjusting the net profit of the investee in accordance with the Company's accounting policies and accounting period.

(3) Basis for determining significant influence over an investee

Significant influence means the investor has the power to participate in decision-making for the financial and business policies of the investee, but cannot control or jointly control with other parties over the formulation of such policies. In determining whether significant influence can be exercised over an investee, the investor shall consider its direct or indirect holdings of voting shares in the investee and the effect of current exercisable potential voting rights held by the investor and others upon their assumed conversion into equity interests in the investee's units, including the effect of current convertible warrants, share options and convertible corporate bonds issued by the investee, etc.

(4) Method of impairment test and provision for impairment

For investments in subsidiaries and associates, the Company provides for impairment of long-term assets as described in Note V. 29.

21. Investment properties

Not applicable

22. Fixed assets

(1). Recognition criteria

Applicable Not applicable

The Company's fixed assets refer to the tangible assets held by the Company for rendering services, operation and administration purposes with useful life of over one fiscal year.

A fixed asset is recognized when the economic benefits associated with such fixed asset are likely to flow into the enterprise and the cost of such fixed asset can be reliably measured.

The fixed assets of Company are initially measured at the actual cost at the time of acquisition.

(2). Depreciation method

Applicable Not applicable

Category	Depreciation method	Depreciation life (year)	Rate of residual value	Annual depreciation rate
Transportation vehicles (electric vehicles)	Straight-line method	2	0%	50%
Transportation vehicles (excluding electric vehicles)	Straight-line method	5-6	5%	15.83%-19%
Machinery equipment	Straight-line method	3-10	0%-5%	9.5%-33.33%
Electronic and office equipment	Straight-line method	3	0%	33.33%

The Company makes provision for depreciation using the straight-line method. Depreciation on fixed assets begins when they reach their intended useable condition and ceases upon derecognition or when they are classified as non-current assets held for sale. The annual depreciation rates of the Company's fixed assets by category, estimated useful life and estimated salvage value are shown in the table above.

For fixed assets for which provision for impairment has been made, the provision for impairment of fixed assets is deducted when provision for depreciation is made. See Note V. 29 for the impairment testing method and provision for impairment of fixed assets.

At the end of each year, the Company reviews the useful life, estimated net salvage value and depreciation method of fixed assets. If the estimated useful life is different from the original estimate, the useful life of the fixed asset shall be adjusted.

(3). Recognition basis, valuation and depreciation method of fixed assets acquired under financing leases

Applicable Not applicable

23. Construction in progress

Applicable Not applicable

(1) Construction in progress is accounted by the classification of project establishment.

(2) Criteria and timing for carrying forward construction-in-progress to fixed assets

Construction-in-progress projects are recorded as fixed assets at the value of all expenditures incurred in the construction of the asset until it reaches its intended usable condition. This includes construction costs, original cost of machinery and equipment, other necessary expenditures incurred to make construction in progress reach its intended usable condition, and borrowing costs incurred for borrowings specifically for the project before the asset reaches its intended usable condition and borrowing costs incurred for general borrowings occupied. The Company transfers construction in progress to fixed assets when the installation or construction is completed to its intended usable condition. Fixed assets constructed in their intended usable condition but not yet completed for final settlement are transferred to fixed assets at their estimated value from the date they reach their intended usable condition based on the project budget, construction cost or actual cost of construction, etc. and the provision for depreciation of fixed assets is made in accordance with the Company's depreciation policy for fixed assets. The original provisional estimated value is adjusted based on the actual cost after the final settlement is completed, but the original amount of provision for depreciation shall not be adjusted.

24. Borrowing costs

Applicable Not applicable

25. Biological assets

Applicable Not applicable

26. Oil and gas assets

Applicable Not applicable

27. Right-of-use assets

Applicable Not applicable

28. Intangible assets**(1). Measurement method, useful life, and impairment test**

Applicable Not applicable

The Company's intangible assets include software, trademarks, etc.

Intangible assets are initially measured at cost, and their useful lives are analyzed and determined at the time of acquisition. Intangible assets with finite useful lives are amortized over their estimated useful lives from the time they become available for use, using an amortization method that reflects the expected realization of economic benefits associated with the asset; if the expected realization cannot be reliably determined, the straight-line method is used; intangible assets with indefinite useful lives are not amortized.

The amortization method for intangible assets with finite useful lives is as follows:

Category	Useful life	Amortization method	Note
Software	Benefit period	Straight-line method	3 years
Trademark	Benefit period	Straight-line method	3 years

At the end of each year, the Company reviews the useful lives and amortization methods of intangible assets with finite useful lives and adjusts the original estimates if they differ from previous estimates and treats them as changes in accounting estimates.

If an intangible asset is no longer expected to provide future economic benefits to the Company at the balance sheet date, the full carrying amount of the intangible asset is transferred to current profit or loss.

The method of provision for impairment of intangible assets for long-term assets is described in Note V. 29.

(2). Accounting policies for internal research and development expenditures

Applicable Not applicable

(1) Criteria for dividing the research phase and development phase of internal research and development projects

① The Company treats the preparation for information and related aspects for further development activities as the research phase, and expenses for the research phase of intangible assets are recognized in the current profit or loss as incurred.

② Development activities after the Company's research phase shall be considered as the development phase.

(2) Specific conditions for capitalization of development phase expenditures

Expenditures in the development phase are recognized as intangible assets only when all of the following conditions are met:

A. It is technically feasible to complete the intangible asset so that it can be used or sold;

B. There's the intent to complete the intangible asset and use or sell it;

C. The manner in which the intangible asset generates economic benefits can be demonstrated, including the existence of a market for the product produced using the intangible asset or the existence of a market for the intangible asset itself, or the usefulness of the intangible asset if it will be used internally;

D. There's sufficient technical, financial and other resources to support the completion of the development of the intangible asset and the ability to use or sell the intangible asset;

E. The expenditure attributable to the development phase of this intangible asset can be measured reliably.

Expenditures in the development phase that do not meet the above conditions are recognized in the current profit or loss as incurred. Development expenditures recognized in profit or loss in prior periods can't be re-recognized as assets in subsequent periods. Expenditures in the development phase that have been capitalized are presented on the balance sheet as development expenditures and transferred to intangible assets from the date the project reaches its intended use.

29. Impairment of long-term assets

Applicable Not applicable

Impairment of assets of long-term equity investments, fixed assets, construction in progress and intangible assets of subsidiaries and associates are determined as follows:

At the balance sheet date, the Company determines whether there is an indication that an asset may be impaired. If there is an indication of impairment, the Company will estimate its recoverable amount and perform an impairment test. Goodwill resulting from business combinations, intangible assets with indefinite useful lives and intangible assets that have not yet reached their useful lives are tested annually for impairment regardless of whether there is an indication of impairment.

The recoverable amount is determined as the higher of the net of the asset's fair value less costs of disposal and the present value of the asset's estimated future cash flows. The Company estimates the recoverable amount of an individual asset on an individual basis; if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs. The identification of an asset group is based on whether the primary cash inflows generated by the asset group are independent of those from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the Company writes down the carrying amount to its recoverable amount, and the amount of the write-down is recognized in profit or loss for the current period, together with a corresponding provision for asset impairment.

For the purpose of impairment testing of goodwill, the carrying amount of goodwill arising from a business combination is apportioned to the relevant asset group from the date of purchase using a reasonable method; if it is difficult to apportion to the relevant asset group, it is apportioned to the relevant asset group portfolio. The relevant asset group or asset group portfolio is that that can benefit from the synergies of the business combination and is not larger than the Company's identified reporting segments.

When testing for impairment, if there is an indication that an asset group or asset group portfolio related to goodwill is impaired, the asset group or asset group portfolio that does not contain goodwill is first tested for impairment, the recoverable amount is calculated, and a corresponding impairment loss is recognized. The asset group or asset group portfolio containing goodwill is then tested for impairment, and the carrying amount is compared with the recoverable amount. If the recoverable amount is less than the carrying amount, an impairment loss on goodwill is recognized.

Once an impairment loss on an asset is recognized, it can't be reversed in subsequent accounting periods.

30. Long-term deferred expenses

Applicable Not applicable

The Company's long-term deferred expenses refer to the expenses that have been paid but have a benefit period of more than one year (excluding one year), mainly the expenses for renovation of leased-in buildings and rent paid in a lump sum for more than one year. The amortization period for expenses for renovation of leased-in buildings is determined based on the shorter of the lease term and the expected benefit period, and is amortized evenly over the amortization period. The expected benefit period of renovation expenses of business outlets is 3 years and the expected benefit period of other major renovations is based on the actual situation. Rent paid in a lump sum for more than one year is amortized evenly over the lease term. The amortized value of long-term deferred expenses items that will not benefit subsequent accounting periods is fully recognized in profit or loss for the period.

31. Employee compensation

Employee compensation refers to various forms of remuneration or compensation given by the Company for services rendered by employees or for the termination of employment relationships. Employee compensation mainly includes short-term compensation, post-employment benefits and other long-term employee benefits. Benefits provided to employees' spouses, children, dependents, survivors of deceased employees and other beneficiaries, etc., are also considered employee compensation.

According to the liquidity, employee compensation is shown in the "payroll payables" and "long-term payroll payables" items in the balance sheet, respectively.

(1). Accounting for short-term compensation

Applicable Not applicable

During the accounting period when employees provide services, the Company shall recognize the actual wages, bonuses, medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurance premiums and housing provident funds paid for employees pursuant to the prescribed standards and proportions as liabilities, and record them into the current profit and loss or related asset costs.

(2). Accounting for post-employment benefits

Applicable Not applicable

The post-employment benefit plan is a defined contribution plan.

A defined contribution plan is a post-employment benefit plan in which no further payment obligations are assumed after a fixed charge has been contributed to a separate fund. The defined contribution plan includes basic pension insurance, unemployment insurance, etc.

During the accounting period in which employees render services, the amount of contributions payable based on the defined contribution plan is recognized as a liability and recognized in profit or loss for the period.

(3). Accounting for termination benefits

Applicable Not applicable

(4). Accounting for other long-term employee benefits

Applicable Not applicable

The Company established the Excess Earnings Sharing Plan in 2014, which sets a certain percentage of the annual excess profit after the return on net assets exceeds the target value as an incentive bonus for the Group's management team and core employees, to be implemented over three years, with 1/3 of the incentive bonus in each year as the target bonus for that year, to be paid after adjustment by the company and individual performance evaluation coefficients for that year.

The Company discounts the incentive bonus that is expected to be paid after one year using the yield to maturity of treasury bonds on the corresponding maturity date.

32. Lease liabilities

Applicable Not applicable

33. Estimated liabilities

Applicable Not applicable

If obligations related to the contingencies meet the following conditions simultaneously, the Company shall recognize them as estimated liabilities:

(1) The obligation is the present obligation assumed by the Company;

(2) The performance of this obligation is likely to cause outflow of economic benefits of the Company;

(3) The amount of the obligation can be reliably measured.

Estimated liabilities are initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account the risks associated with contingencies, uncertainties and the time value of money. Where the effect of the time value of money is significant, the best estimate is determined by discounting the related future cash outflows. The carrying amount of estimated liabilities is reviewed at each balance sheet date and adjusted by the Company to reflect the current best estimate.

If all or part of the expenditure required to settle a recognized estimated liability is expected to be reimbursed by a third party or other parties, the amount of reimbursement is recognized separately as an asset only when it is virtually certain that it will be received. The amount of compensation recognized does not exceed the carrying amount of the liability recognized.

34. Share-based payment

Applicable Not applicable

35. Preferred shares, perpetual bonds and other financial instruments

Applicable Not applicable

36. Revenue

Applicable Not applicable

(1) Revenue from integrated logistics services

The Company's revenue from integrated logistics services includes general freight, freight forwarding, domestic express and warehousing. Revenue from general freight, freight forwarding and domestic express is recognized when the services have been provided and the right to receive the service revenue has been obtained. Revenue from warehousing is recognized when the services have been completed, the related revenue and costs can be measured reliably and it is probable that the economic benefits associated with the services will flow to the Company.

(2) Interest income

Interest income from factoring business and bank deposits are determined based on the time of the use of the Company's monetary funds by others and the effective interest rate.

37. Government grants

Applicable Not applicable

Government grants are recognized when the conditions attached to the government grants are met and can be received.

The Company's government grants for monetary assets are measured at the amount received.

Government grants related to assets are government grants acquired by the Company for the acquisition or other formation of long-term assets; otherwise, they are treated as government grants related to revenues.

For the government grants of which the government documents do not specify the objects and that can form long-term assets, the part of government grants corresponding to the value of assets is treated as asset-related government grants, and the rest is treated as revenue-related government grants; if it is difficult to distinguish, the government grants as a whole are treated as revenue-related government grants.

Government grants related to assets are recognized as deferred revenues and included in profit or loss over the useful life of the related assets in accordance with a reasonable and systematic method. Government grants related to income are recognized in profit or loss in the period if they are used to compensate for related costs or losses incurred, or in deferred revenues if they are used to compensate for related costs or losses in subsequent periods, and are recognized in profit or loss in the period in which the related costs or losses are recognized. The Company applies a consistent approach to the treatment of the same or similar government grants.

Government grants related to ordinary activities are recorded in other income in accordance with the substance of economic operations. Government grants that are not related to ordinary activities are included in non-operating income and expenses.

When a recognized government grant is required to be returned, the carrying amount of the asset is adjusted if the carrying amount of the asset is reduced upon initial recognition; if there is a deferred revenues balance, the carrying amount of the deferred revenues is reduced and the excess is recognized in profit or loss for the current period; in other cases, the deferred revenues are recognized directly in profit or loss for the current period.

38. Deferred tax assets/deferred tax liabilities

Applicable Not applicable

Income tax includes current income tax and deferred income tax. Deferred income tax is recorded as income tax expense in current profit or loss.

The Company recognizes deferred income tax using the balance sheet liability method based on temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences.

For deductible temporary differences, deductible losses and tax credits that can be carried forward to future years, the Company recognizes deferred tax assets to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized.

At the balance sheet date, the Company measures deferred tax assets and deferred tax liabilities at the tax rates applicable to the period when the asset is expected to be recovered or the liability settled, and reflects the income tax effect of the manner in which the asset is expected to be recovered or the liability settled at the balance sheet date.

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. The carrying amount of deferred tax assets is written down if it is probable that sufficient taxable income will not be available in future periods to allow for the benefit of the deferred tax assets. Write-downs are reversed when it is probable that sufficient taxable income will be available.

39. Leases

(1). Accounting for operating leases

Applicable Not applicable

The Company recognizes leases that transfer substantially all the risks and rewards associated with the ownership of assets as finance leases, and leases other than finance leases as operating leases.

(1) The Company as the lessor

Rentals under operating leases are recognized in profit or loss on a straight-line basis over the respective periods of the lease term. Initial direct costs incurred are recognized in the current profit and loss.

(2) The Company as the lessee

Rent paid in advance under operating leases is recognized in the current profit or loss on a straight-line basis for each period of the lease term, and the initial direct costs incurred are recognized in the current profit or loss. If the lessor provides a rent-free period, the Company apportions the total rent over the entire lease term without deducting the rent-free period, and recognizes the rent expense during the rent-free period.

(2). Accounting treatment of finance leases

Applicable Not applicable

(3). The method of determining the lease and accounting treatment under the new lease standard

Applicable Not applicable

40. Other significant accounting policies and accounting estimates

Applicable Not applicable

(1). Production safety expenses

According to the Notice on the Issuance of Measures for the Administration of the Withdrawal and Use of Enterprise Production Safety Expenses (關於印發《企業安全生產費用提取和使用管理辦法》的通知) (Cai Qi [2012] No. 16) issued by Ministry of Finance and the State Administration of Work Safety on February 14, 2012, the Company's main business is "general freight business". Production safety expenses are charged at 1% of the revenue of general freight business in the previous year. When the balance of safety expenses at the end of the previous year reached 1.5% of the Company's revenue from general freight business in the previous year, as agreed with the financial sector of the local production safety supervision and management departments at the county level or above, the withdrawal of safety expenses can be suspended or is made less in the year.

The Company's production safety expenses are recognized in the current profit and loss when withdrawn and are also recorded in the "special reserves" account. When the withdrawn production safety expenses are used in the scope as required, they are all cost expenditure and are directly offset against the special reserves.

(2). General risk reserves

The general risk reserves is a provision from the net income to partially cover probable losses that have not been identified.

The Company makes general risk reserves for assets exposed to risks and losses at the end of the reporting period, and the balance of the general risk reserves shall, in principle, not be less than 1% of the financing factoring balance at the end of the reporting period. The Company uses 1% of the risk factoring balance at the end of the reporting period less the provision for impairment already made to make a general risk reserves.

(3). Repurchase of Company shares

(1) If the Company reduces its capital by acquiring the Company's shares in accordance with the statutory procedures, the share capital is reduced by the total par value of the canceled shares, and the owners' equity is adjusted based on the difference between the price paid for the share repurchase (including transaction costs) and the par value of the shares. The excess of the total par value is offset against capital reserves (share capital premium), surplus reserves and retained earnings, in that order. If the amount is lower than the total par value, the portion below the total par value increases capital reserves (share capital premium).

(2) The shares repurchased by the Company are managed as treasury stock until they are canceled or transferred, and all expenses for the repurchased shares are transferred to the cost of treasury stock.

(3) Upon the transfer of treasury stock, the portion of the transfer proceeds above the cost of treasury stock increases capital reserves (share capital premium); the portion below the cost of treasury stock is offset against capital reserves (share capital premium), surplus reserves, and retained earnings, in that order.

41. Changes in significant accounting policies and accounting estimates**(1). Changes in significant accounting policies**

Applicable Not applicable

Content of and reasons for changes in accounting policies	Approval procedures	Notes (Statement items and amounts significantly affected)
First-time implementation of new financial instruments standards	Considered by the 7th meeting of the 4th session of the Board of Directors of the Company	See other notes for details
Implementing the Ministry of Finance's Notice on Amending and Issuing the Format of Financial Statements of General Enterprises in 2019 (《關於修訂印發2019年度一般企業財務報表格式的通知》) (Cai Kuai [2019] No. 6)	Considered by the 14th meeting of the 4th session of the Board of Directors of the Company	See other notes for details

Other notes:

On April 30, 2019, the Ministry of Finance issued the Notice on Amending and Issuing the Format of Financial Statements of General Enterprises in 2019 (《關於修訂印發2019年度一般企業財務報表格式的通知》) (Cai Kuai [2019] No. 6), which requires that financial statements for enterprises that have implemented the new financial instruments standard but not the new revenue standard and the new leasing standard shall be prepared in accordance with the following provisions:

The line item "Notes and accounts receivable" is split into "Notes receivable" and "Accounts receivable" in the balance sheet; the line item "Receivable financing" is added to reflect the notes and accounts receivable at fair value in other comprehensive income at the balance sheet date. The line item "Notes and accounts payable" is split into "Notes payable" and "Accounts payable".

In the income statement, add a line item of "Gains from derecognition of financial assets at amortized cost (loss is indicated with "-")" under the item of investment income.

On September 19, 2019, the Ministry of Finance issued the Notice on Amending and Issuing the Format of Consolidated Financial Statements (2019 Version) (《關於修訂印發《合併財務報表格式(2019版)》的通知》) (Cai Kuai [2019] No. 16), which was implemented in conjunction with Cai Kuai [2019] No. 6.

The Company prepared the comparative financial statements in accordance with the financial statement formats prescribed in Cai Kuai [2019] No. 6 and Cai Kuai [2019] No. 16, and changed the presentation of related financial statements using the retrospective adjustment method.

The Ministry of Finance issued respectively the Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments (2017 Revision) (《企業會計準則第22號 — 金融工具確認和計量(2017年修訂)》) (Cai Kuai [2017] No. 7), the Accounting Standards for Business Enterprises No. 23 — Financial Assets Transfer (2017 Revision) (《企業會計準則第23號 — 金融資產轉移(2017年修訂)》) (Cai Kuai [2017] No. 8), the Accounting Standards for Business Enterprises No. 24 — Hedge Accounting (2017 Revision) (《企業會計準則第24號 — 套期會計(2017年修訂)》) (Cai Kuai [2017] No. 9) on March 31, 2017, and issued the Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments (2017 Revision) (《企業會計準則第37號 — 金融工具列報(2017年修訂)》) (Cai Kuai [2017] No. 14) on May 2, 2017 (the above standards are collectively referred to as "New Financial Instrument Standards"). Domestic listed companies were required to implement the New Financial Instrument Standards from January 1, 2019. The Company

implemented the above-mentioned New Financial Instrument Standards on January 1, 2019, and adjusted related accounting policies as described in Note V.10.

If the recognition and measurement of financial instruments prior to January 1, 2019 are not consistent with the requirements of the New Financial Instrument Standards, the Company makes retrospective adjustments to the classification and measurement (including impairment) of financial instruments in accordance with the New Financial Instrument Standards and records the difference between the original carrying amount of the financial instruments and the new carrying amount at the effective date of the New Financial Instrument Standards (i.e., January 1, 2019) into retained earnings or other comprehensive income as of January 1, 2019. Meanwhile, the Company has made no adjustment to the comparative figures of financial statements.

The change in accounting policy of the New Financial Instrument Standards was considered and approved by the Company at the 7th meeting of the 4th session of the Board of Directors.

(2). Changes in significant accounting estimates

Applicable Not applicable

(3). The implementation of New Financial Instrument Standards, new revenue standards or new leasing standards from 2019 onwards to adjust the relevant items in the financial statements at the beginning of the year of implementation

Applicable Not applicable

Consolidated balance sheet

Unit: Yuan Currency: RMB

Item	December 31, 2018	January 1, 2019	Adjustment
Current assets:			
Monetary funds	2,757,100,266.89	2,757,100,266.89	
Trading financial assets	N/A	160,000,000.00	160,000,000.00
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	9,801,332.68	9,801,332.68	
Accounts receivable	1,356,284,333.18	1,356,284,333.18	
Accounts receivable financing	N/A		
Prepayments	352,898,829.89	352,898,829.89	
Factoring receivables	2,001,635.55	2,001,635.55	
Other receivables	242,411,014.35	242,411,014.35	
Including: interest receivable	114,489.81	114,489.81	
Dividend receivable			
Inventories	19,259,619.16	19,259,619.16	
Held-for-sale assets			
Non-current wholly due within one year			
Other current assets	578,135,560.09	418,135,560.09	-160,000,000.00
Total current assets	<u>5,317,892,591.79</u>	<u>5,317,892,591.79</u>	<u>0.00</u>
Non-current assets:			
Debt investments	N/A		
Available-for-sales financial assets	512,973,422.31	N/A	-512,973,422.31
Other debt investments	N/A		
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	57,690,627.05	57,690,627.05	
Other equity instrument investments	N/A	377,545,786.91	377,545,786.91
Other non-current financial assets	N/A	135,427,635.40	135,427,635.40
Investment properties			
Fixed assets	1,848,830,268.85	1,848,830,268.85	
Construction in progress	233,018.90	233,018.90	
Productive biological assets			
Oil and gas assets			
Intangible assets	32,802,894.99	32,802,894.99	
Development expenditures			
Goodwill			
Long-term deferred expenses	344,089,720.88	344,089,720.88	
Deferred tax assets	107,213,099.25	112,973,099.25	5,760,000.00
Other non-current assets	34,855,954.16	34,855,954.16	
Total non-current assets	<u>2,938,689,006.39</u>	<u>2,944,449,006.39</u>	<u>5,760,000.00</u>
Total assets	<u>8,256,581,598.18</u>	<u>8,262,341,598.18</u>	<u>5,760,000.00</u>

APPENDIX II
FINANCIAL INFORMATION OF THE DEPPON

Item	December 31, 2018	January 1, 2019	Adjustment
Current liabilities:			
Short-term borrowings	1,000,671,190.00	1,000,671,190.00	
Trading financial liabilities	N/A		
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	29,465,118.00	29,465,118.00	
Accounts payable	1,201,896,946.13	1,201,896,946.13	
Advances from customers	60,047,450.89	60,047,450.89	
Payroll payables	1,110,961,177.09	1,110,961,177.09	
Taxes payable	163,526,017.62	163,526,017.62	
Other payables	432,372,789.07	432,372,789.07	
Including: interest payable	5,866,748.58	5,866,748.58	
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	337,162.47	337,162.47	
Other current liabilities			
Total current liabilities	<u>3,999,277,851.27</u>	<u>3,999,277,851.27</u>	
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payables	60,949,634.78	60,949,634.78	
Estimated liabilities	10,815,276.69	10,815,276.69	
Deferred revenues	1,223,105.44	1,223,105.44	
Deferred tax liabilities	121,570,242.90	121,570,242.90	
Other non-current liabilities			
Total non-current liabilities	<u>194,558,259.81</u>	<u>194,558,259.81</u>	
Total liabilities	<u>4,193,836,111.08</u>	<u>4,193,836,111.08</u>	
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	960,000,000.00	960,000,000.00	
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	353,624,556.59	353,624,556.59	
Less: treasury stock			
Other comprehensive income		-17,280,000.00	-17,280,000.00
Special reserves			
Surplus reserves	267,681,429.01	267,681,429.01	
General risk reserves			
Retained earnings	2,481,439,501.50	2,504,479,501.50	23,040,000.00
Total owners' equity (or shareholders' equity)			
attributable to parent company	4,062,745,487.10	4,068,505,487.10	5,760,000.00
Non-controlling interests			
Total owners' equity (or shareholders' equity)	<u>4,062,745,487.10</u>	<u>4,068,505,487.10</u>	<u>5,760,000.00</u>
Total liabilities and owners' equity (or shareholders' equity)	<u>8,256,581,598.18</u>	<u>8,262,341,598.18</u>	<u>5,760,000.00</u>

Description of adjustments of each item:

Applicable Not applicable

Balance sheet of parent company

Unit: Yuan Currency: RMB

Item	December 31, 2018	January 1, 2019	Adjustment
Current assets:			
Monetary funds	2,632,657,166.42	2,632,657,166.42	
Trading financial assets	N/A		
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	6,687,115.68	6,687,115.68	
Accounts receivable	3,688,409.59	3,688,409.59	
Accounts receivable financing			
Prepayments	16,555,033.08	16,555,033.08	
Other receivables	1,731,898,576.53	1,731,898,576.53	
Including: interest receivable			
Dividend receivable			
Inventories			
Held-for-sale assets			
Non-current wholly due within one year			
Other current assets	24,350,502.65	24,350,502.65	
Total current assets	<u>4,415,836,803.95</u>	<u>4,415,836,803.95</u>	
Non-current assets:			
Debt investments	N/A		
Available-for-sales financial assets	205,000,000.00	N/A	-205,000,000.00
Other debt investments	N/A		
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	1,284,576,726.81	1,284,576,726.81	
Other equity instrument investments	N/A	205,000,000.00	205,000,000.00
Other non-current financial assets	N/A		
Investment properties			
Fixed assets	798,370.01	798,370.01	
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets	217,967.98	217,967.98	
Development expenditures			
Goodwill			
Long-term deferred expenses	281,205.31	281,205.31	
Deferred tax assets	11,021,981.10	11,021,981.10	
Other non-current assets	10,360,600.00	10,360,600.00	
Total non-current assets	<u>1,512,256,851.21</u>	<u>1,512,256,851.21</u>	<u>0.00</u>
Total assets	<u><u>5,928,093,655.16</u></u>	<u><u>5,928,093,655.16</u></u>	<u><u>0.00</u></u>

APPENDIX II
FINANCIAL INFORMATION OF THE DEPPON

Item	December 31, 2018	January 1, 2019	Adjustment
Current liabilities:			
Short-term borrowings	895,000,000.00	895,000,000.00	
Trading financial liabilities	N/A		
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	2,599,583.00	2,599,583.00	
Accounts payable	45,354,698.56	45,354,698.56	
Advances from customers	66,741.77	66,741.77	
Payroll payables	22,470,093.61	22,470,093.61	
Taxes payable	16,717,438.92	16,717,438.92	
Other payables	1,600,868,376.34	1,600,868,376.34	
Including: interest payable	5,744,807.44	5,744,807.44	
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	<u>2,583,076,932.20</u>	<u>2,583,076,932.20</u>	
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payables	21,035,181.93	21,035,181.93	
Estimated liabilities	720,649.30	720,649.30	
Deferred revenues			
Deferred tax liabilities	180,148.78	180,148.78	
Other non-current liabilities			
Total non-current liabilities	<u>21,935,980.01</u>	<u>21,935,980.01</u>	
Total liabilities	<u>2,605,012,912.21</u>	<u>2,605,012,912.21</u>	
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	960,000,000.00	960,000,000.00	
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	318,603,603.14	318,603,603.14	
Less: treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves	267,681,429.01	267,681,429.01	
Retained earnings	1,776,795,710.80	1,776,795,710.80	
Total owners' equity (or shareholders'			
equity)	<u>3,323,080,742.95</u>	<u>3,323,080,742.95</u>	<u>0.00</u>
Total liabilities and owners' equity (or			
shareholders' equity)	<u>5,928,093,655.16</u>	<u>5,928,093,655.16</u>	<u>0.00</u>

Description of adjustments of each item:

Applicable Not applicable

(4). Implementation of New Financial Instrument Standards or new lease standards since 2019 and retrospective adjustment of comparative data for the previous period

Applicable Not applicable

① Comparative table of classification and measurement of financial assets before and after the implementation of the New Financial Instrument Standards as of January 1, 2019

A. Consolidated financial statements

December 31, 2018 (previously Financial Instrument Standards)			January 1, 2019 (new Financial Instrument Standards)		
Item	Measurement category	Book value	Item	Measurement category	Book value
Monetary funds	Amortized cost	2,757,100,266.89	Monetary funds	Amortized cost	2,757,100,266.89
Other current assets	Amortized cost	160,000,000.00	Trading financial assets	At fair value through profit or loss	160,000,000.00
Notes receivable	Amortized cost	9,801,332.68	Notes receivable	Amortized cost	9,801,332.68
Accounts receivable	Amortized cost	1,356,284,333.18	Accounts receivable	Amortized cost	1,356,284,333.18
Factoring receivables	Amortized cost	2,001,635.55	Factoring receivables	Amortized cost	2,001,635.55
Other receivables	Amortized cost	242,411,014.35	Other receivables	Amortized cost	242,411,014.35
Interest receivable	Amortized cost	114,489.81	Interest receivable	Amortized cost	114,489.81
Available-for-sales financial assets	Measured at cost	377,545,786.91	Other equity instrument investments	At fair value through other comprehensive income	377,545,786.91
Available-for-sales financial assets	Measured at cost	135,427,635.40	Other non-current financial assets	At fair value through profit or loss	135,427,635.40

B. Financial statements of parent company

December 31, 2018 (previously Financial Instrument Standards)			January 1, 2019 (new Financial Instrument Standards)		
Item	Measurement category	Book value	Item	Measurement category	Book value
Monetary funds	Amortized cost	2,632,657,166.42	Monetary funds	Amortized cost	2,632,657,166.42
Notes receivable	Amortized cost	6,687,115.68	Notes receivable	Amortized cost	6,687,115.68
Accounts receivable	Amortized cost	3,688,409.59	Accounts receivable	Amortized cost	3,688,409.59
Other receivables	Amortized cost	1,731,898,576.53	Other receivables	Amortized cost	1,731,898,576.53
Available-for-sales financial assets	Measured at cost	205,000,000.00	Other equity instrument investments	At fair value through other comprehensive income	205,000,000.00

② Reconciliation of the book value of the original financial assets to the book value of the new financial instruments in accordance with the New Financial Instrument Standards as of January 1, 2019

A. Consolidated financial statements

Item	Book value at December 31, 2018 (as per the previous Financial Instrument Standards)	Reclassification	Re-measurement	Book value at January 1, 2019 (as per the new Financial Instrument Standards)
I. Financial assets at fair value through other comprehensive income under the new Financial Instrument Standards				
Financial assets at fair value through profit or loss (amounts presented in accordance with the previous Financial Instrument Standards)				
Add: transfer from available-for-sale financial assets		512,973,422.31		
Add: fair value re-measurement				
Other equity instrument investments (amounts presented in accordance with the new Financial Instrument Standards) . .				377,545,786.91
Other non-current financial assets (amounts presented in accordance with the new Financial Instrument Standards) . .				135,427,635.40

B. Financial statements of parent company

Item	Book value at December 31, 2018 (as per the previous Financial Instrument Standards)	Reclassification	Re-measurement	Book value at January 1, 2019 (as per the new Financial Instrument Standards))
I. Financial assets at fair value through other comprehensive income under the new Financial Instrument Standards				
Financial assets at fair value through profit or loss (amounts presented in accordance with the previous Financial Instrument Standards)				

Item	Book value at December 31, 2018 (as per the previous Financial Instrument Standards)	Reclassification	Re-measurement	Book value at January 1, 2019 (as per the new Financial Instrument Standards))
Add: transfer from available-for-sale financial assets		205,000,000.00		
Add: fair value re-measurement				
Other equity instrument investments (amounts presented in accordance with the new Financial Instrument Standards)				205,000,000.00

③ Reconciliation of the provision for impairment of financial assets from the previous financial assets to the provision for impairment of financial assets under the new Financial Instrument Standards as of January 1, 2019

A · Consolidated financial statements

Measurement category	Provision for impairment at December 31, 2018 (as per the previous Financial Instrument Standards)	Reclassification	Re-measurement	Provision for impairment at January 1, 2019 (as per the new Financial Instrument Standards)
(I) Financial assets at amortized cost				
Including: provision for impairment of accounts receivable . . .	45,584,472.59			45,584,472.59
Provision for impairment of other receivables . . .	12,921,773.12			12,921,773.12
Provision for impairment of factoring receivables	20,071,689.22			20,071,689.22
Provision for impairment of interest receivable	2,801,361.97			2,801,361.97
(II) Financial assets at fair value through other comprehensive income				
Including: provision for impairment of investments in other equity instruments	23,040,000.00			23,040,000.00

B · Financial statements of parent company

Measurement category	Provision for impairment at December 31, 2018 (as per the previous Financial Instrument Standards)	Reclassification	Re-measurement	Provision for impairment at January 1, 2019 (as per the new Financial Instrument Standards)
(I) Financial assets at amortized cost				
Including: provision for impairment of accounts receivable	37,530.61			37,530.61
Provision for impairment of other receivables	80,762.57			80,762.57
(II) Financial assets at fair value through other comprehensive income				
Including: provision for impairment of investments in other equity instruments				

42. Others

Applicable Not applicable

VI. Taxation**1. Main tax types and tax rates**

Description of main tax types and tax rates

Applicable Not applicable

Tax type	Taxation basis	Tax rate
Value-added tax	Transportation service revenue, logistics auxiliary service revenue and consulting service revenue, leasing revenue	3%, 6%, 9%, 10%, 13%, 16%
Urban maintenance and construction tax	Amount of turnover taxes payable	1%, 5%, 7%
Corporate income tax	Taxable income	9%, 10%, 15%, 16.5%, 25%
Education surcharge	Amount of turnover taxes payable	3%
Local education surcharge	Amount of turnover taxes payable	1%, 1.5%, 2%

Note: according to the Notice on Relevant Policies on Deepening VAT Reform (《關於深化增值稅改革有關政策的通告》) (Cai Shui [2019] No. 39), the tax rates are adjusted to 13% and 9% respectively for taxable sales of VAT or import of goods where the tax rates of 16% and 10% were previously applied. The above notice is effective from April 1, 2019.

If there are taxable entities with different corporate income tax rates, disclose the description of the situation

Applicable Not applicable

Taxpayer	Income tax rate (%)
The Company	25
Subsidiaries	
香港德邦物流有限公司	16.5
廣西德邦物流有限公司	15
成都全程德邦物流有限公司	15
重慶德邦物流有限公司	15
昆明德邦物流有限公司	15
貴陽全程德邦物流有限公司	15
西安志成德邦物流有限公司	15
烏魯木齊精確德邦物流有限公司	15
蘭州全程德邦物流有限公司	15
寧夏志成德邦快遞有限公司	15
上海德啟信息科技有限公司	10
青海德邦物流有限公司	15
拉薩市德邦物流有限公司	9
江西精確物流有限公司	15
內蒙古德邦物流有限公司	9
Other subsidiaries	25

2. Preferential tax treatment

Applicable Not applicable

(1) Corporate income tax benefits

① Subsidiaries and transportation branches in Western China

According to the Notice Concerning Relevant Taxation Policy Issues Related with Enhancing the Western Region Development Strategy (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) (Cai Shui [2011] No. 58) issued by the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration on July 27, 2011, the corporate income tax on enterprises in the encouraged industries located in the western region shall be levied at a reduced rate of 15% from January 1, 2011 to December 31, 2020. The subsidiaries (廣西德邦物流有限公司、成都全程德邦物流有限公司、重慶德邦物流有限公司、昆明德邦物流有限公司、貴陽全程德邦物流有限公司、西安志成德邦物流有限公司、烏魯木齊精確德邦物流有限公司、蘭州全程德邦物流有限公司、寧夏志成德邦快遞有限公司、青海德邦物流有限公司、拉薩市德邦物流有限公司、內蒙古德邦物流有限公司、分公司德邦(上海)運輸有限公司昆明分公司、德邦(上海)運輸有限公司貴陽分公司、德邦(上海)運輸有限公司烏魯木齊縣分公司、德邦(上海)運輸有限公司廣西分公司、德邦(上海)運輸有限公司成都分公司、德邦(上海)運輸有限公司西安分公司、德邦(上海)運輸有限公司蘭州分公司) established in Western China, have obtained the approval of the state for encouraging the industry, and the corporate income tax was levied at a reduced rate of 15%.

拉薩市德邦物流有限公司 and 內蒙古德邦物流有限公司 enjoy a 9% income tax rate on the basis of a reduced corporate income tax rate of 15% for enterprises in the encouraged industries in the western region, and the exemption from the 40% portion of corporate income tax paid by enterprises in this ethnic autonomous region that belongs to the local share according to the autonomous authorities of the ethnic autonomous region.

According to the Notice on the Implementation of Taxation Policies for Western Region Development in Ganzhou City (《關於贛州市執行西部大開發稅收政策問題的通知》) (Cai Shui [2013] No. 4), 江西精確物流有限公司 enjoys a 15% income tax rate.

② 上海德啟信息科技有限公司

According to the Notice of the Ministry of Finance, the State Taxation Administration, the Development and Reform Commission, and the Ministry of Industry and Information Technology on Issues Relating to Preferential Policies on Corporate Income Tax for Software and Integrated Circuit

Industry (《財政部國家稅務總局 發展改革委工業和信息化部關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》) (Cai Shui [2016] No. 49), and the No. 23 Announcement of State Taxation Administration for 2018 (國家稅務總局公告 2018 年第 23 號) — Announcement on Issuing the Revised Measures for the Handling of Preferential Policies for Corporate Income Tax (《關於發佈修訂後的〈企業所得稅優惠政策事項辦理辦法〉的公告》), after filing with the local tax bureau, 上海德啟信息科技有限公司 enjoys preferential tax policies for key software enterprises within the national planning layout since 2018. Corporate income tax is levied at a reduced rate of 10%.

(2) VAT benefits

① According to the Notice of the Ministry of Finance and the State Taxation Administration on the Implementation of Preferential Tax Relief Policies for Small and Micro Enterprises (《財政部稅務總局關於實施小微企業普惠性稅收減免政策的通知》) (Cai Shui [2019] No. 13), small-scale VAT payers with monthly sales of less than RMB100,000 (inclusive) are exempted from VAT. The period of implementation of the notice is from January 1, 2019 to December 31, 2021. Some of the independently-accounted branches in the Company are recognized as small-scale taxpayers and enjoy preferential policies of VAT exemption.

② According to the Notice on Relevant Policies on Deepening VAT Reform (《關於深化增值稅改革有關政策的通告》) (Cai Shui [2019] No. 39), and the Announcement on Clarifying the VAT Additional Deduction Policy for the Living Services (《關於明確生活性服務業增值稅加計抵減政策的公告》) (Cai Shui [2019] No. 87), for taxpayers whose sales of postal services, telecommunication services, modern services and living services account for more than 50% of all sales, from April 1, 2019 to December 31, 2021, the amount of VAT payable shall be deducted by additional 10% of the deductible input VAT amount for the current period.

3. Others

Applicable Not applicable

VII. Notes to Items in Consolidated Financial Statements

1. Monetary funds

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand		
Bank deposit	965,461,813.18	2,465,208,781.73
Other monetary funds	351,991,714.50	291,891,485.16
Total	<u>1,317,453,527.68</u>	<u>2,757,100,266.89</u>
Including: total proceeds deposited abroad	22,377,044.25	12,529,544.53

Other notes

(1) As of the end of the reporting period, other monetary funds included RMB5,740,000.00 for pledged term deposits, RMB34,370,000.00 for loan deposits, RMB76,983,234.81 for funds in transit on POS machines, RMB154,358,852.43 for deposits with third-party payment institutions, and the remaining amount was the provision in banks;

(2) The 52.22% decrease in monetary funds at the end of the period compared with the beginning of the period was mainly due to the new factoring business and the acquisition of fixed assets (vehicles and sorting equipment) ;

(3) See Note VII.80 for details of foreign currency monetary funds;

(4) See Note VII.79 for details of the restrictions on the use of monetary funds.

2. Trading financial assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	220,462,418.16	160,000,000.00
Including:		
Wealth management products	220,462,418.16	160,000,000.00
Total	<u>220,462,418.16</u>	<u>160,000,000.00</u>

Other notes:

Applicable Not applicable

3. Derivative financial assets

Applicable Not applicable

4. Notes receivable

(1). Notes receivable by type

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance note	19,645,537.90	9,801,332.68
Commercial acceptance note	54,260.91	
Total	<u>19,699,798.81</u>	<u>9,801,332.68</u>

(2). Notes receivable pledged by the Company at the end of the reporting period

Applicable Not applicable

(3). Notes receivable endorsed or discounted by the Company, which were not yet due on the balance sheet date as at the end of the reporting period

Applicable Not applicable

(4). Notes that the Company transferred to accounts receivable at the end of the period due to the non-performance of the drawer

Applicable Not applicable

(5). Classified disclosure by provision for bad debt method

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance		Opening balance		Book value	Book value
	Book balance	Provision for bad debts	Book balance	Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Provision for bad debt by individual						
Provision for bad debt by portfolio	19,700,346.90	100.00	19,699,798.81	100.00	9,801,332.68	9,801,332.68
Including:						
Bank acceptance notes	19,645,537.90	99.72	19,645,537.90	100.00	9,801,332.68	9,801,332.68
Commercial acceptance note	54,809.00	0.28	548.09	1.00	54,260.91	
Total	<u>19,700,346.90</u>	<u>/</u>	<u>19,699,798.81</u>	<u>/</u>	<u>9,801,332.68</u>	<u>9,801,332.68</u>

Provision for bad debts by individual:

Applicable Not applicable

Provision for bad debts by portfolio:

Applicable Not applicable

Portfolio accruals: including: commercial acceptance note

Unit: Yuan Currency: RMB

Item	Notes receivable	Closing balance	
		Provision for bad debts	Provision proportion (%)
Commercial acceptance note	54,809.00	548.09	1.00
Total	<u>54,809.00</u>	<u>548.09</u>	<u>1.00</u>

Recognition criteria and explanation on provision for bad debt by portfolio

Applicable Not applicable

The provision for losses is measured based on expected credit losses over the entire life.

If the provision for bad debts is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

(6).Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the period			Closing balance
		Provision	Recovery or reverse	Resales or write-off	
Commercial acceptance note		548.09			548.09
Total		<u>548.09</u>			<u>548.09</u>

Among them, the important amount of recovery or reverse of provision for bad debt for the period:

Applicable Not applicable

Other notes:

(7).The actual write-off of notes receivable for the period

Applicable Not applicable

Other notes

Applicable Not applicable

5. Accounts receivable

(1). Disclosure by aging

Applicable Not applicable

Aging	Unit: Yuan		Currency: RMB
		Book balance at the end of the reporting period	
Within one year			
Including: sub-item within one year			
0-3 months		1,630,238,250.74	
4-6 months		28,762,680.96	
7-12 months		11,602,773.72	
Subtotal within 1 year		1,670,603,705.42	
1 to 2 years		15,690,670.21	
Over 2 years		3,823,721.20	
Total		1,690,118,096.83	

(2). Classified disclosure by provision for bad debt method

 Applicable Not applicable

Category	Book balance		Closing balance		Book balance		Opening balance		Unit: Yuan	Currency: RMB
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)		
Provision for bad debt by individual	18,456,075.93	1.09	17,518,153.63	94.92	20,557,465.55	1.47	20,557,465.55	100.00		
Including:										
Accounts receivable with significant individual amounts					19,647,656.64	1.40	19,647,656.64	100.00		
Accounts receivable with insignificant individual amounts					909,808.91	0.07	909,808.91	100.00		
Provision for bad debt by portfolio	1,671,662,020.90	98.91	23,522,905.10	1.41	1,381,311,340.22	98.53	25,027,007.04	1.81	1,356,284,333.18	
Including:										
Portfolio 2 due from other customers	1,671,662,020.90	98.91	23,522,905.10	1.41	1,381,311,340.22	98.53	25,027,007.04	1.81	1,356,284,333.18	
Portfolio of credit risk characteristics					1,381,311,340.22	98.53	25,027,007.04	1.81	1,356,284,333.18	
Total	1,690,118,096.83	/	41,041,058.73	/	1,401,868,805.77	100.00	45,584,472.59	3.25	1,356,284,333.18	

APPENDIX II
FINANCIAL INFORMATION OF THE DEPPON

Provision for bad debts by individual:

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Book balance	Provision for bad debts	Closing balance	Provision reason
			Provision proportion (%)	
More than 1 million:				
優美尚品投資管理有限公司	9,546,462.00	9,546,462.00	100.00	Out of credit period and unable to pay
Subtotal of less than 1 million	8,909,613.93	7,971,691.63	89.47	Future collection possibilities
Total	<u>18,456,075.93</u>	<u>17,518,153.63</u>	<u>94.92</u>	/

Explanation on provision for bad debt by individual:

Applicable Not applicable

As of December 31, 2019, the Company's accounts receivable with provision for bad debts by individual amounted to RMB18,456,075.93, and provision for bad debts of RMB17,518,153.63 (December 31, 2018: RMB20,557,465.55).

Provision for bad debts by portfolio:

Applicable Not applicable

Portfolio accruals: portfolio 2 due from other customers

Unit: Yuan Currency: RMB

Item	Accounts receivable	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within one year			
Including:			
0-3 months	1,629,793,147.74	16,297,932.75	1.00
4-6 months	27,803,958.16	1,390,197.91	5.00
7-12 months	8,813,130.60	1,762,626.12	20.00
Subtotal within 1 year	1,666,410,236.50	19,450,756.78	1.17
1 to 2 years	2,359,272.16	1,179,636.08	50.00
Over 2 years	2,892,512.24	2,892,512.24	100.00
Total	<u>1,671,662,020.90</u>	<u>23,522,905.10</u>	<u>1.41</u>

Recognition criteria and explanation on provision for bad debt by portfolio:

Applicable Not applicable

For accounts receivable classified as a portfolio, the Company prepares a table of aging of accounts receivable against the expected credit loss rate for the entire duration to calculate expected credit losses by referring to historical credit loss experience, taking into account current conditions and forecasts of future economy.

If the provision for bad debts is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

(3). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the period			Closing balance
		Provision	Recovery or reverse	Resales or write-off	
Provision for bad debts of accounts receivable	45,584,472.59	40,244,229.42		44,787,643.28	41,041,058.73
Total	<u>45,584,472.59</u>	<u>40,244,229.42</u>		<u>44,787,643.28</u>	<u>41,041,058.73</u>

Among them, the important amount of recovery or reverse of provision for bad debt for the period:

Applicable Not applicable

(4). The actual write-off of accounts receivable for the period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
Actual write-off of accounts receivable	44,787,643.28

The write-off of the important accounts receivable

Applicable Not applicable

Explanation on the write-off of accounts receivable:

Applicable Not applicable

(5). Top five customers with closing balance of accounts receivable collected by arrear party

Applicable Not applicable

The aggregate amount of the top five accounts receivable by party in arrears at the end of the reporting period was RMB124,381,020.50, accounting for 7.36% of the total closing balance of accounts receivable, and the corresponding total closing balance of provision for bad debts was RMB1,734,346.43.

(6). Accounts receivable derecognized due to the transfer of financial assets

Applicable Not applicable

(7). The amount of assets and liabilities generated by transferring accounts receivable and continuing to be involved

Applicable Not applicable

Other notes:

Applicable Not applicable

6. Accounts receivable financing

Applicable Not applicable

7. Prepayments**(1). Prepayments by aging**

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	373,691,605.26	99.31	350,691,498.66	99.37
1 to 2 years	2,578,871.87	0.69	2,207,331.23	0.63
Total	<u>376,270,477.13</u>	<u>100.00</u>	<u>352,898,829.89</u>	<u>100.00</u>

Explanation on why prepayments with aging of more than 1 year and an important amount not settled in time:

None

(2). Top five suppliers with closing balance of prepayments collected by prepaid entity

Applicable Not applicable

Company name	Balance as of December 31, 2019	Percentage of total of closing balance of prepayments
China Petroleum & Chemical Corporation	16,320,231.31	4.34%
中籃聯（北京）體育有限公司	13,174,528.30	3.50%
廣東聯合電子服務股份有限公司	8,682,885.93	2.31%
PetroChina Company Limited	6,971,368.57	1.85%
深圳趣旅遊國際旅遊有限公司	6,104,685.60	1.62%
Total	<u>51,253,699.71</u>	<u>13.62%</u>

Other notes

Applicable Not applicable

8. Other receivables**Presentation of items**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable	628,653.10	114,489.81
Dividend receivable		
Other receivables	243,475,399.72	242,296,524.54
Total	<u>244,104,052.82</u>	<u>242,411,014.35</u>

Other notes:

Applicable Not applicable

Interest receivable**(1). Classification of interest receivable**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest on overdue factoring	2,929,354.91	2,915,851.78
Provision for bad debts	-2,300,701.81	-2,801,361.97
Total	<u>628,653.10</u>	<u>114,489.81</u>

(2). Major overdue interest

Applicable Not applicable

Unit: Yuan Currency: RMB

Borrower	Closing balance	Overdue time	Reason for overdue	Whether impairment occurred and the basis for its determination
中油鴻天旺石油化工（大連）有限公司	2,287,872.15	2018	The debtor is totally insolvent	Yes
Total	<u>2,287,872.15</u>	<u>/</u>	<u>/</u>	<u>/</u>

(3). Provision for bad debt

Applicable Not applicable

Other notes:

Applicable Not applicable

Dividend receivable**(4). Dividend receivable**

Applicable Not applicable

(5). Major dividend receivable aged over one year

Applicable Not applicable

(6). Provision for bad debt

Applicable Not applicable

Other notes:

Applicable Not applicable

Other receivables**(7). Disclosure by aging**

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Book balance at the end of the reporting period
Within one year	
Including: sub-item within one year	
Subtotal within 1 year	110,368,248.27
1 to 2 years	93,883,169.27
2 to 3 years	26,065,595.29
Over 3 years	27,249,058.55
Total	257,566,071.38

(8). Classification by nature of payment

Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of payment	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Reserve and staff debit	3,229,766.30	4,710,558.10
Deposits and guarantees	186,603,606.13	162,566,784.98
Other receivables received	67,732,698.95	87,940,954.58
Total	257,566,071.38	255,218,297.66

(9). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Provision for bad debts	Stage I The next 12-month ECL	Stage II Lifetime ECL (not credit-impaired)	Stage III Lifetime ECL (credit-impaired)	Total
Balance as of January 1, 2019 ...	11,663,093.01		1,258,680.11	12,921,773.12
Balance for the period as of				
January 1, 2019	—	—	—	—
— Transferred to Stage II	—	—	—	—
— Transferred to Stage III	-224,258.41	—	224,258.41	
— Reversed to Stage II	—	—	—	—
— Reversed to Stage I	648,751.00	—	-648,751.00	
Provision for the period	1,682,936.80		-370,662.25	1,312,274.55
Reverse for the period				
Resales for the period				
Write-off for the period	143,376.01			143,376.01
Other changes				
Balance as of December 31, 2019	13,627,146.39		463,525.27	14,090,671.66

Explanation on the significant changes in the book balance of other receivables that changed due to the provision for impairment in the period:

Applicable Not applicable

The amount of provision for bad debts in the period and the basis for assessing whether the credit risk of financial instruments increased significantly:

Applicable Not applicable

(10). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the period			Closing balance
		Provision	Recovery or reverse	Resales or write-off	
Provision for bad debts of					
other receivables	12,921,773.12	1,312,274.55		143,376.01	14,090,671.66
Total	12,921,773.12	1,312,274.55		143,376.01	14,090,671.66

Among them, the important amount of reverse or recovery of provision for bad debt for the period:

Applicable Not applicable

(11). The actual write-off of other receivables for the period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
The actual write-off of other receivables	143,376.01

Write-off of important other receivables:

Applicable Not applicable

Explanation on write-off of other receivables:

Applicable Not applicable

(12). Top five customers with closing balance of other receivables collected by arrear party

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Nature of amount	Closing balance	Aging	Percentage of total of closing balance of other receivables (%)	Closing balance of provision for bad debt
上海鼎滙實業發展有限公司	Deposit	5,861,423.32	Over 3 years	2.28	293,071.17
恒盛輝倉儲有限公司	Deposit	4,069,575.60	Over 3 years	1.58	203,478.78
佛山順德國通物流城有限公司	Deposit	4,052,093.00	Over 3 years	1.57	202,604.65
上海點渤物業管理部	Deposit	3,877,478.22	Over 1 year	1.51	193,873.91
上海鼎安物業管理中心	Deposit	3,797,085.67	2 -3 years	1.47	189,854.28
Total	/	21,657,655.81	/	8.41	1,082,882.79

(13). Accounts receivable related to government grants Applicable Not applicable**(14). Other receivables derecognized due to the transfer of financial assets** Applicable Not applicable**(15). The amount of assets and liabilities generated by transferring other receivables and continuing to be involved** Applicable Not applicable

Other notes:

 Applicable Not applicable**9. Inventories****(1). Classification of inventories** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Book value	Opening balance		
	Book balance	Impairment provision		Book balance	Impairment provision	Book value
Low-value consumables . . .	21,350,268.45		21,350,268.45	19,259,619.16		19,259,619.16
Total	21,350,268.45		21,350,268.45	19,259,619.16		19,259,619.16

(2). Provision for inventory impairment Applicable Not applicable**(3). Explanation on closing balance of inventories involving capitalized amount of borrowing costs** Applicable Not applicable**(4). Unsettled assets generated by completed construction contract at the end of the reporting period** Applicable Not applicable

Other notes

 Applicable Not applicable**10. Held-for-sale assets** Applicable Not applicable**11. Non-current assets due within one year** Applicable Not applicable

Important debt investments and other debt investments at the end of the reporting period:

 Applicable Not applicable

Other notes

12. Other current assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Term deposits	181,085,138.89	
Short-term wealth management products	20,000,000.00	20,001,000.00
Reclassification of VAT debit balances	540,598,112.92	374,121,957.61
Prepayment of income tax	34,559,897.57	24,012,602.48
Total	776,243,149.38	418,135,560.09

Other notes

None

13. Debt investments**(1). Debt investments**

Applicable Not applicable

(2). Important debt investments at the end of the reporting period

Applicable Not applicable

(3). Provision for impairment

Applicable Not applicable

The amount of provision for impairment in the period and the basis for assessing whether the credit risk of financial instruments increased significantly

Applicable Not applicable

Other notes

Applicable Not applicable

14. Other debt investments**(1). Other debt investments**

Applicable Not applicable

(2). Important other debt investments at the end of the reporting period

Applicable Not applicable

(3). Provision for impairment

Applicable Not applicable

The amount of provision for impairment in the period and the basis for assessing whether the credit risk of financial instruments increased significantly

Applicable Not applicable

Other notes:

Applicable Not applicable

15. Long-term receivables**(1). Long-term receivables**

Applicable Not applicable

(2). Provision for bad debt

Applicable Not applicable

The amount of provision for bad debts in the period and the basis for assessing whether the credit risk of financial instruments increased significantly

Applicable Not applicable

(3). Long-term receivables derecognized due to the transfer of financial assets

Applicable Not applicable

(4). The amount of assets and liabilities generated by transferring long-term receivable and continuing to be involved

Applicable Not applicable

Other notes

Applicable Not applicable

16. Long-term equity investment

 Applicable Not applicable

Name of investees	Increase/decrease for the period					Closing balance	Closing provision for impairment		
	Opening balance	Increase in investment	Decrease in investment	Investment profit or loss recognized under equity method	Adjustments to other comprehensive income			Other changes in equity	Cash dividends or profit declared
II. Associates									
上海能運物流有限公司	57,690,627.05	302,288.47					57,992,915.52		
明通重型物流集團股份有限公司	60,104,650.00	3,354,908.86					63,459,558.86		
成都織連展會物流有限公司	24,000,000.00	2,896,541.16			-1,800,000.00		25,096,541.16		
山東中一藥邦物流有限公司	2,000,000.00						2,000,000.00		
Subtotal	57,690,627.05	6,553,738.49			-1,800,000.00		148,549,015.54		
Total	57,690,627.05	6,553,738.49			-1,800,000.00		148,549,015.54		

Unit: Yuan Currency: RMB

17. Other equity instrument investments

 Applicable Not applicable

Item	Increase/decrease for the period					Closing balance	Opening balance		
	Opening balance	Increase in investment	Decrease in investment	Investment profit or loss recognized under equity method	Adjustments to other comprehensive income			Other changes in equity	Cash dividends or profit declared
東北亞煤炭交易有限公司							1,960,000.00		
東方航空物流股份有限公司							205,000,000.00		
寧波德卡投資合夥企業(有限合夥)							25,090,000.00		
廣東天元實業集團股份有限公司							28,500,000.00		
杭州佳成國際物流股份有限公司							50,000,000.00		
北京藥卡車聯科技有限公司							4,886,640.05		
北京易代儲科技有限公司							20,000,000.00		
生生供應鏈管理(上海)有限公司							9,019,634.00		
ForU Worldwide Inc.							28,089,512.86		
寧波鍾德投資合夥企業(有限合夥)							5,000,000.00		
Total							350,495,786.91		

Unit: Yuan Currency: RMB

(2). Non-trading equity instrument investments

 Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Dividend income recognized for the period	Accumulated profits	Accumulated losses	Amount of other comprehensive income carried forward to retained earning	Reason for designating fair value measurement and its changes recorded into other comprehensive income	Reason for other comprehensive income carried forward to retained earning
東北亞煤炭交易有限公司			25,000,000.00		Investments planned to be held for the long term for strategic purposes	
東方航空物流股份有限公司	12,776,266.65	12,776,266.65			Investments planned to be held for the long term for strategic purposes	
寧波德卡投資合夥企業 (有限合夥)			25,090,000.00		Investments planned to be held for the long term for strategic purposes	
廣東天元實業集團股份有 限公司					Investments planned to be held for the long term for strategic purposes	
杭州佳成國際物流股 份有限公司					Investments planned to be held for the long term for strategic purposes	
北京樂卡車聯科技有限公司					Investments planned to be held for the long term for strategic purposes	

Item	Dividend income recognized for the period	Accumulated profits	Accumulated losses	Amount of other comprehensive income carried forward to retained earning	Reason for designating fair value measurement and its changes recorded into other comprehensive income	Reason for other comprehensive income carried forward to retained earning
北京易代儲科技有限公司					Investments planned to be held for the long term for strategic purposes	
生生供應鏈管理（上海）有限公司					Investments planned to be held for the long term for strategic purposes	
ForU Worldwide Inc.					Investments planned to be held for the long term for strategic purposes	
寧波鐘德投資合夥企業（有限合夥）					Investments planned to be held for the long term for strategic purposes	
Total	12,776,266.65	12,776,266.65	50,090,000.00			

Other notes:

Applicable Not applicable

Due to the deterioration of the operating condition of the companies invested by 東北亞煤炭交易有限公司 and 寧波德卡投資合夥企業（有限合夥），the Company recognized a fair value of 0 through accumulated losses.

18. Other non-current financial assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	108,996,507.12	135,427,635.40
Total	<u>108,996,507.12</u>	<u>135,427,635.40</u>

Other notes:

Applicable Not applicable

Other non-current financial assets

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
珠海高瓴翔遠資產管理中心（有限合夥）	64,996,507.12	91,427,635.40
燕湖歌斐景澤投資中心（有限合夥）	44,000,000.00	44,000,000.00
Total	<u>108,996,507.12</u>	<u>135,427,635.40</u>

19. Investment properties

The measurement model of investment properties

Not applicable

20. Fixed assets

Presentation of items

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Fixed assets	2,643,241,926.51	1,848,830,268.85
Total	<u>2,643,241,926.51</u>	<u>1,848,830,268.85</u>

Other notes:

Applicable Not applicable

Fixed assets**(1). Fixed assets**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Machinery equipment	Transportation vehicles	Electronic and office equipment	Total
I. Original book value:				
1. Opening balance	557,106,717.35	2,930,795,840.98	886,308,674.90	4,374,211,233.23
2. Increase for the period	616,671,711.83	800,811,091.01	171,401,083.09	1,588,883,885.93
(1) Purchase	616,671,711.83	800,811,091.01	160,970,985.53	1,578,453,788.37
(2) Transfer from construction in progress			10,430,097.56	10,430,097.56
3. Decrease for the period	48,340,889.00	201,565,884.49	83,181,310.55	333,088,084.04
(1) Disposal or scrapping . .	48,340,889.00	201,565,884.49	83,181,310.55	333,088,084.04
4. Closing balance	1,125,437,540.18	3,530,041,047.50	974,528,447.44	5,630,007,035.12
II. Accumulated depreciation				
1. Opening balance	210,758,098.93	1,755,669,828.14	558,953,037.31	2,525,380,964.38
2. Increase for the period	144,042,966.84	421,686,913.71	195,701,788.37	761,431,668.92
(1) Provision	144,042,966.84	421,686,913.71	195,701,788.37	761,431,668.92
3. Decrease for the period	32,730,751.97	191,492,961.18	75,823,811.54	300,047,524.69
(1) Disposal or scrapping . .	32,730,751.97	191,492,961.18	75,823,811.54	300,047,524.69
4. Closing balance	322,070,313.80	1,985,863,780.67	678,831,014.14	2,986,765,108.61
III. Provision for impairment				
1. Opening balance				
2. Increase for the period				
(1) Provision				
3. Decrease for the period				
(1) Disposal or scrapping				
4. Closing balance				
IV. Book value				
1. Closing book value	803,367,226.38	1,544,177,266.83	295,697,433.30	2,643,241,926.51
2. Opening book value	346,348,618.42	1,175,126,012.84	327,355,637.59	1,848,830,268.85

(2). Fixed assets in temporary idle

Applicable Not applicable

(3). Fixed assets rented through finance lease

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value
Transportation equipment	1,625,276.95	763,432.58		861,844.37

(4). Fixed assets leased out through operating lease

Applicable Not applicable

(5). Fixed assets not obtaining the title certificate

Applicable Not applicable

Other notes:

Applicable Not applicable

Liquidation of fixed assets

Applicable Not applicable

21. Construction in progress

Presentation of items

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	3,241,417.48	233,018.90
Construction materials		
Total	<u>3,241,417.48</u>	<u>233,018.90</u>

Other notes:

Applicable Not applicable

Construction in progress

(1). Construction in progress

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	3,241,417.48		3,241,417.48	233,018.90		233,018.90
Total	<u>3,241,417.48</u>		<u>3,241,417.48</u>	<u>233,018.90</u>		<u>233,018.90</u>

(2). Changes in important projects in progress for the period

Applicable Not applicable

(3). Provision for impairment of construction in progress for the period

Applicable Not applicable

Other notes

Applicable Not applicable

Construction materials

(4). Construction materials

Applicable Not applicable

22. Productive biological assets**(1). Adoption of the cost measurement model for productive biological assets**

Applicable Not applicable

(2). Adoption of the fair value measurement model for productive biological assets

Applicable Not applicable

Other notes

Applicable Not applicable

23. Oil and gas assets

Applicable Not applicable

24. Right-of-use assets

Applicable Not applicable

25. Intangible assets**(1). Intangible assets**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Software	Trademark	Total
I. Original book value			
1. Opening balance	91,059,707.05	14,400.00	91,074,107.05
2. Increase for the period	20,976,947.61		20,976,947.61
(1) Purchase	20,976,947.61		20,976,947.61
3. Decrease for the period			
4. Closing balance	112,036,654.66	14,400.00	112,051,054.66
II. Accumulated amortization			
1. Opening balance	58,256,812.06	14,400.00	58,271,212.06
2. Increase for the period	19,496,577.11		19,496,577.11
(1) Provision	19,496,577.11		19,496,577.11
3. Decrease for the period			
4. Closing balance	77,753,389.17	14,400.00	77,767,789.17
III. Provision for impairment			
1. Opening balance			
2. Increase for the period			
(1) Provision			
3. Decrease for the period			
(1) Disposal			
4. Closing balance			
IV. Book value			
1. Closing book value	34,283,265.49		34,283,265.49
2. Opening book value	32,802,894.99		32,802,894.99

Proportion of intangible assets generated through internal R&D of the Company in the balance of intangible assets at the end of the reporting period: 0

(2). Land use rights not obtaining the title certificate

Applicable Not applicable

Other notes:

Applicable Not applicable

26. Development expenditures

Applicable Not applicable

27. Goodwill**(1). Original book value of goodwill**

Applicable Not applicable

(2). Provision for impairment of goodwill

Applicable Not applicable

(3). Related information on asset groups or asset group portfolio containing goodwill

Applicable Not applicable

(4). Description of the goodwill impairment testing process, key parameters (e.g. projected period growth rate at present value of expected future cash flows, stabilization period growth rate, profit margin, discount rate, projection period, etc., if applicable) and the method of recognition of goodwill impairment loss

Applicable Not applicable

(5). Impact of goodwill impairment test

Applicable Not applicable

Other notes

Applicable Not applicable

28. Long-term deferred expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Amortized amount for the period	Decrease in other amounts	Closing balance
Leased-in building renovation expenses	151,641,555.88	137,374,561.33	107,189,814.42		181,826,302.79
Long-term rent paid in a lump sum	162,538,099.35	53,271,925.38	48,944,722.22		166,865,302.51
Others	29,910,065.65	24,439,471.38	14,416,787.53		39,932,749.50
Total	<u>344,089,720.88</u>	<u>215,085,958.09</u>	<u>170,551,324.17</u>		<u>388,624,354.80</u>

29. Deferred tax assets/deferred tax liabilities**(1). Deferred tax assets without offsetting**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment			81,521,226.01	19,114,183.69
Impairment losses under expected credit loss model	77,198,562.51	17,904,239.46		
Unrealised profits of intra-group transactions	1,523,484.91	223,114.31	1,207,970.95	301,992.80
Deductible losses	1,058,420,322.01	242,575,674.09	213,220,018.49	47,742,081.74
Accrual of unpaid employee remuneration	124,223,428.54	28,053,407.57	165,232,034.50	37,752,153.64
Government grants related to assets			37,683.37	9,420.84
Estimated liabilities	12,356,682.20	3,045,513.72	10,815,276.69	2,293,266.54
Changes in fair value of investments in other equity instruments recognized in other comprehensive income	50,090,000.00	12,522,500.00		
Total	<u>1,323,812,480.17</u>	<u>304,324,449.15</u>	<u>472,034,210.01</u>	<u>107,213,099.25</u>

(2). Deferred tax liabilities without offsetting

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Change in fair value of other equity instrument investments	462,418.16	115,604.54		
Temporary differences between the book value of fixed assets and taxable basis for tax purposes (Note)	1,338,804,009.17	309,191,322.37	523,838,481.55	121,570,242.90
Total	<u>1,339,266,427.33</u>	<u>309,306,926.91</u>	<u>523,838,481.55</u>	<u>121,570,242.90</u>

Note: the Company accelerated the depreciation of certain transportation tools, machinery equipment, electronic and office equipment in calculating taxable income, resulting in temporary differences between the book value of fixed assets and taxable basis.

(3). Deferred tax assets or liabilities presented as net of offsetting

Applicable Not applicable

(4). Details of unrecognized deferred tax assets

Applicable Not applicable

(5). Deductible losses on unrecognized deferred tax assets will expire in the following years

Applicable Not applicable

Other notes:

Applicable Not applicable

30. Other non-current assets

Applicable Not applicable

Item	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Prepayments for the acquisition of long-term assets	34,194,613.52	34,855,954.16
Total	<u>34,194,613.52</u>	<u>34,855,954.16</u>

31. Short-term borrowings**(1). Classification of short-term borrowings**

Applicable Not applicable

Item	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Secured borrowings	35,920,778.00	39,429,000.00
Guaranteed borrowings	900,000,000.00	826,242,190.00
Credit borrowings	222,652,549.48	135,000,000.00
Interest payable for short-term borrowings	3,278,220.94	
Total	<u>1,161,851,548.42</u>	<u>1,000,671,190.00</u>

Notes to the classification of short-term borrowings:

Guaranteed borrowings are loans secured between the Company and its subsidiaries, as described in Note XIV.2 to this document.

(2). Short-term borrowings that are past due

Applicable Not applicable

Significant overdue short-term borrowings are as follows:

Applicable Not applicable

Other notes

Applicable Not applicable

32. Trading financial liabilities

Applicable Not applicable

33. Derivative financial liabilities

Applicable Not applicable

34. Notes payable**(1). Notes payable**

Applicable Not applicable

Type	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Commercial acceptance note		
Bank acceptance note	130,755,214.10	29,465,118.00
Total	<u>130,755,214.10</u>	<u>29,465,118.00</u>

Total amount of notes payable that were due but unpaid at the end of the period was RMB0.

35. Accounts payable**(1). Presentation of accounts payable**

Applicable Not applicable

Item	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Capacity purchase payment, and payment for goods	1,490,365,087.69	964,618,721.34
Renovation project payment	31,448,870.55	26,673,852.71
Equipment payment	412,588,655.36	210,604,372.08
Total	<u>1,934,402,613.60</u>	<u>1,201,896,946.13</u>

(2). Major accounts payable aged over one year

Applicable Not applicable

Other notes

Applicable Not applicable

36. Advances from customers**(1). Advances from customers**

Applicable Not applicable

Item	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Integrated logistics services fee	82,927,914.08	60,047,450.89
Total	<u>82,927,914.08</u>	<u>60,047,450.89</u>

(2). Significant advances from customers aged over 1 year

Applicable Not applicable

(3). Settled but incomplete projects generated by construction contract at the end of the reporting period

Applicable Not applicable

Other notes

Applicable Not applicable

37. Payroll payables**(1). Payroll payables**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term compensation . . .	1,062,704,549.57	9,603,404,392.33	9,775,250,420.47	890,858,521.43
II. Post-employment benefits-defined contribution plan . . .		424,759,632.62	424,759,632.62	
III. Termination benefits				
IV. Other benefits due within one year	48,256,627.52		48,256,627.52	
Total	<u>1,110,961,177.09</u>	<u>10,028,164,024.95</u>	<u>10,248,266,680.61</u>	<u>890,858,521.43</u>

(2). Short-term compensation

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Salary, bonus, allowance, and subsidy	1,062,704,549.57	9,004,371,424.10	9,176,217,452.24	890,858,521.43
II. Staff welfare		199,280,160.76	199,280,160.76	
III. Social insurance premium . . .		165,193,544.64	165,193,544.64	
Including: medical insurance premium		136,237,347.15	136,237,347.15	
Work injury insurance premium		10,630,366.87	10,630,366.87	
Maternity insurance premium		18,325,830.62	18,325,830.62	
IV. Housing provident fund		156,621,926.62	156,621,926.62	
V. Trade union funding and employee education funding		76,766,921.11	76,766,921.11	
VI. Commercial insurance premiums		1,170,415.10	1,170,415.10	
Total	<u>1,062,704,549.57</u>	<u>9,603,404,392.33</u>	<u>9,775,250,420.47</u>	<u>890,858,521.43</u>

(3). Defined contribution plans

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance		406,706,851.48	406,706,851.48	
2. Unemployment insurance		18,052,781.14	18,052,781.14	
3. Enterprise annuity payment				
Total		<u>424,759,632.62</u>	<u>424,759,632.62</u>	

Other notes:

Applicable Not applicable

38. Taxes payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Value-added tax	56,376,368.91	74,110,166.61
Corporate income tax	61,397,166.48	68,406,223.13
Individual income tax	12,657,044.18	13,838,285.14
Urban maintenance and construction tax	2,618,655.58	3,755,124.85
Education surcharge and local education surcharge	2,102,879.58	3,195,974.09
Others	<u>171,028.34</u>	<u>220,243.80</u>
Total	<u>135,323,143.07</u>	<u>163,526,017.62</u>

39. Other payables**Presentation of items**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable		5,866,748.58
Dividends payable		
Other payables	<u>329,411,031.23</u>	<u>426,506,040.49</u>
Total	<u>329,411,031.23</u>	<u>432,372,789.07</u>

Other notes:

Applicable Not applicable

41. Non-current liabilities due within one year

Applicable Not applicable

42. Other current liabilities

Other current liabilities

Applicable Not applicable

Changes in short-term debentures payable:

Applicable Not applicable

Other notes:

Applicable Not applicable

43. Long-term borrowings**(1). Long-term borrowings by type**

Applicable Not applicable

Other notes, including the range of interest rate:

Applicable Not applicable

44. Debentures payable**(1). Debentures payable**

Applicable Not applicable

(2). Changes in debentures payable: (excluding preferred shares classified as financial liabilities, perpetual bonds and other financial instruments)

Applicable Not applicable

(3). Notes to conversion conditions and conversion time of convertible corporate bonds

Applicable Not applicable

(4). Notes to other financial instruments classified as financial liabilities

Outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period

Applicable Not applicable

Table of changes in outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period

Applicable Not applicable

Notes to basis for other financial instruments classified as financial liabilities:

Applicable Not applicable

Other notes:

Applicable Not applicable

45. Lease liabilities

Applicable Not applicable

46. Long-term payables

Presentation of items

Applicable Not applicable

Other notes:

Applicable Not applicable

Long-term payables

(1). Long-term payables presentation by nature

Applicable Not applicable

Special payables

(2). Special payables presentation by nature

Applicable Not applicable

47. Long-term payroll payables

Applicable Not applicable

(1). Table of long-term payroll payables

Applicable Not applicable

Item	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
I. Net liability for post-employment benefits — defined benefit plans		
II. Termination benefits		
III. Other long-term benefits	19,941,028.55	60,949,634.78
Total	<u>19,941,028.55</u>	<u>60,949,634.78</u>

(2). Change of defined benefit plan

Present value of the defined benefit plan obligations:

Applicable Not applicable

Plan assets:

Applicable Not applicable

Net liabilities (net assets) of the defined benefit plan

Applicable Not applicable

Notes to the content of the defined benefit plan and related risks, and the impact on the Company's future cash flow, time and uncertainty:

Applicable Not applicable

Notes to major actuarial assumptions and sensitivity analysis results of the defined benefit plan

Applicable Not applicable

Other notes:

Applicable Not applicable

48. Estimated liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Reason
Pending action	<u>10,815,276.69</u>	<u>12,356,682.20</u>	Involved in litigation
Total	<u>10,815,276.69</u>	<u>12,356,682.20</u>	/

Other notes, including important assumptions and estimates related to important estimated liabilities:

None

49. Deferred revenues

Deferred revenues

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	<u>1,223,105.44</u>	<u>20,568,824.05</u>	<u>6,616,940.81</u>	<u>15,174,988.68</u>	Government grants received in relation to assets
Total	<u>1,223,105.44</u>	<u>20,568,824.05</u>	<u>6,616,940.81</u>	<u>15,174,988.68</u>	/

APPENDIX II
FINANCIAL INFORMATION OF THE DEPPON

Items involving government grants:

 Applicable Not applicable

Unit: Yuan Currency: RMB

Items related to liabilities	Opening balance	Grants increased for the period	Amount included in non-operating income during the period	Amount included in other income during the period	Other changes	Closing balance	Related to assets / related to income
Grants to upgrade equipment for the freight industry	1,223,105.44	605,082.02		926,954.76		901,232.70	Related to assets
Deppon intelligent warehouse and logistics center construction project . .		2,367,000.00		756,517.82		1,610,482.18	Related to assets
Industrial informatization transformation and upgrading funds		2,000,000.00		1,172,155.54		827,844.46	Related to assets
Supply chain system construction project . .		9,473,142.03		1,028,901.93		8,444,240.10	Related to assets
Special fund project of Guangdong technology innovation strategy		2,000,000.00		884,130.18		1,115,869.82	Related to assets
Logistics infrastructure and equipment standardization update project		4,123,600.00		1,848,280.58		2,275,319.42	Related to assets
Total	1,223,105.44	20,568,824.05		6,616,940.81		15,174,988.68	

Other notes:

 Applicable Not applicable

50. Other non-current liabilities
 Applicable Not applicable

51. Share capital
 Applicable Not applicable

Unit: Yuan Currency: RMB

	Opening balance	Issuance of new shares	Increase or decrease (+, -)			Subtotal	Closing balance
			Bonus issue	Conversion of capital reserves into share capital	Others		
Total number of shares	960,000,000.00					960,000,000.00	

52. Other equity instruments

(1). **Outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period**

Applicable Not applicable

(2). **Table of changes in outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period**

Applicable Not applicable

Notes to changes in other equity instruments and reasons thereof for the reporting period, and basis for related accounting treatment:

Applicable Not applicable

Other notes:

Applicable Not applicable

53. Capital reserves

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share capital premium)	318,603,603.14		1,486,787.66	317,116,815.48
Business combination under common control	35,020,953.45		35,020,953.45	
Total	<u>353,624,556.59</u>	<u></u>	<u>36,507,741.11</u>	<u>317,116,815.48</u>

Other notes, including changes and reasons thereof for the reporting period:

None

54. Treasury stock

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Treasury stock		69,430,125.93		69,430,125.93
Total	<u></u>	<u>69,430,125.93</u>	<u></u>	<u>69,430,125.93</u>

Other notes, including changes and reasons thereof for the reporting period:

None

55. Other comprehensive income Applicable Not applicable

Unit: ten thousand yuan Currency: RMB

Item	Amount for current period				Less: recorded in other comprehensive income for the previous period and transferred to retained earnings for the period	Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	Closing balance
	Changes in accounting policies	Opening balance	Amount incurred for current period before income tax	Less: recorded in other comprehensive income for the previous period and transferred to profit or loss for the period					
I. Other comprehensive income that cannot be reclassified to profit or loss	-1,728.00	-1,728.00	-2,705.00			-676.25	-2,028.75		-3,756.75
Including: changes in remeasurement of defined benefit plans									
Amount recorded in other comprehensive income upon financial assets reclassification	-1,728.00	-1,728.00	-2,705.00			-676.25	-2,028.75		-3,756.75
Total other comprehensive income	-1,728.00	-1,728.00	-2,705.00			-676.25	-2,028.75		-3,756.75

Other notes, including adjustments of the effective portion of the cash flow hedge gain or loss transferred to the amount initially recognized for the hedged item:

None

56. Special reserves Applicable Not applicable

Item	Increase for the period		Decrease for the period	
	Opening balance	Increase for the period	Decrease for the period	Closing balance
Production safety expenses		229,343,711.67	229,343,711.67	
Total		<u>229,343,711.67</u>	<u>229,343,711.67</u>	<u>229,343,711.67</u>

Unit: Yuan Currency: RMB

57. Surplus reserve

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	267,681,429.01	72,064,527.95		339,745,956.96
Total	<u>267,681,429.01</u>	<u>72,064,527.95</u>		<u>339,745,956.96</u>

Note on surplus reserve, including explanation about changes and reasons thereof for the period:

The increase in the current period is based on 10% of the Company's annual net income.

58. Retained earnings

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Current period	Previous period
Retained earnings at the end of the previous period before adjustment . . .	2,481,439,501.50	1,994,145,486.11
Total amount of adjustment for retained earnings at the beginning of the period (“+” for increase and “-” for decrease)	23,040,000.00	
Retained earnings at the beginning of the period after adjustment	2,504,479,501.50	1,994,145,486.11
Add: net profit attributable to owners of parent company for the period	323,632,050.21	700,872,846.87
Less: appropriation of statutory surplus reserves	72,064,527.95	49,418,831.48
Appropriation of general risk reserves	4,025,472.49	
Dividends payable with respect to ordinary shares	210,240,000.00	164,160,000.00
Retained earnings at the end of the period	2,541,781,551.27	2,481,439,501.50

Details on adjustment of retained earnings at the beginning of the period:

1. Due to retrospective adjustments in accordance with Accounting Standards for Business Enterprises and relevant new provisions, retained earnings at the beginning of the period read RMB-23,040,000.00.

2. Due to changes in accounting policies, retained earnings at the beginning of the period read RMB0.

3. Due to correction of material accounting errors, retained earnings at the beginning of the period read RMB0.

4. Due to changes in the consolidation scope under common control, retained earnings at the beginning of the period read RMB465,658.28.

5. Due to total of other adjustments, retained earnings at the beginning of the period read RMB0.

59. Revenue and cost of revenue**(1). Revenue and cost of revenue**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	25,922,101,314.82	23,348,702,448.46	23,025,797,902.94	19,779,048,355.57
Total	<u>25,922,101,314.82</u>	<u>23,348,702,448.46</u>	<u>23,025,797,902.94</u>	<u>19,779,048,355.57</u>

Other notes:

None

60. Taxes and surcharges

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	33,169,569.06	27,442,203.53
Education surcharge	26,190,210.93	21,980,352.18
Land use tax	102,712.22	174,677.76
Vehicle and vessel use tax	1,793,944.40	1,629,021.75
Stamp duty	14,734,496.60	12,847,202.53
Others	1,769,933.89	1,902,638.16
Total	<u>77,760,867.10</u>	<u>65,976,095.91</u>

61. Selling and marketing expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	265,281,490.70	257,460,505.86
Advertising and promotion fees	88,677,627.95	76,665,327.98
Consulting expenses	21,134,896.45	28,323,272.62
Office expenses	19,755,366.26	21,643,877.10
Others	12,096,188.06	11,732,039.33
Total	<u>406,945,569.42</u>	<u>395,825,022.89</u>

62. General and administrative expenses Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	1,122,131,526.90	1,177,150,158.49
Management consulting expenses	205,567,584.31	274,675,830.55
Transportation and travel expenses	86,147,224.49	88,740,045.78
Depreciation expenses	99,857,264.60	88,317,165.44
Training and recruitment expenses	48,247,931.88	74,948,064.69
Communication expenses	80,438,556.89	66,886,073.61
Office expenses	83,330,686.06	65,450,562.04
Room rental expenses	43,003,798.96	36,661,658.56
Amortization of leasehold improvement expenses	16,105,360.58	19,444,394.23
Taxation	15,332,207.75	18,971,670.02
Others	4,425,279.00	2,102,765.67
Total	1,804,587,421.42	1,913,348,389.08

63. Research and development expenses Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	78,711,644.10	103,125,377.00
Depreciation and amortization expenses	2,207,620.25	3,969,098.11
Consulting expenses	20,140,707.41	23,112,893.96
Others		84,321.56
Total	101,059,971.76	130,291,690.63

64. Finance expenses Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Interest expenses	66,662,279.04	76,988,805.18
Interest income	-14,182,625.16	-17,823,727.99
Exchange loss	5,306,532.91	3,918,742.45
Bank charges and others	65,680,772.40	67,181,210.29
Total	123,466,959.19	130,265,029.93

65. Other income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period	Related to assets/income
Chengyang District 2012 informatization special fund		5,869.59	Related to assets
Grants to upgrade equipment for the freight industry	926,954.76	1,677,053.46	Related to assets
Deppon intelligent warehouse and logistics center construction project	756,517.82		Related to assets
Industrial informatization transformation and upgrading funds	1,172,155.54		Related to assets
Supply chain system construction projects	1,028,901.93		Related to assets
Special fund project of Guangdong technology innovation strategy	884,130.18		Related to assets
Logistics infrastructure and equipment standardization update project	1,848,280.58		Related to assets
Financial return	107,264,673.77	93,951,909.52	Related to income
VAT refund immediately upon levy	9,314,136.00	5,999,560.00	Related to income
Support funds for the establishment of proprietary brands	3,134,100.00	950,000.00	Related to income
Industry subsidies and incentives	28,814,866.85	20,858,554.00	Related to income
Employment and internship allowance	10,199,060.41	20,226,178.80	Related to income
Employee vocational training subsidy	9,610.00	2,941,590.35	Related to income
Enterprise development incentive fund	32,421,397.87	37,963,900.00	Related to income
Other grants and subsidies	9,231,909.77	5,372,561.30	Related to income
Tax deduction	92,103,198.04		Related to income
Total	<u>299,109,893.52</u>	<u>189,947,177.02</u>	

Other notes:

All other income items are included in non-recurring profit or loss.

66. Investment income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Investment income from long-term equity investments using equity method	6,553,738.49	-69,372.95
Investment income from available-for-sale financial assets during the holding period		18,233,000.86
Investment income from trading financial assets during the holding period	62,776,758.70	102,442,975.40
Dividend income from other equity instrument investments during the holding period	12,776,266.65	
Total	<u>82,106,763.84</u>	<u>120,606,603.31</u>

67. Net exposure hedge income Applicable Not applicable**68. Gain from fair value changes** Applicable Not applicable

Unit: Yuan Currency: RMB

Sources of gain from fair value changes	Amount for the current period	Amount for the previous period
Trading financial assets	462,418.16	
Including: gain from fair value changes arising from derivative financial instruments		
Total	<u>462,418.16</u>	<u></u>

69. Impairment losses under expected credit loss model Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Bad debt losses on other receivables	-1,419,083.78	-
Losses on bad debts from notes receivable	-548.09	-
Losses on bad debts from accounts receivable	-40,244,229.42	-
Impairment losses on the factoring receivable	-200,213.58	-
Total	<u>-41,864,074.87</u>	<u></u>

70. Asset impairment losses Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
I. Losses on bad debts	-	-26,955,340.78
II. Losses on inventory impairment		
III. Impairment losses on available-for-sale financial assets	-	-23,040,000.00
Total	<u>-</u>	<u>-49,995,340.78</u>

71. Gains on disposal of assets Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Gains on disposal of fixed assets	15,016,886.77	22,291,710.02
Total	<u>15,016,886.77</u>	<u>22,291,710.02</u>

72. Non-operating income

Non-operating income

 Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for previous period	Amount of non-recurring gain or loss included in the current period
Gains from inventory profit . . .	679,368.84	363,658.77	679,368.84
Income from indemnity and liquidated damages	3,391,303.56	1,065,306.42	3,391,303.56
Income from the sale of scraps	3,775,554.74	4,224,222.10	3,775,554.74
Others	37,501,095.95	30,648,989.08	37,501,095.95
Total	<u>45,347,323.09</u>	<u>36,302,176.37</u>	<u>45,347,323.09</u>

Government grants included in profit or loss for the current period

 Applicable Not applicable

Other notes:

 Applicable Not applicable**73. Non-operating expenses** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period	Amount of non-recurring gain or loss included in the current period
Donations	186,783.00	245,000.00	186,783.00
Liquidated damages, indemnity	22,726,490.54	11,216,658.07	22,726,490.54
Traffic violation and other fines and late payment fees	13,068,644.66	15,103,670.64	13,068,644.66
Others	10,094,469.44	6,185,077.13	10,094,469.44
Total	<u>46,076,387.64</u>	<u>32,750,405.84</u>	<u>46,076,387.64</u>

Other notes:

All non-operating expense items are included in non-recurring profit or loss.

74. Income tax expense**(1). Table of income tax expense** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Current income tax expense	99,423,516.02	153,714,694.92
Deferred income tax expense	-9,374,665.89	42,857,697.24
Total	<u>90,048,850.13</u>	<u>196,572,392.16</u>

(2). Accounting profit and income tax expense adjustment process

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period
Total profit	413,680,900.34
Income tax expenses calculated based on the statutory (or applicable) tax rates	103,420,225.09
Impact of different tax rates applied to subsidiaries	-1,570,382.79
Impact of adjusting income tax in previous periods	2,567,790.52
Impact of non-taxable income	-3,194,066.66
Impact of non-deductible costs, expenses, and losses	2,899,591.99
Research and development expenses plus of deductions	-11,067,910.18
Others	-3,006,397.84
Income tax expenses	90,048,850.13

Other notes:

Applicable Not applicable

75. Other comprehensive income

Applicable Not applicable

For details, please refer to Note VII. 55

76. Cash flow statement**(1). Cash received relating to other operating activities**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Net amount of receipt for collection and payment on behalf of others		111,740.99
Current payment received	127,394,301.74	117,952,967.59
Government grants and non-operating income received ...	265,626,532.97	219,570,925.42
Interest on deposits received	12,483,825.16	17,823,727.99
Total	<u>405,504,659.87</u>	<u>355,459,361.99</u>

(2). Cash payments relating to other operating activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Payment for sales, general and administrative expenses, etc.	692,731,123.71	813,697,504.18
Net amount of payment for collection and payment on behalf of others	96,187,234.52	
Current payment	130,649,850.20	84,207,112.57
Payment of non-operating expenses	46,076,387.64	32,750,405.84
Payment of bank charges, etc.	69,288,505.31	67,142,578.85
Total	<u>1,034,933,101.38</u>	<u>997,797,601.44</u>

(3). Cash received relating to other investing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Redemption of short-term wealth management products	23,363,000,549.00	20,995,491,314.00
Cash at the beginning of the period of consolidation of a subsidiary in a business combination under common control		1,812,680.88
Amount recovered from the purchase of factoring receivables from the original shareholders by the subsidiaries in a business combination under common control	215,866,234.16	
Total	<u>23,578,866,783.16</u>	<u>20,997,303,994.88</u>

(4). Cash payments relating to other investing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Purchase of short-term wealth management products	23,422,999,549.00	21,054,492,314.00
Term deposits	180,000,000.00	
Amount paid to the purchase of factoring receivables from the former shareholders by the subsidiaries in a business combination under common control	390,496,658.89	
Total	<u>23,993,496,207.89</u>	<u>21,054,492,314.00</u>

(5). Cash received from other financing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Recovery of loans deposits	65,000,000.00	11,700,000.00
Recovery of profit distribution deposit and refund of handling fee	2,000,460.82	2,000,000.00
Spin-off from a subsidiary in a business combination under common control to the former shareholder	330,000,000.00	
Total	<u>397,000,460.82</u>	<u>13,700,000.00</u>

(6). Cash payments relating to other financing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Payment of principal and interest related to finance leases	350,557.18	584,555.72
Payment of loans deposits	60,110,000.00	56,700,000.00
Payment of cash dividend deposit	2,000,000.00	2,000,000.00
Payment of cash dividend handling fee		37,759.79
Payments of consolidated subsidiaries under common control	34,408,559.54	
Payments for share repurchases	69,443,766.95	
Return of spin-off to the former shareholder by a subsidiary in a business combination under common control	330,000,000.00	
Total	<u>496,312,883.67</u>	<u>59,322,315.51</u>

77. Supplementary information of cash flow statement**(1). Supplementary information of cash flow statement**

Applicable Not applicable

Unit: Yuan Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	323,632,050.21	700,872,846.87
Add: provisions for asset impairment	41,864,074.87	49,995,340.78
Depreciation of fixed assets, depreciation of oil and gas assets, and depreciation of productive biological assets	761,431,668.92	644,203,567.81
Amortization of intangible assets	19,496,577.11	12,679,155.56
Amortization of long-term deferred expenses	170,551,324.17	143,831,325.62
Loss from disposal of fixed assets, intangible assets, and other long-term assets (gain is indicated with“-”)	-15,016,886.77	-22,291,710.02
Loss from scrapping of fixed assets (gain is indicated with“-”)		
Loss from fair value changes (gain is indicated with“-”)	-462,418.16	
Finance expenses (gain is indicated with“-”)	67,832,060.12	80,907,547.63
Investment loss (gain is indicated with“-”)	-82,106,763.84	-120,606,603.31
Decrease in deferred tax assets (increase is indicated with“-”)	-184,588,849.90	-47,338,117.91
Increase in deferred tax liabilities (decrease is indicated with“-”)	187,736,684.01	90,195,815.15
Decrease in inventories (increase is indicated with“-”)	-2,090,649.29	-11,001,830.14
Decrease in operating receivables (increase is indicated with“-”)	-629,395,340.47	-317,557,215.15
Increase in operating payables (decrease is indicated with“-”)	-846,802.64	382,187,766.00
Others	1,541,405.51	735,221.45
Net cash flows from operating activities	659,578,133.85	1,586,813,110.34
2. Significant investment and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance leases		

Unit: Yuan Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
3. Net changes in cash and cash equivalents:		
Closing balance of cash	1,276,729,866.57	2,712,100,266.89
Less: opening balance of cash	2,712,100,266.89	1,898,783,678.20
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	-1,435,370,400.32	813,316,588.69

(2). Net cash paid for acquisitions of subsidiaries for the period

Applicable Not applicable

(3). Net cash received from disposal of subsidiaries for the period

Applicable Not applicable

(4). Composition of cash and cash equivalents

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Cash		
Including: cash on hand		
Bank deposits that are readily available for payment	965,461,813.18	2,465,208,781.73
Other monetary funds readily available for payment	311,268,053.39	246,891,485.16
II. Cash equivalents		
Including: bond investment maturing within three months		
III. Cash and cash equivalents balance at the end of the reporting period	1,276,729,866.57	2,712,100,266.89
Including: restricted cash and cash equivalents used by the parent company or subsidiaries within the Group		

Other notes:

Applicable Not applicable

78. Notes to statement of changes in equity

Explanation on “others” adjusted for closing balance of the previous year and adjusted amount thereof:

Applicable Not applicable

79. Assets with restricted ownership or use rights

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing book value	Reason of restriction
Monetary funds	40,110,000.00	Term deposits and borrowings deposits

80. Monetary items denominated in foreign currencies**(1). Monetary items denominated in foreign currencies**

Applicable Not applicable

Unit: Yuan

Item	Closing balance of foreign currency	Exchange rate	Closing balance converted into RMB
Monetary funds	-	-	
Including: USD	170,016.94	6.9762	1,186,072.17
HKD	25,213,193.55	0.89578	22,585,474.52
Other receivables	-	-	
HKD	2,937,804.15	0.89578	2,631,626.20
Short-term borrowing	-	-	
HKD	40,100,000.00	0.89578	35,920,778.00

(2). Description of overseas business entities, for material overseas business entities, disclose their major business places overseas, functional currency and the selection criterion thereof; should there be any change in the functional currency, disclose the reason for such change

Applicable Not applicable

81. Hedging

Applicable Not applicable

82. Government grants**(1). Overview of government grants**

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Amount	Presented items	Amount included in current profit and loss
Government grants related to assets	20,568,824.05	Deferred revenues	6,616,940.81
Government grants related to income	292,492,952.71	Other income	292,492,952.71

(2). Return of government grants

Applicable Not applicable

Other notes:

None

83. Others

Applicable Not applicable

Factoring receivables**(1) By type**

Item	Closing balance	Opening balance
Factoring receivables	457,135,845.80	22,073,324.77
Less: provision for bad debt	<u>19,766,130.31</u>	<u>20,071,689.22</u>
Total	<u><u>437,369,715.49</u></u>	<u><u>2,001,635.55</u></u>

(2) Factoring receivables are disclosed by category

Item	Closing balance	Opening balance
Recourse	442,134,524.00	22,073,324.77
Less: provision for bad debt	<u>19,766,130.31</u>	<u>20,071,689.22</u>
Total	<u><u>422,368,393.69</u></u>	<u><u>2,001,635.55</u></u>

(3) Disclosure of overdue factored amounts by age of overdue accounts

Item	Closing balance	Opening balance
Within 3 months (inclusive)	10,010,679.14	
3 months to 6 months (inclusive)		
6 months to 8 months (inclusive)		
Over 8 months	<u>19,565,916.73</u>	<u>20,071,689.22</u>
Total	<u><u>29,576,595.87</u></u>	<u><u>20,071,689.22</u></u>

VIII. Changes in the Consolidation Scope**1. Business combination not under common control**

Applicable Not applicable

2. Business combination under common control

Applicable Not applicable

(1). Business combination under common control in the current period

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of merged entity	Proportion of equity obtained in a business combination	Basis for business combination under common control	Date of merger	Basis for determining the date of merger	Income of the merged entity from the beginning of the current period to the date of merger	Net profit of the merged entity from the beginning of the current period to the date of merger	Income of the merged entity during the comparison period	Net profit of the merged entity during the comparison period
德易商業保理（深圳）有限公司 ...	100%	The Company was under the same control of Deppon Holdco as the merged entity before and after the acquisition and such control is not temporary	September 1, 2019	Obtaining Control	6,308,107.21	4,054,837.11	475,698.58	465,658.28

Other notes:

On September 1, 2019, the Company acquired 100% of the equity interest in 德易商業保理（深圳）有限公司（“德易保理”） owned by 德鑫商業保理（深圳）有限公司（“德鑫保理”）， a related party also controlled by the ultimate parent company, Deppon Holdco. The merger date for this transaction is September 1, 2019, which is the effective date of acquisition of control. Since the Company and 德易保理 are under the ultimate control of Deppon Holdco before and after the merger and such control is not temporary, the transaction is a business combination under common control.

(2). Combination cost

Applicable Not applicable

Unit: Yuan Currency: RMB

Combination cost

— Cash 德易商業保理（深圳）有限公司 36,402,000.00

Explanation on contingent consideration and its changes:

None

Other notes:

None

(3). Book value of assets and liabilities of the merged entity on the date of merger

Applicable Not applicable

Unit: Yuan Currency: RMB

	Date of merger	As at the end of the previous period
Current assets	535,475,690.02	30,058,904.75
Non-current assets	5,741,757.69	5,718,262.80
Less: current liabilities	501,675,998.87	290,555.82
Net assets	39,541,448.84	35,486,611.73
Less: non-controlling interests		
Net assets acquired	39,541,448.84	35,486,611.73

Contingent liabilities of the merged entity assumed in a business combination:

None

Other notes:

None

3. Reversed purchase

Applicable Not applicable

4. Disposal of subsidiaries

Whether there is a loss of control in a single disposal of investments in subsidiaries

Applicable Not applicable

Other notes:

Applicable Not applicable

Whether there is a loss of control in the current period under a progressive disposal of investments in subsidiaries through multiple transactions

Applicable Not applicable

5. Changes in the consolidation scope due to other reasons

Describe the changes in the consolidation scope due to other reasons (e.g. incorporating a new subsidiary and liquidating a subsidiary) and its details:

Applicable Not applicable

① New subsidiaries

Company name	Date of inception	Place of registration	Registered capital (RMB'000)	Equity ration	Acquisition method
深圳市德邦電子商務有限公司	June 24, 2019	Shenzhen	500.00	100%	Establishment
北京智邦運輸有限公司	August 26, 2019	Beijing	500.00	100%	Establishment
北京德益運輸有限公司	August 26, 2019	Beijing	500.00	100%	Establishment
北京德創運輸有限公司	August 26, 2019	Beijing	500.00	100%	Establishment
北京衛邦運輸有限公司	August 27, 2019	Beijing	500.00	100%	Establishment
北京宣德運輸有限公司	August 29, 2019	Beijing	500.00	100%	Establishment
寧波德昱企業管理有限公司	October 25, 2019	Ningbo	1.00	100%	Establishment
寧波德軒企業管理有限公司	October 25, 2019	Ningbo	500.00	100%	Establishment
寧波德念企業管理合夥企業（有限合夥）	November 5, 2019	Ningbo	501.00	100%	Establishment
北京德邦啟航貨運代理有限公司 . . .	November 11, 2019	Beijing	100.00	100%	Establishment
精準德邦（上海）物流管理有限公司	May 6, 2019	Shanghai	1,000.00	100%	Establishment
寧波宣德德邦供應鏈管理有限公司 .	February 26, 2019	Ningbo	2,000.00	100%	Establishment
齊河縣德邦運輸有限公司	January 23, 2019	Dezhou	50.00	100%	Establishment
南通德邦供應鏈管理有限公司	September 26, 2019	Nantong	1,000.00	100%	Establishment

② Liquidating a subsidiary

The Company's subsidiaries 舟山德興資產管理有限公司 and 台州德邦物流有限公司 were deregistered in the current period and no longer included in the scope of consolidation.

6. Others

Applicable Not applicable

IX. Equity in Other Entities

1. Equity in subsidiaries

(1). Composition of Group

Applicable Not applicable

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
常熟德邦物流有限公司	Changshu	Changshu	Integrated logistics	100.00		Method 1
福州星光德邦物流有限公司	Fuzhou	Fuzhou	Integrated logistics	100.00		Method 1
貴陽全程德邦物流有限公司	Guiyang	Guiyang	Integrated logistics	100.00		Method 1
合肥德邦貨運代理有限公司	Hefei	Hefei	Integrated logistics	100.00		Method 1
吉林省德邦貨運代理有限公司	Changchun	Changchun	Integrated logistics	100.00		Method 1
蘭州全程德邦物流有限公司	Lanzhou	Lanzhou	Integrated logistics	100.00		Method 1
南昌德邦物流有限公司	Nanchang	Nanchang	Integrated logistics	100.00		Method 1
上海精准德邦物流有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
上海德啟信息科技有限公司	Shanghai	Shanghai	Software development and sales	100.00		Method 1
香港德邦物流有限公司	Hong Kong	Hong Kong	Integrated logistics	100.00		Method 1
德邦（上海）運輸有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
嘉興德邦物流有限公司	Jiaxing	Jiaxing	Integrated logistics	100.00		Method 1
內蒙古德邦物流有限公司	Hohhot	Hohhot	Integrated logistics	100.00		Method 1
山東德邦物流有限公司	Weifang	Weifang	Integrated logistics	100.00		Method 1
青海德邦物流有限公司	Qinghai	Qinghai	Integrated logistics	100.00		Method 1
寧波德邦基業投資管理有限公司	Ningbo	Ningbo	Investment management and consulting	100.00		Method 1
烏魯木齊精准德邦物流有限公司	Urumqi	Urumqi	Integrated logistics	100.00		Method 1
浙江德邦物流有限公司	Zhoushan	Zhoushan	Integrated logistics	100.00		Method 1
寧夏志成德邦快遞有限公司	Yinchuan	Yinchuan	Integrated logistics	100.00		Method 1
廣東德邦物流有限公司	Guangzhou	Guangzhou	Integrated logistics	100.00		Method 1

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
德邦（廣東）運輸有限公司	Guangzhou	Guangzhou	Integrated logistics	100.00		Method 1
精準德邦（上海）運輸有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
寧波誠佑投資管理有限公司	Ningbo	Ningbo	Investment management and investment consulting	100.00		Method 1
德邦（湖北）運輸有限公司	Hubei	Hubei	Transportation	100.00		Method 1
湖北德邦物流有限公司	Hubei	Hubei	Integrated logistics	100.00		Method 1
福建德邦物流有限公司	Fujian	Fujian	Integrated logistics	100.00		Method 1
福建精準運輸有限公司	Fujian	Fujian	Integrated logistics	100.00		Method 1
河北德邦物流有限公司	Hebei	Hebei	Integrated logistics	100.00		Method 1
河北精準運輸有限公司	Hebei	Hebei	Transportation	100.00		Method 1
德邦（海南）運輸有限公司	Hainan	Hainan	Integrated logistics	100.00		Method 1
拉薩市德邦物流有限公司	Tibet	Tibet	Domestic express	100.00		Method 1
德邦（遼寧）運輸有限公司	Liaoning	Liaoning	Integrated logistics	100.00		Method 1
德邦（蕪湖）運輸有限公司	Wuhu	Wuhu	Integrated logistics	100.00		Method 1
北京德啟運輸有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
江西精準物流有限公司	Ganzhou	Ganzhou	Integrated logistics	100.00		Method 1
吉林精準運輸有限公司	Jilin	Jilin	Integrated logistics	100.00		Method 1
長沙市德邦物流有限公司	Changsha	Changsha	Integrated logistics	100.00		Method 2
西安志成德邦物流有限公司	Xi'an	Xi'an	Integrated logistics	100.00		Method 2
汕頭市德邦物流有限公司	Shantou	Shantou	Integrated logistics		100.00	Method 2
青島德邦物流有限公司	Qingdao	Qingdao	Integrated logistics	100.00		Method 2
濟南德邦物流有限公司	Ji'nan	Ji'nan	Integrated logistics	100.00		Method 2
南京德邦物流有限公司	Nanjing	Nanjing	Integrated logistics	100.00		Method 2
無錫德邦物流有限公司	Wuxi	Wuxi	Integrated logistics	100.00		Method 2
廈門全程德邦物流有限公司	Xiamen	Xiamen	Integrated logistics	100.00		Method 2
重慶德邦物流有限公司	Chongqing	Chongqing	Integrated logistics	100.00		Method 2

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
成都全程德邦物流有限公司	Chengdu	Chengdu	Integrated logistics	100.00		Method 2
昆明德邦物流有限公司	Kunming	Kunming	Integrated logistics	100.00		Method 2
東莞市德邦貨運有限公司	Dongguan	Dongguan	Integrated logistics		100.00	Method 2
杭州德邦貨運代理有限公司	Hangzhou	Hangzhou	Integrated logistics	100.00		Method 2
寧波志成德邦物流有限公司	Ningbo	Ningbo	Integrated logistics	100.00		Method 2
溫州德邦物流有限公司	Wenzhou	Wenzhou	Integrated logistics	100.00		Method 2
上海德邦物流有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 2
鄭州德邦物流有限公司	Zhengzhou	Zhengzhou	Integrated logistics	100.00		Method 2
哈爾濱德邦貨物運輸有限公司	Harbin	Harbin	Integrated logistics	100.00		Method 2
天津全程德邦物流有限公司	Tianjin	Tianjin	Integrated logistics	100.00		Method 2
石家莊德邦物流有限公司	Shijiazhuang	Shijiazhuang	Integrated logistics	100.00		Method 2
江門市德邦物流有限公司	Jiangmen	Jiangmen	Integrated logistics		100.00	Method 2
中山市德邦物流有限公司	Zhongshan	Zhongshan	Integrated logistics		100.00	Method 2
廣東精准德邦物流有限公司	Foshan	Foshan	Integrated logistics	100.00		Method 2
惠州市德邦物流有限公司	Huizhou	Huizhou	Integrated logistics		100.00	Method 2
廣西德邦物流有限公司	Nanning	Nanning	Integrated logistics	100.00		Method 2
瀋陽全程德邦物流有限公司	Shenyang	Shenyang	Integrated logistics	100.00		Method 2
武漢市德邦物流有限公司	Wuhan	Wuhan	Integrated logistics	100.00		Method 2
江蘇德邦物流有限公司	Suzhou	Suzhou	Integrated logistics	100.00		Method 2
珠海市德邦物流有限公司	Zhuhai	Zhuhai	Integrated logistics		100.00	Method 2
廣州市德邦物流服務有限公司	Guangzhou	Guangzhou	Integrated logistics	100.00		Method 2
海口全程德邦物流有限公司	Haikou	Haikou	Integrated logistics	100.00		Method 2
深圳市德邦物流有限公司	Shenzhen	Shenzhen	Integrated logistics	100.00		Method 2
北京德邦貨運代理有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 2
大連星光德邦物流有限公司	Dalian	Dalian	Integrated logistics	100.00		Method 2
太原德邦物流有限公司	Taiyuan	Taiyuan	Integrated logistics	100.00		Method 2

APPENDIX II
FINANCIAL INFORMATION OF THE DEPPON

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
河南德邦運輸有限公司	Henan	Henan	Integrated logistics	100.00		Method 1
德歡（上海）運輸有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
上海燕汐軟件信息科技有限公司	Shanghai	Shanghai	Software and IT services	100.00		Method 1
深圳市德邦電子商務有限公司	Shenzhen	Shenzhen	Wholesale and retail	100.00		Method 1
北京智邦運輸有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
北京德益運輸有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
北京德創運輸有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
北京衛邦運輸有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
北京宣德運輸有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
寧波德昱企業管理有限公司	Ningbo	Ningbo	Management consulting	100.00		Method 1
寧波德念企業管理合夥企業（有限合夥）	Ningbo	Ningbo	Management consulting		100.00	Method 1
北京德邦啟航貨運代理有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
精准德邦（上海）物流管理有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
寧波宣德德邦供應鏈管理有限公司	Ningbo	Ningbo	Integrated logistics	100.00		Method 1
齊河縣德邦運輸有限公司	Qihe	Qihe	Integrated logistics	100.00		Method 1
寧波德軒企業管理有限公司	Ningbo	Ningbo	Management consulting	100.00		Method 1
南通德邦供應鏈管理有限公司	Nantong	Nantong	Integrated logistics	100.00		Method 1
德易商業保理（深圳）有限公司	Shenzhen	Shenzhen	Factoring business	100.00		Method 2

Note: method 1 represents establishment; method 2 represents business combination under common control.

(2). Key non-wholly owned subsidiaries

Applicable Not applicable

(3). Main financial information of key non-wholly owned subsidiaries

Applicable Not applicable

(4). Major restrictions on the use of assets and settlement of debts of the corporate group

Applicable Not applicable

(5). Financial support or other support provided for structured entity included in the scope of the consolidated financial statements

Applicable Not applicable

Other notes:

Applicable Not applicable

2. Transaction in which the share of owner's equity in the subsidiary changes while control over the subsidiary remains unchanged

Applicable Not applicable

3. Interests in joint ventures or associates

Applicable Not applicable

(1). Important joint ventures or associates

Applicable Not applicable

(2). Key financial information on significant joint ventures

Applicable Not applicable

(3). Key financial information on significant associates

Applicable Not applicable

(4). Combined financial information of insignificant joint ventures and associates

Applicable Not applicable

Unit: Yuan Currency: RMB

	Closing balance/amount for the current period	Opening balance/amount for the previous period
Associates:		
Total book value of investments	148,549,015.54	57,760,000.00
Aggregate amount for the following items as calculated based on the percentage of shares		
— Net profit	6,553,738.49	-69,372.95
— Other comprehensive income	0.00	0.00
— Total comprehensive income	6,553,738.49	-69,372.95

Other notes

As of December 31, 2019, the subsidiary 寧波德邦基業投資管理有限公司 held 12.4% shares of 上海能運物流有限公司, 20% shares of 明通重型物流集團股份有限公司, 20% shares of 成都縱連展會物流有限公司, and 20% shares of 山東中一樂邦物流有限公司.

(5). Explanation of significant restrictions on the ability of joint ventures or associates to transfer funds to the Company

Applicable Not applicable

(6). Excess loss generated from joint ventures or associates

Applicable Not applicable

(7). Unrecognised commitment related to investments in joint ventures

Applicable Not applicable

(8). Contingent liabilities related to investments in joint ventures or associates

Applicable Not applicable

4. Significant joint operation

Applicable Not applicable

5. Interests in structured entities not included in the scope of consolidated financial statements

Descriptions of structured entities not included in the scope of consolidated financial statements:

Applicable Not applicable

6. Others

Applicable Not applicable

X. Risks Associated with Financial Instruments

Applicable Not applicable

The risks associated with the Company's financial instruments arise from the various types of financial assets and liabilities recognized in the course of the Company's operations, including credit risk, liquidity risk and market risk.

The Company's management objectives and policies for each type of risk associated with financial instruments are the responsibility of the Company's management. The management is responsible for daily risk management through functional departments (e.g., the Company's Credit Management Department reviews credit transactions on a case-by-case basis). The Company's internal audit department monitors the implementation of the Company's policies and procedures for risk management on a daily basis and reports relevant findings to the Company's Audit Committee in a timely manner.

The overall objective of the Company's risk management is to establish risk management policies that minimize the risks associated with various types of financial instruments without unduly affecting the Company's competitiveness and resilience.

1. Credit risk

Credit risk is the risk that one party to a financial instrument fails to meet its obligations and thereby causes the other party to incur financial losses. The Company's credit risk arises mainly from monetary

funds, notes receivable, accounts receivable, factoring receivables and other receivables. The credit risk of these financial assets arises from counter-party defaults, and the maximum exposure is equal to the carrying amount of these instruments.

The Company's monetary funds are mainly deposited in commercial banks and other financial institutions, which the Company considers to have high creditworthiness and asset position, with a low credit risk.

For notes receivable, accounts receivable, factoring receivables and other receivables, the Company evaluates the creditworthiness of the debtors based on the debtors' financial status, external ratings, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions, and sets the appropriate amount and credit period for the debtors. The Company will regularly monitor the credit history of debtors. For debtors with poor credit history, the Company will use written reminders, shorten the credit period or cancel the credit period to ensure that the Company's overall credit risk is within manageable limits.

(1) Criteria for judging significant increase in credit risk

The Company assesses at each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Company considers reasonable and substantiated information available without undue additional cost or effort, including qualitative and quantitative analysis based on the Company's historical data, external credit risk ratings and forward-looking information. The Company uses a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics to determine the change in the risk of default over the expected life of the financial instrument by comparing the risk of default of the financial instrument at the balance sheet date with the risk of default at the initial recognition date.

The Company considers that a significant increase in the credit risk of a financial instrument occurs when one or more of the following quantitative and qualitative criteria are triggered: The quantitative criteria are mainly the increase in the probability of default for the remaining duration of the reporting date by more than a certain percentage compared with the initial recognition; the qualitative criteria are significant adverse changes in the operating or financial conditions of the major debtors, the list of early warning customers, etc.

(2) Definition of credit-impaired assets

For the purpose of determining whether credit impairment occurs, the definition criteria used by the Company are consistent with internal credit risk management objectives for the relevant financial instruments, while considering quantitative and qualitative indicators.

In assessing whether a debtor is credit-impaired, the Company considers the following factors: Significant financial difficulties of the issuer or debtor; breach of contract by the debtor, such as default or delinquency in interest or principal payments; creditors granting concessions to the debtor that would not otherwise be made because of economic or contractual considerations related to the debtor's financial difficulties; probable bankruptcy or other financial reorganization of the debtor; disappearance of an active market for the financial asset as a result of the issuer's or debtor's financial difficulties; purchase or origination of a financial asset at a significant discount that reflects the credit loss.

Credit impairment of financial assets may be the result of a combination of events and may not necessarily be the result of separately identifiable events.

(3) Parameters of expected credit loss measurement

Depending on whether there is a significant increase in credit risk and whether credit impairment occurs, the Company measures the provision for impairment for different assets using the expected credit losses over 12 months or the entire life of the asset, respectively. The key parameters of expected credit loss measurement include default probability, loss given default rate and exposure to default risk. The Company establishes default probability, loss given default rate and default risk exposure models by considering quantitative analysis of historical statistical data (such as counterparty ratings, types of guarantees and pledges, repayment methods, etc.) and forward-looking information.

The relevant definitions are as follows:

The default probability is the likelihood that the debtor will not be able to meet its payment obligations in the next 12 months or throughout its remaining life.

The loss given default rate is the Company's expectation of the extent to which losses will occur as a result of default risk exposure. The default loss rate varies depending on the type of counterparty, the method and priority of recourse, and the collateral. The loss given default rate is the percentage of loss of exposure at the time of default and is calculated for the next 12 months or the entire duration;

The exposure to default risk is the amount that would be reimbursed to the Company in the event of a default in the next 12 months or throughout the remaining life. Both the assessment of significant increases in credit risk of forward-looking information and the calculation of expected credit losses involve forward-looking information. The Company conducts historical data analysis to identify key economic indicators that affect credit risk and expected credit losses for each business type.

The highest credit risk exposed to the Company is limited to the carrying amount of each financial asset illustrated in the balance sheet. The Company has not provided any other guarantees that may expose the Company to credit risk.

Of the Company's accounts receivable, accounts receivable from the top five customers accounted for 7.36% of the Company's total accounts receivable (2018: 14.29%); among the Company's other receivables, the other receivables from the top five companies in the amount owed accounted for 8.41% (2018: 11.07%) of the Company's total other receivables.

2. Liquidity risk

Liquidity risk refers to the risk of fund shortage when the Company satisfies the obligation of settlement by delivering cash or other financial assets.

In managing the liquidity risk, the Company maintains and monitors an adequate level of cash and cash equivalents as deemed by the management, to finance its operations and mitigate the effect of fluctuations in cash flows. The management of the Company monitors the use of bank loans and ensures that bank loans are used in accordance with loan agreements. At the same time, the Company obtains commitments from major financial institutions to secure sufficient reserve funds, to satisfy short and long-term capital needs.

The Company finances its working capital from funds generated from operations and from banks and other borrowings. As of December 31, 2019, the Company had unused bank borrowings of RMB6,570 million, unused bank borrowings in foreign exchange of EUR24.50 million, and the foreign exchange of USD25 million, of which RMB6,270 million was available for borrowings in RMB, USD25 million was available for borrowings in RMB and USD, EUR24.50 million was available for borrowings in EUR, and RMB300 million was available for borrowings in other equivalent currencies such as RMB, USD, and HKD. As of December 31, 2019, the borrowing amount of RMB1,104.5685 million was utilized and the borrowing amount of HKD35 million was utilized, with the remaining amount unused. (December 31, 2018: RMB5,756 million, the Company had unused bank

borrowings in foreign exchange of HKD255.05 million, and the foreign exchange of USD90 million, of which USD25 million was available for borrowings in RMB, USD5 million was available for borrowings in USD, USD8 million was available for borrowings in RMB and USD, USD2 million was available for borrowings in HKD and USD, and the remaining USD50 million was available for borrowings in RMB, USD, and HKD. As of December 31, 2018, the borrowing amount of HKD20 million was utilized, and the borrowing amount of RMB100 million was utilized, with the remaining amount unused.)

3. Market risks

Market risk of financial instruments is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, including the interest rate risk and exchange rate risk.

(1) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the market interest rate. Interest rate risk arises from recognized interest-bearing financial instruments and unrecognized financial instruments (e.g. loan commitments).

The Company's interest rate risk arises mainly from long-term bank loans, bonds payable, and other long-term interest-bearing debts. Financial liabilities with floating interest rate expose the Company to the interest rate risk of cash flow, and financial liabilities with fixed interest rate expose the Company to the interest rate risk of fair value. The Company determines the relative proportion of contracts carrying fixed and floating rates according to prevailing market conditions. At the same time, the Company monitors and maintains combined financial instruments of fixed rates and floating rates on a regular basis.

All of the Company's interest-bearing debts are fixed-rate debts. Therefore, the Company's exposure to market risk from changes in interest rates is not material.

(2) Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the exchange rate. The Company's exchange rate risk mainly comes from financial instruments denominated in foreign currencies other than the functional currency.

The Company's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. As a result, the Company's exposure to market risk from foreign exchange movements is small.

For the presentation of the Company's financial assets and liabilities denominated in foreign currencies as at the end of the period, please refer to the description of other foreign currency monetary items in this note.

XI. Disclosure of Fair Value**1. Closing fair value of assets and liabilities measured at fair value**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Fair value at the end of the period			Total
	First-level fair value measurement	Second-level fair value measurement	Third-level fair value measurement	
I. Continuous fair value measurement				
(I) Trading financial assets		40,354,582.54	180,107,835.62	220,462,418.16
1. Financial assets at fair value through profit or loss		40,354,582.54	180,107,835.62	220,462,418.16
(1) Wealth management products		40,354,582.54	180,107,835.62	220,462,418.16
(II) Other debt investments				
(III) Other investments in equity instruments			350,495,786.91	350,495,786.91
(IV) Other non-current financial assets			108,996,507.12	108,996,507.12
Total assets measured at fair value on an ongoing basis		40,354,582.54	639,600,129.65	679,954,712.19

2. Determination basis of the market price of the item measured using the first level of fair value measurement continuously and non-continuously

Applicable Not applicable

3. Valuation techniques and qualitative and quantitative information on important parameters adopted for the second level of continuous and noncontinuous fair value measurement

Applicable Not applicable

For financial products, the Company determines the fair value at the net market value, if any.

For financial instruments traded in active markets, the Company determines their fair values using their quoted prices in active markets.

4. Valuation techniques and qualitative and quantitative information on important parameters adopted for the third level of continuous and noncontinuous fair value measurement

Applicable Not applicable

For financial products, if the net market value is not available, the Company determines the fair value by discounting the cash flows at the expected rate of return.

For financial instruments that are not traded in an active market (equity investments held by the Company), the Company's equity in the investee is not practicable to be valued by the income method or market method because the Company's equity in the investee is low and has no significant influence, and there is no recent introduction of external investors or transfer of equity between shareholders that can be used as a reference basis to determine the fair value. In addition, the Company analyzed the relevant information available and did not find that the internal and external environment of the investee had changed significantly since the beginning of the year. Therefore, it was a "limited situation" in which the best estimate of fair value could be made at book cost, and therefore, the fair value at year-end was made at cost.

5. Ongoing level-3 fair value measurement items, reconciliation information between opening and closing book values and unobservable parameter sensitivity analysis

Applicable Not applicable

6. For the continuous fair value measurement items, if there is a conversion between all levels in the current period, the reason for the conversion and the for the policy determining the time point of the conversion

Applicable Not applicable

7. Changes in the valuation technology and the cause of the changes in the current period

Applicable Not applicable

8. Fair value of financial assets and financial liabilities that are not measured at fair value

Applicable Not applicable

9. Others

Applicable Not applicable

XII. Related Parties and Related Party Transactions

1. Information about the parent company of the Company

Applicable Not applicable

Unit: ten thousand yuan Currency: RMB

Name of the parent company	Place of registration	Business nature	Registered capital	Percentage of shares held by the parent company in the Company (%)	Percentage of voting rights of the parent company in the Company (%)
寧波梅山保稅港區德邦投資控股股份有限公司	Ningbo	Industrial investment, investment management, investment consulting	9,500.00	71.99	71.99

Description of the parent company of the Company

As of December 31, 2019, 寧波梅山保稅港區德邦投資控股股份有限公司 had 162 shareholders, of which Cui Weixing (崔維星) was the largest shareholder with 43.15% shareholding and indirectly held 31.06% of the Company's shares through the parent company, while Cui Weixing (崔維星) directly held 4.48% of the Company's shares, totaling 35.54% of the Company's shares and was the ultimate beneficial owner of the Company.

The ultimate controller of the Company is Cui Weixing (崔維星)

Other notes:

During the reporting period, there was no change in the registered capital of the parent company.

2. Information about subsidiaries of the Company

For more information about the subsidiaries of the Company, please refer to Note IX “Equity in Other Entities”.

Applicable Not applicable

3. Joint ventures and associates of the Company

For more information about important joint ventures or associates of the Company, please refer to Note

Applicable Not applicable

Details of joint ventures or associates with related party transactions for the period and balances resulted from related party transactions in the previous period are as follows:

Applicable Not applicable

Name of joint venture or associate

Relationship with the Company

成都縱連展會物流有限公司 Associate of the Group

Other notes

Applicable Not applicable

4. Other related parties

Applicable Not applicable

Name of other related parties

Relationship between other related parties and the Company

Directors, Supervisors, General Manager and Deputy

General Manager, Secretary of the Board of Directors

德鑫商業保理(深圳)有限公司

SHENGLU SERVICES S.L.

Key management personnel

Company controlled by the Company’s parent

Director-controlled company

5. Related party transactions

(1). Related party transactions on purchase and sales of goods and rendering and receiving of services

Statement of purchase of goods/acceptance of services

Applicable Not applicable

Unit: Yuan Currency: RMB

Related party	Particulars of related party transaction	Amount for the current period	Amount for the previous period
成都縱連展會物流有限公司	Service fees	1,901,353.31	

Statement of sales of goods/rendering of services

Applicable Not applicable

Related party	Particulars of related party transaction	Unit: Yuan Currency: RMB	
		Amount for the current period	Amount for the previous period
Key management personnel	Provision of transportation	3,463.00	2,261.00
SHENGLU SERVICES S.L.	Consultation service	1,769,400.15	
成都縱連展會物流有限公司	Provision of transportation	174,439.65	

Description of related party transactions on purchase and sales of goods and rendering and receiving of services

Applicable Not applicable

(2). Associated trusteeship/contracting and entrusted management/outsourcing

Statement of the trusteeship/contracting of the Company:

Applicable Not applicable

Trusteeship/contracting

Applicable Not applicable

Statement of the entrusted management/outsourcing of the Company

Applicable Not applicable

Related party management/outsourcing

Applicable Not applicable

(3). Leasing between related parties

The Company as the lessor:

Applicable Not applicable

The Company as the lessee:

Applicable Not applicable

Description of leasing between related parties

Applicable Not applicable

(4). Related party guarantees

The Company as the guarantor

Applicable Not applicable

The Company as the guaranteed party

Applicable Not applicable

Explanation of related party guarantees

Applicable Not applicable

(5). Borrowings with related parties

Applicable Not applicable

Unit: Yuan Currency: RMB

Related party	Borrowing amount	Commencement date	Maturity date	Notes
Borrowing				
德鑫商業保理 (深圳) 有 限公司	147,400,000.00	September 2019	September 2019	The interest rate at which 德鑫商業保理(深圳)有限公司 obtains funds from external sources was used as the lending rate

(6). Asset transfer and debt restructuring of related parties

Applicable Not applicable

(7). Key management's remuneration

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Key management's remuneration	7,754,955.11	16,370,055.00

(8). Other related party transactions

Applicable Not applicable

Purchase of equity

Counterparty	Transaction subject	Transaction consideration
德鑫商業保理(深圳)有限公司	德易商業保理(深圳)有限公司	36,402,000.00

Note: in September 2019, the Company completed the acquisition of 100% equity interest in 德易商業保理(深圳)有限公司. The counterparty of the equity acquisition was 德鑫商業保理(深圳)有限公司. 廈門市大學資產評估土地房地產估價有限責任公司 has valued all the shareholders' equity of 德易商業保理(深圳)有限公司 with the date July 31, 2019 as the appraisal base date. The equity acquisition consideration is the above appraised value.

6. Amounts due to and due from related parties**(1). Accounts receivable**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables	成都縱連展會 物流有限公司	218,500.00	10,925.00		

(2). Accounts payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Related party	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Accounts payable	成都縱連展會物流有限公司	159,698.80	

7. Related party commitments

Applicable Not applicable

8. Others

Applicable Not applicable

XIII. Share-based Payment**1. General information about share-based payment**

Applicable Not applicable

2. Equity-settled share-based payment

Applicable Not applicable

3. Cash-settled share-based payment

Applicable Not applicable

4. Amendment and termination of share-based payment

Applicable Not applicable

5. Others

Applicable Not applicable

XIV. Commitment and Contingencies**1. Significant commitments**

Applicable Not applicable

Significant external commitments existing at the balance sheet date, nature and amount

(1) Operating lease commitments

As of December 31, 2019, the Company had the following non-cancelable operating lease agreements with external parties:

Minimum lease payments for non-cancelable operating leases	December 31, 2019	December 31, 2018
First year after the balance sheet date	1,056,836,095.28	1,024,928,373.94
Second year after the balance sheet date	575,017,345.56	549,319,934.81
Third year after the balance sheet date	266,021,162.79	266,082,133.50
Subsequent years	<u>230,051,591.72</u>	<u>298,693,229.77</u>
Total	<u><u>2,127,926,195.35</u></u>	<u><u>2,139,023,672.02</u></u>

As of December 31, 2019, the Company had no other disclosable commitments.

2. Contingencies**(1). Significant contingencies as at the balance sheet date**

Applicable Not applicable

As of December 31, 2019, bank loans between the Company and its subsidiaries were guaranteed:

Guarantor	Guaranteed company	Type of guarantee	Amount (RMB0'000)	Duration	Implemented or not
德邦運輸	The Company	Guarantee	15,000.00	January 21, 2019 – January 20, 2020	No
德邦運輸	The Company	Guarantee	10,000.00	March 14, 2019 – March 13, 2020	No
上海德邦	The Company	Guarantee	20,000.00	May 29, 2019 – May 20, 2020	No
上海德邦	The Company	Guarantee	10,000.00	May 29, 2019 – May 20, 2020	No
深圳德邦	The Company	Guarantee	10,000.00	October 21, 2019 – October 21, 2020	No
深圳德邦	The Company	Guarantee	12,000.00	October 22, 2019 – April 21, 2020	No
德邦運輸	The Company	Guarantee	13,000.00	October 28, 2019 – October 27, 2020	No
The Company . . .	香港德邦	Pledge	HKD2,000.00	January 14, 2019 – January 14, 2020	No
The Company . . .	香港德邦	Pledge	HKD510.00	March 27, 2019 – March 26, 2020	No
The Company . . .	香港德邦	Pledge	HKD500.00	April 17, 2019 – April 16, 2020	No
The Company . . .	香港德邦	Pledge	HKD1,000.00	June 12, 2019 – June 11, 2020	No

Note: Deppon Logistics Co., Ltd. is referred to as the “Company”, 上海德邦物流有限公司 as “上海德邦”, 德邦（上海）運輸有限公司 as “德邦運輸”, 深圳市德邦物流有限公司 as “深圳德邦”, and 香港德邦物流有限公司 as “香港德邦”. The amount of borrowing is guaranteed by 香港德邦 in Hong Kong dollars.

(2). Where the Company has no significant contingencies to disclose, description is also required:

Applicable Not applicable

3. Others

Applicable Not applicable

XV. Events Subsequent to the Balance Sheet Date

1. Significant non-adjusting events

Applicable Not applicable

2. Profit distribution

Applicable Not applicable

Unit: Yuan Currency: RMB

Profits or dividends to be distributed	28,585,934.85
Profits or dividends announced to be distributed upon consideration and approval	28,585,934.85

3. Sales return

Applicable Not applicable

4. Other events subsequent to the balance sheet date

Applicable Not applicable

Impact assessment of the COVID-19

An outbreak of novel coronavirus pneumonia (hereafter referred to as the “COVID-19”) emerged nationwide in January 2020. The Company expects that the outbreak, prevention and control measures will have a temporary impact on the Company’s production and operations, depending on the progress and duration of the prevention and control of the outbreak and the implementation of local prevention and control policies. The Company will continue to closely monitor the development of the COVID-19 and assess and actively respond to its impact on the Company’s financial position and results of operations. As of the date of this financial statement, the Company has not identified any material adverse effect.

XVI. Other Significant Matters

1. Correction of previous accounting errors

(1). Retrospective restatement method

Applicable Not applicable

(2). Prospective application method

Applicable Not applicable

2. Debt restructuring

Applicable Not applicable

3. Asset exchange**(1). Exchange of non-monetary assets**

Applicable Not applicable

(2). Exchange of other assets

Applicable Not applicable

4. Annuity plan

Applicable Not applicable

5. Discontinuation of operation

Applicable Not applicable

6. Segment information**(1). Determination basis and accounting policy of reporting segments**

Applicable Not applicable

(2). Financial information about reporting segments

Applicable Not applicable

(3). If the Company has no reporting segment or the total assets and total liabilities of the reporting segments cannot be disclosed, please explain the reason

Applicable Not applicable

(4). Other notes

Applicable Not applicable

7. Other significant transactions and matters that have an impact on investors' decision-making

Applicable Not applicable

8. Others

Applicable Not applicable

XVII. Notes to Major Items of Financial Statements of the Parent Company

1. Accounts receivable

(1). Disclosure by aging

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Book balance at the end of the reporting period
Within one year	
Including: sub-item within one year	
0-3 months	27,789,449.66
4-6 months	106,464.60
7-12 months	3,520.75
Subtotal within 1 year	27,899,435.01
1 to 2 years	419.00
Total	<u>27,899,854.01</u>

(2). Classified disclosure by provision for bad debt method

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance				Opening balance					
	Book balance Amount	Proportion (%)	Provision for bad debts Amount	Provision proportion (%)	Book value	Book balance Amount	Proportion (%)	Provision for bad debts Amount	Provision proportion (%)	Book value
Provision for bad debt by individual										
Provision for bad debt by portfolio	27,899,854.01	100.00	284,131.39	1.02	27,615,722.62	3,725,940.20	100.00	37,530.61	1.01	3,688,409.59
Including:										
Portfolio 2 due from other customers	27,899,854.01	100.00	284,131.39	1.02	27,615,722.62					
Portfolio of credit risk characteristics ..						3,725,940.20	100.00	37,530.61	1.01	3,688,409.59
Total ..	<u>27,899,854.01</u>	<u>/</u>	<u>284,131.39</u>	<u>/</u>	<u>27,615,722.62</u>	<u>3,725,940.20</u>	<u>/</u>	<u>37,530.61</u>	<u>/</u>	<u>3,688,409.59</u>

Provision for bad debts by individual:

Applicable Not applicable

Provision for bad debts by portfolio:

Applicable Not applicable

Portfolio accruals: portfolio 2 due from other customers

Unit: Yuan Currency: RMB

Item	Accounts receivable	Closing balance		Provision proportion (%)
		Provision for bad debts		
Within one year				
Including:				
0-3 months	27,789,449.66	277,894.50		1.00
4-6 months	106,464.60	5,323.24		5.00
7-12 months	3,520.75	704.15		20.00
Subtotal within 1 year	27,899,435.01	283,921.89		1.02
1 to 2 years	419.00	209.50		50.00
Total	<u>27,899,854.01</u>	<u>284,131.39</u>		<u>1.02</u>

Recognition criteria and explanation on provision for bad debt by portfolio:

Applicable Not applicable

For accounts receivable classified as a portfolio, the Company prepares a table of aging of accounts receivable against the expected credit loss rate for the entire duration to calculate expected credit losses by referring to historical credit loss experience, taking into account current conditions and forecasts of future economy.

If the provision for bad debts is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

(3). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the period				Closing balance
		Provision	Recovery or reverse	Resales or write-off	Other changes	
Provision for bad debts of accounts receivable	<u>37,530.61</u>	<u>287,123.78</u>		<u>40,523.00</u>		<u>284,131.39</u>
Total	<u>37,530.61</u>	<u>287,123.78</u>		<u>40,523.00</u>		<u>284,131.39</u>

Among them, the important amount of recovery or reverse of provision for bad debt for the period:

Applicable Not applicable

(4). The actual write-off of accounts receivable for the period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
Actual write-off of accounts receivable	40,523.00

The write-off of the important accounts receivable

Applicable Not applicable

(5). Top five customers with closing balance of accounts receivable collected by arrear party

Applicable Not applicable

The aggregate amount of the top five accounts receivable by party in arrears at the end of the reporting period was RMB24,646,887.83, accounting for 88.34% of the total closing balance of accounts receivable, and the corresponding total closing balance of provision for bad debts was RMB246,468.88.

(6). Accounts receivable derecognized due to the transfer of financial assets

Applicable Not applicable

(7). The amount of assets and liabilities generated by transferring accounts receivable and continuing to be involved

Applicable Not applicable

Other notes:

Applicable Not applicable

2. Other receivables**Presentation of items**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	<u>2,825,573,704.19</u>	<u>1,731,898,576.53</u>
Total	<u><u>2,825,573,704.19</u></u>	<u><u>1,731,898,576.53</u></u>

Other notes:

Applicable Not applicable

Interest receivable**(1). Classification of interest receivable**

Applicable Not applicable

(2). Major overdue interest

Applicable Not applicable

(3). Provision for bad debt

Applicable Not applicable

Other notes:

Applicable Not applicable

Dividend receivable**(4). Dividend receivable**

Applicable Not applicable

(5). Major dividend receivable aged over one year

Applicable Not applicable

(6). Provision for bad debt

Applicable Not applicable

Other notes:

Applicable Not applicable

Other receivables**(1). Disclosure by aging**

Applicable Not applicable

Aging	Unit: Yuan Currency: RMB
	Book balance at the end of the reporting period
Within one year	
Including: sub-item within one year	
Subtotal within 1 year	2,825,523,059.58
1 to 2 years	55,954.00
2 to 3 years	
Over 3 years	50,000.00
Total	<u>2,825,629,013.58</u>

(2). Classification by nature of payment

Applicable Not applicable

Nature of payment	Unit: Yuan Currency: RMB	
	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Deposits and guarantees	1,013,926.22	472,189.22
Other receivables received	2,824,615,087.36	1,731,507,149.88
Total	<u>2,825,629,013.58</u>	<u>1,731,979,339.10</u>

(3). Provision for bad debt

Applicable Not applicable

Provision for bad debts	Unit: Yuan Currency: RMB			
	Stage I The next 12-month ECL	Stage II Lifetime ECL (not credit-impaired)	Stage III Lifetime ECL (credit-impaired)	Total
Balance as of January 1, 2019	80,762.57			80,762.57
Balance for the period as of January 1, 2019	—	—	—	—
— Transferred to Stage II	—	—	—	—
— Transferred to Stage III	—	—	—	—
— Reversed to Stage II	—	—	—	—
— Reversed to Stage I	—	—	—	—
Provision for the period	-25,453.18			-25,453.18
Reverse for the period	—	—	—	—
Resales for the period	—	—	—	—
Write-off for the period	—	—	—	—
Other changes	—	—	—	—
Balance as of December 31, 2019	55,309.39			55,309.39

Explanation on the significant changes in the book balance of other receivables that changed due to provision for impairment in the period:

Applicable Not applicable

The amount of provision for bad debts in the period and the basis for assessing whether the credit risk of financial instruments increased significantly:

Applicable Not applicable

(4). Provision for bad debt

Applicable Not applicable

Category	Unit: Yuan Currency: RMB					
	Opening balance	Changes in amount for the period			Closing balance	
		Provision	Recovery or reverse	Resales or write-off	Other changes	
Other receivables	80,762.57	-25,453.18				55,309.39
Total	80,762.57	-25,453.18				55,309.39

Among them, the important amount of reverse or recovery of provision for bad debt for the period:

Applicable Not applicable

(5). The actual write-off of other receivables for the period

Applicable Not applicable

	Unit: Yuan Currency: RMB
Item	Amount of write-off
The actual write-off of other receivables	0.00

Write-off of important other receivables:

Applicable Not applicable

Explanation on write-off of other receivables:

Applicable Not applicable

(6). Top five customers with closing balance of other receivables collected by arrear party

Applicable Not applicable

				Unit: Yuan Currency: RMB
Company name	Nature of amount	Closing balance	Aging	Percentage of total of closing balance of other receivables (%)
德邦（上海）運輸有限公司 .	Current accounts	584,304,944.24	Within one year	20.68
寧波德邦基業投資管理有限 公司	Current accounts	505,470,399.31	Within one year	17.89
德易商業保理（深圳）有限 公司	Current accounts	420,399,790.14	Within one year	14.88
上海精準德邦物流有限公司 .	Current accounts	232,378,391.11	Within one year	8.22
重慶德邦物流有限公司	Current accounts	108,782,531.78	Within one year	3.85
Total	/	1,851,336,056.58	/	65.52

(7). Accounts receivable related to government grants

Applicable Not applicable

(8). Other receivables derecognized due to the transfer of financial assets

Applicable Not applicable

(9). The amount of assets and liabilities generated by transferring other receivables and continuing to be involved

Applicable Not applicable

Other notes:

Applicable Not applicable

3. Long-term equity investment

Applicable Not applicable

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	1,392,617,175.65		1,392,617,175.65	1,284,576,726.81		1,284,576,726.81
Investment in associates and joint ventures						
Total	<u>1,392,617,175.65</u>		<u>1,392,617,175.65</u>	<u>1,284,576,726.81</u>		<u>1,284,576,726.81</u>

Unit: Yuan Currency: RMB

(1). Investments in subsidiaries

Applicable Not applicable

Name of investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Unit: Yuan Currency: RMB	
					Provision for impairment for the period	Closing balance of provision for impairment
北京德邦貨運代理有限公司						
北京德啟運輸有限公司	5,000,000.00			5,000,000.00		
常熟德邦物流有限公司	5,000,000.00			5,000,000.00		
成都全程德邦物流有限公司 .	19,000,000.00			19,000,000.00		
大連星光德邦物流有限公司 .	1,456,830.26			1,456,830.26		
德邦(廣東)運輸有限公司 .	50,000,000.00			50,000,000.00		
德邦(海南)運輸有限公司 .	3,000,000.00			3,000,000.00		
德邦(湖北)運輸有限公司 .	1,000,000.00			1,000,000.00		
德邦(遼寧)運輸有限公司 .	5,000,000.00			5,000,000.00		
德邦(上海)運輸有限公司 .	30,000,000.00			30,000,000.00		
德邦(蕪湖)運輸有限公司 .	5,000,000.00			5,000,000.00		
福建德邦物流有限公司	10,000,000.00	35,000,000.00		45,000,000.00		
福建精準運輸有限公司	10,000,000.00			10,000,000.00		
福州星光德邦物流有限公司 .	1,000,000.00			1,000,000.00		
廣東德邦物流有限公司	50,000,000.00			50,000,000.00		

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Unit: Yuan Currency: RMB	
					Provision for impairment for the period	Closing balance of provision for impairment
廣東精准德邦物流有限公司	12,681,388.36			12,681,388.36		
廣西德邦物流有限公司	17,282,695.09			17,282,695.09		
廣州市德邦物流服務有限公司	27,000,000.00			27,000,000.00		
貴陽全程德邦物流有限公司	11,000,000.00			11,000,000.00		
哈爾濱德邦貨物運輸有限公司						
海口全程德邦物流有限公司	12,702,940.79			12,702,940.79		
杭州德邦貨運代理有限公司	68,000,000.00			68,000,000.00		
合肥德邦貨運代理有限公司	1,000,000.00			1,000,000.00		
河北德邦物流有限公司	3,000,000.00			3,000,000.00		
河北精准運輸有限公司	3,000,000.00			3,000,000.00		
湖北德邦物流有限公司	1,000,000.00			1,000,000.00		
吉林精准運輸有限公司	5,000,000.00			5,000,000.00		
吉林省德邦貨運代理有限公司	2,000,000.00			2,000,000.00		
濟南德邦物流有限公司	2,921,013.64			2,921,013.64		
嘉興德邦物流有限公司	10,000,000.00			10,000,000.00		
江蘇德邦物流有限公司	336,000,000.00			336,000,000.00		
江西精准物流有限公司	3,000,000.00			3,000,000.00		
精准德邦(上海)運輸有限公司	5,000,000.00			5,000,000.00		
昆明德邦物流有限公司	6,362,592.32			6,362,592.32		
拉薩市德邦物流有限公司	5,000,000.00			5,000,000.00		
蘭州全程德邦物流有限公司	5,000,000.00			5,000,000.00		
南昌德邦物流有限公司	10,000,000.00			10,000,000.00		
南京德邦物流有限公司	18,000,000.00			18,000,000.00		
內蒙古德邦物流有限公司	1,000,000.00			1,000,000.00		

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Unit: Yuan Currency: RMB	
					Provision for impairment for the period	Closing balance of provision for impairment
寧波誠佑投資管理有限公司 .	30,000,000.00			30,000,000.00		
寧波德邦基業投資管理有限公司	50,000,000.00			50,000,000.00		
寧波志成德邦物流有限公司 .	22,399,770.40			22,399,770.40		
寧夏志成德邦快遞有限公司 .	1,000,000.00			1,000,000.00		
青島德邦物流有限公司	4,700,000.00			4,700,000.00		
青海德邦物流有限公司	1,000,000.00			1,000,000.00		
廈門全程德邦物流有限公司 .	9,308,849.26			9,308,849.26		
山東德邦物流有限公司	3,000,000.00			3,000,000.00		
上海德邦物流有限公司						
上海德啟信息科技有限公司 .	15,000,000.00			15,000,000.00		
上海精准德邦物流有限公司 .	10,000,000.00			10,000,000.00		
深圳市德邦物流有限公司 . . .	127,210,721.00			127,210,721.00		
瀋陽全程德邦物流有限公司 .	2,000,000.00			2,000,000.00		
石家莊德邦物流有限公司 . . .	1,500,000.00			1,500,000.00		
台州德邦物流有限公司	1,000,000.00		1,000,000.00			
太原德邦物流有限公司	664,705.65			664,705.65		
天津全程德邦物流有限公司 .	148,862,036.57			148,862,036.57		
溫州德邦物流有限公司	75,495.05			75,495.05		
烏魯木齊精准德邦物流有限公司	1,000,000.00			1,000,000.00		
無錫德邦物流有限公司						
武漢市德邦物流有限公司 . . .	25,000,000.00			25,000,000.00		
西安志成德邦物流有限公司 .	695,465.88			695,465.88		
香港德邦物流有限公司	4,000,877.38	27,510,000.00		31,510,877.38		
長沙市德邦物流有限公司 . . .	2,041,804.53	7,000,000.00		9,041,804.53		

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Unit: Yuan Currency: RMB	
					Provision for impairment for the period	Closing balance of provision for impairment
浙江德邦物流有限公司	10,000,000.00			10,000,000.00		
鄭州德邦物流有限公司	40,000,000.00			40,000,000.00		
重慶德邦物流有限公司	9,000,000.00			9,000,000.00		
舟山德興資產管理有限公司	11,000.00		11,000.00			
河南德邦運輸有限公司	3,698,540.63			3,698,540.63		
德易商業保理(深圳)有限公司		39,541,448.84		39,541,448.84		
德歡(上海)運輸有限公司						
上海燕汐軟件信息科技有限公 司						
深圳市德邦電子商務有限公司						
北京智邦運輸有限公司						
北京德益運輸有限公司						
北京德創運輸有限公司						
北京衛邦運輸有限公司						
北京宣德運輸有限公司						
寧波德昱企業管理有限公司						
寧波德念企業管理合夥企業 (有限合夥)						
北京德邦啟航貨運代理有限公司						
精准德邦(上海)物流管理有限公司						
寧波宣德德邦供應鏈管理有限 公司						
齊河縣德邦運輸有限公司						
寧波德軒企業管理有限公司						
南通德邦供應鏈管理有限公司						
Total	1,284,576,726.81	109,051,448.84	1,011,000.00	1,392,617,175.65		

(2). Investments in associates and joint ventures

Applicable Not applicable

4. Revenue and cost of revenue**(1). Revenue and cost of revenue**

Applicable Not applicable

Item	Amount for the current period		Unit: Yuan Currency: RMB Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	137,581,802.70	125,366,154.59	83,477,070.49	73,020,313.34
Other businesses	<u>258,013,712.74</u>		<u>376,563,475.91</u>	
Total	<u>395,595,515.44</u>	<u>125,366,154.59</u>	<u>460,040,546.40</u>	<u>73,020,313.34</u>

Other notes:

Other revenue mainly represents the revenue from consulting expenses charged by the Company to its subsidiaries.

5. Investment income

Applicable Not applicable

Item	Unit: Yuan Currency: RMB Amount for the current period		Amount for the previous period	
	Investment income derived from long-term equity investments using cost method		678,106,997.81	
Investment income derived from disposal of available-for-sale financial assets during the holding period				18,233,000.86
Investment income derived from trading financial assets during the holding period		42,541,037.48		45,330,393.4
Dividend income from other equity instrument investments during the holding period		<u>12,776,266.65</u>		
Total		<u>733,424,301.94</u>		<u>503,264,160.06</u>

6. Others

Applicable Not applicable

XVIII. Supplementary Information**1. Breakdown of non-recurring gain or loss for the current period**

Applicable Not applicable

Item	Unit: Yuan Currency: RMB Amount
Gain or loss from disposal of non-current assets	15,016,886.77
Government subsidies charged to current profit or loss (except for government subsidies that are closely related to the business of the enterprise and are enjoyed in accordance with the national standard in a or quantitative manner)	299,109,893.52
Gains or losses from entrusting others to invest or manage assets	62,776,758.70
Net profit and loss for the period of the subsidiary arising from a business combination under common control from the beginning of the period to the date of merger	4,054,837.11
Gains or losses from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except for effective hedging operations related to the Company's normal business operations	462,418.16
Non-operating income and expenses other than those mentioned above	-729,064.55
Amount affected by income tax	-93,838,346.63
Effect of non-controlling interests	
Total	286,853,383.08

The reason should be specified for the Company defining items as non-recurring profit or loss items according to the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 — Non-recurring Profit or Loss (《公開發行證券的公司資訊披露解釋性公告第 1 號 — 非經常性損益》), and the reason for defining the non-recurring profit or loss items illustrated in the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 — Non-recurring Profit or Loss (《公開發行證券的公司資訊披露解釋性公告第 1 號—非經常性損益》) as recurring profit or loss items.

Applicable Not applicable

2. Return on net assets and earnings per share

Applicable Not applicable

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share Basic earnings per share	Diluted earnings per share
Net profits attributable to ordinary shareholders of the Company	7.88	0.34	
Net profits attributable to ordinary shareholders of the Company after deduction of non-recurring items	0.92	0.04	

3. Accounting data differences under domestic and foreign accounting standards

Applicable Not applicable

4. Others

Applicable Not applicable

Section 11 Financial Report**I. Audit Report**

Applicable Not applicable

Audit Report

Rong Cheng Shen Zi [2021] No. 216Z0004

To all Shareholders of Deppon Logistics Co., Ltd.

I. Audit Opinions

We have audited the financial statements of Deppon Logistics Co., Ltd. (“Deppon”), which comprise the consolidated and parent company balance sheets as of December 31, 2020, the consolidated and parent company income statements, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in owners’ equity for the year 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements, prepared in accordance with the provisions of the ASBEs in all material respects, present fairly the consolidated and parent company financial position as of December 31, 2020 and the consolidated and parent company results of operations and cash flows for the year 2020 of Deppon.

II. Basis for Audit Opinions

We carried out the audit work according to the Auditing Standards for CPAs of China. Our responsibilities under these standards are further clarified in the section entitled “Responsibilities of CPAs for Auditing Financial Statements” of the audit report. We are independent from Deppon according to the Code of Professional Conduct for Chinese CPAs and have fulfilled our other responsibilities in terms of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are considered to be most significant to the audit of the financial statements for the period. These matters are addressed in the context of an audit of the financial statements as a whole and the formation of audit opinions, and we do not express an opinion on these matters individually.

(I) Integrated logistics revenue recognition

1. Description of the matter

Related disclosures are detailed in Note V. 38. Revenue Recognition and Note VII. 61. Operating Revenues and Operating Cost to the financial statements.

In 2020, Deppon achieved a total consolidated logistics revenue of RMB27,467,819,200. The consolidated logistics revenue was generated from general freight, freight forwarding, domestic express and warehousing services. General freight, freight forwarding and domestic express, which are obligations performed at a point in time. Deppon recognizes revenue at the point in time when the customer obtains control over the related services. Warehousing services are obligations performed at a period of time.

Deppon's integrated logistics revenue is characterized by a large number of customers that are decentralized, and a large number of transactions with a small amount of an individual transaction. Deppon uses information systems to track the provision of integrated logistics services on a continuous and real-time basis. Revenue recognition relies heavily on the effectiveness of the design and operation of internal controls related to information systems.

We identified integrated logistics revenue recognition as a key audit matter because of the inherent high risk of revenue recognition due to the revenue characteristics of integrated logistics business and the complex information systems and system control processes.

2. Audit response

The procedures we have implemented in relation to the recognition of revenue from integrated logistics of Deppon mainly include:

(1) Evaluated whether the revenue recognition policy met the requirements of accounting standards by understanding the model and process of integrated logistics business and the vouchers corresponding to the point in time of revenue recognition;

(2) Interviewed with the finance department, business department, IT department, and the management to understand and test internal controls related to revenue recognition, including the understanding and testing of the information system environment related to the integrated logistics revenue, the general controls, and application controls, data interface testing of data interaction between systems, and overall reconciliation of data between the finance system and the business system by internal IT specialists of RSM China (the "Firm");

(3) Performed analytical procedures on integrated logistics revenues, including comparative analysis with industry data, fluctuation analysis, gross margin analysis, and validation analysis of financial data with operational data;

(4) Executed inspection procedures for integrated logistics revenue, including sampling of operational and financial data, sampling of waybills by a statistical sampling method, tracing from the issuance of waybills to the signing of waybills, checking the related business trajectory, checking the amount of revenue recognition, and tracing to the collection documents for fund payments;

(5) Selected samples to certify the amount of revenue transactions;

(6) For consolidated logistics revenues recognized around the balance sheet date, selected samples to check to the waybills and customer sign-off records to test whether the revenues were recorded in the appropriate accounting period.

(II) Measurement of expected credit losses on accounts receivable from integrated logistics services

1. Description of the matter

Related disclosures are detailed in Note V. 10. Financial Instruments and Note VII. 5. Accounts Receivable.

As of December 31, 2020, the original value of accounts receivable in the consolidated financial statements of Deppon was RMB1,986,132,600 and the allowance for bad debts was RMB42,302,100.

The balance of the allowance for bad debts receivable reflected the management's best estimate of expected credit losses as of the balance sheet date. In making these estimates, the management is required to consider prior years' credit default history, collection rates, estimation on the creditworthiness of the

debtor, and forward-looking economic indicators. The above matters involve significant accounting estimates and management's judgment and are material to the financial statements, therefore, we identified the expected credit loss on accounts receivable as a key audit matter.

2. Audit Response

The procedures we performed on the measurement of expected credit losses on accounts receivable from Deppon consisted primarily of:

(1) Understood, evaluated and tested internal controls over the measurement of expected credit losses on accounts receivable;

(2) Examined the measurement model for expected credit losses and assessed the reasonableness of significant assumptions and key parameters in the model and the appropriateness of the credit risk portfolio classification method;

(3) Selected samples to assess the appropriateness of management's credit loss projections for the entire duration by examining the customer's credit history, payment records, post-period collection and considering forward-looking information;

(4) Examined key data from the expected credit loss model, including historical data, to assess its completeness and accuracy;

(5) Selected samples to certify the accounts receivable.

IV. Additional Information

The Management of Deppon (the "Management") shall be liable for the additional information. Additional information includes information covered in the Annual Report 2020 of Deppon, but does not include the financial statements and our audit report.

Our audit opinion on the financial statements does not cover additional information, and we do not express an assurance conclusion of any kind on additional information.

In conjunction with our audit of the financial statements, our responsibility is to read additional information and, in doing so, consider whether additional information is materially inconsistent with, or appears to be materially misstated in, the financial statements or what we have learned during the audit.

Based on what we have done, if we determine that additional information is materially misstated, we shall report that fact. We have no matters to report in this regard.

V. Responsibilities of the Management and the Governance Team for the Financial Statements

The Management shall be responsible for preparing the financial statements in accordance with the Accounting Standards, and realizing their fair presentation, and designing, implementing and maintaining necessary internal controls relevant to the preparation of financial statements that are free from material misstatement due to fraud or errors.

In preparing the financial statements, the management is responsible for assessing the ability of Deppon to continue as a going concern, for disclosing matters related to going concern (where applicable) and for applying the going concern assumptions, unless the management plans to liquidate Deppon, discontinue operations or has no other realistic alternative.

The governance team is responsible for overseeing the financial reporting process of Deppon.

VI. Responsibilities of CPAs for Auditing Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes audit opinions. Reasonable assurance is a high level of assurance, but it does not provide assurance that an audit performed in accordance with auditing standards will always detect a material misstatement when one exists. Misstatements may result from fraud or error and are generally considered to be material if there is a reasonable expectation that, individually or in the aggregate, the misstatement could have affected the economic decisions made by users of the financial statements based on the financial statements.

In performing our audit in accordance with auditing standards, we use professional judgment and maintain professional skepticism. At the same time, we perform the following tasks:

(1) We identified and evaluated the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures to address those risks, and obtain sufficient and appropriate audit evidence as a basis for expressing audit opinions. The risk of failure to detect a material misstatement due to fraud is higher than that due to error because fraud may involve collusion, forgery, intentional omissions, misrepresentation or override of internal control.

(2) We tried to understand the audit-related internal control, so as to design proper audit procedures.

(3) We evaluated the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and relevant disclosures.

(4) We drew conclusions about the appropriateness of the management's use of the going concern assumption. At the same time, based on the audit evidence obtained, a conclusion is reached as to whether there is a material uncertainty regarding matters or circumstances that may cast significant doubt on the ability of Deppon to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require that we draw the attention of users of the financial statements to the relevant disclosures in the audit report; if the disclosures are not adequate, we shall express a non-unqualified opinion. Our conclusion is based on information available to us as of the date of our audit report. However, future events or circumstances may cause Deppon to be unable to continue as a going concern.

(5) We evaluated the overall presentation, structure and content of the financial statements as well as whether the financial statements present fairly the related transactions and events.

(6) We obtained sufficient and appropriate audit evidence about the financial information of the entities or business activities in Deppon to express an audit opinion on the financial statements. We are responsible for directing, supervising and performing group audits and accept full responsibility for audit observations.

We communicate with the governance team on matters such as planned audit scope, timing, and significant audit findings, including communication of internal control deficiencies of concern identified during our audit.

We also provide a statement to the governance team regarding compliance with ethical requirements related to independence and communicate with the governance team about all relationships and other matters that could reasonably be perceived to affect our independence, as well as related precautions, if applicable.

From the matters communicated with the governance team, we determined which matters were most significant to the audit of the financial statements for the period and therefore constituted key audit matters. We describe these matters in our auditor's report except in those cases where public disclosure

of such matters is prohibited by law or regulation, or in those rare cases where we determine that we shall not communicate a matter in our auditor's report if we reasonably expect that the negative consequences of communicating it in our auditor's report would outweigh the benefits in the public interest.

RSM China CPA LLP Chinese Certified Public Accountant (Project Partner):

Chinese Certified Public Accountant:

Beijing, China

Chinese Certified Public Accountant:

April 26, 2021

II. Financial Statements

Consolidated balance sheet

December 31, 2020

Prepared by: Deppon Logistics Co., Ltd.

Item	Note	Unit: Yuan Currency: RMB	
		December 31, 2020	December 31, 2019
Current assets:			
Monetary funds	VII. 1	1,387,410,212.80	1,317,453,527.68
Trading financial assets	VII. 2	150,000,000.00	220,462,418.16
Derivative financial assets			
Notes receivable	VII. 4	12,736,990.40	19,699,798.81
Accounts receivable	VII. 5	1,943,830,425.36	1,649,077,038.10
Accounts receivable financing			
Prepayments	VII. 7	379,018,201.32	376,270,477.13
Factoring receivables	VII. 85		437,369,715.49
Other receivables	VII. 8	272,655,667.21	244,104,052.82
Including: interest receivable			628,653.10
Dividend receivable			
Inventories	VII. 9	19,196,740.65	21,350,268.45
Contract assets			N/A
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	VII. 13	1,131,723,824.14	776,243,149.38
Total current assets		<u>5,296,572,061.88</u>	<u>5,062,030,446.02</u>
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	VII. 17	182,280,524.32	148,549,015.54
Other equity instrument investments	VII. 18	391,345,564.18	350,495,786.91
Other non-current financial assets	VII. 19	102,614,141.36	108,996,507.12
Investment properties			
Fixed assets	VII. 21	3,374,000,819.27	2,643,241,926.51
Construction in progress	VII. 22	16,616,308.88	3,241,417.48
Productive biological assets			
Oil and gas assets			
Intangible assets	VII. 26	119,291,106.33	34,283,265.49
Development expenditures	VII. 27	16,804,455.51	
Goodwill			
Long-term deferred expenses	VII. 29	346,109,715.65	388,624,354.80
Deferred tax assets	VII. 30	231,917,054.95	304,324,449.15
Other non-current assets	VII. 31	113,710,355.01	34,194,613.52
Total non-current assets		<u>4,894,690,045.46</u>	<u>4,015,951,336.52</u>
Total assets		<u>10,191,262,107.34</u>	<u>9,077,981,782.54</u>

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Note	Unit: Yuan Currency: RMB	
		December 31, 2020	December 31, 2019
Current liabilities:			
Short-term borrowings	VII. 32	1,169,253,523.67	1,161,851,548.42
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	VII. 35	73,463,488.70	130,755,214.10
Accounts payable	VII. 36	2,382,273,050.62	1,934,402,613.60
Advances from customers	VII. 37	1,610,528.13	82,927,914.08
Contract liabilities	VII. 38	71,841,281.70	N/A
Payroll payables	VII. 39	955,756,130.15	890,858,521.43
Taxes payables	VII. 40	144,406,400.64	135,323,143.07
Other payables	VII. 41	320,945,070.25	329,411,031.23
Including: interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities	VII. 44	5,007,523.02	
Total current liabilities		<u>5,124,556,996.88</u>	<u>4,665,529,985.93</u>
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payables	VII. 49	41,934,007.70	19,941,028.55
Estimated liabilities	VII. 50	10,687,133.53	12,356,682.20
Deferred revenues	VII. 51	53,233,857.10	15,174,988.68
Deferred tax liabilities	VII. 30	337,031,225.81	309,306,926.91
Other non-current liabilities			
Total non-current liabilities		<u>442,886,224.14</u>	<u>356,779,626.34</u>
Total liabilities		<u>5,567,443,221.02</u>	<u>5,022,309,612.27</u>
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII. 53	960,000,000.00	960,000,000.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	VII. 55	336,896,410.45	317,116,815.48
Less: treasury stock	VII. 56	85,139,398.85	69,430,125.93
Other comprehensive income	VII. 57	-25,440,000.00	-37,567,500.00
Special reserves	VII. 58		
Surplus reserves	VII. 59	387,013,417.30	339,745,956.96
General risk reserves		4,025,472.49	4,025,472.49
Retained earnings	VII. 60	3,046,828,843.57	2,541,781,551.27
Total owners' equity (or shareholders' equity)			
attributable to parent company		4,624,184,744.96	4,055,672,170.27
Non-controlling interests		-365,858.64	
Total owners' equity (or shareholders' equity)		<u>4,623,818,886.32</u>	<u>4,055,672,170.27</u>
Total liabilities and owners' equity (or shareholders' equity)		<u>10,191,262,107.34</u>	<u>9,077,981,782.54</u>

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

Balance sheet of parent company

December 31, 2020

Prepared by: Deppon Logistics Co., Ltd.

Item	Note	Unit: Yuan Currency: RMB	
		December 31, 2020	December 31, 2019
Current assets:			
Monetary funds		937,686,881.97	1,147,913,635.82
Trading financial assets			60,462,418.16
Derivative financial assets			
Notes receivable		12,736,990.40	9,839,798.81
Accounts receivable	XVII. 1	37,501,313.76	27,615,722.62
Accounts receivable financing			
Prepayments		7,808,939.17	33,815,457.75
Other receivables	XVII. 2	3,459,888,325.78	2,825,573,704.19
Including: interest receivable			
Dividend receivable			
Inventories			
Contract assets			N/A
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		19,535,724.82	193,725,491.21
Total current assets		<u>4,475,158,175.90</u>	<u>4,298,946,228.56</u>
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XVII. 3	1,534,664,394.64	1,392,617,175.65
Other equity instrument investments		205,000,000.00	205,000,000.00
Other non-current financial assets			
Investment properties			
Fixed assets		3,280,965.32	787,174.42
Construction in progress		77,227.72	
Productive biological assets			
Oil and gas assets			
Intangible assets		56,706.80	132,316.04
Development expenditures			
Goodwill			
Long-term deferred expenses		102,329.08	1,228,957.08
Deferred tax assets		8,886,507.82	7,493,615.30
Other non-current assets		7,829,130.37	11,432,581.37
Total non-current assets		<u>1,759,897,261.75</u>	<u>1,618,691,819.86</u>
Total assets		<u>6,235,055,437.65</u>	<u>5,917,638,048.42</u>

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Note	Unit: Yuan Currency: RMB	
		December 31, 2020	December 31, 2019
Current liabilities:			
Short-term borrowings		782,012,722.03	1,110,860,754.86
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		73,463,488.70	146,013,357.56
Accounts payable		23,947,464.24	18,705,302.84
Advances from customers			461,292.06
Contract liabilities		208,355.15	N/A
Payroll payables		10,012,823.45	9,318,184.09
Taxes payables		8,121,135.94	5,746,508.64
Other payables		1,121,860,642.16	851,736,391.29
Including: interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities		12,532.75	
Total current liabilities		<u>2,019,639,164.42</u>	<u>2,142,841,791.34</u>
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payables		5,909,161.19	6,155,098.15
Estimated liabilities		1,481,747.50	1,266,122.29
Deferred revenues		129,750.00	
Deferred tax liabilities		820,946.46	285,432.43
Other non-current liabilities			
Total non-current liabilities		<u>8,341,605.15</u>	<u>7,706,652.87</u>
Total liabilities		<u>2,027,980,769.57</u>	<u>2,150,548,444.21</u>
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)		960,000,000.00	960,000,000.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves		333,242,979.09	321,637,310.87
Less: treasury stock		85,139,398.85	69,430,125.93
Other comprehensive income			
Special reserves			
Surplus reserves		387,013,417.30	339,745,956.96
Retained earnings		2,611,957,670.54	2,215,136,462.31
Total owners' equity (or shareholders' equity)		<u>4,207,074,668.08</u>	<u>3,767,089,604.21</u>
Total liabilities and owners' equity (or shareholders' equity)		<u>6,235,055,437.65</u>	<u>5,917,638,048.42</u>

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

Consolidated income statement
January-December 2020

Unit: Yuan Currency: RMB

Item	Note	2020	2019
I. Total operating revenues		27,503,446,481.61	25,922,101,314.82
Including: operating revenues	VII. 61	27,503,446,481.61	25,922,101,314.82
II. Total operating cost		27,195,287,927.53	25,862,523,237.35
Including: operating cost	VII. 61	24,295,988,647.16	23,348,702,448.46
Taxes and surcharges	VII. 62	81,345,877.61	77,760,867.10
Selling and marketing expenses	VII. 63	483,066,023.25	406,945,569.42
General and administrative expenses	VII. 64	2,186,061,847.82	1,804,587,421.42
Research and development expenses	VII. 65	51,197,022.46	101,059,971.76
Finance expenses	VII. 66	97,628,509.23	123,466,959.19
Including: interest expense		60,267,950.03	66,662,279.04
Interest income		20,653,580.66	14,182,625.16
Add: other income	VII. 67	400,097,499.74	299,109,893.52
Investment income (loss is indicated with “-”)	VII. 68	59,604,216.27	82,106,763.84
Including: income from investments in associates and joint ventures		2,031,508.78	6,553,738.49
Gains from derecognition of financial assets at amortized cost			
Net exposure hedging income (loss is indicated with “-”)			
Gain from fair value changes (loss is indicated with “-”)	VII. 70	-10,000,000.00	462,418.16
Impairment losses under expected credit loss model (loss is indicated with “-”)	VII. 71	-60,243,402.89	-41,864,074.87
Asset impairment losses (loss is indicated with “-”)			
Gains from asset disposal (loss is indicated with “-”)	VII. 73	15,624,674.23	15,016,886.77
III. Operating profit (loss is indicated with “-”)		713,241,541.43	414,409,964.89
Add: non-operating income	VII. 74	59,723,449.11	45,347,323.09
Less: non-operating expenses	VII. 75	36,788,458.91	46,076,387.64
IV. Total profit (total loss is indicated with “-”)		736,176,531.63	413,680,900.34
Less: income tax expenses	VII. 76	171,039,289.91	90,048,850.13
V. Net profit (net loss is indicated with “-”)		565,137,241.72	323,632,050.21
(I) Classified by operating continuity			
1. Net profit from continuing operations (net loss is indicated with “-”)		565,137,241.72	323,632,050.21
2. Net profit from discontinued operations (net loss is indicated with “-”)			
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company (net loss is indicated with “-”)		564,379,173.61	323,632,050.21
2. Non-controlling interests (net loss is indicated with “-”)		758,068.11	
VI. Other comprehensive income, net of tax		12,127,500.00	-20,287,500.00
(I) Other comprehensive income attributable to owners of parent company, net of tax		12,127,500.00	-20,287,500.00
1. Other comprehensive income that cannot be reclassified to profit and loss		12,127,500.00	-20,287,500.00
(3) Changes in fair value of other equity instrument investments		12,127,500.00	-20,287,500.00
2. Other comprehensive income that will be reclassified into profit or loss			

Unit: Yuan Currency: RMB

Item	Note	2020	2019
(6) Exchange differences from translation of financial statements denominated in foreign currencies			
(II) Other comprehensive income attributable to non-controlling interests, net of tax			
VII. Total comprehensive income		577,264,741.72	303,344,550.21
(I) Total comprehensive income attributable to owners of the parent company		576,506,673.61	303,344,550.21
(II) Total comprehensive income attributable to non-controlling interests		758,068.11	
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.59	0.34
(II) Diluted earnings per share (RMB/share)			

In the case of business combination under common control in the current period, the net profit realized by the merged entity before the merger was RMB0, and the net profit realized by the merged entity in the previous period was RMB4,054,837.11.

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

Income statement of parent company
January-December 2020

Unit: Yuan Currency: RMB

Item	Note	2020	2019
I. Operating revenues	XVII. 4	457,049,128.91	395,595,515.44
Less: operating cost	XVII. 4	189,093,010.69	125,366,154.59
Taxes and surcharges		1,392,642.53	1,008,116.45
Selling and marketing expenses		66,325,327.07	68,867,843.62
General and administrative expenses		182,497,190.81	151,452,677.69
Research and development expenses			
Finance expenses		66,729,902.45	84,403,502.36
Including: interest expense		60,100,111.06	66,037,762.95
Interest income		20,467,032.37	13,652,020.11
Add: other income		11,705,730.40	11,933,352.02
Investment income (loss is indicated with "-")	XVII. 5	488,620,993.65	733,424,301.94
Including: income from investments in associates and joint ventures			
Gains from derecognition of financial assets at amortized cost			
Net exposure hedging income (loss is indicated with "-")			
Gain from fair value changes (loss is indicated with "-")			462,418.16
Impairment losses under expected credit loss model (loss is indicated with "-")		-229,492.00	-262,218.69
Asset impairment losses (loss is indicated with "-")			
Gains from asset disposal (loss is indicated with "-")		8,547.87	109,159.00
II. Operating profit (loss is indicated with "-")		451,116,835.28	710,164,233.16
Add: non-operating income		28,351,432.08	25,284,689.19
Less: non-operating expenses		261,197.59	480,607.05
III. Total profit (total loss is indicated with "-")		479,207,069.77	734,968,315.30
Less: income tax expenses		6,532,466.35	14,323,035.84
IV. Net profit (net loss is indicated with "-")		472,674,603.42	720,645,279.46
(I) Net profit from continuing operations (net loss is indicated with "-")		472,674,603.42	720,645,279.46
(II) Net profit from discontinued operations (net loss is indicated with "-")			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
(II) Other comprehensive income that will be reclassified into profit or loss			
VI. Total comprehensive income		472,674,603.42	720,645,279.46
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

Consolidated cash flow statement
January-December 2020

Unit: Yuan Currency: RMB

Item	Note	2020	2019
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		28,404,271,074.88	27,133,193,311.25
Tax refunds received		4,156,217.00	9,314,136.00
Cash received from other operating activities	VII. 78	480,599,820.31	405,504,659.87
Subtotal of cash inflows from operating activities		28,889,027,112.19	27,548,012,107.12
Cash paid for goods purchased and services rendered		17,151,764,133.28	14,699,346,924.02
Net increase in factoring receivables		-59,250,564.96	245,430,774.48
Cash paid to and for employees		8,459,744,852.78	10,248,266,680.61
Payments of all types of taxes		546,671,489.07	660,456,492.78
Cash paid to other operating activities	VII. 78	1,017,564,043.63	1,034,933,101.38
Subtotal of cash outflows from operating activities		27,116,493,953.80	26,888,433,973.27
Net cash flows from operating activities		1,772,533,158.39	659,578,133.85
II. Cash flows from investing activities:			
Cash received from recovery of investments		44,382,365.76	26,431,128.28
Cash received from acquisition of investment income		57,594,035.98	77,353,025.35
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets		107,119,279.23	48,057,446.12
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities	VII. 78	19,622,573,994.19	23,578,866,783.16
Subtotal of cash inflows from investing activities		19,831,669,675.16	23,730,708,382.91
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,086,194,058.53	1,526,119,131.23
Cash paid for acquisition of investments		74,150,000.00	86,104,650.00
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid to other investing activities	VII. 78	19,277,989,868.00	23,993,496,207.89
Subtotal of cash outflows from investing activities		21,438,333,926.53	25,605,719,989.12
Net cash flows from investing activities		-1,606,664,251.37	-1,875,011,606.21
III. Cash flows from financing activities:			
Cash received from capital contributions			
Including: cash received from subsidiaries' absorbing minority shareholder investment			
Cash received from borrowings		3,972,876,804.21	2,813,732,330.98
Cash received from other financing activities	VII. 78	62,273,690.62	397,000,460.82
Subtotal of cash inflows from financing activities		4,035,150,494.83	3,210,732,791.80
Cash payments for settlement of debts		3,963,662,131.69	2,655,830,193.50
Cash paid for distributing dividends and profits or paying interests		90,666,582.15	279,490,806.68
Including: dividends and profits paid to minority shareholders by subsidiaries			
Cash paid to other financing activities	VII. 78	55,558,047.08	496,312,883.67
Subtotal of cash outflows from financing activities		4,109,886,760.92	3,431,633,883.85
Net cash flows from financing activities		-74,736,266.09	-220,901,092.05
IV. Effect of changes in exchange rate on cash and cash equivalents			
		1,010,440.42	964,164.09
V. Net increase in cash and cash equivalents			
		92,143,081.35	-1,435,370,400.32
Add: opening balance of cash and cash equivalents		1,276,729,866.57	2,712,100,266.89
VI. Closing balance of cash and cash equivalents			
		1,368,872,947.92	1,276,729,866.57

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

Cash flow statement of parent company
January-December 2020

Unit: Yuan Currency: RMB

Item	Note	2020	2019
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		470,428,617.16	392,302,133.24
Tax refunds received			
Cash received from other operating activities		119,448,688.56	923,656,208.57
Subtotal of cash inflows from operating activities		589,877,305.72	1,315,958,341.81
Cash payments for goods purchased and services rendered		166,633,284.90	153,876,004.98
Cash paid to and for employees		72,061,749.21	65,422,683.97
Payments of all types of taxes		13,214,296.87	31,229,789.58
Cash paid to other operating activities		1,047,198,250.92	2,075,455,207.41
Subtotal of cash outflows from operating activities		1,299,107,581.90	2,325,983,685.94
Net cash flows from operating activities		-709,230,276.18	-1,010,025,344.13
II. Cash flows from investing activities:			
Cash received from recovery of investments			
Cash received from acquisition of investment income		416,841,811.38	402,295,195.45
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets		12,941.43	373,819.87
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities		17,685,419,360.42	22,646,500,549.00
Subtotal of cash inflows from investing activities		18,102,274,113.23	23,049,169,564.32
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		4,074,045.88	1,581,197.41
Cash paid for acquisition of investments		140,000,000.00	108,040,448.84
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid to other investing activities		17,033,823,899.21	23,279,287,824.19
Subtotal of cash outflows from investing activities		17,177,897,945.09	23,388,909,470.44
Net cash flows from investing activities		924,376,168.14	-339,739,906.12
III. Cash flows from financing activities:			
Cash received from capital contributions			
Cash received from borrowings		4,090,000,000.00	2,759,576,274.33
Cash received from other financing activities		62,273,690.62	67,000,000.00
Subtotal of cash inflows from financing activities		4,152,273,690.62	2,826,576,274.33
Cash payments for settlement of debts		4,409,000,000.00	2,546,968,000.00
Cash paid for distributing dividends and profits or paying interests		90,925,804.41	278,770,089.86
Cash paid to other financing activities		55,534,135.79	131,540,125.93
Subtotal of cash outflows from financing activities		4,555,459,940.20	2,957,278,215.79
Net cash flows from financing activities		-403,186,249.58	-130,701,941.46
IV. Effect of changes in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-188,040,357.62	-1,480,467,191.71
Add: opening balance of cash and cash equivalents		1,107,189,974.71	2,587,657,166.42
VI. Closing balance of cash and cash equivalents		919,149,617.09	1,107,189,974.71

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

Consolidated statement of changes in owners' equity
January-December 2020

Unit: Yuan Currency: RMB

Item	Paid-in capital (or share capital)	Capital reserves	Less: treasury stock	2020 Owners' equity attributable to parent company			Subtotal	Non-controlling interests	Total owners' equity
				Other comprehensive income	Special reserves	Surplus reserves			
I. Balance at the end of the previous year	960,000,000.00	317,116,815.48	69,430,125.93	339,745,956.96	4,025,472.49	2,541,781,551.27	4,055,672,170.27	4,055,672,170.27	
Add: changes in accounting policies									
Correction of errors in the prior period									
Business combination under common control									
Others									
II. Opening balance of the current year	960,000,000.00	317,116,815.48	69,430,125.93	339,745,956.96	4,025,472.49	2,541,781,551.27	4,055,672,170.27	4,055,672,170.27	
III. Increase/decrease for the period (decrease is indicated with "-")									
(I) Total comprehensive income		19,779,594.97	15,709,272.92	47,267,460.34		505,047,292.30	568,512,574.69	568,146,716.05	
(II) Contribution and withdrawal of capital by owners		11,605,668.22	15,709,272.92			564,379,173.61	576,506,673.61	577,264,741.72	
1. Ordinary shares invested by owners									
2. Capital contributed by holders of other equity instruments									
3. Amount included in owners' equity arising from share-based payment									
4. Others		11,605,668.22	15,709,272.92						
(III) Profit distribution				47,267,460.34		-75,853,395.19	6,050,000.00	11,605,668.22	
1. Appropriation to surplus reserves				47,267,460.34		-47,267,460.34		-9,659,272.92	
2. Appropriation to general risk reserves								-28,585,934.85	
3. Distribution to owners (or shareholders)								-28,585,934.85	
4. Others									
(IV) Transfers within owners' equity									
1. Transfer of capital reserves to capital (or share capital)									
2. Transfer of surplus reserve to capital (or share capital)									
3. Covering loss with surplus reserve									
4. Change of defined benefit plan transferred to retained earnings									
5. Other comprehensive income transferred to retained earnings									
6. Others									
(V) Special reserves									
1. Appropriation for the period									
2. Utilization for the period									
(VI) Others		8,173,926.75				16,521,513.88		16,521,513.88	
IV. Closing balance for the period	960,000,000.00	336,896,410.45	85,139,398.85	387,013,417.30	4,025,472.49	3,046,828,843.57	4,624,184,744.96	4,623,818,886.32	

Statement of changes in owners' equity of parent company
January-December 2020

Item	2020						Total owners' equity	
	Paid-in capital (or share capital)	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves		Retained earnings
I. Balance at the end of the previous year	960,000,000.00	321,637,310.87	69,430,125.93			339,745,956.96	2,215,136,462.31	3,767,089,604.21
Add: changes in accounting policies								
Correction of errors in the prior period								
Others								
II. Opening balance of the current year	960,000,000.00	321,637,310.87	69,430,125.93			339,745,956.96	2,215,136,462.31	3,767,089,604.21
III. Increase/decrease for the period (decrease is indicated with "-")								
(I) Total comprehensive income		11,605,668.22	15,709,272.92			47,267,460.34	396,821,208.23	439,985,063.87
(II) Contribution and withdrawal of capital by owners		11,605,668.22	15,709,272.92				472,674,603.42	472,674,603.42
1. Common shares invested by owners								
2. Capital invested by holders of other equity instruments								
3. Amount included in owners' equity arising from share-based payment		11,605,668.22	15,709,272.92					-4,103,604.70
4. Others								
(III) Profit distribution								
1. Appropriation to surplus reserves						47,267,460.34	-75,853,395.19	11,605,668.22
2. Distribution to owners (or shareholders)						47,267,460.34	-47,267,460.34	-15,709,272.92
3. Others								-28,585,934.85
(IV) Transfers within owners' equity								
1. Transfer of capital reserves to capital (or share capital)								
2. Transfer of surplus reserve to capital (or share capital)								
3. Covering loss with surplus reserve								
4. Change of defined benefit plan transferred to retained earnings								
5. Other comprehensive income transferred to retained earnings								
6. Others								
(V) Special reserves								
1. Appropriation for the period								422,480.30
2. Utilization for the period								422,480.30
(VI) Others								
IV. Closing balance for the period	960,000,000.00	333,242,979.09	85,139,398.85			387,013,417.30	2,611,957,670.54	4,207,074,668.08

Item	2019							
	Paid-in capital (or share capital)	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
I. Balance at the end of the previous year	960,000,000.00	318,603,603.14				267,681,429.01	1,776,795,710.80	3,323,080,742.95
Add: changes in accounting policies								
Correction of errors in the prior period								
Others								
II. Opening balance of the current year	960,000,000.00	318,603,603.14				267,681,429.01	1,776,795,710.80	3,323,080,742.95
III. Increase/decrease for the period (decrease is indicated with "-")		3,033,707.73	69,430,125.93			72,064,527.95	438,340,751.51	444,008,861.26
(I) Total comprehensive income							720,645,279.46	720,645,279.46
(II) Contribution and withdrawal of capital by owners			69,430,125.93					-69,430,125.93
1. Ordinary shares invested by owners								
2. Capital invested by holders of other equity instruments								
3. Amount included in owners' equity arising from share-based payment			69,430,125.93					-69,430,125.93
4. Others								-210,240,000.00
(III) Profit distribution						72,064,527.95	-282,304,527.95	-210,240,000.00
1. Appropriation to surplus reserves						72,064,527.95	-72,064,527.95	
2. Distribution to owners (or shareholders)							-210,240,000.00	-210,240,000.00
3. Others								
(IV) Transfers within owners' equity								
1. Transfer of capital reserves to capital (or share capital)								
2. Transfer of surplus reserve to capital (or share capital)								
3. Covering loss with surplus reserve								
4. Change of defined benefit plan transferred to retained earnings								
5. Other comprehensive income transferred to retained earnings								
6. Others								
(V) Special reserves					508,436.38			508,436.38
1. Appropriation for the period					508,436.38			508,436.38
2. Utilization for the period								
(VI) Others		3,033,707.73						3,033,707.73
IV. Closing balance for the period	960,000,000.00	321,637,310.87	69,430,125.93			339,745,956.96	2,215,136,462.31	3,767,089,604.21

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Yuan Liqing

III. Corporate Information

1. Company profile

Applicable Not applicable

Deppon Logistics Co., Ltd. (“the Company” or “Company”) was a joint stock limited company jointly established by 廣東德邦投資控股股份有限公司 (now renamed 寧波梅山保稅港區德邦投資控股股份有限公司, referred to as “Deppon Holdco”) and Cui Weixing (崔維星) in August 2009, with a registered capital of RMB50 million.

Approved by the China Securities Regulatory Commission on the Approval of the Initial Public Offering of Shares by Deppon Logistics Co., Ltd. (《關於核准德邦物流股份有限公司首次公開發行股票的批復》) (Zheng Jian Xu Ke (2017) No. 2374), the Company applied for the initial public offering of 100 million ordinary shares (A shares) with a par value of RMB1 per share at an actual offering price of RMB4.84 per share. After the issuance, the registered capital (share capital) of the Company was changed to RMB960 million. The Company was listed on the main board of the Shanghai Stock Exchange since January 16, 2018, with the stock abbreviation of “Deppon Shares” and the stock code of 603056.

The Company’s unified social credit code is 91310000692944327T, registered address and headquarters address of Building 1, No. 316, Xuxiang Road, Xujing Town, Qingpu District, Shanghai, and the legal representative of Cui Weixing (崔維星).

The Company and its subsidiaries are mainly engaged in the provision of integrated logistics services such as general freight, freight forwarding, domestic express and warehousing, as well as commercial factoring business related to the main business.

The Company has established a corporate governance structure consisting of a general meeting of shareholders, a Board of Directors and a Supervisory Committee, with a Strategy Committee, a Remuneration and Evaluation Committee, a Nomination Committee and an Audit Committee under the Board of Directors. Currently, the Company has the Board of Directors Office, Public Affairs Department, Human Resources Department, Procurement Center, Revenue Management Center, Deppon Technology, Operations Management Center, Audit Department, Finance Department, Culture and Communication Department, Brand Communication Department and Strategy and Change Management Department. As of the end of the reporting period, we had 115 subsidiaries, with a total of 6,215 directly operated service stations in Mainland China and Hong Kong SAR.

The controlling shareholder of the Company is Deppon Holdco and the ultimate beneficial owner is Cui Weixing (崔維星).

Approval date for issue of the financial statements: The financial statements were approved for issue by the Board of Directors of the Company on April 26, 2021.

2. Scope of consolidated financial statements

Applicable Not applicable

As of the end of the reporting period, a total number of 115 subsidiaries were included in the scope of consolidated financial statements, as detailed in Note IX. Equity in Other Entities.

For details of changes in the scope of the consolidated financial statements during the reporting period, see Note VIII. Changes in the Consolidation Scope.

IV. Basis for Preparation of Financial Statements

1. Basis of preparation

The Company prepares its financial statements on a going concern basis by recognizing and measuring transactions and events that actually occur in accordance with the provisions of ASBEs and their application guidelines and interpretations of standards. The Company also discloses relevant financial information in accordance with the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports (revised in 2014) (《公開發行證券的公司信息披露編報規則第15號 — 財務報告的一般規定》(2014年修訂)) issued by the CSRC.

2. Going concern

Applicable Not applicable

The Company has assessed its ability to continue as a going concern for the 12 months since the end of the reporting period, and no matters affecting the Company's ability to continue as a going concern have been identified. It is reasonable for the Company to prepare its financial statements on a going concern basis.

V. Significant Accounting Policies and Accounting Estimates

Reminders on specific accounting policies and accounting estimates:

Applicable Not applicable

The Company mainly provides integrated logistics services, and the fixed assets of its operating activities are mainly transportation means, and the buildings of its office and operation sites are leased. The Company determines the accounting estimates for revenue recognition, depreciation of fixed assets, long-term deferred expenses, and operating leases based on its own operating characteristics. Please refer to Note V. 23, 31, 38 and 42 for specific accounting policies and estimates.

1. Statement of Compliance with the ASBEs

The financial statements prepared by the Company comply with the requirements of the ASBEs and give a true and complete picture of the Company's financial position, results of operations, changes in owners' equity and cash flows, etc.

2. Accounting period

The Company's fiscal year begins on January 1 and ends on December 31 in the calendar year.

3. Business cycle

Applicable Not applicable

The normal operating cycle of the Company is 12 months.

4. Functional currency

The Company and its domestic subsidiaries use RMB as the functional currency. The overseas subsidiaries of the Company determine their functional currencies based on the currency of the primary economic environment in which they operate. The currency used by the Company in preparing the financial statements is RMB.

5. Accounting treatments for business combination under common control and not under common control

Applicable Not applicable

(1) Business combination under common control

Assets and liabilities acquired in a business combination are measured at the carrying amount of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of the merger. In particular, if the accounting policies adopted by the merged entity and the Company before the business combination are different, the accounting policies are unified based on the principle of materiality, i.e., the carrying amounts of the merged entity's assets and liabilities are adjusted in accordance with the Company's accounting policies. If there is a difference between the carrying amount of the net assets acquired in a business combination and that of the consideration paid, the Company first adjusts capital reserves (capital premium or share capital premium), and if the balance of capital reserves (capital premium or share capital premium) is not sufficient for write-downs, it is written down by surplus reserves and retained earnings in turn.

The accounting treatment for business combination under common control through stepwise transactions is described in Note V. 6(6).

(2) Business combination not under common control

Each of the Company's identifiable assets and liabilities of the acquiree acquired in a business combination is measured at its fair value at the date of purchase. In particular, if the accounting policies adopted by the acquiree and the Company before the business combination are different, the accounting policies are unified based on the principle of materiality, i.e., the carrying amounts of the acquiree's assets and liabilities are adjusted in accordance with the Company's accounting policies. If the Company's combination cost at the date of purchase is larger than the fair value of the acquiree's identifiable assets and liabilities acquired in a business combination, the difference is recognized as goodwill. If the combination cost is less than the fair value of the acquiree's identifiable assets and liabilities acquired in a business combination, the combination cost and the fair value of the acquiree's identifiable assets and liabilities acquired in a business combination are first reviewed. If, after review, combination cost is still less than the fair value of the acquiree's identifiable assets and liabilities, the difference is recognized in profit or loss for the period of merger.

See Note V. 6(6) for the accounting treatment of business combination not under common control through stepwise transactions.

(3) Treatment of relevant transaction expenses in a business combination

The intermediary fees (including audit, legal service, evaluation and consultation fees) and other relevant overheads incurred for a business combination shall be included in profit or loss when they are incurred. Transaction costs for equity securities or debt securities issued as consideration for a merger are included in the equity securities or debt securities to the initial recognition amount.

6. Methods for preparation of the consolidated financial statements

Applicable Not applicable

(1) Determination of the scope of consolidation

The scope of consolidation in the consolidated financial statements is determined on a control basis and includes not only subsidiaries determined on the basis of voting rights (or similar voting rights) or in combination with other arrangements, but also structured entities determined on the basis of one or more contractual arrangements.

Control means that the Company has power over the investee, enjoys variable returns through its participation in the investee's related activities, and has the ability to use its power over the investee to influence the amount of its returns. Subsidiaries are subjects controlled by the Company (including enterprises, divisible portions of investees, and structured subjects controlled by enterprises, etc.), and structured subjects are subjects that are not designed to have voting or similar rights as a determining factor in determining their controlling parties (Note: sometimes referred to as special purpose subjects).

(2) Special provisions regarding the parent company as an investment entity

If the parent company is an investment entity, only those subsidiaries that provide services related to the investment activities of the investment entity are included in the scope of consolidation, and other subsidiaries are not consolidated. Equity investors in subsidiaries not included in the scope of consolidation are recognized as financial assets at fair value through profit or loss.

A parent company is an investment entity when it meets all of the following conditions:

① The company is for the purpose of providing investment management services to investors and obtaining funds from one or more investors.

② The sole business purpose of the company is to provide investors with a return through capital appreciation, investment income, or both.

③ The company considers and evaluates the performance of almost all of its investments at fair value.

When a parent company changes from a non-investment entity to an investment entity, the enterprise ceases to consolidate its other subsidiaries from the date of change, except that only the subsidiaries that provide services related to its investment activities are included in the scope of consolidated financial statements for the preparation of consolidated financial statements, and is treated with reference to the principle of partial disposal of equity interests in subsidiaries without loss of control.

When the parent company changes from an investment entity to a non-investment entity, the subsidiaries that were not included in the scope of the consolidated financial statements shall be included in the scope of the consolidated financial statements on the date of change, and the fair value of the subsidiaries that were not included in the scope of the consolidated financial statements on the date of change is considered as the transaction consideration for the purchase and handled in accordance with the accounting treatment for business combination not under common control.

(3) Methods for preparation of the consolidated financial statements

The Company prepares consolidated financial statements based on its own financial statements and those of its subsidiaries, and on other relevant information.

The Company prepares consolidated financial statements by considering the entire enterprise group as one accounting entity, reflecting the financial position, results of operations and cash flows of the enterprise group as a whole in accordance with the recognition, measurement and presentation requirements of the relevant ASBEs and in accordance with uniform accounting policies and accounting periods.

① Combine the assets, liabilities, owner's equity, income, expenses and cash flow items of the parent company and subsidiaries.

② Offset the parent company's long-term equity investment in the subsidiary against the parent company's share in the ownership interest of the subsidiary.

③ Offset the effect of internal transactions that occur between the parent company and its subsidiaries and between subsidiaries. If an internal transaction indicates an impairment loss on the related asset, the full amount of such loss shall be recognized.

④ Adjust special transactions from the perspective of the enterprise group.

(4) Treatment of additions and deletions of subsidiaries during the reporting period

① Increase in subsidiaries or business

A. Increase in subsidiaries or business by a business combination under common control

(a) When preparing the consolidated balance sheet, the opening figures of the consolidated balance sheet are adjusted and the relevant items in the comparative statements are also adjusted as if the consolidated reporting entity had been in existence since the point at which control by the ultimate controlling party began.

(b) When preparing the consolidated income statement, the revenue, expenses and profit of the subsidiary and the business combination for the period from the beginning of the period to the end of the reporting period are included in the consolidated income statement, while the relevant items in the comparative statements are adjusted as if the consolidated reporting entity had been in existence since the point at which control by the ultimate controlling party began.

(c) When preparing the consolidated statement of cash flows, the cash flow of the subsidiary and the business combination for the period from the beginning of the period to the end of the reporting period are included in the consolidated statement of cash flows, while the relevant items in the comparative statements are adjusted as if the consolidated reporting entity had been in existence since the point at which control by the ultimate controlling party began.

B. Increase in subsidiaries or operations by a business combination not under common control

(a) When preparing the consolidated balance sheet, no adjustment is made to the opening balance sheet figures of the consolidated balance sheet.

(b) When preparing the consolidated income statement, the revenues, expenses and profits of the subsidiary as well as those at the end of the reporting period from the date of purchase of the business are included in the consolidated income statement.

(c) When preparing the consolidated statement of cash flows, the cash flows of the subsidiary from the date of purchase to the end of the reporting period are included in the consolidated statement of cash flows.

② Disposal of subsidiaries or business

A. When preparing the consolidated balance sheet, no adjustment is made to the opening balance sheet figures of the consolidated balance sheet.

B. When preparing the consolidated income statement, the revenues, expenses and profits of the subsidiary as well as those from the beginning of the period to the date of disposal are included in the consolidated income statement.

C. When preparing the consolidated statement of cash flows, the cash flows of the subsidiary as well as those from the beginning of the period to the date of disposal are included in the consolidated statement of cash flows.

(5) Special considerations in consolidation and elimination

① Long-term equity investments in the Company held by subsidiaries shall be treated as treasury stock of the Company and presented as a deduction from owners' equity in the consolidated balance sheet under the item "Less: treasury stock".

Long-term equity investments held by subsidiaries in each other are offset against their corresponding shares in the ownership interests of the subsidiaries in accordance with the offsetting method for the Company's equity investments in subsidiaries.

② The "special reserves" and "general risk reserves" items are not part of paid-in capital (or share capital) or capital reserves, and are not the same as retained earnings or retained earnings, and are restored to the owners of the parent company after the long-term equity investment is offset against the owners' equity of the subsidiary.

③ The Company recognizes deferred tax assets or deferred tax liabilities in the consolidated balance sheet when temporary differences arise between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax bases in the taxable entities to which they belong as a result of eliminating unrealized internal sales gains or losses, and adjusts the income tax expense in the consolidated income statement, except for deferred income tax related to transactions or events directly included in the owners' equity and business combination.

④ Unrealized gains or losses on internal transactions arising from the sale of assets to subsidiaries shall be offset in full against "net profit attributable to owners of the parent company". Unrealized gain or loss on internal transactions arising from the sale of assets by a subsidiary to the Company shall be allocated and offset between "net profit attributable to owners of the parent company" and "non-controlling interests" in proportion to the Company's allocation to the subsidiary. Unrealized gain or loss on internal transactions arising from the sale of assets between subsidiaries shall be allocated and offset between "net profit attributable to owners of the parent company" and "non-controlling interests" in proportion to the Company's allocation to the selling subsidiary.

⑤ If the minority shareholders' share of the subsidiary's current loss exceeds the minority shareholders' share of the subsidiary's ownership interest at the beginning of the period, the balance shall still be offset against the minority shareholders' equity.

(6) Accounting for special transactions**① Purchase of non-controlling interests**

The Company purchased the equity interests in subsidiaries owned by minority shareholders of the subsidiaries. In the individual financial statements, the investment cost of a newly acquired long-term equity investment in a non-controlling interest is measured at the fair value of the consideration paid. In the consolidated financial statements, the difference between the newly acquired long-term equity investment due to the purchase of non-controlling interests and the share of net assets of the subsidiary calculated in proportion to the newly acquired shareholding on an ongoing basis from the date of purchase or the date of merger shall be covered by adjusting the capital reserves (capital premium or share capital premium), and if capital reserves are not sufficient for the write-down, surplus reserves and retained earnings shall be written down in turn.

② Step-by-step acquisition of control of a subsidiary through multiple transactions**A. Step-by-step business combination under common control through multiple transactions**

At the date of consolidation, the Company determines the initial investment cost of a long-term equity investment in the individual financial statements based on the share of the net assets of the

subsidiary to which the Company is entitled after consolidation in the carrying amount of the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the sum of the carrying value of the long-term equity investment before consolidation plus the carrying value of the newly paid consideration for the acquisition of further shares at the date of merger shall be covered by adjusting the capital reserves (capital premium or share capital premium), and if capital reserves (capital premium or share capital premium) are not sufficient for the write-down, surplus reserves and retained earnings shall be written down in turn.

In the consolidated financial statements, the assets and liabilities of the merged entity acquired by the merging party in the merger, except for adjustments due to different accounting policies, shall be measured at the carrying amount in the ultimate controlling party's consolidated financial statements on the merger date. The difference between the sum of the carrying amount of the investment held prior to the merger plus the carrying amount of the newly paid consideration on the merger date and the carrying amount of the net assets acquired in a merger shall be covered by adjusting the capital reserves (share capital premiums/capital premiums). If the capital reserves are not sufficient for the write-down, retained earnings shall be adjusted.

If an equity investment held by the merging party before it obtains control of the merged entity is accounted for under the equity method, the related gains or losses, other comprehensive income and other changes in owners' equity recognized between the later of the date of acquisition of the original equity interest and the date when the merging party and the merged entity are under the ultimate control of the same party, and the merger date shall be offset against opening retained earnings in the comparative statement period, respectively.

B. Step-by-step business combination not under common control through multiple transactions

At the date of merger, the sum of the carrying amount of the originally held long-term equity investments plus the cost of additional investments at the date of merger shall be used in the individual financial statements as the initial investment cost of long-term equity investments at the date of merger.

In the consolidated financial statements, the equity interest in the acquiree held prior to the date of purchase is re-measured at the fair value of the equity interest at the date of purchase, and the difference between the fair value and its carrying amount is recognized as investment income in the current period. If the equity interest in the acquiree held prior to the date of purchase involves other comprehensive income, etc. under the equity method of accounting, the other comprehensive income, etc. related to it is transferred to the current income belonging to the date of purchase, except for other comprehensive income resulting from the re-measurement of the net assets or changes in net liabilities of the defined benefit plans of the merged entity. The Company discloses in the notes the amount of the fair value of its equity interest in the acquiree held prior to the date of purchase, and the related gain or loss arising from re-measurement at fair value at the date of purchase.

③ The Company disposes of its long-term equity investment in a subsidiary but does not lose control

When a parent company partially disposes of its long-term equity investment in a subsidiary without losing control, the difference between the proceeds from the disposal and the share of the subsidiary's net assets calculated on an ongoing basis from the date of purchase or the date of merger corresponding to the disposal of the long-term equity investment shall be covered by adjusting the capital reserves (capital premium or share capital premium) in the consolidated financial statements, and if the capital reserves are not sufficient for the write-down, retained earnings shall be adjusted.

④ The Company disposes of its long-term equity investment in a subsidiary and loses control

A. Disposal in one transaction

If the Company loses control over an investee due to disposal of a portion of its equity investment, etc., the remaining equity interest is re-measured at its fair value at the date of loss of control in preparing the consolidated financial statements. The difference between the sum of the consideration received for the disposal of the equity interest and the fair value of the remaining equity interest, less the share of the net assets of the original subsidiary calculated on an ongoing basis from the date of purchase or the date of merger in proportion to the original shareholding, is recognized as investment income in the period in which control is lost.

Other comprehensive income and other changes in owner's equity related to equity investments in the former subsidiary are transferred to profit or loss for the period when control is lost, except for other comprehensive income resulting from the re-measurement of the net liability or change in net assets of the defined benefit plan by the investee.

B. Step-by-step disposal of multiple transactions

In the consolidated financial statements, the first step should be to determine whether the step-by-step transaction is a "package transaction".

If a step-by-step transaction is not a "package transaction", the carrying value of the long-term equity investment corresponding to each disposal is carried forward in the individual financial statements for each transaction prior to the loss of control of the subsidiary. The difference between the proceeds and the carrying value of the long-term equity investment disposed of is recognized as investment income in the current period. In the consolidated financial statements, it shall be treated in accordance with the relevant provisions of "The parent company disposes of its long-term equity investment in a subsidiary but does not lose control".

If the step-by-step transaction is a "package transaction", each transaction shall be accounted for as a disposal of a subsidiary and loss of control. In the individual financial statements, the difference between the proceeds from the disposal and the carrying amount of the long-term equity investment corresponding to the equity interest disposed of for each disposal prior to the loss of control is first recognized in other comprehensive income and then transferred to profit or loss for the period in which control is lost. In the consolidated financial statements, for each transaction prior to the loss of control, the difference between the proceeds from the disposal and the share of the net assets of the subsidiary corresponding to the disposal of the investment shall be recognized as other comprehensive income and transferred to profit or loss in the period in which control is lost.

Multiple transactions are generally accounted for as "package transactions" when the terms, conditions and economic effects of each transaction are one or more of the following:

- (a) The transactions were entered into simultaneously or after consideration of their mutual effects.
- (b) These transactions as a whole are required to achieve a complete business result.
- (c) The occurrence of one transaction is dependent on the occurrence of at least one other transaction.
- (d) A transaction is not economical when considered alone, but is economical when considered together with other transactions.

⑤ Dilution of the percentage of equity owned by the parent company due to capital increase by minority shareholders of the subsidiary

Other shareholders of the subsidiary (minority shareholders) increase their capital in the subsidiary, thereby diluting the parent company's percentage of equity in the subsidiary. In the consolidated financial statements, its share in the net assets of the subsidiary's book before the capital increase is calculated in proportion to the equity interest of the parent company before the capital increase. The difference between this share and the share of net assets in the book of the subsidiary after the capital increase calculated in proportion to the parent company's shareholding after the capital increase is adjusted to capital reserves (capital premium or share capital premium), and if the capital reserves (capital premium or share capital premium) is not sufficient for write-downs, the adjustment is made to retained earnings.

7. Classification of joint venture arrangements and accounting treatment method for joint operations

Applicable Not applicable

8. Determination standards for cash and cash equivalents

Cash refers to the enterprise's cash on hand and deposits readily available for disbursement. Cash equivalents are investments that are held for a short period of time (generally maturing within three months from the date of purchase), are highly liquid, easily convertible to known amounts of cash, and having minimal risk of changes in value.

9. Foreign currency business and foreign currency statement translation

Applicable Not applicable

(1) Method of determining the conversion rate for foreign currency transactions

The Company uses the spot exchange rate on the date of the transaction or an exchange rate determined in accordance with a systematic and reasonable method that approximates the spot exchange rate on the date of the transaction (hereinafter referred to as the approximate rate of the spot exchange rate) to translate foreign currency transactions into the functional currency upon initial recognition.

(2) Method of translation of foreign currency monetary items at the balance sheet date

At the balance sheet date, for monetary items denominated in foreign currencies, the spot exchange rate at the balance sheet date is used for translation. Exchange differences arising from the difference between the spot rate at the balance sheet date and the spot rate at initial recognition or at the previous balance sheet date are recognized in profit or loss for the period. For non-monetary items denominated in foreign currencies that are measured at historical cost, the exchange rate prevailing at the date of the transaction is still used for translation. For non-monetary items denominated in foreign currencies that are measured at fair value, the exchange rate prevailing at the date the fair value is determined is used for translation, and the difference between the translated amount of the functional currency and the original amount of the functional currency is recognized in profit or loss for the period.

10. Financial Instruments

Applicable Not applicable

A financial instrument is a contract that forms a financial asset of one party and creates a financial liability or equity instrument of another party.

(1) Recognition and derecognition of financial instruments

When the Company becomes a party to a financial instrument contract, it shall recognize the underlying financial asset or financial liability. The financial asset shall be derecognized when meeting one of the following conditions:

① The contractual right to receive cash flows from the financial asset is terminated;

② The financial asset has been transferred and the transfer meets the following requirements for derecognition of financial assets.

A financial liability (or a portion thereof) is derecognized when the present obligation is discharged. If the Company (as the borrower) and the lender enters into an agreement to replace the original financial liability by assuming a new financial liability, and the contract terms of the new financial liability deviated materially from the original financial liability, the Company derecognizes the original financial liability and recognizes a new financial liability. If the Company materially modifies the contractual terms of the original financial liability (or part thereof), it shall terminate the original financial liability and recognize a new financial liability in accordance with the modified terms.

Purchases and sales of financial assets in the regular way shall be accounted for and derecognized on a trade date basis. Purchases and sales of financial assets in the regular way means delivery of financial assets in accordance with the terms of the contract and at a schedule determined by regulations or market practice. The transaction date is the date on which the Company commits to buy or sell a financial asset.

(2) Classification and measurement of financial assets

On initial recognition, the Company classifies financial assets into: financial assets at amortized cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income based on the business mode for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial assets may not be reclassified after initial recognition unless the Company changes its business mode for managing financial assets, in which case all underlying financial assets affected are reclassified on the first day of the first reporting period following the change in the business mode.

Financial assets are measured at fair value on initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are recognized directly in profit or loss, and for other categories of financial assets, the related transaction costs are recognized in their initial recognition amounts. Notes and accounts receivable arising from the sale of goods or provision of services that do not contain or consider a significant financing component are initially measured at the transaction price as defined in the income guidelines.

The subsequent measurement of a financial asset depends on its classification:

① Financial assets at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met: the Company's business mode for managing the financial asset is to collect the contractual cash flows; the contractual terms of the financial asset provide that the cash flows arising on a specific date are only payments of principal and interest based on the outstanding principal amount. For such financial assets, the effective interest rate method is used for subsequent measurement at amortized cost, and any gain or loss arising from derecognition, amortization or impairment under the effective interest rate method is recognized in profit or loss for the current period.

② Financial assets at fair value through other comprehensive income

A financial asset is classified as a financial asset at fair value through other comprehensive income if both of the following conditions are met: the Company's business mode of managing the financial asset aims at both collecting the contractual cash flow and selling the financial asset; and the contractual terms of the financial asset provide that the cash flows arising on a specific date are solely payments of principal and interest based on the principal amount outstanding. Such financial assets shall be subsequently measured at fair value. Except for impairment losses or gains and exchange gains or losses recognized in profit or loss, changes in the fair value of such financial assets are recognized as other comprehensive income until the financial assets are derecognized, at which time the cumulative gain or loss is transferred to current profit or loss. However, the interest income related to this financial asset calculated using the effective interest rate method is recognized in profit or loss for the current period.

The Company irrevocably elects to designate certain investments in non-trading equity instruments as financial assets at fair value through other comprehensive income, with only the related dividend income recognized in profit or loss for the current period, while the changes in fair value are recognized as other comprehensive income until the financial assets are derecognized, with the accumulated gains or losses transferred to retained earnings.

③ Financial assets at fair value through profit or loss

Financial assets other than those measured at amortized cost or fair value through other comprehensive income as described above are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value, with all changes in fair value recognized in profit or loss for the current period.

(3) Classification and measurement of financial liabilities

The Company classifies financial liabilities as those at fair value through profit or loss and those at amortized cost.

The subsequent measurement of a financial liability depends on its classification:

① Financial liabilities at fair value through profit or loss

Such financial liabilities include those held for trading (including derivatives that are financial liabilities) and those designated as at fair value through profit or loss. Subsequent to initial recognition, such financial liabilities are subsequently measured at fair value, with gains or losses (including interest expense) recognized in profit or loss for the current period, except for those related to hedge accounting. However, for financial liabilities designated as at fair value through profit or loss, the amount of change in fair value of such financial liabilities arising from changes in their own credit risk is recognized in other comprehensive income, and when such financial liabilities are derecognized, the cumulative gains and losses previously recognized in other comprehensive income shall be transferred from other comprehensive income to retained earnings.

② Financial liabilities at amortized cost

After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

Except in special cases, financial liabilities are distinguished from equity instruments in accordance with the following principles:

① A contractual obligation meets the definition of a financial liability if the Company cannot unconditionally avoid meeting that obligation by delivering cash or other financial assets. Some financial

instruments do not explicitly contain terms and conditions of delivering cash or other financial asset but may indirectly create contractual obligations through other terms and conditions.

② If a financial instrument is required to be settled with or available for settlement with the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument are used as a substitute for cash or other financial assets or to give the holder of the instrument a residual interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is a financial liability of the issuer; in the latter case, the instrument is an equity instrument of the issuer. In certain circumstances, a financial instrument contract that requires the Company to settle the financial instrument with or available for using its own equity instruments, where the amount of the contractual right or contractual obligation is equal to the number of its own equity instruments available for acquisition or delivery multiplied by their fair value at the time of settlement, is classified as a financial liability whether the amount of the contractual right or contractual obligation is fixed or changes based, in whole or in part, on changes in variables other than the market price of the Company's own equity instruments (for example, interest rates, the price of a commodity or the price of a financial instrument).

(4) Impairment of financial instruments

For financial assets at amortized cost, debt investments at fair value through other comprehensive income, contract assets and lease receivables, the Company recognizes an allowance for losses based on expected credit losses.

① Measurement of expected credit losses

Expected credit loss refers to the weighted average credit losses on financial instruments weighted by the risk of default. Credit losses represent the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Company, discounted at the original effective interest rate, i.e., the present value of all cash shortfalls. Financial assets purchased or originated by the Company that are credit-impaired shall be discounted at the credit-adjusted effective interest rate of the financial assets.

Expected credit loss for the entire life is the expected credit loss resulting from all possible events of default throughout the expected life of the financial instrument.

Expected credit losses within the next 12 months are expected credit losses resulting from possible default events on financial instruments within 12 months after the balance sheet date (or the expected duration if the expected duration of the financial instrument is less than 12 months) and are part of the expected credit losses for the entire duration.

At each balance sheet date, the Company measures expected credit losses separately for financial instruments that are in different stages. If the credit risk of a financial instrument has not increased significantly since initial recognition, it is in the first stage, and the Company measures the allowance for losses based on the expected credit losses over the next 12 months; if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in the second stage, and the Company measures the allowance for losses based on the expected credit losses over the entire life of the instrument; if the credit of a financial instrument has been impaired since initial recognition, it is in the third stage, and the Company measures the allowance for losses based on the expected credit losses over the entire life of the instrument.

For financial instruments with low credit risk at the balance sheet date, the Company assumes that their credit risk has not increased significantly since initial recognition, and measures the allowance for losses based on expected credit losses over the next 12 months.

The Company calculates the interest income on financial instruments that are in the first and second stages, as well as those with low credit risk, based on their carrying amounts before deducting impairment allowances and using the effective interest rates. For financial instruments in the third stage, interest income is calculated on the basis of their carrying amount less the amortized cost after the impairment allowances and using the effective interest rate.

For notes receivable, accounts receivable, factoring receivables and receivables financing, the Company measures the allowance for losses based on the expected credit losses throughout their lives, regardless of whether there is a significant financing component.

A. Receivables

For notes receivable, accounts receivable, factoring receivables, other receivables, receivables financing, etc. for which objective evidence of impairment exists or applicable to individual assessments, separate impairment tests are performed, expected credit losses are recognized and individual impairment allowances are made. For notes receivable, accounts receivable, factoring receivables, other receivables, receivables financing for which there is no objective evidence of impairment, or when information on expected credit losses cannot be assessed at a reasonable cost for individual financial assets, the Company divides notes receivable, accounts receivable, factoring receivables, other receivables, receivables financing, etc. into certain combinations based on credit risk characteristics, and calculates expected credit losses on the basis of the combinations, which are determined on the following basis:

The basis for determining the portfolio of notes receivable is as follows:

Portfolio of notes receivable 1 Commercial acceptance note

Portfolio of notes receivable 2 Bank acceptance note

For notes receivable classified as a portfolio, the Company calculates expected credit losses by referring to historical credit loss experience, current conditions and forecasts of future economy through default risk exposures and expected credit loss rates throughout the life of the notes.

The basis for determining the portfolio of accounts receivable is as follows:

Accounts receivable portfolio 1 Receivables from related parties in the scope of consolidation

Accounts receivable portfolio 2 Due from other customers

For accounts receivable classified as a portfolio, the Company prepares a table of aging of accounts receivable against the expected credit loss rate for the entire duration to calculate expected credit losses by referring to historical credit loss experience, taking into account current conditions and forecasts of future economy.

The basis for determining the portfolio of factoring receivables is as follows:

Portfolio of factoring receivables 1 Factoring receivables

For factoring receivables classified as a portfolio, the Company calculates expected credit losses by taking into account historical credit loss experience, current conditions and forecasts of future economy based on default risk exposures and expected credit loss rates throughout the duration.

The basis for determining the portfolio of other receivables is as follows:

Portfolio of other receivables 1 Interest receivable

Portfolio of other receivables 2 Portfolio of margins, deposits, reserve funds and other receivables from employees

Portfolio of other receivables 3 Receivables from related parties in the scope of consolidation

Portfolio of other receivables 4 Other receivables

For other receivables classified as a portfolio, the Company calculates expected credit losses by referring to historical credit loss experience, current conditions and forecasts of future economy through default risk exposures and expected credit loss rates over the next 12 months or the entire duration.

B. Debt investments, other debt investments

For debt investments and other debt investments, the Company calculates expected credit losses through default risk exposures and expected credit loss rates over the next 12 months or the entire duration, depending on the nature of the investment and the types of counterparties and risk exposures.

② Low credit risk

A financial instrument is considered to have low credit risk if the default risk of financial instruments is low, the borrower is competent in meeting its contractual cash flow obligations in the short term, and even if adverse changes in economic conditions and business environment in the longer term do not necessarily reduce the borrower's ability to meet its contractual cash flow obligations.

③ A significant increase in credit risk

The Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the probability of default over the expected life of the financial instrument as determined at the balance sheet date with the probability of default over the expected life of the financial instrument as determined at initial recognition to determine the relative change in the probability of default over the expected life of the financial instrument.

In determining whether the credit risk has increased significantly since initial recognition, the Company considers reasonable and substantiated information, including forward-looking information, that is available without undue additional cost or effort. The Company considers the following information:

A. Whether there is a significant change in internal price indicators resulting from changes in the credit risk;

B. Whether there is an adverse change in business, finance or economy that are expected to result in a significant change in the debtor's ability to meet its debt service obligations;

C. Whether there has been a significant change in the actual or expected results of the debtor's operations; and whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor operates;

D. Whether there has been a significant change in the value of the collateral pledged as security for the debt or in the quality of the guarantee or credit enhancement provided by third parties. These changes are expected to reduce the debtor's economic incentive to repay by the contractual deadline or to affect the probability of default;

E. Whether there has been a significant change in the economic incentive that is expected to reduce the debtor's ability to repay by the contractual deadline;

F. Anticipated changes to the borrowing contract, including whether the anticipated breach may result in a waiver or amendment of contractual obligations, the granting of an interest-free period, a jump in interest rates, a requirement for additional collateral or security, or other changes to the contractual framework of the financial instrument;

G. Whether there has been a significant change in the debtor's expected performance and repayment behavior;

Depending on the nature of the financial instruments, the Company assesses whether there is a significant increase in the credit risk on the basis of individual financial instruments or a portfolio of financial instruments. When conducting an evaluation on the basis of a portfolio of financial instruments, the Company may classify financial instruments based on common credit risk characteristics.

④ Credit-impaired financial asset

The Company assesses at the balance sheet date whether financial assets at amortized cost and debt investments at fair value through other comprehensive income are credit-impaired. A financial asset becomes credit-impaired when one or more events occur that have an adverse effect on the expected future cash flows of the financial asset. Evidence that a financial asset is credit-impaired includes the following observable information:

Significant financial difficulties of the issuer or debtor; breach of contract by the debtor, such as default or delinquency in interest or principal payments; creditors granting concessions to the debtor that would not otherwise be made because of economic or contractual considerations related to the debtor's financial difficulties; probable bankruptcy or other financial reorganization of the debtor; disappearance of an active market for the financial asset as a result of the issuer's or debtor's financial difficulties; purchase or origination of a financial asset at a significant discount that reflects the credit loss.

⑤ Presentation of allowance for expected credit losses

To reflect changes in the credit risk of financial instruments since initial recognition, the Company re-measures expected credit losses at each balance sheet date, and the resulting increase or reversal in the allowance for losses shall be recognized as an impairment loss or gain in profit or loss for the current period. For financial assets at amortized cost, the allowance for losses shall be offset against the carrying amount of the financial assets presented in the balance sheet; for debt investments at fair value through other comprehensive income, the Company recognizes its allowance for losses in other comprehensive income, without deducting the carrying amount of the financial assets.

⑥ Write-offs

If the Company no longer has a reasonable expectation that the contractual cash flows from a financial asset will be fully or partially recovered, the carrying amount of the financial asset shall be written down directly. Such write-downs constitute derecognition of the underlying financial assets. This usually occurs when the Company determines that the debtor does not have assets or sources of income that will generate sufficient cash flows to repay the amount to be written down.

If a financial asset that has been written down is subsequently recovered, the reversal of the impairment loss is recognized as a gain or loss in the period in which it is recovered.

(5) Transfer of financial assets

A transfer of financial assets is either:

A. Transferring the contractual right to receive cash flows from a financial asset to another party;

B. Transferring the financial asset, in whole or in part, to another party, but retaining a contractual right to receive cash flows from the financial asset and a contractual obligation to pay the cash flows received to one or more recipients.

① Derecognition of transferred financial assets

A financial asset is derecognized if substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee, or if substantially all the risks and rewards of ownership of the financial asset have neither been transferred nor retained, but control over the financial asset has been relinquished.

In determining whether control over the transferred financial asset has been relinquished, the actual ability of the transferee to sell the financial asset is considered. If the transferee is able to unilaterally sell the transferred financial asset in its entirety to an unrelated third party without additional conditions limiting such sale, the Company has relinquished its control over the financial asset.

The Company focuses on the substance of the transfer of financial assets when determining whether the conditions for derecognition of a financial asset are met.

When a transfer of a financial asset as a whole satisfies the derecognition condition, the difference between the following two amounts is recognized in profit or loss for the current period:

A. The carrying amount of the financial asset transferred;

B. The sum of the consideration received for the transfer and the amount of derecognized portion of the cumulative amount of changes in fair value previously recognized directly in other comprehensive income (financial assets involved in the transfer are those classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of ASBEs No. 22 — Recognition and Measurement of Financial Instruments).

When a partial transfer of a financial asset meets the derecognition condition, the carrying amount of the financial asset as a whole is apportioned between the derecognized portion and the unrecognized portion (in which case the retained service asset is treated as part of the continuing recognition of the financial asset), based on their respective relative fair values at the date of transfer, and the difference between the following amounts is recognized in profit or loss for the current period:

A. The carrying value of the derecognized portion at the date of derecognition;

B. The sum of the consideration for the derecognized portion and the amount of derecognized portion of the cumulative amount of changes in fair value previously recognized directly in other comprehensive income (financial assets involved in the transfer are those classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of ASBEs No. 22 — Recognition and Measurement of Financial Instruments).

② Continuing involvement in transferred financial assets

If substantially all the risks and rewards of ownership of a financial asset are neither transferred nor retained, and control over the financial asset is not relinquished, the underlying financial asset shall be recognized to the extent of its continuing involvement in the transferred financial asset, and the related liability shall be recognized accordingly.

The extent of continuing involvement in transferred financial assets is the extent to which the enterprise bears the risk or reward of changes in the value of the transferred financial assets.

③ Continue to recognize the transferred financial assets

If substantially all the risks and rewards associated with ownership of the transferred financial asset are retained, the transferred financial asset shall be recognized in its entirety, and the consideration received shall be recognized as a financial liability.

The financial asset and the underlying financial liability recognized shall not offset against each other. In subsequent accounting periods, the Company shall continue to recognize the income (or gain) from the financial asset and the expense (or loss) from the financial liability.

(6) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the balance sheet and not be offset against each other. The net offsetting amount is shown in the balance sheet if the following conditions are met:

The Company has a legal right to offset the recognized amount and such a legal right is currently enforceable;

The Company plans to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously.

For transfers of financial assets that do not meet the derecognition criteria, the transferor shall not make the transferred financial assets set against related liabilities.

(7) Methodology for determining the fair value of financial instruments

Fair value is the price that a market participant would receive to sell an asset or pay to transfer a liability in an orderly transaction occurring on the measurement date.

The Company measures the fair value of the relevant asset or liability at the price in the principal market, or if no principal market exists, the Company measures the fair value of the relevant asset or liability at the price in the most advantageous market. The Company adopts the assumptions used by market participants in pricing the asset or liability to maximize their economic benefits.

The principal market, which is the market where the relevant assets or liabilities are most traded and where trading is most active; and the most advantageous market, which is the market where the relevant assets can be sold for the highest amount or the relevant liabilities can be transferred for the lowest amount, after taking into account transaction and transportation costs.

Regarding financial assets or financial liabilities for which there is an active market, the Company uses quoted prices in an active market to determine their fair values. If there is no active market for a financial instrument, the Company uses valuation techniques to determine its fair value.

Where a non-financial asset is measured at fair value, consideration is given to the ability of a market participant to generate economic benefits from the use of the asset for its best purpose or the ability to generate economic benefits from the sale of the asset to other market participants who are able to use it for its best purpose.

① Valuation techniques

The Company gives priority to the use of relevant observable inputs in the application of valuation techniques and uses unobservable inputs only when relevant observable inputs are unavailable or impracticable to obtain. Observable inputs are inputs that are available from market data. This input reflects the assumptions used by market participants in pricing the underlying asset or liability.

Unobservable inputs are inputs that are unavailable from market data. This input is based on the best available information on assumptions used by market participants in pricing the underlying asset or liability.

② Fair value levels

The Company divides the inputs used for fair value measurement into three levels, and firstly uses inputs of level 1, and then the input of level 2, and finally level 3. Inputs of level 1 are unadjusted quoted prices in active markets for identical assets or liabilities that is available on the measurement date. Inputs of level 2 are directly or indirectly observable inputs of an underlying asset or liability in addition to the inputs of level 1. Inputs of level 3 are unobservable inputs for the underlying asset or liability.

11. Notes receivable

Method of determining expected credit losses on notes receivable and accounting treatment

Applicable Not applicable

For details, please refer to Section XI of this report on Financial Report V. Significant accounting policies and accounting estimates: 10. Financial instruments.

12. Accounts receivable

Method of determining expected credit losses on accounts receivable and accounting treatment

Applicable Not applicable

For details, please refer to Section XI of this report on Financial Report V. Significant accounting policies and accounting estimates: 10. Financial instruments.

13. Accounts receivable financing

Applicable Not applicable

14. Other receivables

Method of determining expected credit losses on other receivables and accounting treatment

Applicable Not applicable

For details, please refer to Section XI of this report on Financial Report V. Significant accounting policies and accounting estimates: 10. Financial instruments.

15. Inventories

Applicable Not applicable

(1) Categories of inventories

All of the Company's inventories are low-value consumables.

(2) Measurement of outgoing inventories

The Company's inventories are valued at actual cost at the time of acquisition, and the first-in, first-out method is used to determine the cost of outgoing inventories.

(3) Inventory system

The Company's inventories are inventoried on a perpetual basis, at least once a year, and the amount of inventory gain or loss is recognized in profit or loss for the year.

(4) Provision for decline in the value of inventories

The net realizable value of inventories is based on the estimated selling price of the inventories less estimated selling and marketing expenses and related taxes. The determination of the net realizable value of inventories is based on conclusive evidence obtained, taking into account the purpose for which the inventories are held and the effect of events after the balance sheet date.

On the balance sheet date, provision for inventory impairment shall be made if the cost of inventories is higher than its net realizable value. The Company usually makes provision for inventory impairment based on an individual category of inventory items. At the balance sheet date, if the factors affecting the value of previously written down inventory disappears, the provision for inventory impairment is reversed within the amount originally provided for.

16. Contract assets**(1). Methods and criteria for recognition of contract assets**

Applicable Not applicable

(2). Method of determining expected credit losses on contract assets and accounting treatment

Applicable Not applicable

17. Held-for-sale assets

Applicable Not applicable

18. Debt investments**(1). Method of determining expected credit losses on debt investments and accounting treatment**

Applicable Not applicable

19. Other debt investments**(1). Method of determining expected credit losses on other debt investments and accounting treatment**

Applicable Not applicable

20. Long-term receivables**(1). Method of determining expected credit losses on long-term receivables and accounting treatment**

Applicable Not applicable

21. Long-term equity investments

Applicable Not applicable

Long-term equity investments include equity investments in subsidiaries and associates. Where the Company is able to exert significant influence on the investee, the investee is an associate of the Company.

(1) Investment cost determination

For long-term equity investments acquired in a business combination under common control, the cost of investment at the date of consolidation is based on the acquisition of the share of the ownership interest of the merged entity in the carrying amount of the consolidated financial statements of the ultimate controlling party.

For long-term equity investments acquired by paying cash other than in a business combination, the initial investment cost is based on the actual price paid.

(2) Subsequent measurement and recognition method of profits and losses

Long-term equity investments in which the Company is able to exercise control over the investee are accounted for using the cost method. Profits declared by the investee are recognized as investment income and recognized in profit or loss for the current period.

In the case of making accounting using the equity method, the Company shall recognize the investment income and other comprehensive income according to the share of the realized net profit and loss and other comprehensive income of the investee attributable to the Company, and adjust the book value of the long-term equity investment. The Company shall write down the book value of the long-term equity investment according to share of the profit or cash dividend declared by the investee attributable to the Company. Other changes to the owner's equity of the investee, other than the net profit and loss, other comprehensive income and profit distribution, shall be used to adjust the book value of the long-term equity investment and included in capital reserves (other capital reserves). When recognizing its share in the net profit and loss of the investee, the Company shall recognize it on the basis of the fair value of the identifiable assets of the investee when acquiring the investment and after adjusting the net profit of the investee in accordance with the Company's accounting policies and accounting period.

(3) Basis for determining significant influence over an investee

Significant influence means the investor has the power to participate in decision-making for the financial and business policies of the investee, but cannot control or jointly control with other parties over the formulation of such policies. In determining whether significant influence can be exercised over an investee, the investor shall consider its direct or indirect holdings of voting shares in the investee and the effect of current exercisable potential voting rights held by the investor and others upon their assumed conversion into equity interests in the investee's units, including the effect of current convertible warrants, share options and convertible corporate bonds issued by the investee, etc.

(4) Method of impairment test and provision for impairment

For investments in subsidiaries and associates, the Company provides for impairment of long-term assets as described in Note V.30.

22. Investment properties

Not applicable

23. Fixed assets**(1). Recognition criteria**

Applicable Not applicable

The Company's fixed assets are tangible assets with a high unit value that are held for the production of goods, provision of services, rental or operation management with a useful life of more than one year.

Fixed assets are recognized at their actual cost at the time of acquisition when both of the following conditions are met:

① It is probable that the economic benefits associated with the fixed assets will flow to the enterprise.

② The cost of the fixed asset can be measured reliably.

Subsequent expenditures incurred for fixed assets are recognized in the cost of fixed assets if the recognition criteria are met; those that do not meet the recognition criteria are recognized in the current profit or loss as incurred.

(2). Depreciation method

Applicable Not applicable

Category	Depreciation method	Depreciation life (year)	Rate of residual value	Annual depreciation rate
Transportation vehicles (electric vehicles)	Straight-line method	2	0%	50%
Transportation vehicles (excluding electric vehicles)	Straight-line method	5-6	5%	15.83%-19%
Machinery equipment	Straight-line method	3-10	0%-5%	9.5%-33.33%
Electronic and office equipment	Straight-line method	3	0%	33.33%

The Company makes provision for depreciation using the straight-line method. Depreciation on fixed assets begins when they reach their intended useable condition and ceases upon derecognition or when they are classified as non-current assets held for sale. The annual depreciation rates of the Company's fixed assets by category, estimated useful life and estimated salvage value are shown in the table above.

For fixed assets for which provision for impairment has been made, the provision for impairment of fixed assets is deducted when provision for depreciation is made. See Note V.30 for the impairment testing method and provision for impairment of fixed assets.

At the end of each year, the Company reviews the useful life, estimated net salvage value and depreciation method of fixed assets. If the estimated useful life is different from the original estimate, the useful life of the fixed asset shall be adjusted.

(3). Recognition basis, valuation and depreciation method of fixed assets acquired under financing leases

Applicable Not applicable

24. Construction in progress

Applicable Not applicable

(1) Construction in progress is accounted by the classification of project establishment.

(2) Criteria and timing for carrying forward construction-in-progress to fixed assets

Construction-in-progress projects are recorded as fixed assets at the value of all expenditures incurred in the construction of the asset until it reaches its intended usable condition. This includes construction costs, original cost of machinery and equipment, other necessary expenditures incurred to make construction in progress reach its intended usable condition, and borrowing costs incurred for borrowings specifically for the project before the asset reaches its intended usable condition and borrowing costs incurred for general borrowings occupied. The Company transfers construction in progress to fixed assets when the installation or construction is completed to its intended usable condition. Fixed assets constructed in their intended usable condition but not yet completed for final settlement are transferred to fixed assets at their estimated value from the date they reach their intended usable condition based on the project budget, construction cost or actual cost of construction, etc. and the provision for depreciation of fixed assets is made in accordance with the Company's depreciation policy for fixed assets. The original provisional estimated value is adjusted based on the actual cost after the final settlement is completed, but the original amount of provision for depreciation shall not be adjusted.

25. Borrowing costs

Applicable Not applicable

26. Biological assets

Applicable Not applicable

27. Oil and gas assets

Applicable Not applicable

28. Right-of-use assets

Applicable Not applicable

29. Intangible assets**(1). Measurement method, useful life, and impairment test**

Applicable Not applicable

The Company's intangible assets include software, trademarks, non-patented technology, and land use rights, etc.

Intangible assets are initially measured at cost, and their useful lives are analyzed and determined at the time of acquisition. Intangible assets with finite useful lives are amortized over their estimated useful lives from the time they become available for use, using an amortization method that reflects the expected realization of economic benefits associated with the asset; if the expected realization cannot be reliably determined, the straight-line method is used; intangible assets with indefinite useful lives are not amortized.

The amortization method for intangible assets with finite useful lives is as follows:

Item	Estimated useful life	Basis
Land use rights	50 years	Legal right of use
Software		The useful life shall be determined by reference to the period of time during which the Company can generate economic benefits
Trademark	3 years	The useful life shall be determined by reference to the period of time during which the Company can generate economic benefits
	3 years	

At the end of each year, the Company reviews the useful lives and amortization methods of intangible assets with finite useful lives and adjusts the original estimates if they differ from previous estimates and treats them as changes in accounting estimates.

If an intangible asset is no longer expected to provide future economic benefits to the Company at the balance sheet date, the full carrying amount of the intangible asset is transferred to current profit or loss.

The method of provision for impairment of intangible assets for long-term assets is described in Note V.30.

(2). Accounting policies for internal research and development expenditures

Applicable Not applicable

(1) Criteria for dividing the research phase and development phase of internal research and development projects

① The Company treats the preparation for information and related aspects for further development activities as the research phase, and expenses for the research phase of intangible assets are recognized in the current profit or loss as incurred.

② Development activities after the Company's research phase shall be considered as the development phase.

(2) Specific conditions for capitalization of development phase expenditures

Expenditures in the development phase are recognized as intangible assets only when all of the following conditions are met:

A. It is technically feasible to complete the intangible asset so that it can be used or sold;

B. There's the intent to complete the intangible asset and use or sell it;

C. The manner in which the intangible asset generates economic benefits can be demonstrated, including the existence of a market for the product produced using the intangible asset or the existence of a market for the intangible asset itself, or the usefulness of the intangible asset if it will be used internally;

D. There's sufficient technical, financial and other resources to support the completion of the development of the intangible asset and the ability to use or sell the intangible asset;

E. The expenditure attributable to the development phase of this intangible asset can be measured reliably.

Expenditures in the development phase that do not meet the above conditions are recognized in the current profit or loss as incurred. Development expenditures recognized in profit or loss in prior periods can't be re-recognized as assets in subsequent periods. Expenditures in the development phase that have been capitalized are presented on the balance sheet as development expenditures and transferred to intangible assets from the date the project reaches its intended use.

30. Impairment of long-term assets

Applicable Not applicable

Impairment of assets of long-term equity investments, fixed assets, construction in progress and intangible assets of subsidiaries and associates are determined as follows:

At the balance sheet date, the Company determines whether there is an indication that an asset may be impaired. If there is an indication of impairment, the Company will estimate its recoverable amount and perform an impairment test. Goodwill resulting from business combination, intangible assets with indefinite useful lives and intangible assets that have not yet reached their useful lives are tested annually for impairment regardless of whether there is an indication of impairment.

The recoverable amount is determined as the higher of the net of the asset's fair value less costs of disposal and the present value of the asset's estimated future cash flows. The Company estimates the recoverable amount of an individual asset on an individual basis; if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs. The identification of an asset group is based on whether the primary cash inflows generated by the asset group are independent of those from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the Company writes down the carrying amount to its recoverable amount, and the amount of the write-down is recognized in profit or loss for the current period, together with a corresponding provision for asset impairment.

For the purpose of impairment testing of goodwill, the carrying amount of goodwill arising from a business combination is apportioned to the relevant asset group from the date of purchase using a reasonable method; if it is difficult to apportion to the relevant asset group, it is apportioned to the relevant asset group portfolio. The relevant asset group or asset group portfolio is that that can benefit from the synergies of the business combination and is not larger than the Company's identified reporting segments.

When testing for impairment, if there is an indication that an asset group or asset group portfolio related to goodwill is impaired, the asset group or asset group portfolio that does not contain goodwill is first tested for impairment, the recoverable amount is calculated, and a corresponding impairment loss is recognized. The asset group or asset group portfolio containing goodwill is then tested for impairment, and the carrying amount is compared with the recoverable amount. If the recoverable amount is less than the carrying amount, an impairment loss on goodwill is recognized.

Once an impairment loss on an asset is recognized, it can't be reversed in subsequent accounting periods.

31. Long-term deferred expenses

Applicable Not applicable

The Company's long-term deferred expenses refer to the expenses that have been paid but have a benefit period of more than one year (excluding one year), mainly the expenses for renovation of

leased-in buildings and rent paid in a lump sum for more than one year. The amortization period for expenses for renovation of leased-in buildings is determined based on the shorter of the lease term and the expected benefit period, and is amortized evenly over the amortization period. The expected benefit period for renovation expenses of business outlets is 3 years and the expected benefit period of other major renovations is based on the actual situation. Rent paid in a lump sum for more than one year is amortized evenly over the lease term. The amortized value of long-term deferred expense items that will not benefit subsequent accounting periods is fully recognized in profit or loss for the period.

32. Contract liabilities

(1). Method of recognition of contract liabilities

Applicable Not applicable

Applicable as of January 1, 2020

The Company presents contract liabilities in the balance sheet based on the relationship between the performance obligation and the customer's payment. The Company's obligations to transfer goods or provide services to customers for consideration received or receivable are presented as contract liabilities.

Contract liabilities are shown separately in the balance sheet. Contract liabilities under the same contract shown on a net basis, and if the net amount is a credit balance, it is shown in "contract liabilities" or "other non-current liabilities" according to their liquidity. Contract assets and contract liabilities under different contracts cannot be offset against each other.

33. Employee compensation

Employee compensation refers to various forms of remuneration or compensation given by the Company for services rendered by employees or for the termination of employment relationships. Employee compensation mainly includes short-term compensation, post-employment benefits and other long-term employee benefits. Benefits provided to employees' spouses, children, dependents, survivors of deceased employees and other beneficiaries, etc., are also considered employee compensation.

According to the liquidity, employee compensation is shown in the "payroll payables" and "long-term payroll payables" items in the balance sheet, respectively.

(1). Accounting for short-term compensation

Applicable Not applicable

During the accounting period in which the employees provide services, the Company recognizes as liabilities the actual salaries, bonuses, social insurance premiums such as medical insurance premiums, work injury insurance premiums and maternity insurance premiums paid for the employees on a prescribed basis and proportion, and housing fund, and included in current profit or loss or the cost of related assets.

(2). Accounting for post-employment benefits

Applicable Not applicable

The post-employment benefit plan is a defined contribution plan.

A defined contribution plan is a post-employment benefit plan in which no further payment obligations are assumed after a fixed charge has been contributed to a separate fund. The defined contribution plan includes basic pension insurance, unemployment insurance, etc.

During the accounting period in which employees render services, the amount of contributions payable based on the defined contribution plan is recognized as a liability and recognized in profit or loss for the period.

(3). Accounting for termination benefits

Applicable Not applicable

(4). Accounting for other long-term employee benefits

Applicable Not applicable

The Company established the Excess Earnings Sharing Plan in 2014, which sets a certain percentage of the annual excess profit after the return on net assets exceeds the target value as an incentive bonus for the Group's management team and core employees, to be implemented over three years, with 1/3 of the incentive bonus in each year as the target bonus for that year, to be paid after adjustment by the company and individual performance evaluation coefficients for that year.

The Company discounts the incentive bonus that is expected to be paid after one year using the yield to maturity of treasury bonds on the corresponding maturity date.

34. Lease liabilities

Applicable Not applicable

35. Estimated liabilities

Applicable Not applicable

(1) Criteria for recognition of estimated liabilities

If obligations related to the contingencies meet the following conditions simultaneously, the Company shall recognize them as estimated liabilities:

- ① The obligation is the present obligation assumed by the Company;
- ② The performance of this obligation is likely to cause outflow of economic benefits of the Company;
- ③ The amount of the obligation can be reliably measured.

(2) Measurement of estimated liabilities

Estimated liabilities are initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account the risks associated with contingencies, uncertainties and the time value of money. On each balance sheet date, the Company reviews the book value of estimated liabilities. If there is conclusive evidence that the book value does not reflect the current best estimate, the book value is adjusted in accordance with the current best estimate.

36. Share-based payment

Applicable Not applicable

(1) Types of share-based payments

The Company's share-based payment includes cash-settled share-based payments and equity-settled share-based payments.

(2) Determination method for the fair value of an equity instrument

① For shares granted to employees, the fair value is measured at the market price of the Company's shares, subject to adjustment based on the terms and conditions on which the shares are granted (excluding vesting conditions other than market conditions). ② For stock options granted to employees, it is difficult to obtain their market prices in many cases. If no traded options with similar terms and conditions exist, the Company selects the applicable option pricing model to estimate the fair value of the options granted.

(3) Basis for recognizing the best estimate of vested equity instruments

At each balance sheet date during the waiting period, the Company makes a best estimate of the number of equity instruments expected to be exercisable by revising the best estimate of the number of equity instruments expected to be exercisable based on subsequent information such as the latest available changes in the number of exercisable employees.

(4) Accounting for the implementation of share-based payment plans

Equity-settled share-based payments

① Equity-settled share-based payments in exchange for employee services that are exercisable immediately after the grant are recorded in the relevant cost or expense at the fair value of the equity instrument at the date of grant, with a corresponding increase in capital reserves.

② For equity-settled share-based payments that are exercisable in exchange for employee services after the completion of the waiting period or after the achievement of specified performance conditions, the services acquired during the period are recorded in cost or expense and capital reserves at each balance sheet date during the waiting period, based on the best estimate of the number of exercisable equity instruments, and the fair value of the equity instruments at the date of grant.

(5) Accounting for share-based payment plan modifications

When the Company makes modifications to a share-based payment plan, if the modifications increase the fair value of the equity instruments granted, an increase in the acquisition of services is recognized accordingly in accordance with the increase in the fair value of the equity instruments; if the modifications increase the number of equity instruments granted, the fair value of the increased equity instruments is recognized accordingly as an increase in the acquisition of services. The increase in the fair value of equity instruments refers to the difference between fair values of the equity instruments before and after the modification on the date of modification. If a modification reduces the total fair value of share-based payments or otherwise modifies the terms and conditions of a share-based payment plan in a manner unfavorable to employees, the acquired services continue to be accounted for as if the change never occurs, unless the Company cancels some or all of the equity instruments granted.

(6) Accounting for termination of share-based payment plans

If the granted equity instruments are canceled or settled during the waiting period (except those canceled due to failure to meet the vesting conditions), the Company:

① The cancellation or settlement shall be treated as an accelerated exercisable right, recognizing immediately the amount that would otherwise be recognized over the remaining waiting period.

② All payments made to employees upon cancellation or settlement are treated as repurchases of equity. The excess of the repurchase payment over the fair value of the equity instrument at the date of repurchase is recognized in the current expense.

If the Company repurchases an equity instrument for which its employees have exercised their rights, it is reduced to the owner's equity of the enterprise; the excess of the repurchase payment over the fair value of the equity instrument at the date of repurchase is recognized in profit or loss for the current period.

37. Preferred Shares, perpetual bonds and other financial instruments

Applicable Not applicable

38. Revenue

(1). Accounting policies for recognition and measurement of revenue

Applicable Not applicable

Applicable as of January 1, 2020

(1) General principles

Revenue is the total inflow of economic benefits arising from the Company's ordinary activities that would result in an increase in shareholders' equity and are unrelated to capital contributions by shareholders.

The Company recognizes the revenue when it has fulfilled its performance obligations under the contract, that is, when the customer obtains control of the relevant goods. Obtaining control of the relevant goods means being able to dominate the use of that goods and derive almost all of the economic benefits from it.

If a contract contains two or more performance obligations, the Company apportions the transaction price to each individual performance obligation at the contract commencement date in the relative proportion of the individual selling price of the goods or services promised by each individual performance obligation, and measures the revenue based on the transaction price apportioned to each individual performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled as a result of the transfer of goods or services to the customer, excluding amounts collected on behalf of third parties. In determining the transaction price of a contract, if variable consideration exists, the Company determines the best estimate of the variable consideration based on the expected value or the most likely amount and includes in the transaction price an amount not to exceed the amount for which it is highly probable that there will be no material reversal of the revenue recognized in the aggregate when the related uncertainty is removed. If there is a significant financing component in the contract, the Company will determine the transaction price based on the amount payable in cash by the customer upon acquisition of control of the goods, and the difference between such transaction price and the contract consideration will be amortized over the contract period using the effective interest rate method, and the Company will not consider the financing component in the case where the interval between the transfer of control and the payment of the price by the customer does not exceed one year.

Performance obligations are fulfilled within a certain period of time if one of the following conditions is met; otherwise, performance obligations are fulfilled at a certain point in time:

① The customer obtains and consumes the economic benefits resulting from the Company's performance at the same time as the Company's performance;

② The customer is able to control the goods under construction in the course of the Company's performance;

③ The goods produced in the course of the Company's performance are of irreplaceable use and the Company is entitled to receive payment for the cumulative portion of performance completed to date throughout the contract period.

For performance obligations to be performed within a certain period of time, the Company recognizes the revenue in accordance with the progress of performance during that period, except when the progress of performance cannot be reasonably determined. The Company determines the performance schedule for the provision of services based on the input method (or output method). When the performance schedule can not be reasonably determinable, the Company recognizes the revenue at the amount of costs already incurred until the performance schedule can be reasonably determined if the costs are expected to be reimbursed.

For performance obligations performed at a point in time, the Company recognizes the revenue at the point in time when the customer obtains control of the relevant goods. In determining whether a customer has obtained control of goods or services, the Company will consider the following indications:

① The Company has a present right to receive payment for the goods or services, i.e. the customer has a present obligation to pay for the goods:

② The Company has transferred legal ownership of the goods to the customer, i.e. the customer has obtained the legal ownership of the goods;

③ The Company has physically transferred the goods to the customer, i.e. the customer has taken physical possession of the goods;

④ The Company has transferred to the customer the major risks and rewards of ownership of the goods, i.e., the customer has obtained the major risks and rewards of ownership of the goods;

⑤ The customer has accepted the goods.

Consideration payable to customers

If there is consideration payable to a customer in a contract, unless the consideration is for other clearly distinguishable goods or services from the customer, the Company reduces the transaction price by the amount of the consideration payable and writes down the current revenue at the later of the recognition of the related revenue or the payment (or promise to pay) the consideration to the customer.

Customer's unexercised contractual rights

When the Company receives payments in advance from customers for sales of goods or services, such payments are first recognized as liabilities and then transferred to revenue when the related performance obligations are fulfilled. When the Company's advances from customers are not required to be returned and it is probable that the customer will waive all or part of its contractual rights, the Company recognizes revenue on a pro rata basis in accordance with the pattern of the customer's exercise of contractual rights if the Company expects to be entitled to the amounts related to the contractual rights waived by the customer; otherwise, the Company recognizes the related balance of the liabilities as revenue only when it is highly unlikely that the customer will require performance of the remaining performance obligations.

(2) Specific method

The specific method of revenue recognition for the Company is as follows:

The Company provides integrated logistics services such as general freight, freight forwarding, domestic express, warehousing, etc., as well as commercial factoring business related to its main

business. Among them, general freight, freight forwarding and domestic express, which are performance obligations performed at a point in time, the Company recognizes the revenue at the point in time when the customer obtains control of the related services; warehousing services are performance obligations performed within a certain period of time; and commercial factoring business is determined based on the time when others use the Company's monetary funds and the effective interest rate.

Revenue from general freight, freight forwarding and domestic express services provided by the Company is recognized when the services have been provided and the right to receive the service revenue has been obtained; warehousing revenue is recognized when the services have been completed, the related revenue and costs can be measured reliably, and it is probable that the economic benefits associated with the services will flow to the Company.

The following revenue accounting policies apply to year 2019 and prior

(1) Revenue from integrated logistics services

The Company's revenue from integrated logistics services includes general freight, freight forwarding, domestic express and warehousing. Revenue from general freight, freight forwarding and domestic express is recognized when the services have been provided and the right to receive the service revenue has been obtained. Revenue from warehousing is recognized when the services have been completed, the related revenue and costs can be measured reliably and it is probable that the economic benefits associated with the services will flow to the Company.

(2) Interest income

Interest income from factoring business and bank deposits are determined based on the time of the use of the Company's monetary funds by others and the effective interest rate.

(2). Differences in accounting policies for revenue recognition due to different operating models for the same type of business

Applicable Not applicable

39. Contract costs

Applicable Not applicable

40. Government grants

Applicable Not applicable

Government grants are recognized when the conditions attached to the government grants are met and can be received.

The Company's government grants for monetary assets are measured at the amount received.

Government grants related to assets are government grants acquired by the Company for the acquisition or other formation of long-term assets; otherwise, they are treated as government grants related to revenues.

For the government grants for which the government documents do not specify the objects and that can form long-term assets, the part of government grants corresponding to the value of assets is treated as asset-related government grants, and the rest is treated as revenue-related government grants; if it is difficult to distinguish, the government grants as a whole are treated as revenue-related government grants.

Government grants related to assets are recognized as deferred revenues and included in profit or loss over the useful life of the related assets in accordance with a reasonable and systematic method. Government grants related to income are recognized in profit or loss in the period if they are used to compensate for related costs or losses incurred, or in deferred revenues if they are used to compensate for related costs or losses in subsequent periods, and are recognized in profit or loss in the period in which the related costs or losses are recognized. The Company applies a consistent approach to the treatment of the same or similar government grants.

Government grants related to ordinary activities are recorded in other income in accordance with the substance of economic operations. Government grants that are not related to ordinary activities are included in non-operating income and expenses.

When a recognized government grant is required to be returned, the carrying amount of the asset is adjusted if the carrying amount of the asset is reduced upon initial recognition; if there is a deferred revenues balance, the carrying amount of the deferred revenues is reduced and the excess is recognized in profit or loss for the current period; in other cases, the deferred revenues are recognized directly in profit or loss for the current period.

41. Deferred tax assets/deferred tax liabilities

Applicable Not applicable

The Company generally recognizes and measures the amount of taxable temporary differences or deductible temporary differences for income tax purposes as deferred tax liabilities or deferred tax assets using the balance sheet liability method based on temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their tax bases. The Company does not discount deferred tax assets and deferred tax liabilities.

(1) Recognition of deferred tax assets

For deductible temporary differences, deductible losses and tax credits that can be carried forward to future years, the amount of their impact on income tax is calculated at the income tax rate in the period in which they are expected to reverse, and the impact is recognized as deferred tax assets to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized.

The amount of the impact on income tax of deductible temporary differences arising from the initial recognition of assets or liabilities in transactions or events that also have the following characteristics is not recognized as deferred tax assets:

A. The transaction is not a business combination;

B. The transaction affects neither the accounting profit nor the taxable income (or deductible loss) when it occurs.

The Company recognizes deferred tax assets for the amount of the impact of deductible temporary differences (associated with investments in subsidiaries, associates and joint ventures) on income tax to the extent that both of the following conditions are met:

A. It is probable that the temporary differences will reverse in the foreseeable future;

B. It is probable that future taxable income will be available to offset deductible temporary differences;

Deferred tax assets not recognized in prior periods are recognized if, at the balance sheet date, it is proved that sufficient taxable income will be available to offset deductible temporary differences in future periods.

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. The carrying amount of deferred tax assets is written down if it is probable that sufficient taxable income will not be available in future periods to allow for the benefit of the deferred tax assets. Write-downs are reversed when it is probable that sufficient taxable income will be available.

(2) Recognition of deferred tax liabilities

All of the Company's taxable temporary differences are measured at the income tax rate in the period in which they are expected to reverse, and the effect is recognized as deferred tax liabilities, except for the following:

① Deferred tax liabilities are not recognized for the income tax effects of taxable temporary differences arising from the following transactions or events:

A. Initial recognition of goodwill;

B. Initial recognition of an asset or liability arising from a transaction that has the following characteristics: the transaction is not a business combination and the transaction neither affects the accounting profit nor taxable income or deductible loss at the time it occurs.

② The Company generally recognizes deferred tax liabilities for the amount of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates that affect income tax, except when both of the following conditions are met:

A. The Company is able to control the time of the reversal of temporary differences;

B. It is probable that the temporary difference will not reverse in the foreseeable future.

(3) Recognition of deferred tax liabilities or assets in respect of specific transactions or events

① Deferred tax liabilities or assets related to business combination

For taxable temporary differences or deductible temporary differences arising from business combination not under common control, the related deferred income tax expense (or benefit) is recognized along with the deferred tax liabilities or deferred tax assets, usually adjusting the goodwill recognized in the business combination.

② Items included directly in owners' equity

Current and deferred income tax related to transactions or events that are directly included in owners' equity is recognized in owners' equity. Transactions or events that are included in owners' equity for the income tax effects of temporary differences include: other comprehensive income resulting from changes in the fair value of other debt investments, etc.; changes in accounting policies using the retrospective adjustment method or the retrospective restatement method for the correction of differences in prior period (significant) accounting errors to adjust opening retained earnings; and hybrid financial instruments that contain both liability and equity components are included in the owners' equity upon initial recognition.

③ Compensable losses and tax credits

A. Compensable losses arising from the Company's own operations and tax credits

Deductible losses are losses that are allowed to be offset by taxable income in subsequent years as determined by the calculation in accordance with the provisions of the tax law. For the uncompensated losses (deductible losses) and tax credits that can be carried forward to future years in accordance with

the provisions of the tax law, they are treated as deductible temporary differences. To the extent that it is probable that sufficient taxable income will be available in future periods against which compensable losses or tax credits can be utilized, corresponding deferred tax assets are recognized to the extent of the probable taxable income, and the income tax expense is reduced in the income statement for the period.

B. Compensable uncompensated losses of the consolidated enterprise resulting from a business combination

In a business combination, the Company acquires deductible temporary differences from the acquiree. Deferred tax assets shall not be recognized if they do not qualify for recognition at the date of acquisition. Within 12 months after the date of acquisition, if new or further information becomes available indicating that the relevant circumstances at the date of acquisition have existed, and it is expected that the economic benefits arising from deductible temporary differences of the acquiree at the date of acquisition will be realized, the related deferred tax assets are recognized and goodwill is reduced. When the amount of goodwill is less than the deferred tax assets that shall be recognized, the difference shall be recognized in the profit or loss for the period. Except for the above cases, deferred tax assets related to business combination are recognized in profit or loss for the current period.

④ Temporary differences resulting from consolidation and elimination

In preparing the consolidated financial statements, the Company recognizes deferred tax assets or deferred tax liabilities in the consolidated balance sheet when temporary differences arise between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax bases in the taxable entities to which they belong as a result of eliminating unrealized internal sales gains or losses, and adjusts the income tax expense in the consolidated income statement, except for deferred income tax related to transactions or events directly included in the owners' equity and business combination.

⑤ Equity-settled share-based payments

If the tax law provides that expenses related to share-based payments are allowed for pre-tax deduction, in the period in which the costs and expenses are recognized in accordance with the accounting standards, the Company calculates and determines its tax basis and the resulting temporary differences based on the amount of estimated pre-tax deductibility according to information obtained at the end of the accounting period, and recognizes the related deferred income tax if the conditions for recognition are met. The amount expected to be deductible for pre-tax purposes in future periods exceeds the costs and expenses related to share-based payments recognized in accordance with accounting standards, and the income tax effect of the excess shall be recognized directly in owners' equity.

42. Leases

(1). Accounting for operating leases

Applicable Not applicable

The Company recognizes leases that transfer substantially all the risks and rewards associated with the ownership of assets as finance leases, and leases other than finance leases as operating leases.

(1) The Company as the lessor

Rentals under operating leases are recognized in profit or loss on a straight-line basis over the respective periods of the lease term. Initial direct costs incurred are recognized in the current profit and loss.

(2) The Company as the lessee

Rent paid in advance under operating leases is recognized in the current profit or loss on a straight-line basis for each period of the lease term, and the initial direct costs incurred are recognized in the current profit or loss. If the lessor provides a rent-free period, the Company apportions the total rent over the entire lease term without deducting the rent-free period, and recognizes the rent expense during the rent-free period.

(2). Accounting treatment of finance leases

Applicable Not applicable

(3). The method of determining the lease and accounting treatment under the new lease standard

Applicable Not applicable

43. Other significant accounting policies and accounting estimates

Applicable Not applicable

(1) Production safety expenses

According to the Notice on the Issuance of Measures for the Administration of the Withdrawal and Use of Enterprise Production Safety Expenses (關於印發《企業安全生產費用提取和使用管理辦法》的通知) (Cai Qi [2012] No. 16) issued by Ministry of Finance and the State Administration of Work Safety on February 14, 2012, the Company's main business is "general freight business". Production safety expenses are charged at 1% of the revenue of general freight business in the previous year. When the balance of safety expenses at the end of the previous year reached 1.5% of the Company's revenue from general freight business in the previous year, as agreed with the financial sector of the local production safety supervision and management departments at the county level or above, the withdrawal of safety expenses can be suspended or is made less in the year.

The Company's production safety expenses are recognized in the current profit and loss when withdrawn and are also recorded in the "special reserves" account. When the withdrawn production safety expenses are used in the scope as required, they are all cost expenditure and are directly offset against the special reserves.

(2) General risk reserves

The general risk reserves is a provision from the net income to partially cover probable losses that have not been identified.

The Company makes general risk reserves for assets exposed to risks and losses at the end of the reporting period, and the balance of the general risk reserves shall, in principle, not be less than 1% of the financing factoring balance at the end of the reporting period. The Company uses 1% of the risk factoring balance at the end of the reporting period less the provision for impairment already made to make a general risk reserves.

(3) Repurchase of Company shares

① If the Company reduces its capital by acquiring the Company's shares in accordance with the statutory procedures, the share capital is reduced by the total par value of the canceled shares, and the owners' equity is adjusted based on the difference between the price paid for the share repurchase (including transaction costs) and the par value of the shares. The excess of the total par value is offset against capital reserves (share capital premium), surplus reserves and retained earnings, in that order. If the amount is lower than the total par value, the portion below the total par value increases capital reserves (share capital premium).

② The shares repurchased by the Company are managed as treasury stock until they are canceled or transferred, and all expenses for the repurchased shares are transferred to the cost of treasury stock.

③ Upon the transfer of treasury stock, the portion of the transfer proceeds above the cost of treasury stock increases capital reserves (share capital premium); the portion below the cost of treasury stock is offset against capital reserves (share capital premium), surplus reserves, and retained earnings, in that order.

44. Changes in significant accounting policies and accounting estimates

(1). Changes in significant accounting policies

Applicable Not applicable

Content of and reasons for changes in accounting policies	Approval procedures	Notes (Statement items and amounts significantly affected)
First-time implementation of the New Revenue Standards	14th meeting of the 4th session of the Board of Directors of the Company	See other notes for details

Other notes:

On July 5, 2017, the Ministry of Finance issued Accounting Standards for Business Enterprises No. 14 — Revenue (Cai Kuai [2017] No. 22) (hereinafter referred to as the “New Revenue Standards”). Domestic listed companies are required to implement the New Revenue Standards from January 1, 2020. The Company implemented the New Revenue Standards since January 1, 2020, and made adjustments to the related accounting policies, as described in Note V.38.

The New Revenue Standards require that the cumulative effect of first-time implementation of the standards be adjusted by the amount of retained earnings and other related items in the financial statements at the beginning of the year of first-time implementation (i.e., January 1, 2020), with no adjustment for comparable period information. In implementing the New Revenue Standards, the Company only adjusts the cumulative effect of contracts that have not been completed as of the date of initial execution.

The cumulative effect of the above accounting policies is as follows:

Under the New Revenue Standards, a contract liability is an obligation to transfer goods or services to a customer for which the Company has received or should receive consideration from the customer. Accordingly, as of January 1, 2020, the Company’s consolidated statements transferred the balance of RMB73,808,924.08 of advances from customers to contract liabilities and reclassified the related output VATs of RMB4,428,535.44 to other current liabilities. The parent company’s statements transferred the balance of RMB63,225.47 of advances from customers to contract liabilities and reclassified the related output VATs of RMB3,793.53 to other current liabilities. Other than this reclassification, the New Revenue Standards had no impact on the Company’s retained earnings and other balance sheet items as of January 1, 2020.

The above change in accounting policy was approved by the Company at the 14th meeting of the 4th session of the Board of Directors held on April 29, 2020.

(2). Changes in significant accounting estimates

Applicable Not applicable

(3). First implementation of the New Revenue Standards and new lease standards since 2020 to adjust the first implementation of relevant items of financial statements at the beginning of the year

Applicable Not applicable

Consolidated Balance Sheet

Unit: Yuan Currency: RMB

Item	December 31, 2019	January 1, 2020	Adjustment
Current assets:			
Monetary funds	1,317,453,527.68	1,317,453,527.68	
Trading financial assets	220,462,418.16	220,462,418.16	
Derivative financial assets			
Notes receivable	19,699,798.81	19,699,798.81	
Accounts receivable	1,649,077,038.10	1,649,077,038.10	
Accounts receivable financing			
Prepayments	376,270,477.13	376,270,477.13	
Factoring receivables	437,369,715.49	437,369,715.49	
Other receivables	244,104,052.82	244,104,052.82	
Including: interest receivable	628,653.10	628,653.10	
Dividend receivable			
Inventories	21,350,268.45	21,350,268.45	
Contract assets	N/A	N/A	
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	776,243,149.38	776,243,149.38	
Total current assets	<u>5,062,030,446.02</u>	<u>5,062,030,446.02</u>	
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	148,549,015.54	148,549,015.54	
Other equity instrument investments	350,495,786.91	350,495,786.91	
Other non-current financial assets	108,996,507.12	108,996,507.12	
Investment properties			
Fixed assets	2,643,241,926.51	2,643,241,926.51	
Construction in progress	3,241,417.48	3,241,417.48	
Productive biological assets			
Oil and gas assets			
Intangible assets	34,283,265.49	34,283,265.49	
Development expenditures			
Goodwill			
Long-term deferred expenses	388,624,354.80	388,624,354.80	
Deferred tax assets	304,324,449.15	304,324,449.15	
Other non-current assets	34,194,613.52	34,194,613.52	
Total non-current assets	<u>4,015,951,336.52</u>	<u>4,015,951,336.52</u>	
Total assets	<u>9,077,981,782.54</u>	<u>9,077,981,782.54</u>	

APPENDIX II
FINANCIAL INFORMATION OF THE DEPPON

Item	December 31, 2019	January 1, 2020	Adjustment
Current liabilities:			
Short-term borrowings	1,161,851,548.42	1,161,851,548.42	
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	130,755,214.10	130,755,214.10	
Accounts payable	1,934,402,613.60	1,934,402,613.60	
Advances from customers	82,927,914.08	4,690,454.56	-78,237,459.52
Contract liabilities	N/A	73,808,924.08	73,808,924.08
Payroll payables	890,858,521.43	890,858,521.43	
Taxes payables	135,323,143.07	135,323,143.07	
Other payables	329,411,031.23	329,411,031.23	
Including: interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities		4,428,535.44	4,428,535.44
 Total current liabilities	<u>4,665,529,985.93</u>	<u>4,665,529,985.93</u>	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payables	19,941,028.55	19,941,028.55	
Estimated liabilities	12,356,682.20	12,356,682.20	
Deferred revenues	15,174,988.68	15,174,988.68	
Deferred tax liabilities	309,306,926.91	309,306,926.91	
Other non-current liabilities			
Total non-current liabilities	<u>356,779,626.34</u>	<u>356,779,626.34</u>	
 Total liabilities	<u>5,022,309,612.27</u>	<u>5,022,309,612.27</u>	
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	960,000,000.00	960,000,000.00	
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	317,116,815.48	317,116,815.48	
Less: Treasury stock	69,430,125.93	69,430,125.93	
Other comprehensive income	-37,567,500.00	-37,567,500.00	
Special reserves			
Surplus reserves	339,745,956.96	339,745,956.96	
General risk reserves	4,025,472.49	4,025,472.49	
Retained earnings	2,541,781,551.27	2,541,781,551.27	
Total owners' equity (or shareholders' equity)			
attributable to parent company	4,055,672,170.27	4,055,672,170.27	
Non-controlling interests			
Total owners' equity (or shareholders' equity)	<u>4,055,672,170.27</u>	<u>4,055,672,170.27</u>	
Total liabilities and owners' equity (or shareholders' equity)	<u>9,077,981,782.54</u>	<u>9,077,981,782.54</u>	

Description of adjustments of each item:

Applicable Not applicable

Note 1. Contract liabilities, advances from customers

As of January 1, 2020, the Company reclassified RMB73,808,924.08 of advances from customers related to sales of goods and rendering of services to contract liabilities and reclassified RMB4,428,535.44 of output VATs to other current liabilities.

Balance Sheet of Parent Company

Unit: Yuan Currency: RMB

Item	December 31, 2019	January 1, 2020	Adjustment
Current assets:			
Monetary funds	1,147,913,635.82	1,147,913,635.82	
Trading financial assets	60,462,418.16	60,462,418.16	
Derivative financial assets			
Notes receivable	9,839,798.81	9,839,798.81	
Accounts receivable	27,615,722.62	27,615,722.62	
Accounts receivable financing			
Prepayments	33,815,457.75	33,815,457.75	
Other receivables	2,825,573,704.19	2,825,573,704.19	
Including: interest receivable			
Dividend receivable			
Inventories			
Contract assets	N/A	N/A	
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	193,725,491.21	193,725,491.21	
Total current assets	<u>4,298,946,228.56</u>	<u>4,298,946,228.56</u>	
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	1,392,617,175.65	1,392,617,175.65	
Other equity instrument investments	205,000,000.00	205,000,000.00	
Other non-current financial assets			
Investment properties			
Fixed assets	787,174.42	787,174.42	
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets	132,316.04	132,316.04	
Development expenditures			
Goodwill			
Long-term deferred expenses	1,228,957.08	1,228,957.08	
Deferred tax assets	7,493,615.30	7,493,615.30	
Other non-current assets	11,432,581.37	11,432,581.37	
Total non-current assets	<u>1,618,691,819.86</u>	<u>1,618,691,819.86</u>	
Total assets	<u>5,917,638,048.42</u>	<u>5,917,638,048.42</u>	

APPENDIX II
FINANCIAL INFORMATION OF THE DEPPON

Item	December 31, 2019	January 1, 2020	Adjustment
Current liabilities:			
Short-term borrowings	1,110,860,754.86	1,110,860,754.86	
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	146,013,357.56	146,013,357.56	
Accounts payable	18,705,302.84	18,705,302.84	
Advances from customers	461,292.06	394,273.06	-67,019.00
Contract liabilities	N/A	63,225.47	63,225.47
Payroll payables	9,318,184.09	9,318,184.09	
Taxes payables	5,746,508.64	5,746,508.64	
Other payables	851,736,391.29	851,736,391.29	
Including: interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities		3,793.53	3,793.53
Total current liabilities	<u>2,142,841,791.34</u>	<u>2,142,841,791.34</u>	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payables	6,155,098.15	6,155,098.15	
Estimated liabilities	1,266,122.29	1,266,122.29	
Deferred revenues			
Deferred tax liabilities	285,432.43	285,432.43	
Other non-current liabilities			
Total non-current liabilities	<u>7,706,652.87</u>	<u>7,706,652.87</u>	
Total liabilities	<u>2,150,548,444.21</u>	<u>2,150,548,444.21</u>	
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	960,000,000.00	960,000,000.00	
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	321,637,310.87	321,637,310.87	
Less: Treasury stock	69,430,125.93	69,430,125.93	
Other comprehensive income			
Special reserves			
Surplus reserves	339,745,956.96	339,745,956.96	
Retained earnings	2,215,136,462.31	2,215,136,462.31	
Total owners' equity (or shareholders' equity)	<u>3,767,089,604.21</u>	<u>3,767,089,604.21</u>	
Total liabilities and owners' equity (or shareholders' equity)	<u>5,917,638,048.42</u>	<u>5,917,638,048.42</u>	

Description of adjustments of each item:

Applicable Not applicable

Note 1. Contract liabilities, advances from customers

As of January 1, 2020, the Company reclassified RMB63,225.47 of advances from customers related to sales of goods and rendering of services to contract liabilities and reclassified RMB3,793.53 of output VATs to other current liabilities.

(4). Description of comparative data in the previous period retroactively adjusted by the first implementation of the New Revenue Standards and new lease standards since 2020

Applicable Not applicable

45. Others

Applicable Not applicable

VI. Taxation

1. Main tax types and tax rates

Description of main tax types and tax rates

Applicable Not applicable

Tax type	Taxation basis	Tax rate
Value-added tax	Transportation service revenue, logistics auxiliary service revenue and consulting service revenue, financial service revenue, leasing revenue, sales of goods and services	3%, 5%, 6%, 9%, 13%
Urban maintenance and construction tax	Amount of turnover taxes payables	1%, 5%, 7%
Corporate income tax	Taxable income	9%, 10%, 15%, 16.5%, 20%, 25%
Education surcharge	Amount of turnover taxes payables	3%
Local education surcharge	Amount of turnover taxes payables	1%, 1.5%, 2%

If there are taxable entities with different corporate income tax rates, disclose the description of the situation

Applicable Not applicable

Taxpayer	Income tax rate (%)
The Company	25
Subsidiaries	
香港德邦物流有限公司	16.5
廣西德邦物流有限公司	15
成都全程德邦物流有限公司	15
重慶德邦物流有限公司	15
昆明德邦物流有限公司	15
貴陽全程德邦物流有限公司	15
西安志成德邦物流有限公司	15
烏魯木齊精德邦物流有限公司	15
蘭州全程德邦物流有限公司	15
寧夏志成德邦快遞有限公司	15
青海德邦物流有限公司	15
內蒙古德邦物流有限公司	15
江西精德邦物流有限公司	15
德邦(上海)運輸有限公司昆明分公司	15
德邦(上海)運輸有限公司貴陽分公司	15
德邦(上海)運輸有限公司烏魯木齊縣分公司	15
德邦(上海)運輸有限公司廣西分公司	15
德邦(上海)運輸有限公司成都分公司	15
德邦(上海)運輸有限公司西安分公司	15
德邦(上海)運輸有限公司蘭州分公司	15
寧波宣德德邦供應鏈管理有限公司烏魯木齊分公司	15
拉薩市德邦物流有限公司	9
上海德啟信息科技有限公司	10
上海燕汐軟件信息科技有限公司	15
德邦(海南)運輸有限公司	15
海口全程德邦物流有限公司	15
珠海市德邦物流有限公司	20
德邦(遼寧)運輸有限公司	20
Other subsidiaries	25

2. Preferential tax treatment

Applicable Not applicable

(1) Corporate income tax benefits

The Company enjoys preferential policies for corporate income tax, mainly including:

① According to the Notice Concerning Relevant Taxation Policy Issues Related with Enhancing the Western Region Development Strategy (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) (Cai Shui [2011] No.58) and the Notice on the Implementation of Taxation Policies for Western Region Development in Ganzhou City (《關於贛州市執行西部大開發稅收政策問題的通知》) (Cai Shui [2013] No.4) issued by the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration on July 27, 2011, the corporate income tax on enterprises in the encouraged industries located in the western region shall be levied at a reduced rate of 15% from January 1, 2011 to December 31, 2020. The subsidiaries (廣西德邦物流有限公司、成都全程德邦物流有限公司、重慶德邦物流

有限公司、昆明德邦物流有限公司、貴陽全程德邦物流有限公司、西安志成德邦物流有限公司、烏魯木齊精準德邦物流有限公司、蘭州全程德邦物流有限公司、寧夏志成德邦快遞有限公司、青海德邦物流有限公司、內蒙古德邦物流有限公司、江西精準物流有限公司、分公司德邦（上海）運輸有限公司昆明分公司、德邦（上海）運輸有限公司貴陽分公司、德邦（上海）運輸有限公司烏魯木齊縣分公司、德邦（上海）運輸有限公司廣西分公司、德邦（上海）運輸有限公司成都分公司、德邦（上海）運輸有限公司西安分公司、德邦（上海）運輸有限公司蘭州分公司） established in Western China, have obtained the approval of the state for encouraging the industry, and the corporate income tax was levied at a reduced rate of 15%.

② According to the Notice of the People's Government of the Tibet Autonomous Region on the Issuance of Certain Provisions on Preferential Policies for Attracting Investment in the Tibet Autonomous Region (Trial) (《關於印發西藏自治區招商引資優惠政策若干規定（試行）的通知》) (Zang Zheng Fa [2018] No.25), the local share of the corporate income tax payables was temporarily exempted from January 1, 2018 to December 31, 2021. 拉薩市德邦物流有限公司 was exempted from 40% of the local share of the corporate income tax on the basis that the encouraged industrial enterprises in China's western regions were subject to corporate income tax at a reduced tax rate of 15%, and was required to pay corporate income tax at a rate of 9%.

③ According to the Notice on Issues Relating to Preferential Policies on Corporate Income Tax for Software and Integrated Circuit Industry (《關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》) (Cai Shui [2016] No.49) issued by the Ministry of Finance, the State Taxation Administration, the Development and Reform Commission, and the Ministry of Industry and Information Technology on May 4, 2016, key software enterprises within the national planning layout were entitled to a preferential tax rate of 10%. 上海德啟信息科技有限公司 was subject to corporate income tax at a rate of 10% from 2018 to 2020.

④ According to Article 28 of the Corporate Income Tax Law of the People's Republic of China, the corporate income tax shall be levied at a reduced rate of 15% on high-tech enterprises that the State provides strong support. 上海燕汐軟件信息科技有限公司 has been certified as a high-tech enterprise by filing with the local tax bureau, and enjoys the preferential income tax rate relief for high-tech enterprises supported by the state, and the applicable income tax rate for this reporting period is 15%.

⑤ According to the Notice on Preferential Policies for Corporate Income Tax of Hainan Free Trade Port (《關於海南自由貿易港企業所得稅優惠政策的通知》) (Cai Shui [2020] No.31), encouraged industries registered in Hainan Free Trade Port and operating substantially are subject to a reduced corporate income tax rate of 15%, and currently 德邦（海南）運輸有限公司 and 海口全程德邦物流有限公司 meet the requirements of enterprises in the directory of encouraged industries and pay corporate income tax at a rate of 15%.

⑥ According to Article 2 of the Notice on the Implementation of Preferential Tax Relief Policies for Small and Micro Enterprises (《關於實施小微企業普惠性稅收減免政策的通知》) (Cai Shui [2019] No.13) issued by the Ministry of Finance and the State Taxation Administration, the annual taxable income of 珠海市德邦物流有限公司 and 德邦（遼寧）運輸有限公司 not exceeding RMB1 million shall be reduced by 25% and the annual taxable income exceeding RMB1 million but less than RMB3 million shall be reduced by 50% and subject to corporate income tax at a rate of 20%.

(2) VAT benefits

① According to the Notice of the Ministry of Finance and the State Taxation Administration on the Implementation of Preferential Tax Relief Policies for Small and Micro Enterprises (《財政部稅務總局關於實施小微企業普惠性稅收減免政策的通知》) (Cai Shui [2019] No.13), small-scale taxpayers who engage in taxable sales of VAT and whose total monthly sales do not exceed RMB100,000 (for a quarterly tax period, the quarterly sales do not exceed RMB300,000, the same below) are exempt from VAT. Small-scale taxpayers whose monthly sales exceed RMB100,000 in total but do not exceed RMB100,000 after deducting the sales of real estate in the current period are exempt from VAT for the sales of goods, labor, services and intangible assets. Some of the independently-accounted branches in the Company are recognized as small-scale taxpayers and enjoy preferential policies of VAT exemption.

② According to the Notice on Relevant Policies on Deepening VAT Reform (《關於深化增值稅改革有關政策的通告》) (Cai Shui [2019] No.39) and the Announcement on Clarifying the VAT Additional Deduction Policy for the Living Services (《關於明確生活性服務業增值稅加計抵減政策的公告》) (Cai Shui [2019] No.87), for taxpayers whose sales of postal services, telecommunication services, modern services and living services account for more than 50% of all sales, from April 1, 2019 to December 31, 2021, the amount of VAT payable shall be deducted by additional 10% of the deductible input VAT amount for the current period; for taxpayers whose sales from the provision of living services account for more than 50% of all sales, from October 1, 2019 to December 31, 2021, the amount of VAT payable shall be reduced by additional 15% of the deductible input VAT amount for the current period.

③ According to the Announcement on Taxation Policies Supporting Prevention and Control of COVID-19 (《關於支援新型冠狀病毒感染的肺炎疫情防控有關稅收政策的公告》) (No.8 Announcement of the Ministry of Finance and the State Administration of Taxation of 2020) issued by the Ministry of Finance and the State Taxation Administration on February 6, 2020 and the Announcement on the Implementation Period of Tax and Fee Policies to Support the Prevention and Control of COVID-19 and to Protect Supplies (《關於支持疫情防控保供等稅費政策實施期限的公告》) (No.28 Announcement of the Ministry of Finance and the State Administration of Taxation of 2020) issued by the Ministry of Finance and the State Taxation Administration on May 15, 2020, the income obtained by taxpayers from transporting key security materials for pandemic prevention and control, providing public transportation services, living services and express delivery services of essential living materials for residents shall be exempted from VAT, urban maintenance and construction tax, education surcharge and local education surcharge from January 1, 2020 to December 31, 2020.

④ According to the Announcement on VAT Policies to Support Resumption of Work and Business by Individual Businesses (《關於支持個體工商戶復工複業增值稅政策的公告》) (No.13 Announcement of the Ministry of Finance and the State Administration of Taxation of 2020), from March 1 to May 31, 2020, small-scale VAT payers in Hubei Province will be exempted from VAT on taxable sales income subject to a 3% levy rate, and VAT prepayments will be suspended for items subject to a 3% prepayment rate. Except for Hubei Province, small-scale VAT payers in other provinces, autonomous regions and municipalities directly under the Central Government shall be subject to a reduced VAT rate of 1% on taxable sales revenue subject to a 3% levy rate and a reduced VAT prepayment rate of 1% on prepaid VAT items subject to a 3% prepayment rate. According to the Announcement on the Extension of the Implementation Period of the VAT Reduction and Exemption Policy for Small-scale Taxpayers (《關於延長小規模納稅人減免增值稅政策執行期限的公告》) (No.24 Announcement of the Ministry of Finance and the State Administration of Taxation of 2020) and the No.13 Announcement of the Ministry of Finance and the State Administration of Taxation of 2020, the implementation period of the tax incentives shall extend to December 31, 2020.

3. Others

Applicable Not applicable

VII. Notes to Items in Consolidated Financial Statements

1. Monetary funds

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank deposit	911,855,494.78	965,461,813.18
Other monetary funds	475,554,718.02	351,991,714.50
Total	<u>1,387,410,212.80</u>	<u>1,317,453,527.68</u>
Including: total proceeds deposited abroad	15,302,690.76	22,377,044.25

Other notes

(1) As of the end of the reporting period, other monetary funds included RMB146,048,000.00 for deposits at call, RMB856,768.50 for interest receivable on deposits at call, RMB17,654,729.61 for deposits on bills, RMB121,218,401.26 for funds in transit on POS machines, RMB99,154,653.42 for deposits with third-party payment institutions, and the remaining amount was the provision in banks;

(2) See Note VII.82 for details of foreign currency monetary funds;

(3) See Note VII.81 for details of the restrictions on the use of monetary funds.

2. Trading financial assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	150,000,000.00	220,462,418.16
Including:		
Wealth management products	<u>150,000,000.00</u>	<u>220,462,418.16</u>
Total	<u><u>150,000,000.00</u></u>	<u><u>220,462,418.16</u></u>

Other notes:

Applicable Not applicable

The Company, 豐聖財富資產管理有限公司 and 亳州國厚安誠資產管理有限責任公司 (“國厚資產”) signed the “Agreement on the Transfer of Shares of Feng Sheng — Rongchi Wenjian No. 11 Private Equity Fund (《關於豐聖-融馳穩健 11 號私募基金份額轉讓協議》)” in January 2021. The Company agreed to transfer the relevant private equity fund shares to 國厚資產 at a price of RMB150 million, and 國厚資產 agreed the transfer at this price. As of February 26, 2021, the Company has received the full amount of RMB150 million from 國厚資產 for the transfer of the subject assets, and all the interests under the subject assets and all the interests attached to them (including but not limited to the relevant subordinate rights, judicial rights of action, distribution and income of the underlying assets of the fund) enjoyed by the Company have been transferred to 國厚資產, and the Company is no longer entitled to them.

3. Derivative financial assets

Applicable Not applicable

4. Notes receivable**(1). Notes receivable by type**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance note	12,458,451.57	19,645,537.90
Commercial acceptance note	<u>278,538.83</u>	<u>54,260.91</u>
Total	<u><u>12,736,990.40</u></u>	<u><u>19,699,798.81</u></u>

(2). Notes receivable pledged by the Company at the end of the reporting period

 Applicable Not applicable

(3). Notes receivable endorsed or discounted by the Company, which were not yet due on the balance sheet date as at the end of the reporting period

 Applicable Not applicable

(4). Notes that the Company transferred to accounts receivable at the end of the period due to the non-performance of the drawer

 Applicable Not applicable

(5). Classified disclosure by provision for bad debt method

 Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Book balance		Closing balance Provision for bad debts		Book value	Book balance		Opening balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debt by individual										
Provision for bad debt by portfolio	12,739,803.92	100.00			12,736,990.40	19,700,346.90	100.00			19,699,798.81
Including:										
Bank acceptance note	12,458,451.57	97.79			12,458,451.57	19,645,537.90	99.72			19,645,537.90
Commercial acceptance note	281,352.35	2.21	2,813.52	1.00	278,538.83	54,809.00	0.28	548.09	1.00	54,260.91
Total	<u>12,739,803.92</u>	<u>/</u>	<u>2,813.52</u>	<u>/</u>	<u>12,736,990.40</u>	<u>19,700,346.90</u>	<u>/</u>	<u>548.09</u>	<u>/</u>	<u>19,699,798.81</u>

Provision for bad debts by individual:

 Applicable Not applicable

Provision for bad debts by portfolio:

 Applicable Not applicable

Portfolio accruals: Commercial acceptance note

Unit: Yuan Currency: RMB

Name	Notes receivable	Closing balance Provision for bad debts	Provision proportion (%)
Commercial acceptance note	281,352.35	2,813.52	1.00
Total	<u>281,352.35</u>	<u>2,813.52</u>	<u>1.00</u>

Recognition criteria and explanation on provision for bad debt by portfolio

Applicable Not applicable

The provision for losses is measured based on expected credit losses over the entire life.

If the provision for bad debts is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

(6). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the period			Closing balance
		Provision	Recovery or reverse	Resales or write-off	
Commercial acceptance note	548.09	2,813.52	548.09		2,813.52
Total	548.09	2,813.52	548.09		2,813.52

Among them, the important amount of recovery or reverse of provision for bad debt for the period:

Applicable Not applicable

Other notes:

No

(7). The actual write-off of notes receivable for the period

Applicable Not applicable

Other notes

Applicable Not applicable

5. Accounts receivable

(1). Disclosure by aging

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Book balance at the end of the reporting period
Within one year	
Including: sub-item within one year	
0-3 months	1,931,128,705.37
4-6 months	17,051,453.79
7-12 months	16,726,215.56
Subtotal within 1 year	1,964,906,374.72
1 to 2 years	17,388,054.41
Over 2 years	3,838,121.23
Total	<u>1,986,132,550.36</u>

(2). Classified disclosure by provision for bad debt method

 Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Book balance		Closing balance		Book balance		Opening balance		Book value	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Provision for bad debt by individual	11,454,658.23	0.58	11,454,658.23	100.00	18,456,075.93	1.09	17,518,153.63	94.92	937,922.30	
Including:										
Accounts receivable with significant individual amounts										
Accounts receivable with insignificant individual amounts										
Provision for bad debt by portfolio	1,974,677,892.13	99.42	30,847,466.77	1.56	1,671,662,020.90	98.91	23,522,905.10	1.41	1,648,139,115.80	
Including:										
Portfolio 2 due from other customers	1,974,677,892.13	99.42	30,847,466.77	1.56	1,671,662,020.90	98.91	23,522,905.10	1.41	1,648,139,115.80	
Portfolio of credit risk characteristics										
Total	1,986,132,550.36		42,302,125.00		1,690,118,096.83		41,041,058.73		1,649,077,038.10	

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Provision for bad debts by individual:

Applicable Not applicable

Unit: Yuan Currency: RMB

Name	Book balance	Closing balance		Provision reason
		Provision for bad debts	Provision proportion (%)	
More than 1 million:				
天津軒翥商貿有限公司	2,357,614.00	2,357,614.00	100.00	Beyond the credit period and unable to repay
余姚市凱翼電子商務有限公司 . . .	2,308,871.00	2,308,871.00	100.00	Beyond the credit period and unable to repay
珠海優貿電子商務有限公司	1,432,041.60	1,432,041.60	100.00	Beyond the credit period and unable to repay
Subtotal of less than 1 million . .	5,356,131.63	5,356,131.63	100.00	Beyond the credit period and unable to repay
Total	<u>11,454,658.23</u>	<u>11,454,658.23</u>	<u>100.00</u>	<u>/</u>

Explanation on provision for bad debt by individual:

Applicable Not applicable

As of December 31, 2020, the Company had RMB11,454,658.23 in accounts receivable with a single provision for bad debts and the provision for bad debts was RMB11,454,658.23. (December 31, 2019: RMB17,518,153.63)

Provision for bad debts by portfolio:

Applicable Not applicable

Portfolio accruals: portfolio 2 due from other customers

Unit: Yuan Currency: RMB

Name	Closing balance		Provision proportion (%)
	Accounts receivable	Provision for bad debts	
Within one year			
Including:			
0-3 months	1,931,120,652.37	19,311,206.52	1.00
4-6 months	16,812,800.79	840,640.04	5.00
7-12 months	14,167,119.37	2,833,423.87	20.00
Subtotal within 1 year	1,962,100,572.53	22,985,270.43	1.17
1 to 2 years	9,430,246.52	4,715,123.26	50.00
Over 2 years	3,147,073.08	3,147,073.08	100.00
Total	<u>1,974,677,892.13</u>	<u>30,847,466.77</u>	<u>1.56</u>

Recognition criteria and explanation on provision for bad debt by portfolio:

Applicable Not applicable

For accounts receivable classified as a portfolio, the Company prepares a table of aging of accounts receivable against the expected credit loss rate for the entire duration to calculate expected credit losses by referring to historical credit loss experience, taking into account current conditions and forecasts of future economy.

If the provision for bad debts is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

(3). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the period			Closing balance
		Provision	Recovery or reverse	Resales or write-off	
Provision for bad debts of accounts receivable	41,041,058.73	47,679,600.48		46,418,534.21	42,302,125.00
Total	<u>41,041,058.73</u>	<u>47,679,600.48</u>		<u>46,418,534.21</u>	<u>42,302,125.00</u>

Among them, the important amount of recovery or reverse of provision for bad debt for the period:

Applicable Not applicable

(4). The actual write-off of accounts receivable for the period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
Actual write-off of accounts receivable	46,418,534.21

The write-off of the important accounts receivable

Applicable Not applicable

Explanation on the write-off of accounts receivable:

Applicable Not applicable

(5). Top five customers with closing balance of accounts receivable collected by arrear party

Applicable Not applicable

The aggregate amount of the top five accounts receivable by party in arrears at the end of the reporting period was RMB231,023,617.69, accounting for 11.63% of the total closing balance of accounts receivable, and the corresponding total closing balance of provision for bad debts was RMB2,310,236.18.

(6). Accounts receivable derecognized due to the transfer of financial assets

Applicable Not applicable

(7). The amount of assets and liabilities generated by transferring accounts receivable and continuing to be involved

Applicable Not applicable

Other notes:

Applicable Not applicable

6. Accounts receivable financing

Applicable Not applicable

7. Prepayments**(1). Prepayments by aging**

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	376,450,034.05	99.32	373,691,605.26	99.31
1 to 2 years	2,568,167.27	0.68	2,578,871.87	0.69
Total	<u>379,018,201.32</u>	<u>100.00</u>	<u>376,270,477.13</u>	<u>100.00</u>

Explanation on why prepayments with aging of more than 1 year and an important amount not settled in time:

No

(2). Top five suppliers with closing balance of prepayments collected by prepaid entity

Applicable Not applicable

Company name	Balance as of December 31, 2020	% of total of closing balance of prepayments
China Petroleum & Chemical Corporation	14,118,861.59	3.73
安徽慧聯運科技有限公司	11,917,305.35	3.14
PetroChina Company Limited	6,920,531.11	1.83
北京豐易盛通企業管理有限公司	3,482,084.16	0.92
山東高速信聯科技股份有限公司	3,116,027.86	0.82
Total	<u>39,554,810.07</u>	<u>10.44</u>

Other notes

Applicable Not applicable

8. Other receivables**Presentation of items**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		628,653.10
Dividend receivable		
Other receivables	<u>272,655,667.21</u>	<u>243,475,399.72</u>
Total	<u><u>272,655,667.21</u></u>	<u><u>244,104,052.82</u></u>

Other notes:

Applicable Not applicable

Interest receivable**(1). Classification of interest receivable**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest on overdue factoring	1,659,566.67	2,929,354.91
Less: Provision for bad debt	1,659,566.67	<u>2,300,701.81</u>
Total		<u><u>628,653.10</u></u>

(2). Major overdue interest

Applicable Not applicable

Unit: Yuan Currency: RMB

Borrower	Closing balance	Overdue time	Reason for overdue	Whether impairment occurred and the basis for its determination
上海策園實業有限公司	1,547,077.33	2019	Tight funding and unable to return	Yes
Total	<u><u>1,547,077.33</u></u>	<u><u>/</u></u>	<u><u>/</u></u>	<u><u>/</u></u>

(3). Provision for bad debt

Applicable Not applicable

Other notes:

Applicable Not applicable

Dividend receivable**(4). Dividend receivable**

Applicable Not applicable

(5). Major dividend receivable aged over one year

Applicable Not applicable

(6). Provision for bad debt

Applicable Not applicable

Other notes:

Applicable Not applicable

Other receivables**(7). Disclosure by aging**

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Book balance at the end of the reporting period
Within one year	
Including: sub-item within one year	
Subtotal within 1 year	182,458,904.18
1 to 2 years	43,217,098.16
2 to 3 years	20,068,380.45
Over 3 years	47,428,889.12
Total	<u>293,173,271.91</u>

(8). Classification by nature of payment

Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of payment	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Reserve and staff debit	2,681,913.58	3,229,766.30
Deposits and guarantees	220,664,196.16	186,603,606.13
Other receivables received	69,827,162.17	67,732,698.95
Total	<u>293,173,271.91</u>	<u>257,566,071.38</u>

(9). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Provision for bad debts	Stage I	Stage II	Stage III	Total
	The next 12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	
Balance as of January 1, 2020	13,627,146.39		463,525.27	14,090,671.66
Balance for the period as of January 1, 2020	-	-	-	-
— Transferred to Stage II	-	-	-	-
— Transferred to Stage III	-3,796,848.00		3,796,848.00	-
— Recovered to Stage II		-		
— Recovered to Stage I		-		
Provision for the period	6,668,394.56			6,668,394.56
Reverse for the period			259,272.27	259,272.27
Resales for the period				
Write-off for the period			204,253.00	204,253.00
Other changes	222,063.75			222,063.75
Balance as of December 31, 2020	16,720,756.70		3,796,848.00	20,517,604.70

Explanation on the significant changes in the book balance of other receivables that changed due to the provision for impairment in the period:

Applicable Not applicable

The amount of provision for bad debts in the period and the basis for assessing whether the credit risk of financial instruments increased significantly:

Applicable Not applicable

(10). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the period				Closing balance
		Provision	Recovery or reverse	Resales or write-off	Other changes	
Other receivables Provision for bad debts	14,090,671.66	6,668,394.56	259,272.27	204,253.00	222,063.75	20,517,604.70
Total	<u>14,090,671.66</u>	<u>6,668,394.56</u>	<u>259,272.27</u>	<u>204,253.00</u>	<u>222,063.75</u>	<u>20,517,604.70</u>

Among them, the important amount of reverse or recovery of provision for bad debt for the period:

Applicable Not applicable

(11). The actual write-off of other receivables for the period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
The actual write-off of other receivables	<u>204,253.00</u>

Write-off of important other receivables:

Applicable Not applicable

Explanation on write-off of other receivables:

Applicable Not applicable

(12). Top five customers with closing balance of other receivables collected by arrear party

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Nature of amount	Closing balance	Aging	Percentage of total of closing balance of other receivables (%)	Closing balance of provision for bad debts
佛山順德國通物流城有限公司	Deposit	7,837,878.50	Within one year	4.06	594,498.58
		4,052,093.00	Over three years		
上海鼎滙實業發展有限公司	Deposit	5,861,423.32	Over three years	2.00	293,071.17
Shenzhen International South-China Logistics Co., Ltd.	Deposit	2,672,594.49	Within one year	1.72	252,382.40
		1,769,080.33	1-2 years		
		605,973.25	2-3 years		
Luojiang District Finance Bureau	Application for deposits for land	4,441,275.00	1-2 years	1.51	222,063.75
上海點渤物業管理部	Deposit	3,877,478.22	1-2 years	1.32	193,873.91
Total	/	<u>31,117,796.11</u>	/	<u>10.61</u>	<u>1,555,889.81</u>

(13). Accounts receivable related to government grants

Applicable Not applicable

(14). Other receivables derecognized due to the transfer of financial assets

Applicable Not applicable

(15). The amount of assets and liabilities generated by transferring other receivables and continuing to be involved

Applicable Not applicable

Other notes:

Applicable Not applicable

9. Inventories

(1). Classification of inventories

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Low-value consumables	19,196,740.65		19,196,740.65	21,350,268.45		21,350,268.45
Total	<u>19,196,740.65</u>		<u>19,196,740.65</u>	<u>21,350,268.45</u>		<u>21,350,268.45</u>

(2). Inventory impairment provision and provision for impairment for contract performance cost

Applicable Not applicable

(3). Explanation on closing balance of inventories involving capitalized amount of borrowing costs

Applicable Not applicable

(4). Description of the current amortization amount of contract performance costs

Applicable Not applicable

Other notes

Applicable Not applicable

10. Contract assets

(1). Contract assets

Applicable Not applicable

(2). Amount and reasons for significant changes in the book value for the period

Applicable Not applicable

(3). Provision for impairment of contract assets for the period

Applicable Not applicable

If the provision for bad debts is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

Other notes:

Applicable Not applicable

11. Held-for-sale assets

Applicable Not applicable

12. Non-current assets due within one year

Applicable Not applicable

Important debt investments and other debt investments at the end of the reporting period:

Applicable Not applicable

Other notes

None

13. Other current assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Term deposits		181,085,138.89
Short-term wealth management products		20,000,000.00
Reclassification of VAT debit balances	813,702,725.50	540,598,112.92
Prepayments of income tax	18,404,679.36	34,559,897.57
Factoring balance	<u>299,616,419.28</u>	
Total	<u><u>1,131,723,824.14</u></u>	<u><u>776,243,149.38</u></u>

Other notes

(1) Factoring balance

① Presentation by type

Item	Closing balance	Opening balance
Factoring receivables	304,459,703.37	
Less: Provision for bad debt	<u>4,843,284.09</u>	
Total	<u><u>299,616,419.28</u></u>	

② Factoring receivables are disclosed by category

Item	Closing balance	Opening balance
Recourse	288,206,776.63	
Less: Provision for bad debt	<u>4,843,284.09</u>	
Total	<u><u>283,363,492.54</u></u>	

③ Disclosure of overdue factored amounts by age of overdue accounts

Item	Closing balance	Opening balance
Within 3 months (inclusive)		
3 months to 6 months(inclusive)		
6 months to 8 months(inclusive)		
Over 8 months	<u>9,382,392.60</u>	
Total	<u><u>9,382,392.60</u></u>	

14. Debt investments**(1). Debt investments**

Applicable Not applicable

(2). Important debt investments at the end of the reporting period

Applicable Not applicable

(3). Provision for impairment

Applicable Not applicable

The amount of provision for impairment in the period and the basis for assessing whether the credit risk of financial instruments increased significantly

Applicable Not applicable

Other notes

Applicable Not applicable

15. Other debt investments**(1). Other debt investments**

Applicable Not applicable

(2). Important other debt investments at the end of the reporting period

Applicable Not applicable

(3). Provision for impairment

Applicable Not applicable

The amount of provision for impairment in the period and the basis for assessing whether the credit risk of financial instruments increased significantly

Applicable Not applicable

Other notes:

Applicable Not applicable

16. Long-term receivables**(1). Long-term receivables**

Applicable Not applicable

(2). Provision for bad debt

Applicable Not applicable

The amount of provision for bad debts in the period and the basis for assessing whether the credit risk of financial instruments increased significantly

Applicable Not applicable

(3). Long-term receivables derecognized due to the transfer of financial assets

Applicable Not applicable

(4). The amount of assets and liabilities generated by transferring other receivables and continuing to be involved

Applicable Not applicable

Other notes

Applicable Not applicable

17. Long-term equity investment

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of investees	Opening balance	Increase/Decrease for the period				Closing balance	Closing balance of provision for impairment			
		Increase in investment	Decrease in investment	Investment profit or loss recognized under equity method	Adjustments to other comprehensive income			Other changes in equity	Cash dividends or profit declared	Provision for impairment
II. Associates										
上海能運物流有限公司	57,992,915.52			-27,620.73			57,965,294.79			
明通重型物流集團股份有限公司	63,459,558.86			3,471,563.41			66,931,122.27			
成都縱展會物流有限公司	25,096,541.16			810,979.81		1,800,000.00	24,107,520.97			
山東中一藥邦物流有限公司	2,000,000.00			-46,649.90			1,953,350.10			
上海木蟻機器人科技有限公司		24,000,000.00		-1,448,740.64			22,551,259.36			
廣州物通天下物流科技有限公司		9,500,000.00		-728,023.17			8,771,976.83			
Subtotal	148,549,015.54	33,500,000.00		2,031,508.78		1,800,000.00	182,280,524.32			
Total	148,549,015.54	33,500,000.00		2,031,508.78		1,800,000.00	182,280,524.32			

18. Other equity instrument investments**(1). Other equity instrument investments**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
東方航空物流股份有限公司	205,000,000.00	205,000,000.00
廣東天元實業集團股份有限公司	44,670,000.00	28,500,000.00
杭州佳成國際物流股份有限公司	50,000,000.00	50,000,000.00
北京樂卡車聯科技有限公司	4,886,640.05	4,886,640.05
北京易代儲科技有限公司	20,000,000.00	20,000,000.00
生生供應鏈管理（上海）有限公司	33,699,411.27	9,019,634.00
ForU Worldwide Inc.	28,089,512.86	28,089,512.86
寧波鐘德投資合夥企業（有限合夥）	<u>5,000,000.00</u>	<u>5,000,000.00</u>
Total	<u>391,345,564.18</u>	<u>350,495,786.91</u>

(2). Non-trading equity instrument investments

Applicable Not applicable

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Unit: Yuan Currency: RMB

Item	Dividend income recognized for the period	Accumulated profits	Accumulated losses	Amount of other comprehensive income carried forward to retained earning	Reason for designating fair value measurement and its changes recorded into other comprehensive income	Reason for other comprehensive income carried forward to retained earning
東北亞煤炭交易有限公司			25,000,000.00		Investments planned to be held for the long term for strategic purposes	
東方航空物流股份有限公司		38,433,157.65			Investments planned to be held for the long term for strategic purposes	
寧波德卡投資合夥企業（有限合夥）	25,656,891.00		25,090,000.00		Investments planned to be held for the long term for strategic purposes	
廣東天元實業集團股份有限公司		16,170,000.00			Investments planned to be held for the long term for strategic purposes	
杭州佳成國際物流股份有限公司					Investments planned to be held for the long term for strategic purposes	
北京樂卡車聯科技有限公司					Investments planned to be held for the long term for strategic purposes	
北京易代儲科技有限公司					Investments planned to be held for the long term for strategic purposes	
生生供應鏈管理（上海）有限公司		22,029,777.27		9,970,173.92	Investments planned to be held for the long term for strategic purposes	Equity transfer
ForU Worldwide Inc.					Investments planned to be held for the long term for strategic purposes	
寧波鐘德投資合夥企業（有限合夥）					Investments planned to be held for the long term for strategic purposes	
Total	25,656,891.00	76,632,934.92	50,090,000.00	9,970,173.92		

Other notes:

Applicable Not applicable

Due to the deterioration of the operating condition of the companies invested by 東北亞煤炭交易有限公司 and 寧波德卡投資合夥企業（有限合夥），the Company recognized a fair value of 0 through accumulated losses.

19. Other non-current financial assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	<u>102,614,141.36</u>	<u>108,996,507.12</u>
Total	<u>102,614,141.36</u>	<u>108,996,507.12</u>

Other notes:

Applicable Not applicable

Other non-current financial assets

Item	Closing balance	Opening balance
珠海高瓴翔遠資產管理中心（有限合夥）	59,681,937.07	64,996,507.12
蕪湖歌斐景澤投資中心（有限合夥）	<u>42,932,204.29</u>	<u>44,000,000.00</u>
Total	<u>102,614,141.36</u>	<u>108,996,507.12</u>

20. Investment properties

The measurement model of investment properties

Not applicable

21. Fixed assets

Presentation of items

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Fixed assets	<u>3,374,000,819.27</u>	<u>2,643,241,926.51</u>
Total	<u>3,374,000,819.27</u>	<u>2,643,241,926.51</u>

Other notes:

Applicable Not applicable

Fixed assets**(1). Fixed assets**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Machinery equipment	Transportation vehicles	Electronic and office equipment	Total
I. Original book value:				
1. Opening balance	1,125,437,540.18	3,530,041,047.50	974,528,447.44	5,630,007,035.12
2. Increase for the period	522,928,414.25	1,018,317,446.62	218,879,180.61	1,760,125,041.48
(1) Purchase	289,646,102.25	1,018,317,446.62	218,879,180.61	1,526,842,729.48
(2) Transfer from construction in progress	233,282,312.00			233,282,312.00
3. Decrease for the period	119,163,583.71	459,588,049.08	173,317,257.32	752,068,890.11
(1) Disposal or scrapping . .	119,163,583.71	459,588,049.08	173,317,257.32	752,068,890.11
4. Closing balance	1,529,202,370.72	4,088,770,445.04	1,020,090,370.73	6,638,063,186.49
II. Accumulated depreciation				
1. Opening balance	322,070,313.80	1,985,863,780.67	678,831,014.14	2,986,765,108.61
2. Increase for the period	206,753,073.84	541,065,759.53	190,052,710.35	937,871,543.72
(1) Provision	206,753,073.84	541,065,759.53	190,052,710.35	937,871,543.72
3. Decrease for the period	76,769,034.25	423,062,313.22	160,742,937.64	660,574,285.11
(1) Disposal or scrapping	76,769,034.25	423,062,313.22	160,742,937.64	660,574,285.11
4. Closing balance	452,054,353.39	2,103,867,226.98	708,140,786.85	3,264,062,367.22
III. Provision for impairment				
1. Opening balance				
2. Increase for the period				
(1) Provision				
3. Decrease for the period				
(1) Disposal or scrapping				
4. Closing balance				
IV. Book value				
1. Closing book value	1,077,148,017.33	1,984,903,218.06	311,949,583.88	3,374,000,819.27
2. Opening book value	803,367,226.38	1,544,177,266.83	295,697,433.30	2,643,241,926.51

(2). Fixed assets in temporary idle

Applicable Not applicable

(3). Fixed assets rented through finance lease

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value
Transportation equipment	<u>1,625,276.95</u>	<u>1,020,767.90</u>		<u>604,509.05</u>

(4). Fixed assets leased out through operating lease

Applicable Not applicable

Construction materials**(4). Construction materials**

Applicable Not applicable

23. Productive biological assets**(1). Adoption of the cost measurement model for productive biological assets**

Applicable Not applicable

(2). Adoption of the fair value measurement model for productive biological assets

Applicable Not applicable

Other notes

Applicable Not applicable

24. Oil and gas assets

Applicable Not applicable

25. Right-of-use assets

Applicable Not applicable

26. Intangible assets**(1). Intangible assets**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Software	Trade mark	Non-patent technology	Land use rights	Total
I. Original book value					
1. Opening balance	112,036,654.66	14,400.00			112,051,054.66
2. Increase for the period	4,735,748.75		53,000.00	98,300,263.72	103,089,012.47
(1) Purchase	3,348,785.64		53,000.00	98,300,263.72	101,702,049.36
(2) Development expenditure transfer	1,386,963.11				1,386,963.11
3. Decrease for the period					
4. Closing balance	116,772,403.41	14,400.00	53,000.00	98,300,263.72	215,140,067.13
II. Accumulated amortization					
1. Opening balance	77,753,389.17	14,400.00			77,767,789.17
2. Increase for the period	17,683,414.12			397,757.51	18,081,171.63
(1) Provision	17,683,414.12			397,757.51	18,081,171.63
3. Decrease for the period					
4. Closing balance	95,436,803.29	14,400.00		397,757.51	95,848,960.80
III. Provision for impairment					
1. Opening balance					
2. Increase for the period					
(1) Provision					
3. Decrease for the period					
(1) Disposal					
4. Closing balance					
IV. Book value					
1. Closing book value	21,335,600.12		53,000.00	97,902,506.21	119,291,106.33
2. Opening book value	34,283,265.49				34,283,265.49

Proportion of intangible assets generated through internal R&D of the Company in the balance of intangible assets at the end of the Reporting Period: 1.16%

(2). Land use rights not obtaining the title certificate

Applicable Not applicable

Other notes:

Applicable Not applicable

27. Development expenditures

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Internal development expenditures	Others	Recognized as intangible assets	Transfer to current profit and loss	
Complementary code prefix and end address base project		2,422,856.89				2,422,856.89
Smart capacity management improvement project		1,386,963.11		1,386,963.11		
Call center digitalization construction project		2,849,272.60				2,849,272.60
Field station logistics digitalization project		2,083,426.08				2,083,426.08
Integrated management implementation project		9,448,899.94				9,448,899.94
Total		<u>18,191,418.62</u>		<u>1,386,963.11</u>		<u>16,804,455.51</u>

28. Goodwill**(1). Original book value of goodwill**

Applicable Not applicable

(2). Provision for impairment of goodwill

Applicable Not applicable

(3). Related information on asset groups or combination of asset groups containing goodwill

Applicable Not applicable

(4). Description of the goodwill impairment testing process, key parameters (e.g. projected period growth rate at present value of expected future cash flows, stabilization period growth rate, profit margin, discount rate, projection period, etc., if applicable) and the method of recognition of goodwill impairment loss

Applicable Not applicable

(5). Impact of goodwill impairment test

Applicable Not applicable

Other notes

Applicable Not applicable

29. Long-term deferred expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Amortized amount for the period	Decrease in other amounts	Closing balance
Leased-in building renovation expenses	181,826,302.79	130,373,419.26	118,778,581.05		193,421,141.00
Long-term rent paid in a lump sum	166,865,302.51	212,935.92	51,303,161.78		115,775,076.65
Others	39,932,749.50	12,796,541.94	15,815,793.44		36,913,498.00
Total	<u>388,624,354.80</u>	<u>143,382,897.12</u>	<u>185,897,536.27</u>		<u>346,109,715.65</u>

30. Deferred tax assets/deferred tax liabilities**(1). Deferred tax assets without offsetting**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for credit impairment	69,325,393.98	16,766,262.17	77,198,562.51	17,904,239.46
Accrual of unpaid employee remuneration	152,780,048.40	34,008,899.04	124,223,428.54	28,053,407.57
Estimated liabilities	10,687,133.53	2,616,597.52	12,356,682.20	3,045,513.72
Unrealised profits of intra-group transactions	576,943.24	144,235.81	1,523,484.91	223,114.31
Deductible losses	725,441,955.86	165,858,560.41	1,058,420,322.01	242,575,674.09
Changes in fair value of investments in other equity instruments recognized in other comprehensive income	<u>50,090,000.00</u>	<u>12,522,500.00</u>	<u>50,090,000.00</u>	<u>12,522,500.00</u>
Total	<u>1,008,901,475.01</u>	<u>231,917,054.95</u>	<u>1,323,812,480.17</u>	<u>304,324,449.15</u>

(2). Deferred tax liabilities without offsetting

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Temporary differences between the book value of fixed assets and taxable basis for tax purposes (Note)	1,391,767,974.27	328,924,493.72	1,338,804,009.17	309,191,322.37
Changes in fair value	16,170,000.00	4,042,500.00	462,418.16	115,604.54
Others	16,171,036.24	4,064,232.09		
Total	<u>1,424,109,010.51</u>	<u>337,031,225.81</u>	<u>1,339,266,427.33</u>	<u>309,306,926.91</u>

Note: The Company accelerated the depreciation of certain transportation tools, machinery equipment, electronic and office equipment in calculating taxable income, resulting in temporary differences between the book value of fixed assets and taxable basis.

(3). Deferred tax assets or liabilities presented as net of offsetting

Applicable Not applicable

(4). Details of unrecognized deferred tax assets

Applicable Not applicable

(5). Deductible losses on unrecognized deferred tax assets will expire in the following years

Applicable Not applicable

Other notes:

Applicable Not applicable

31. Other non-current assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Book balance	Provision for impairment	Book balance	Provision for impairment
Prepayments for the acquisition of long-term assets	113,710,355.01	113,710,355.01	34,194,613.52	34,194,613.52
Total	<u>113,710,355.01</u>	<u>113,710,355.01</u>	<u>34,194,613.52</u>	<u>34,194,613.52</u>

32. Short-term borrowings**(1). Classification of short-term borrowings**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Pledged borrowings		35,920,778.00
Guaranteed borrowings	650,000,000.00	900,000,000.00
Credit borrowings	517,788,000.00	222,652,549.48
Interest payable for short-term borrowings	1,465,523.67	3,278,220.94
Total	<u>1,169,253,523.67</u>	<u>1,161,851,548.42</u>

Notes to the classification of short-term borrowings:

Guaranteed borrowings are loans secured between the Company and its subsidiaries, as described in Note XIV.2 to this document.

(2). Short-term borrowings that are past due

Applicable Not applicable

Significant overdue short-term borrowings are as follows:

Applicable Not applicable

Other notes

Applicable Not applicable

33. Trading financial liabilities

Applicable Not applicable

34. Derivative financial liabilities

Applicable Not applicable

35. Notes payable**(1). Presentation of notes payable**

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Closing balance	Opening balance
Commercial acceptance note		
Bank acceptance note	73,463,488.70	130,755,214.10
Total	<u>73,463,488.70</u>	<u>130,755,214.10</u>

Total amount of notes payable that were due but unpaid at the end of the period was RMB0.

36. Accounts payable

(1). Presentation of accounts payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Capacity purchase payment, and payment for goods	1,818,815,413.60	1,490,365,087.69
Renovation project payment	27,359,264.19	31,448,870.55
Equipment payment	<u>536,098,372.83</u>	<u>412,588,655.36</u>
Total	<u><u>2,382,273,050.62</u></u>	<u><u>1,934,402,613.60</u></u>

(2). Major accounts payable aged over one year

Applicable Not applicable

Other notes

Applicable Not applicable

37. Advances from customers

(1). Advances from customers

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Lease payments received in advance, etc.	1,610,528.13	4,690,454.56
Integrated logistics services fee		
Total	<u><u>1,610,528.13</u></u>	<u><u>4,690,454.56</u></u>

(2). Significant advances from customers aged over 1 year

Applicable Not applicable

Other notes

Applicable Not applicable

38. Contractual liabilities**(1). Contract liabilities**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Integrated logistics services fee	<u>71,841,281.70</u>	<u>73,808,924.08</u>
Total	<u><u>71,841,281.70</u></u>	<u><u>73,808,924.08</u></u>

(2). Amount of and reasons for significant changes in the book value during the reporting period

Applicable Not applicable

Other notes:

Applicable Not applicable

39. Payroll payables**(1). Payroll payables**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term compensation	890,858,521.43	8,234,330,822.97	8,194,594,340.76	930,595,003.64
II. Post-employment benefits-defined contribution plans		265,150,512.02	265,150,512.02	
III. Termination benefits				
IV. Other benefits due within one year		<u>25,161,126.51</u>		<u>25,161,126.51</u>
Total	<u><u>890,858,521.43</u></u>	<u><u>8,524,642,461.50</u></u>	<u><u>8,459,744,852.78</u></u>	<u><u>955,756,130.15</u></u>

(2). Short-term compensation

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Salary, bonus, allowance, and subsidy	890,858,521.43	7,609,599,137.94	7,569,862,655.73	930,595,003.64
II. Staff welfare		239,757,498.76	239,757,498.76	
III. Social insurance premium		151,403,952.73	151,403,952.73	
Including: medical insurance premium		128,601,349.57	128,601,349.57	
Work injury insurance premium		7,497,940.67	7,497,940.67	
Maternity insurance premium		15,304,662.49	15,304,662.49	
IV. Housing provident fund		163,231,276.53	163,231,276.53	
V. Trade union funding and employee education funding		70,217,088.82	70,217,088.82	
VI. Commercial insurance premiums		121,868.19	121,868.19	
Total	<u>890,858,521.43</u>	<u>8,234,330,822.97</u>	<u>8,194,594,340.76</u>	<u>930,595,003.64</u>

(3). Defined contribution plans

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance		253,803,011.20	253,803,011.20	
2. Unemployment insurance		11,347,500.82	11,347,500.82	
3. Enterprise annuity payment				
Total		<u>265,150,512.02</u>	<u>265,150,512.02</u>	

Other notes:

Applicable Not applicable

40. Taxes payables

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Value-added tax	76,231,789.27	56,376,368.91
Corporate income tax	44,901,151.31	61,397,166.48
Individual income tax	13,401,025.73	12,657,044.18
Urban maintenance and construction tax	5,238,027.79	2,618,655.58
Education surcharge and local education surcharge	4,529,410.30	2,102,879.58
Others	104,996.24	171,028.34
Total	<u>144,406,400.64</u>	<u>135,323,143.07</u>

41. Other payables**Presentation of items**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable		
Dividends payable		
Other payables	<u>320,945,070.25</u>	<u>329,411,031.23</u>
Total	<u><u>320,945,070.25</u></u>	<u><u>329,411,031.23</u></u>

Other notes:

Applicable Not applicable

Interest payable**(1). By type**

Applicable Not applicable

Dividends payable**(2). By type**

Applicable Not applicable

Other payables**(1). Other payables are listed by nature**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deposits, security deposits	181,114,719.15	155,357,290.55
Collection of payment for goods on a commission basis	103,327,936.50	128,857,274.33
Others	<u>36,502,414.60</u>	<u>45,196,466.35</u>
Total	<u><u>320,945,070.25</u></u>	<u><u>329,411,031.23</u></u>

(2). Significant other payables aged over 1 year

Applicable Not applicable

Other notes:

Applicable Not applicable

42. Held-for-sale liabilities

Applicable Not applicable

43. Non-current liabilities due within one year

Applicable Not applicable

44. Other current liabilities

Other current liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Value added output tax to be carried forward from contract liabilities . . .	<u>5,007,523.02</u>	<u>4,428,535.44</u>
Total	<u><u>5,007,523.02</u></u>	<u><u>4,428,535.44</u></u>

Changes in short-term debentures payable:

Applicable Not applicable

Other notes:

Applicable Not applicable

45. Long-term borrowings**(1). Long-term borrowings by type**

Applicable Not applicable

Other notes, including the range of interest rate:

Applicable Not applicable

46. Debentures payable**(1). Debentures payable**

Applicable Not applicable

(2). Changes in debentures payable: (excluding preferred shares classified as financial liabilities, perpetual bonds and other financial instruments)

Applicable Not applicable

(3). Notes to conversion conditions and conversion time of convertible corporate bonds

Applicable Not applicable

(4). Notes to other financial instruments classified as financial liabilities

Outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period

Applicable Not applicable

Table of changes in outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period

Applicable Not applicable

Notes to basis for other financial instruments classified as financial liabilities:

Applicable Not applicable

Other notes:

Applicable Not applicable

47. Lease liabilities

Applicable Not applicable

48. Long-term payables**Presentation of items**

Applicable Not applicable

Other notes:

Applicable Not applicable

Long-term payables**(1). Long-term payables presentation by nature**

Applicable Not applicable

Special payables**(2). Special payables presentation by nature**

Applicable Not applicable

49. Long-term payroll payables

Applicable Not applicable

(1). Table of long-term payroll payables

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Net liability for post-employment benefits—defined benefit plans		
II. Termination benefits		
III. Other long-term benefits	41,934,007.70	19,941,028.55
Total	<u>41,934,007.70</u>	<u>19,941,028.55</u>

(2). Change of defined benefit plan

Present value of the defined benefit plan obligations:

Applicable Not applicable

Plan assets:

Applicable Not applicable

Net liabilities (net assets) of the defined benefit plan

Applicable Not applicable

Notes to the content of the defined benefit plan and related risks, and the impact on the Company's future cash flow, time and uncertainty:

Applicable Not applicable

Notes to major actuarial assumptions and sensitivity analysis results of the defined benefit plan

Applicable Not applicable

Other notes:

Applicable Not applicable

Other long-term benefits represent the Company's excess earnings sharing plan established in 2014, which sets a certain percentage of the excess profit after the NAV exceeds the target value each year as an incentive bonus for the Company's management team and core employees, to be implemented over three years, with 1/3 of the incentive bonus in each year of the implementation period as the target bonus for that year, adjusted by the group and individual performance evaluation coefficients for that year. The Company uses the yield rate of the corresponding maturity date of treasury bonds to discount the incentive bonus that is expected to be paid one year later.

50. Estimated liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Reason
Pending action	<u>12,356,682.20</u>	<u>10,687,133.53</u>	Involved in litigation
Total	<u>12,356,682.20</u>	<u>10,687,133.53</u>	/

Other notes, including important assumptions and estimates related to important estimated liabilities: No

51. Deferred revenues

Deferred revenues

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	15,174,988.68	64,636,310.46	26,577,442.04	53,233,857.10	Received government grants
Total	<u>15,174,988.68</u>	<u>64,636,310.46</u>	<u>26,577,442.04</u>	<u>53,233,857.10</u>	/

Items involving government grants:

Applicable Not applicable

Unit: Yuan Currency: RMB

Items related to liabilities	Opening balance	Grants increased for the period	Amount included in non-operating income during the period	Amount included in other income during the period	Other changes	Closing balance	Related to assets/income
Grants to upgrade equipment for the freight industry . . .	901,232.70	7,730,420.84		2,777,739.24		5,853,914.30	Related to assets
Deppon intelligent warehouse and logistics center construction project	1,610,482.18			1,406,296.54		204,185.64	Related to assets
Industrial informatization upgrading funds	827,844.46			758,558.04		69,286.42	Related to assets
Supply chain system construction projects	8,444,240.10	7,059,500.00		8,962,440.81		6,541,299.29	Related to assets
Special fund project of Guangdong technology innovation strategy	1,115,869.82			1,089,664.65		26,205.17	Related to assets
Logistics infrastructure and equipment standardization update project	2,275,319.42			1,668,280.38		607,039.04	Related to assets
Subsidies for stabilizing job posts		40,671,846.73		7,444,381.84		33,227,464.89	Related to income
Intelligent logistics project		2,428,000.00		613,145.72		1,814,854.28	Related to assets
Smart manufacturing project		2,702,500.00		795,610.24		1,906,889.76	Related to assets
Project on research, development and application of common key technologies for modern service industry . .		129,750.00				129,750.00	Related to assets

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Unit: Yuan Currency: RMB

Items related to liabilities	Opening balance	Grants increased for the period	Amount included in non-operating income during the period	Amount included in other income during the period	Other changes	Closing balance	Related to assets/income
“Three system” implementation of sending channel project		106,900.00		72,524.78		34,375.22	Related to assets
Special funds for business development		450,900.00		4,620.14		446,279.86	Related to assets
Service industry development guide funds		100,000.00		3,501.20		96,498.80	Related to assets
System construction project of Urban and rural efficient delivery service		2,036,492.89		776,966.67		1,259,526.22	Related to assets
Construction and renovation project of urban and rural trade and logistics facilities		400,000.00		4,154.29		395,845.71	Related to assets
Modern logistics industry support funds		820,000.00		199,557.50		620,442.50	Related to assets
Total	15,174,988.68	64,636,310.46		26,577,442.04		53,233,857.10	

Other notes:

Applicable Not applicable

52. Other non-current liabilities

Applicable Not applicable

53. Share capital

Applicable Not applicable

Unit: Yuan Currency: RMB

	Opening balance	Increase or decrease (+, -)			Others	Subtotal	Closing balance
		Issuance of new shares	Bonus issue	Conversion of capital reserves into share capital			
Total number of shares	960,000,000.00						960,000,000.00

54. Other equity instruments

(1). Outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period

Applicable Not applicable

(2). Table of changes in outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period

Applicable Not applicable

Notes to changes in other equity instruments and reasons thereof for the reporting period, and basis for related accounting treatment:

Applicable Not applicable

Other notes:

Applicable Not applicable

55. Capital reserves

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share capital premium)	317,116,815.48	8,173,926.75	23,911.29	325,266,830.94
Other capital reserves		11,629,579.51		11,629,579.51
Total	<u>317,116,815.48</u>	<u>19,803,506.26</u>	<u>23,911.29</u>	<u>336,896,410.45</u>

Other notes, including changes and reasons thereof for the reporting period:

(1) The change in share capital premium is mainly due to the adjustment of share capital premium of RMB8,173,926.75 due to the dilution of equity owned by the parent company as a result of the capital increase by the minority shareholder of the subsidiary; (2) Other capital reserves represent equity incentives arising from the implementation of the second phase of the Company's employee stock ownership plan, and other capital reserves of RMB11,629,579.51 was recognized.

56. Treasury stock

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Treasury stock	69,430,125.93	15,709,272.92		85,139,398.85
Total	<u>69,430,125.93</u>	<u>15,709,272.92</u>		<u>85,139,398.85</u>

Other notes, including changes and reasons thereof for the reporting period:

The increase in the current period was due to the repurchase of shares by the Company through centralized bidding transactions.

58. Special reserves

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Production safety expenses		<u>258,889,220.49</u>	<u>258,889,220.49</u>	
Total		<u><u>258,889,220.49</u></u>	<u><u>258,889,220.49</u></u>	

Note: The Company accrues production safety expenses at 1% of the revenue of general freight business in the previous year, which is mainly used for improving, renovating and maintaining safety protection facilities and equipment, and equipping and updating safety protection equipment for site operators.

59. Surplus reserve

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	<u>339,745,956.96</u>	<u>47,267,460.34</u>		<u>387,013,417.30</u>
Total	<u><u>339,745,956.96</u></u>	<u><u>47,267,460.34</u></u>		<u><u>387,013,417.30</u></u>

Note on surplus reserve, including explanation about changes and reasons thereof for the reporting period:

The increase in the current period is based on 10% of the Company's annual net income.

60. Retained earnings

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Current period	Previous period
Retained earnings at the end of the previous period before adjustment . . .	2,541,781,551.27	2,481,439,501.50
Total amount of adjustment for retained earnings at the beginning of the period (“+” for increase and “-” for decrease)		23,040,000.00
Retained earnings at the beginning of the period after adjustment	2,541,781,551.27	2,504,479,501.50
Add: Net profit attributable to owners of parent company for the period	564,379,173.61	323,632,050.21
Others	16,521,513.88	
Less: Appropriation of statutory surplus reserves	47,267,460.34	72,064,527.95
Appropriation of general risk reserves		4,025,472.49
Dividends payable with respect to ordinary shares	28,585,934.85	210,240,000.00
Retained earnings at the end of the period	3,046,828,843.57	2,541,781,551.27

Note: Others represent the disposal of the Company's investment in other equity instruments, and the gain on disposal is recognized directly in retained earnings.

Details on adjustment of retained earnings at the beginning of the period:

1. Due to retrospective adjustments in accordance with Accounting Standards for Business Enterprises and relevant new provisions, retained earnings at the beginning of the period read RMB0.

2. Due to changes in accounting policies, retained earnings at the beginning of the period read RMB0.

3. Due to correction of material accounting errors, retained earnings at the beginning of the period read RMB0.

4. Due to changes in the consolidation scope under common control, retained earnings at the beginning of the period read RMB0.

5. Due to total of other adjustments, retained earnings at the beginning of the period read RMB0.

61. Revenue and cost of revenue

(1). Revenue and cost of revenue

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	27,503,446,481.61	24,295,988,647.16	25,922,101,314.82	23,348,702,448.46
Total	<u>27,503,446,481.61</u>	<u>24,295,988,647.16</u>	<u>25,922,101,314.82</u>	<u>23,348,702,448.46</u>

(2). Contract-generated revenue

Applicable Not applicable

Description of Contract-generated revenue:

Applicable Not applicable

(3). Description of performance obligations

Applicable Not applicable

(4). Description of the apportionment to the remaining performance obligation

Applicable Not applicable

Other notes: None

62. Taxes and surcharges

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	35,017,490.50	33,169,569.06
Education surcharge	28,765,877.17	26,190,210.93
Land use taxes	50,075.21	102,712.22
Vehicle and vessel use tax	1,820,653.63	1,793,944.40
Stamp duty	14,455,279.50	14,734,496.60
Others	1,236,501.60	1,769,933.89
Total	<u>81,345,877.61</u>	<u>77,760,867.10</u>

63. Selling and marketing expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	302,803,059.75	265,281,490.70
Advertising and promotion fees	127,034,757.40	88,677,627.95
Consulting expenses	18,996,571.35	21,134,896.45
Office expenses	22,668,078.07	19,755,366.26
Others	11,563,556.68	12,096,188.06
Total	<u>483,066,023.25</u>	<u>406,945,569.42</u>

64. General and administrative expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	1,472,973,715.40	1,122,131,526.90
Management consulting expenses	209,170,225.89	205,567,584.31
Transportation and travel expenses	95,833,168.61	86,147,224.49
Depreciation expenses	101,179,597.59	99,857,264.60
Training and recruitment expenses	61,834,871.68	48,247,931.88
Communication expenses	72,103,293.84	80,438,556.89
Office expenses	98,253,363.61	83,330,686.06
Room rental expenses	52,638,324.25	43,003,798.96
Amortization of leasehold improvement expenses	14,448,144.53	16,105,360.58
Taxation	2,647,510.16	15,332,207.75
Others	4,979,632.26	4,425,279.00
Total	<u>2,186,061,847.82</u>	<u>1,804,587,421.42</u>

65. Research and development expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	45,225,031.03	78,711,644.10
Depreciation and amortization expenses	1,177,212.87	2,207,620.25
Consulting fees	4,794,778.56	20,140,707.41
Total	<u>51,197,022.46</u>	<u>101,059,971.76</u>

66. Finance expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Interest expenses	60,267,950.03	66,662,279.04
Interest income	-20,653,580.66	-14,182,625.16
Exchange loss	1,739,874.89	5,306,532.91
Bank charges and others	56,274,264.97	65,680,772.40
Total	<u>97,628,509.23</u>	<u>123,466,959.19</u>

67. Other income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period	Related to assets/ Related to income
Grants to upgrade equipment for the freight industry	2,777,739.24	926,954.76	Related to assets
Deppon intelligent warehouse and logistics center construction project	1,406,296.54	756,517.82	Related to assets
Industrial informatization transformation and upgrading funds	758,558.04	1,172,155.54	Related to assets
Supply chain system construction projects	8,962,440.81	1,028,901.93	Related to assets
Special fund project of Guangdong technology innovation strategy	1,089,664.65	884,130.18	Related to assets
Logistics infrastructure and equipment standardization update project	1,668,280.38	1,848,280.58	Related to assets
Subsidies for job stabilization	7,444,381.84		Related to income
Intelligent logistics project	613,145.72		Related to assets
Smart manufacturing project	795,610.24		Related to assets
“Three system” implementation of project for posting and express delivery channels	72,524.78		Related to assets
Special funds for commercial and trade development	4,620.14		Related to assets
Guiding funds for service industry development	3,501.20		Related to assets
System construction project of Urban and rural efficient delivery service	776,966.67		Related to assets
Construction and renovation project of urban and rural trade and logistics facilities	4,154.29		Related to assets
Modern logistics industry support funds	199,557.50		Related to assets
Financial return	90,322,863.22	107,264,673.77	Related to income
VAT refund immediately upon levy		9,314,136.00	Related to income
Support funds for the establishment of proprietary brands		3,134,100.00	Related to income
Industry subsidies and incentives	36,053,316.42	28,814,866.85	Related to income
Employment and internship allowance	77,168,309.15	10,199,060.41	Related to income
Employee vocational training subsidy	14,548,234.68	9,610.00	Related to income
Enterprise development incentive fund	6,615,244.80	32,421,397.87	Related to income
Other grants and subsidies	7,221,355.78	9,231,909.77	Related to income
Tax deduction	141,590,733.65	92,103,198.04	Related to income
Total	400,097,499.74	299,109,893.52	

Other notes:

All other income items are included in non-recurring profit or loss.

68. Investment income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Investment income from long-term equity investments using equity method	2,031,508.78	6,553,738.49
Investment income from trading financial assets during the holding period	31,937,144.98	62,776,758.70
Dividend income from other equity instrument investments during the holding period	25,656,891.00	12,776,266.65
Others	<u>-21,328.49</u>	<u> </u>
Total	<u><u>59,604,216.27</u></u>	<u><u>82,106,763.84</u></u>

69. Net exposure hedge income

Applicable Not applicable

70. Gain from fair value changes

Applicable Not applicable

Unit: Yuan Currency: RMB

Sources of gain from fair value changes	Amount for the current period	Amount for the previous period
Trading financial assets	-10,000,000.00	462,418.16
Including: gains from fair value changes arising from derivative financial instruments	<u> </u>	<u> </u>
Total	<u><u>-10,000,000.00</u></u>	<u><u>462,418.16</u></u>

Other notes:

The Company, 豐聖財富資產管理有限公司 and 亳州國厚安誠資產管理有限責任公司 (“國厚資產”) signed the “Agreement on the Transfer of Shares of Feng Sheng—Rongchi Wenjian No. 11 Private Equity Fund (《關於豐聖-融馳穩健 11 號私募基金份額轉讓協議》)” in January 2021. The Company agreed to transfer the relevant private equity fund shares to 國厚資產 at a price of RMB150 million, and 國厚資產 agreed the transfer at this price. The Company recorded gain from fair value changes of RMB-10 million on the difference between the consideration and the investment cost of RMB160 million.

71. Impairment losses under expected credit loss model

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Losses on bad debts from notes receivable	-2,813.52	-548.09
Losses on bad debts from accounts receivable	-47,679,600.48	-40,244,229.42
Bad debt losses on other receivables	-8,315,131.57	-1,419,083.78
Impairment losses on the factoring receivable	-4,245,857.32	-200,213.58
Total	<u>-60,243,402.89</u>	<u>-41,864,074.87</u>

72. Asset impairment losses

Applicable Not applicable

73. Gains on disposal of assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Gains on disposal of fixed assets	15,624,674.23	15,016,886.77
Total	<u>15,624,674.23</u>	<u>15,016,886.77</u>

74. Non-operating income

Non-operating income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period	Amount of non-recurring gain or loss included in the current period
Gains from inventory profit	355,829.85	679,368.84	355,829.85
Income from indemnity and liquidated damages	4,621,011.55	3,391,303.56	4,621,011.55
Income from the sale of scraps	5,177,346.26	3,775,554.74	5,177,346.26
Others	49,569,261.45	37,501,095.95	49,569,261.45
Total	<u>59,723,449.11</u>	<u>45,347,323.09</u>	<u>59,723,449.11</u>

Note: All non-operating income items are included in non-recurring profit or loss.

Government grants included in profit or loss for the current period

Applicable Not applicable

Other notes:

Applicable Not applicable

75. Non-operating expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period	Amount of non-recurring gain or loss included in the current period
Donations	1,094,863.00	186,783.00	1,094,863.00
Liquidated damages, indemnity	6,558,511.19	22,726,490.54	6,558,511.19
Traffic violation and other fines and late payment fees	16,424,949.97	13,068,644.66	16,424,949.97
Others	12,710,134.75	10,094,469.44	12,710,134.75
Total	<u>36,788,458.91</u>	<u>46,076,387.64</u>	<u>36,788,458.91</u>

Other notes:

All non-operating expense items are included in non-recurring profit or loss.

76. Income tax expense

(1). Table of income tax expense

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Current income tax expense	74,950,096.81	99,423,516.02
Deferred income tax expense	<u>96,089,193.10</u>	<u>-9,374,665.89</u>
Total	<u>171,039,289.91</u>	<u>90,048,850.13</u>

(2). Accounting profit and income tax expense adjustment process

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period
Total profit	736,176,531.63
Income tax expenses calculated based on the statutory (or applicable) tax rates	184,044,132.91
Impact of different tax rates applied to subsidiaries	-15,160,596.24
Impact of adjusting income tax in previous periods	8,913,850.85
Impact of non-taxable income	-6,414,222.75
Impact of non-deductible costs, expenses, and losses	6,956,679.19
Research and development expenses plus of deductions	-4,330,182.39
Others	-2,970,371.66
Income tax expenses	171,039,289.91

Other notes:

Applicable Not applicable

77. Other comprehensive income

Applicable Not applicable

For details, please refer to Note VII. 57

78. Cash flow statement**(1). Cash received relating to other operating activities**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Current payment received	116,357,583.34	127,394,301.74
Government grants and non-operating income received ...	343,588,656.31	265,626,532.97
Interest on deposits received	20,653,580.66	12,483,825.16
Total	<u>480,599,820.31</u>	<u>405,504,659.87</u>

(2). Cash payments relating to other operating activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Payment for sales, general and administrative expenses, etc.	763,714,654.95	692,731,123.71
Net amount of payment for collection and payment on behalf of others	25,529,337.83	96,187,234.52
Current payment	135,257,326.97	130,649,850.20
Payment of non-operating expenses	36,788,458.91	46,076,387.64
Payment of bank charges, etc.	56,274,264.97	69,288,505.31
Total	<u>1,017,564,043.63</u>	<u>1,034,933,101.38</u>

(3). Cash received relating to other investing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Redemption of short-term wealth management products	19,085,489,868.00	23,363,000,549.00
Term deposits	452,500,000.00	
Amount recovered from the purchase of factoring receivables from the original shareholders by the subsidiaries in a business combination under common control	84,584,126.19	215,866,234.16
Total	<u>19,622,573,994.19</u>	<u>23,578,866,783.16</u>

(4). Cash payments relating to other investing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Purchase of short-term wealth management products ...	19,005,489,868.00	23,422,999,549.00
Term deposits	272,500,000.00	180,000,000.00
Amount paid to the purchase of factoring receivables from the former shareholders by the subsidiaries in a business combination under common control		390,496,658.89
Total	<u>19,277,989,868.00</u>	<u>23,993,496,207.89</u>

(5). Cash received relating to other financing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Recovery of loans and bill deposits	60,273,569.88	65,000,000.00
Recovery of profit distribution deposit and refund of handling fee	2,000,120.74	2,000,460.82
Spin-off from a subsidiary in a business combination under common control to the former shareholder		330,000,000.00
Total	<u>62,273,690.62</u>	<u>397,000,460.82</u>

(6). Cash payments relating to other financing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Payment of principal and interest related to finance leases		350,557.18
Payment of loans and bill deposits	37,818,299.49	60,110,000.00
Payment of cash dividend deposit	2,000,000.00	2,000,000.00
Payment of cash dividend handling fee	6,563.38	
Payments from consolidated subsidiaries under common control		34,408,559.54
Payments for share repurchases	15,733,184.21	69,443,766.95
Return of spin-off to the former shareholder by a subsidiary in a business combination under common control		330,000,000.00
Total	<u>55,558,047.08</u>	<u>496,312,883.67</u>

79. Supplementary information of cash flow statement**(1). Supplementary information of cash flow statement**

Applicable Not applicable

Unit: Yuan Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	565,137,241.72	323,632,050.21
Add: Provisions for asset impairment		
Impairment losses under expected credit loss model	60,243,402.89	41,864,074.87
Depreciation of fixed assets, depreciation of oil and gas assets, and depreciation of productive biological assets	937,785,899.60	761,431,668.92
Amortization of intangible assets	18,081,171.63	19,496,577.11
Amortization of long-term deferred expenses	185,897,536.27	170,551,324.17
Loss from disposal of fixed assets, intangible assets, and other long-term assets (gain is indicated with“-”)	-15,624,674.23	-15,016,886.77
Loss from scrapping of fixed assets (gain is indicated with“-”)	10,000,000.00	-462,418.16
Loss from changes in fair value (gain is indicated with“-”)	62,007,824.92	67,832,060.12
Investment loss (gain is indicated with“-”)	-59,604,216.27	-82,106,763.84
Decrease in deferred tax assets (increase is indicated with“-”)	72,407,394.20	-184,588,849.90
Increase in deferred tax liabilities (decrease is indicated with“-”)	23,681,798.90	187,736,684.01
Decrease in inventories (increase is indicated with“-”)	2,153,527.80	-2,090,649.29
Decrease in operating receivables (increase is indicated with“-”)	-266,888,482.07	-629,395,340.47
Increase in operating payables (decrease is indicated with“-”)	164,195,041.79	-846,802.64
Others	13,059,691.24	1,541,405.51
Net cash flows from operating activities	1,772,533,158.39	659,578,133.85
2. Significant investment and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	1,368,872,947.92	1,276,729,866.57
Less: opening balance of cash	1,276,729,866.57	2,712,100,266.89
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	92,143,081.35	-1,435,370,400.32

(2). Net cash paid for acquisitions of subsidiaries for the period

Applicable Not applicable

(3). Net cash received from disposal of subsidiaries for the period

Applicable Not applicable

(4). Composition of cash and cash equivalents

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Cash		
Including: cash on hand		
Bank deposits that are readily available for payment	911,855,494.78	965,461,813.18
Other monetary funds readily available for payment	457,017,453.14	311,268,053.39
II. Cash equivalents		
Including: bond investment maturing within three months		
III. Cash and cash equivalents balance at the end of the reporting period	1,368,872,947.92	1,276,729,866.57
Including: restricted cash and cash equivalents used by the parent company or subsidiaries within the Group		

Other notes:

Applicable Not applicable

80. Notes to statement of changes in equity

Explanation on “others” adjusted for closing balance of the previous year and adjusted amount thereof:

Applicable Not applicable

81. Assets with restricted ownership or use rights

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing book value	Reason of restriction
Monetary funds	17,654,729.61	Term deposits and notes deposits
Total	<u>17,654,729.61</u>	/

82. Monetary items denominated in foreign currencies**(1). Monetary items denominated in foreign currencies**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance of foreign currency	Exchange rate	Closing balance converted into RMB
Monetary funds			
Including: USD	260,945.44	6.5249	1,702,642.90
HKD	16,145,132.62	0.8416	13,587,743.61
AUD	2,395.16	5.0163	12,014.84
Other receivables			
Including: HKD	3,045,262.48	0.8416	2,562,892.90

(2). Description of overseas business entities, for material overseas business entities, disclose their major business places overseas, functional currency and the selection criterion thereof; should there be any change in the functional currency, disclose the reason for such change

Applicable Not applicable

83. Hedging

Applicable Not applicable

84. Government grants

(1). Overview of government grants

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Amount	Presented items	Amount included in current profit and loss
Government grants related to assets	23,964,463.73	Deferred revenues	19,133,060.20
Government grants related to income	40,671,846.73	Deferred revenues	7,444,381.84
Government subsidies related to income	373,520,057.70	Other income	373,520,057.70

(2). Return of government grants

Applicable Not applicable

Other notes:

None

85. Others

Applicable Not applicable

Factoring receivables

(1) Presentation by type

Item	Closing balance	Opening balance
Factoring receivables		457,135,845.80
Less: provision for bad debt		19,766,130.31
Total		<u>437,369,715.49</u>

(2) Factoring receivables are disclosed by category

Item	Closing balance	Opening balance
Recourse		442,134,524.00
Less: provision for bad debt		19,766,130.31
Total		<u>422,368,393.69</u>

(1) New subsidiaries

Company name	Date of inception	Place of registration	Registered capital (RMB0'000)	Equity ration	Acquisition method
漯河德邦運輸有限公司	April 2, 2020	Luohe	500.00	100%	New establishment
淮安德宣供應鏈管理有限公司	April 14, 2020	Huaian	3,000.00	100%	New establishment
深圳市德邦道路運輸有限公司	June 8, 2020	Shenzhen	100.00	100%	New establishment
廣州德仁產業園開發管理有限公司	June 18, 2020	Guangzhou	1,000.00	100%	New establishment
上海精淮德邦貨運代理有限公司	January 6, 2020	Shanghai	1,000.00	100%	New establishment
上海德青物流有限公司	March 12, 2020	Shanghai	15,000.00	100%	New establishment
合肥德燁供應鏈管理有限公司	July 2, 2020	Hefei	10,000.00	100%	New establishment
寧波德楚電子商務有限公司	September 18, 2020	Ningbo	500.00	100%	New establishment
德創包裝科技(寧波)有限公司	September 16, 2020	Ningbo	100.00	100%	New establishment
揭陽市星光德邦物流有限公司	August 27, 2020	Jieyang	100.00	100%	New establishment
廣東省德邦供應鏈有限公司	September 30, 2020	Guangzhou	500.00	100%	New establishment
上海德唐供應鏈有限公司	July 21, 2020	Shanghai	30,000.00	100%	New establishment
上海德夏供應鏈有限公司	August 19, 2020	Shanghai	1,000.00	100%	New establishment
上海德蜀供應鏈有限公司	August 19, 2020	Shanghai	1,000.00	100%	New establishment
上海德魏供應鏈有限公司	August 31, 2020	Shanghai	1,000.00	100%	New establishment
上海德晉供應鏈有限公司	August 19, 2020	Shanghai	1,000.00	100%	New establishment
上海德周供應鏈有限公司	September 30, 2020	Shanghai	1,000.00	100%	New establishment
廈門德鹹供應鏈有限公司	August 31, 2020	Xiamen	7,000.00	100%	New establishment
青島德邦貨運代理有限公司	November 11, 2020	Qingdao	500.00	100%	New establishment

(2) Acquisition of subsidiaries that do not constitute a business

① Acquisition details

Acquiree	Timing of acquisition of equity	Equity acquisition cost	Ratio of equity acquired	Means of equity acquisition	Acquisition date	Basis for determining the acquisition date
青島德金供應鏈管理有限公司 . . .	May 2020	0.00	100%	Acquisitions that do not constitute a business	May 2020	Date of transfer of assets control by the acquiree to the purchaser
西安德秦物流服務有限公司	April 2020	0.00	100%	Acquisitions that do not constitute a business	April 2020	Date of transfer of assets control by the acquiree to the purchaser
寧波德楚供應鏈管理有限公司 . . .	April 2020	0.00	100%	Acquisitions that do not constitute a business	April 2020	Date of transfer of assets control by the acquiree to the purchaser
寧波德漢供應鏈管理有限公司 . . .	April 2020	0.00	100%	Acquisitions that do not constitute a business	April 2020	Date of transfer of assets control by the acquiree to the purchaser
寧波德基供應鏈管理有限公司 . . .	April 2020	0.00	100%	Acquisitions that do not constitute a business	April 2020	Date of transfer of assets control by the acquiree to the purchaser
上海德順資產管理有限公司	August 2020	53,000.00	100%	Acquisitions that do not constitute a business	August 2020	Date of transfer of assets control by the acquiree to the purchaser
泉州德基供應鏈管理有限公司 . . .	December 2020	49,777,829.65	100%	Acquisitions that do not constitute a business	December 2020	Date of transfer of assets control by the acquiree to the purchaser

② Identifiable net assets of the acquiree at the date of acquisition

Item	青島德金供應鏈管理有限公司	西安德秦物流服務有限公司	寧波德楚供應鏈管理有限公司	寧波德漢供應鏈管理有限公司	寧波德基供應鏈管理有限公司	上海德順資產管理有限公司	泉州德基供應鏈管理有限公司
Net assets . . .	-141.74	-86.07	0.00	-366.74	0.00	53,000.00	49,777,829.65

6. Others

Applicable Not applicable

IX. Equity in Other Entities**1. Equity in subsidiaries****(1). Composition of Group**

Applicable Not applicable

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
常熟德邦物流有限公司	Changshu	Changshu	Integrated logistics	100.00		Method 1
福州星光德邦物流有限公司	Fuzhou	Fuzhou	Integrated logistics	100.00		Method 1
貴陽全程德邦物流有限公司	Guiyang	Guiyang	Integrated logistics	100.00		Method 1
合肥德邦貨運代理有限公司	Hefei	Hefei	Integrated logistics	100.00		Method 1
吉林省德邦貨運代理有限公司	Changchun	Changchun	Integrated logistics	100.00		Method 1
蘭州全程德邦物流有限公司	Lanzhou	Lanzhou	Integrated logistics	100.00		Method 1
南昌德邦物流有限公司	Nanchang	Nanchang	Integrated logistics	100.00		Method 1
上海精准德邦物流有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
上海德啟信息科技有限公司	Shanghai	Shanghai	Software development and sales	100.00		Method 1
香港德邦物流有限公司	Hong Kong	Hong Kong	Integrated logistics	100.00		Method 1
德邦（上海）運輸有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
嘉興德邦物流有限公司	Jiaxing	Jiaxing	Integrated logistics	100.00		Method 1
內蒙古德邦物流有限公司	Hohhot	Hohhot	Integrated logistics	100.00		Method 1
山東德邦物流有限公司	Weifang	Weifang	Integrated logistics	100.00		Method 1
青海德邦物流有限公司	Qinghai	Qinghai	Integrated logistics	100.00		Method 1
寧波德邦基業投資管理有限公司	Ningbo	Ningbo	Investment management, investment consulting	100.00		Method 1
烏魯木齊精准德邦物流有限公司	Urumqi	Urumqi	Integrated logistics	100.00		Method 1
浙江德邦物流有限公司	Zhoushan	Zhoushan	Integrated logistics	100.00		Method 1

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
寧夏志成德邦快遞有限公司	Yinchuan	Yinchuan	Integrated logistics	100.00		Method 1
廣東德邦物流有限公司	Guangzhou	Guangzhou	Integrated logistics	100.00		Method 1
德邦（廣東）運輸有限公司	Guangzhou	Guangzhou	Integrated logistics	100.00		Method 1
精準德邦（上海）運輸有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
寧波誠佑投資管理有限公司	Ningbo	Ningbo	Investment management, investment consulting	100.00		Method 1
德邦（湖北）運輸有限公司	Hubei	Hubei	Transportation	100.00		Method 1
湖北德邦物流有限公司	Hubei	Hubei	Integrated logistics	100.00		Method 1
福建德邦物流有限公司	Fujian	Fujian	Integrated logistics	100.00		Method 1
福建精準運輸有限公司	Fujian	Fujian	Integrated logistics	100.00		Method 1
河北德邦物流有限公司	Hebei	Hebei	Integrated logistics	100.00		Method 1
河北精準運輸有限公司	Hebei	Hebei	Transportation	100.00		Method 1
德邦（海南）運輸有限公司	Hainan	Hainan	Integrated logistics	100.00		Method 1
拉薩市德邦物流有限公司	Tibet	Tibet	Domestic express	100.00		Method 1
德邦（遼寧）運輸有限公司	Liaoning	Liaoning	Integrated logistics	100.00		Method 1
德邦（蕪湖）運輸有限公司	Wuhu	Wuhu	Integrated logistics	100.00		Method 1
北京德啟運輸有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
江西精準物流有限公司	Ganzhou	Ganzhou	Integrated logistics	100.00		Method 1
吉林精準運輸有限公司	Jilin	Jilin	Integrated logistics	100.00		Method 1
長沙市德邦物流有限公司	Changsha	Changsha	Integrated logistics	100.00		Method 2
西安志成德邦物流有限公司	Xi'an	Xi'an	Integrated logistics	100.00		Method 2
汕頭市德邦物流有限公司	Shantou	Shantou	Integrated logistics		100.00	Method 2
青島德邦物流有限公司	Qingdao	Qingdao	Integrated logistics	100.00		Method 2
濟南德邦物流有限公司	Ji'nan	Ji'nan	Integrated logistics	100.00		Method 2
南京德邦物流有限公司	Nanjing	Nanjing	Integrated logistics	100.00		Method 2
無錫德邦物流有限公司	Wuxi	Wuxi	Integrated logistics	100.00		Method 2
廈門全程德邦物流有限公司	Xiamen	Xiamen	Integrated logistics	100.00		Method 2

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
重慶德邦物流有限公司	Chongqing	Chongqing	Integrated logistics	100.00		Method 2
成都全程德邦物流有限公司	Chengdu	Chengdu	Integrated logistics	100.00		Method 2
昆明德邦物流有限公司	Kunming	Kunming	Integrated logistics	100.00		Method 2
東莞市德邦貨運有限公司	Dongguan	Dongguan	Integrated logistics		100.00	Method 2
杭州德邦貨運代理有限公司	Hangzhou	Hangzhou	Integrated logistics	100.00		Method 2
寧波志成德邦物流有限公司	Ningbo	Ningbo	Integrated logistics	100.00		Method 2
溫州德邦物流有限公司	Wenzhou	Wenzhou	Integrated logistics	100.00		Method 2
上海德邦物流有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 2
鄭州德邦物流有限公司	Zhengzhou	Zhengzhou	Integrated logistics	100.00		Method 2
哈爾濱德邦貨物運輸有限公司	Harbin	Harbin	Integrated logistics	100.00		Method 2
天津全程德邦物流有限公司	Tianjin	Tianjin	Integrated logistics	100.00		Method 2
石家莊德邦物流有限公司	Shijiazhuang	Shijiazhuang	Integrated logistics	100.00		Method 2
江門市德邦物流有限公司	Jiangmen	Jiangmen	Integrated logistics		100.00	Method 2
中山市德邦物流有限公司	Zhongshan	Zhongshan	Integrated logistics		100.00	Method 2
廣東精准德邦物流有限公司	Foshan	Foshan	Integrated logistics	100.00		Method 2
惠州市德邦物流有限公司	Huizhou	Huizhou	Integrated logistics		100.00	Method 2
廣西德邦物流有限公司	Nanning	Nanning	Integrated logistics	100.00		Method 2
瀋陽全程德邦物流有限公司	Shenyang	Shenyang	Integrated logistics	100.00		Method 2
武漢市德邦物流有限公司	Wuhan	Wuhan	Integrated logistics	100.00		Method 2
江蘇德邦物流有限公司	Suzhou	Suzhou	Integrated logistics	100.00		Method 2
珠海市德邦物流有限公司	Zhuhai	Zhuhai	Integrated logistics		100.00	Method 2
廣州市德邦物流服務有限公司	Guangzhou	Guangzhou	Integrated logistics	100.00		Method 2
海口全程德邦物流有限公司	Haikou	Haikou	Integrated logistics	100.00		Method 2
深圳市德邦物流有限公司	Shenzhen	Shenzhen	Integrated logistics	100.00		Method 2
北京德邦貨運代理有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 2
大連星光德邦物流有限公司	Dalian	Dalian	Integrated logistics	100.00		Method 2

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
太原德邦物流有限公司	Taiyuan	Taiyuan	Integrated logistics	100.00		Method 2
河南德邦運輸有限公司	Henan	Henan	Integrated logistics	100.00		Method 1
德歡（上海）運輸有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
上海燕汐軟件信息科技有限公司 ...	Shanghai	Shanghai	Software and IT services	100.00		Method 1
深圳市德邦電子商務有限公司	Shenzhen	Shenzhen	Wholesale and retail	100.00		Method 1
北京智邦運輸有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
北京德益運輸有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
北京德創運輸有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
北京衛邦運輸有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
北京宣德運輸有限公司	Beijing	Beijing	Integrated logistics	100.00		Method 1
寧波德昱企業管理有限公司	Ningbo	Ningbo	Management consulting	100.00		Method 1
寧波德念企業管理合夥企業（有限合夥）	Ningbo	Ningbo	Management consulting		100.00	Method 1
北京德邦啟航貨運代理有限公司 ...	Beijing	Beijing	Integrated logistics	100.00		Method 1
精准德邦（上海）物流管理有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
寧波宣德德邦供應鏈管理有限公司 ..	Ningbo	Ningbo	Integrated logistics	95.00		Method 1
齊河縣德邦運輸有限公司	Qihe	Qihe	Integrated logistics	100.00		Method 1
寧波德軒企業管理有限公司	Ningbo	Ningbo	Management consulting	100.00		Method 1
南通德邦供應鏈管理有限公司	Nantong	Nantong	Integrated logistics	100.00		Method 1
德易商業保理（深圳）有限公司 ...	Shenzhen	Shenzhen	Factoring business	100.00		Method 2
合肥德燁供應鏈管理有限公司	Hefei	Hefei	Integrated logistics		100.00	Method 1
漯河德邦運輸有限公司	Luohe	Luohe	Integrated logistics	100.00		Method 1
淮安德宣供應鏈管理有限公司	Huaian	Huaian	Integrated logistics		100.00	Method 1
寧波德楚電子商務有限公司	Ningbo	Ningbo	Internet sales	100.00		Method 1
德創包裝科技（寧波）有限公司 ...	Ningbo	Ningbo	Packaging service	100.00		Method 1
揭陽市星光德邦物流有限公司	Jieyang	Jieyang	Integrated logistics		100.00	Method 1
深圳市德邦道路運輸有限公司	Shenzhen	Shenzhen	Integrated logistics	100.00		Method 1

APPENDIX II
FINANCIAL INFORMATION OF THE DEPPON

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
廣東省德邦供應鏈有限公司	Guangzhou	Guangzhou	Integrated logistics	100.00		Method 1
廣州德仁產業園開發管理有限公司 . .	Guangzhou	Guangzhou	Logistics agency services, warehousing consulting services	100.00		Method 1
上海精准德邦貨運代理有限公司 . . .	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
上海德唐供應鏈有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
上海德夏供應鏈有限公司	Shanghai	Shanghai	Integrated logistics		100.00	Method 1
上海德蜀供應鏈有限公司	Shanghai	Shanghai	Integrated logistics		100.00	Method 1
上海德魏供應鏈有限公司	Shanghai	Shanghai	Integrated logistics		100.00	Method 1
上海德青物流有限公司	Shanghai	Shanghai	Integrated logistics	100.00		Method 1
上海德晉供應鏈有限公司	Shanghai	Shanghai	Integrated logistics		100.00	Method 1
上海德周供應鏈有限公司	Shanghai	Shanghai	Integrated logistics		100.00	Method 1
廈門德鹹供應鏈有限公司	Xiamen	Xiamen	Integrated logistics		100.00	Method 1
青島德邦貨運代理有限公司	Qingdao	Qingdao	Integrated logistics	100.00		Method 1
上海德順資產管理有限公司	Shanghai	Shanghai	Asset management, investment management		100.00	Method 3
青島德金供應鏈管理有限公司	Qingdao	Qingdao	Integrated logistics	100.00		Method 3
寧波德漢供應鏈管理有限公司	Ningbo	Ningbo	Integrated logistics		100.00	Method 3
寧波德楚供應鏈管理有限公司	Ningbo	Ningbo	Integrated logistics		100.00	Method 3
寧波德基供應鏈管理有限公司	Ningbo	Ningbo	Integrated logistics		100.00	Method 3
泉州德基供應鏈管理有限公司	Quanzhou	Quanzhou	Integrated logistics		100.00	Method 3
西安德秦物流服務有限公司	Xi'an	Xi'an	Integrated logistics		100.00	Method 3

Note: Method 1 represents establishment; method 2 represents business combination under common control; and method 3 represents non-business acquisition.

(2). Key non-wholly owned subsidiaries

Applicable Not applicable

(3). Main financial information of key non-wholly owned subsidiaries

Applicable Not applicable

(4). Major restrictions on the use of assets and settlement of debts of the corporate group

Applicable Not applicable

(5). Financial support or other support provided for structured entity included in the scope of the consolidated financial statements

Applicable Not applicable

Other notes:

Applicable Not applicable

2. Transaction in which the share of owner's equity in the subsidiary changes while control over the subsidiary remains unchanged

Applicable Not applicable

(1). Explanations on changes in the share of owner's equity in the subsidiary

Applicable Not applicable

寧波宣德德邦供應鏈管理有限公司, a subsidiary of the Company, has diluted the Company's equity due to the capital increase of minority shareholders. The Company shall calculate its share in the book net assets of 寧波宣德德邦供應鏈管理有限公司 before the capital increase in proportion to its shareholding before the capital increase. The difference between this share and the Company's share of carrying amount of net assets after the capital increase was adjusted to capital reserves (share capital premium) of RMB8,173,926.75.

(2). Impact of the transaction on the non-controlling interests and the owner's equity attributable to the parent company

Applicable Not applicable

Unit: Yuan Currency: RMB

寧波宣德德邦供應鏈管理有限公司

Purchase cost/disposal consideration	
— Cash	6,050,000.00
— Fair value of non-cash assets	
Total purchase costs/disposal consideration	6,050,000.00
Less: subsidiary's net assets proportion calculated as per obtained/disposed equity ratio	-2,123,926.75
Difference	8,173,926.75
Including: adjustment of capital reserves	8,173,926.75

Other notes

Applicable Not applicable

3. Interests in joint ventures or associates

Applicable Not applicable

(1). Important joint ventures or associates

Applicable Not applicable

(2). Key financial information on significant joint ventures

Applicable Not applicable

(3). Key financial information on significant associates

Applicable Not applicable

(4). Combined financial information of insignificant joint ventures and associates

Applicable Not applicable

	Closing balance/Amount for the current period	Unit: Yuan Currency: RMB Opening balance/Amount for the previous period
Associates:		
Total book value of investments	182,280,524.32	148,549,015.54
Aggregate amount for the following items as calculated based on the percentage of shares		
— Net profit	2,031,508.78	6,553,738.49
— Other comprehensive income		
— Total comprehensive income	2,031,508.78	6,553,738.49

Other notes

As of December 31, 2020, the subsidiary 寧波德邦基業投資管理有限公司 held 12.4% shares of 上海能運物流有限公司, 20% shares of 明通重型物流集團股份有限公司, 20% shares of 成都縱連展會物流有限公司, 20% shares of 山東中一樂邦物流有限公司, 13.62% shares of 上海木蟻機器人科技有限公司, and 18.81% shares of 廣州物通天下物流科技有限公司.

(5). Explanation of significant restrictions on the ability of joint ventures or associates to transfer funds to the Company

Applicable Not applicable

(6). Excess loss generated from joint ventures or associates

Applicable Not applicable

(7). Unrecognised commitment related to investments in joint ventures

Applicable Not applicable

(8). Contingent liabilities related to investments in joint ventures or associates

Applicable Not applicable

4. Significant joint operation

Applicable Not applicable

5. Interests in structured entities not included in the scope of consolidated financial statements

Descriptions of structured entities not included in the scope of consolidated financial statements:

Applicable Not applicable

6. Others

Applicable Not applicable

X. Risks Associated with Financial Instruments

Applicable Not applicable

The risks associated with the Company's financial instruments arise from the various types of financial assets and liabilities recognized in the course of the Company's operations, including: credit risk, liquidity risk and market risk.

The Company's management objectives and policies for each type of risk associated with financial instruments is the responsibility of the Company's management. The management is responsible for daily risk management through functional departments (e.g., the Company's Credit Management Department reviews credit transactions on a case-by-case basis). The Company's internal audit department monitors the implementation of the Company's policies and procedures for risk management on a daily basis and reports relevant findings to the Company's Audit Committee in a timely manner.

The overall objective of the Company's risk management is to establish risk management policies that minimize the risks associated with various types of financial instruments without unduly affecting the Company's competitiveness and resilience.

1. Credit risk

Credit risk is the risk that one party to a financial instrument fails to meet its obligations and thereby cause the other party to incur financial losses. The Company's credit risk arises mainly from monetary funds, notes receivable, accounts receivable, factoring receivables and other receivables. The credit risk of these financial assets arises from counter-party defaults, and the maximum exposure is equal to the carrying amount of these instruments.

The Company's monetary funds are mainly deposited in commercial banks and other financial institutions, which the Company considers to have high creditworthiness and asset position, with a low credit risk.

For notes receivable, accounts receivable, factoring receivables and other receivables, the Company evaluates the creditworthiness of the debtors based on the debtors' financial status, external ratings, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions, and sets the appropriate amount and credit period for the debtors. The Company will regularly monitor the credit history of debtors. For debtors with poor credit history, the Company will use written reminders, shorten the credit period or cancel the credit period to ensure that the Company's overall credit risk is within manageable limits.

(1) Criteria for judging significant increase in credit risk

The Company assesses at each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Company considers reasonable and substantiated information available without undue additional cost or effort, including qualitative and quantitative analysis based on the Company's historical data, external credit risk ratings and forward-looking information. The Company uses a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics to determine the change in the risk of default over the expected life of the financial instrument by comparing the risk of default of the financial instrument at the balance sheet date with the risk of default at the initial recognition date.

The Company considers that a significant increase in the credit risk of a financial instrument occurs when one or more of the following quantitative and qualitative criteria are triggered: The quantitative criteria are mainly the increase in the probability of default for the remaining duration of the reporting date by more than a certain percentage compared with the initial recognition; the qualitative criteria are significant adverse changes in the operating or financial conditions of the major debtors, the list of early warning customers, etc.

(2) Definition of credit-impaired assets

For the purpose of determining whether credit impairment occurs, the definition criteria used by the Company are consistent with internal credit risk management objectives for the relevant financial instruments, while considering quantitative and qualitative indicators.

In assessing whether a debtor is credit-impaired, the Company considers the following factors: significant financial difficulties of the issuer or debtor; breach of contract by the debtor, such as default or delinquency in interest or principal payments; creditors granting concessions to the debtor that would not otherwise be made because of economic or contractual considerations related to the debtor's financial difficulties; probable bankruptcy or other financial reorganization of the debtor; disappearance of an active market for the financial asset as a result of the issuer's or debtor's financial difficulties; purchase or origination of a financial asset at a significant discount that reflects the credit loss.

Credit impairment of financial assets may be the result of a combination of events and may not necessarily be the result of separately identifiable events.

(3) Parameters of expected credit loss measurement

Depending on whether there is a significant increase in credit risk and whether credit impairment occurs, the Company measures the provision for impairment for different assets using the expected credit losses over 12 months or the entire life of the asset, respectively. The key parameters of expected credit loss measurement include default probability, loss given default rate and exposure to default risk. The Company establishes default probability, loss given default rate and default risk exposure models by considering quantitative analysis of historical statistical data (such as counterparty ratings, types of guarantees and pledges, repayment methods, etc.) and forward-looking information.

The relevant definitions are as follows:

The default probability is the likelihood that the debtor will not be able to meet its payment obligations in the next 12 months or throughout its remaining life.

The loss given default rate is the Company's expectation of the extent to which losses will occur as a result of default risk exposure. The loss given default rate varies depending on the type of counterparty, the manner and priority of recourse, and the collateral. The loss given default rate is the percentage of loss of exposure at the time of default and is calculated for the next 12 months or the entire duration;

The exposure to default risk is the amount that would be reimbursed to the Company in the event of a default in the next 12 months or throughout the remaining life. Both the assessment of significant increases in credit risk of forward-looking information and the calculation of expected credit losses involve forward-looking information. The Company conducts historical data analysis to identify key economic indicators that affect credit risk and expected credit losses for each business type.

The highest credit risk exposed to the Company is limited to the carrying amount of each financial asset illustrated in the balance sheet. The Company has not provided any other guarantees that may expose the Company to credit risk.

Of the Company's accounts receivable, accounts receivable from the top five customers accounted for 11.63% of the Company's total accounts receivable (2019: 7.36%); among the Company's other receivables, the other receivables from the top five companies in the amount owed accounted for 10.61% (2019: 8.41%) of the Company's total other receivables.

2. Liquidity risk

Liquidity risk refers to the risk of fund shortage when the Company satisfies the obligation of settlement by delivering cash or other financial assets.

In managing the liquidity risk, the Company maintains and monitors an adequate level of cash and cash equivalents as deemed by the management, to finance its operations and mitigate the effect of fluctuations in cash flows. The management of the Company monitors the use of bank loans and ensures that bank loans are used in accordance with loan agreements. At the same time, the Company obtains commitments from major financial institutions to secure sufficient reserve funds, to satisfy short and long-term capital needs.

The Company finances its working capital from funds generated from operations and from banks and other borrowings. As of December 31, 2020, the Company has unused bank borrowings of RMB5,589 million and foreign exchange unused bank borrowings of USD25 million, of which RMB5,439 million was available for borrowing in RMB, USD25 million for borrowing in RMB and USD, and RMB150 million for borrowing in other currencies such as RMB, USD and HKD. As of December 31, 2020, the borrowing amount of RMB781 million was used, with the remaining amount unused. (As of December 31, 2019: RMB6,570 million, unused bank borrowing amount for foreign exchange of EUR24.50 million, foreign exchange of USD25 million, of which RMB6,270 million was available for borrowing in RMB, USD25 million for borrowing in RMB and USD, EUR24.50 million for borrowing in EUR, and RMB300 million for borrowing in other currencies such as RMB, USD and HKD. As of December 31, 2019, the borrowing amount of RMB1,104.5685 million was used, and the borrowing amount of HK\$35 million was used, with the remaining amount unused.)

3. Market risks

Market risk of financial instruments is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, including the interest rate risk and exchange rate risk.

(1) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the market interest rate. Interest rate risk arises from recognized interest-bearing financial instruments and unrecognized financial instruments (e.g. loan commitments).

The Company's interest rate risk arises mainly from long-term bank loans, bonds payable, and other long-term interest-bearing debts. Financial liabilities with floating interest rate expose the Company to

the interest rate risk of cash flow, and financial liabilities with fixed interest rate expose the Company to the interest rate risk of fair value. The Company determines the relative proportion of contracts carrying fixed and floating rates according to prevailing market conditions. At the same time, the Company monitors and maintains combined financial instruments of fixed rates and floating rates on a regular basis.

All of the Company's interest-bearing debts are fixed-rate debts. Therefore, the Company's exposure to market risk from changes in interest rates is not material.

(2) Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the exchange rate. The Company's exchange rate risk mainly comes from financial instruments denominated in foreign currencies other than the functional currency.

The Company's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. As a result, the Company's exposure to market risk from foreign exchange movements is small.

For the presentation of the Company's financial assets and liabilities denominated in foreign currencies as at the end of the period, please refer to the description of other foreign currency monetary items in this note.

XI. Disclosure of Fair Value

1. Closing fair value of assets and liabilities measured at fair value

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Fair value at the end of the period			Total
	First-level fair value measurement	Second-level fair value measurement	Third-level fair value measurement	
I. Continuous fair value measurement				
(I) Trading financial assets		150,000,000.00		150,000,000.00
1. Financial assets at fair value through profit or loss		150,000,000.00		150,000,000.00
(II) Other debt investments				
(III) Other equity instruments	44,670,000.00		346,675,564.18	391,345,564.18
(IV) Other non-current financial assets			102,614,141.36	102,614,141.36
Total assets measured at fair value on an ongoing basis	44,670,000.00	150,000,000.00	449,289,705.54	643,959,705.54

2. Determination basis of the market price of the item measured using the first level of fair value measurement continuously and non-continuously

Applicable Not applicable

3. Valuation techniques and qualitative and quantitative information on important parameters adopted for the second level of continuous and non-continuous fair value measurement

Applicable Not applicable

For financial products, the Company determines the fair value at the net market value, if any.

For financial instruments traded in active markets, the Company determines their fair values using their quoted prices in active markets.

4. Valuation techniques and qualitative and quantitative information on important parameters adopted for the third level of continuous and non-continuous fair value measurement

Applicable Not applicable

For financial products, if the net market value is not available, the Company determines the fair value by discounting the cash flows at the expected rate of return.

For financial instruments that are not traded in an active market (equity investments held by the Company), the Company's equity in the investee is not practicable to be valued by the income method or market method because the Company's equity in the investee is low and has no significant influence, and there is no recent introduction of external investors or transfer of equity between shareholders that can be used as a reference basis to determine the fair value. In addition, the Company analyzed the relevant information available and did not find that the internal and external environment of the investee had changed significantly since the beginning of the year, therefore, it was a "limited situation" in which the best estimate of fair value could be made at book cost, and therefore, the fair value at year-end was made at cost.

5. Ongoing level-3 fair value measurement items, reconciliation information between opening and closing book values and unobservable parameter sensitivity analysis

Applicable Not applicable

6. For the continuous fair value measurement items, if there is a conversion between all levels in the current period, the reason for the conversion and the policy for determining the time point of the conversion

Applicable Not applicable

7. Changes in the valuation technology and the cause of the changes in the current period

Applicable Not applicable

8. Fair value of financial assets and financial liabilities that are not measured at fair value

Applicable Not applicable

9. Others

Applicable Not applicable

XII. Related Parties and Related Party Transactions**1. Information about the parent company of the Company**

Applicable Not applicable

Unit: ten thousand yuan Currency: RMB

Name of the parent company	Place of registration	Nature of business	Registered capital	Percentage of shares held by the parent company in the Company (%)	Percentage of voting rights of the parent company in the Company (%)
寧波梅山保稅港區德邦投資控股股份有限公司	Ningbo	Industrial investment, investment management, investment consulting	9,500.00	71.99	71.99

Description of the parent company of the Company

As of December 31, 2020, 寧波梅山保稅港區德邦投資控股股份有限公司 had 162 shareholders, of which Cui Weixing was the largest shareholder with 43.15% shareholding and indirectly held 31.06% of the Company's shares through the parent company, while Cui Weixing directly held 4.48% of the Company's shares, totaling 35.54% of the Company's shares and was the ultimate beneficial owner of the Company.

The ultimate controller of the Company is Cui Weixing

Other notes:

During the reporting period, there was no change in the registered capital of the parent company.

2. Information about Subsidiaries of the Company

For more information about the subsidiaries of the Company, please refer to Note IX "Equity in Other Entities".

Applicable Not applicable

3. Joint Ventures and Associates of the Company

For more information about the significant joint ventures or associates of the Company, please refer to Note IX "Equity in Other Entities".

Applicable Not applicable

Details of joint ventures or associates with related party transactions for the period and balances resulted from related party transactions in the previous period are as follows:

Applicable Not applicable

Name of joint venture or associate**Relationship with the Company**

成都縱連展會物流有限公司	Associate of the Group
上海木蟻機器人科技有限公司	Associate of the Group
明通重型物流集團股份有限公司	Associate of the Group
山東中一樂邦物流有限公司	Associate of the Group
上海能運物流有限公司	Associate of the Group

Other notes

Applicable Not applicable

4. Other Related Parties

Applicable Not applicable

Name of other related parties	Relationship between other related parties and the Company
Directors, Supervisors, General Manager and Deputy General Manager, Secretary of the Board of Directors	Key management personnel
天津德基物流管理有限公司	Company controlled by the Company's parent
寧波德衛置業管理有限公司	Company controlled by the Company's parent
寧波德周置業管理有限公司	Company controlled by the Company's parent

5. Related Party Transactions

(1). Related party transactions on purchase and sales of goods and rendering and receiving of services

Statement of purchase of goods/acceptance of services

Applicable Not applicable

Related party	Particulars of related party transaction	Amount for the current period	Amount for the previous period
成都縱連展會物流有限公司	Service fees	1,113,576.81	1,901,353.31
上海能運物流有限公司	External capacity procurement	1,164,196.00	
明通重型物流集團股份有限公司	Receipt of labor services	3,274,658.45	
明通重型物流集團股份有限公司	Purchase of goods	149,572.00	
上海木蟻機器人科技有限公司	Purchase of goods	2,524,200.00	

Statement of sales of goods/rendering of services

Applicable Not applicable

Unit: Yuan Currency: RMB

Related party	Particulars of related party transaction	Amount for the current period	Amount for the previous period
成都縱連展會物流有限公司	Provision of transportation	31,567.80	174,439.65
上海木蟻機器人科技有限公司	Provision of transportation	35,307.00	
明通重型物流集團股份有限公司	Warehousing and distribution services	687,403.61	
Key management personnel and their relatives	Provision of transportation	4,078.00	3,463.00
Other companies in which independent directors serve	Provision of transportation	160,340.00	

Description of related party transactions on purchase and sales of goods and rendering and receiving of services

Applicable Not applicable

(2). Associated trusteeship/contracting and entrusted management/outsourcing

Statement of the trusteeship/contracting of the Company:

 Applicable Not applicable

Trusteeship/contracting

 Applicable Not applicable

Statement of the entrusted management/outsourcing of the Company

 Applicable Not applicable

Related party management/outsourcing

 Applicable Not applicable**(3). Leasing between related parties**

The Company as the lessor:

 Applicable Not applicable

The Company as the lessee:

 Applicable Not applicable

Unit: Yuan Currency: RMB

Lessor's name	Types of leased assets	Lease expenses recognized for the period	Lease expenses recognized in the previous period
山東中一樂邦物流有限公司	Housing	90,000.00	
上海木蟻機器人科技有限公司	Equipment	882,000.00	

Explanations on leasing between related parties

 Applicable Not applicable**(4). Related party guarantees**

The Company as the guarantor

 Applicable Not applicable

The Company as the guaranteed party

 Applicable Not applicable

Explanation of related party guarantees

 Applicable Not applicable

(5). Borrowings with related parties

Applicable Not applicable

Unit: Yuan Currency: RMB

Related party	Cumulative amount of borrowing	Cumulative amount of return	Notes
Borrowing			
寧波梅山保稅港區德邦投資控股股份有限公司	239,716.00	239,716.00	The interest rate at which Deppon Holdco obtains funds from external sources shall be used as the lending rate
天津德基物流管理有限公司	12,000.00	12,000.00	The interest rate at which Deppon Holdco obtains funds from external sources shall be used as the lending rate
寧波德衛置業管理有限公司	7,375,300.00	7,375,300.00	The interest rate at which Deppon Holdco obtains funds from external sources shall be used as the lending rate

Note: In April and May 2020, the Company completed the acquisition of 100% equity interest in five companies, including 寧波德楚供應鏈管理有限公司. Since there were outstanding amounts between the five companies subject to the transaction and the former shareholders prior to the equity acquisition transaction, the funds lending between the acquired subsidiaries and their former shareholders began to be treated as related party funds lending from the date of acquisition, with the lending period lasting from the date of acquisition to the date of return of the funds. As of the end of the reporting period, the amount lent to the former shareholders has been fully returned.

(6). Asset transfer and debt restructuring of related parties

Applicable Not applicable

(7). Key management's remuneration

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Key management's remuneration	10,471,570.50	7,754,955.11

(8). Other related party transactions

Applicable Not applicable

Purchase of equity

Counterparty	Transaction subject	Transaction consideration
天津德基物流管理有限公司	寧波德楚供應鏈管理有限公司	0.00
天津德基物流管理有限公司	寧波德漢供應鏈管理有限公司	0.00
天津德基物流管理有限公司	西安德秦物流服務有限公司	0.00
天津德基物流管理有限公司	寧波德基供應鏈管理有限公司	0.00
寧波德衛置業管理有限公司	青島德金供應鏈管理有限公司	0.00
寧波德周置業管理有限公司	泉州德基供應鏈管理有限公司	49,777,829.65

Note: During the reporting period, the Company completed the acquisition of 100% equity interest in 寧波德楚供應鏈管理有限公司、寧波德漢供應鏈管理有限公司、西安德秦物流服務有限公司、寧波德基供應鏈管理有限公司、青島德金供應鏈管理有限公司 and 泉州德基供應鏈管理有限公司. The counterparties of the equity acquisition were 天津德基物流管理有限公司 and its subsidiaries 寧波德衛置業管理有限公司 and 寧波德周置業管理有限公司 which are both related parties controlled by the ultimate parent company, Deppon Holdco. 泉州德基供應鏈管理有限公司 determines the transaction price based on the net assets as of October 31, 2020.

6. Amounts due to and due from related parties

(1). Accounts receivable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable ..	上海木蟻機器人科技有限公司	3,876.00			
Accounts receivable ..	成都縱連展會物流有限公司	1,843.00			
Other receivables	成都縱連展會物流有限公司	321,500.00		218,500.00	
Other receivables	上海木蟻機器人科技有限公司	475,000.00			

(2). Accounts payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Related party	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Accounts payable	明通重型物流集團股份有限公司	1,316,788.50	
Accounts payable	成都縱連展會物流有限公司	226,776.49	159,698.80
Accounts payable	山東中一樂邦物流有限公司	90,000.00	

7. Related party commitments

Applicable Not applicable

8. Others

Applicable Not applicable

XIII. Share-based Payment**1. General information about share-based payment**

Applicable Not applicable

Unit: Share Currency: RMB

Total equity instruments granted in the current period by the Company	7,133,300.00
Total equity instruments exercised in the current period by the Company	
Total equity instruments of the Company expired in the current period	
Range of exercise price of share option of the Company outstanding and remaining term of contract as at the end of the period	
Range of exercise price of other equity instruments of the Company outstanding and remaining term of contract as at the end of the period	

Other notes

On June 8, 2020, the 2019 annual general meeting of the Company considered and approved the Proposal on the Second Phase Employee Stock Ownership Plan (Draft) of Deppon Logistics Co. Ltd. and its Summary (《關於<德邦物流股份有限公司第二期員工持股計劃(草案)>及其摘要的議案》), the Proposal on Administrative Measures for the Second Phase Employee Stock Ownership Plan of Deppon Logistics Co. Ltd.(《關於<德邦物流股份有限公司第二期員工持股計劃管理辦法>的議案》), and the Proposal to Request the Shareholders' Meeting to Authorize the Board of Directors to Handle Matters Relating to the Second Employee Stock Ownership Plan of Deppon Logistics Co., Ltd. (《關於提請股東大會授權董事會辦理德邦物流股份有限公司第二期員工持股計劃有關事項的議案》). On June 8, 2020, the grant date of the Share Incentive Plan, a total of 7,133,300 shares were granted to directors (excluding independent directors), senior management and core management personnel, totaling 31 persons, of the Company and its subsidiaries of the Company. The price at which the Company's repurchased shares were transferred to the Plan was RMB0 per share. The lock-up period of the Subject Shares granted under the Plan is 60 months from the announcement of the last transfer of the Subject Shares to the name of the Plan. The corresponding equity shares will be unlocked upon the expiration of the lock-up period and the passing of the vesting assessment period, and all the Subject Shares vested to the holders is available for sale.

2. Equity-settled share-based payment

Applicable Not applicable

Unit: Yuan Currency: RMB

Determination method for the fair value of an equity instrument on the grant date	Fair value per share for the introduction of external institutional investors in the same period
Basis for determining the number of excisable equity instruments	At each balance sheet date during the waiting period, the number of equity instruments expected to be unlocked is revised by making the best estimate based on subsequent information such as the latest available changes in the number of unlockable employees, the Company's performance conditions and the individual performance evaluation ratings of the incentive recipients. At the unlockable date, the final expected number of unlockable equity instruments is the same as the actual number of unlockable instruments.
Reasons for the significant difference of estimates between the current period and the previous period	None
Cumulative amount of equity-settled share-based payments recognized into capital reserves	11,629,579.51
Total recognized fees of equity-settled share-based payments in the current period	<u>11,629,579.51</u>

Other notes

None

3. Cash-settled share-based payment

Applicable Not applicable

4. Amendment and termination of share-based payment

Applicable Not applicable

5. Others

Applicable Not applicable

XIV. Commitment and Contingencies**1. Significant commitments**

Applicable Not applicable

Significant external commitments existing at the balance sheet date, nature and amount

(1) Operating lease commitments

As of December 31, 2020, the Company had the following non-cancelable operating lease agreements with external parties:

Minimum lease payments for non-cancelable operating leases	December 31, 2020	December 31, 2019
First year after the balance sheet date	1,133,223,896.16	1,056,836,095.28
Second year after the balance sheet date	803,924,234.21	575,017,345.56
Third year after the balance sheet date	414,482,482.25	266,021,162.79
Subsequent years	<u>290,214,039.07</u>	<u>230,051,591.72</u>
Total	<u><u>2,641,844,651.69</u></u>	<u><u>2,127,926,195.35</u></u>

As of December 31, 2020, the Company had no other disclosable commitments.

2. Contingencies**(1). Significant contingencies as at the balance sheet date**

Applicable Not applicable

As of December 31, 2020, bank loans between the Company and its subsidiaries were guaranteed:

Guarantor	Guaranteed company	Type of guarantee	Amount (RMB0'000)	Duration	Implemented or not
上海德邦	The Company	Guarantee	10,000.00	May 29, 2020 – May 20, 2021	No
上海德邦	The Company	Guarantee	5,000.00	May 29, 2020 – May 20, 2021	No
上海德邦	The Company	Guarantee	5,000.00	May 29, 2020 – May 20, 2021	No
德邦運輸	The Company	Guarantee	20,000.00	August 24, 2020 – August 6, 2021	No
德邦運輸	The Company	Guarantee	20,000.00	September 16, 2020 – August 18, 2021	No
德邦運輸	The Company	Guarantee	5,000.00	September 29, 2020 – September 29, 2021	No

Note: Deppon Logistics Co., Ltd. is referred to as the “Company”, 上海德邦物流有限公司 as “上海德邦”, and “德邦（上海）運輸有限公司 as “德邦運輸”.

As of December 31, 2020, the Company had no other contingencies that should be disclosed.

(2). Where the Company has no significant contingencies to disclose, description is also required:

Applicable Not applicable

3. Others

Applicable Not applicable

XV. Events Subsequent to the Balance Sheet Date**1. Significant non-adjusting events**

Applicable Not applicable

2. Profit distribution

Applicable Not applicable

Unit: Yuan Currency: RMB

Profits or dividends to be distributed 154,043,289.75
Profits or dividends announced to be distributed upon consideration and approval 154,043,289.75

3. Sales Return

Applicable Not applicable

4. Other events subsequent to the balance sheet date

Applicable Not applicable

Non-public issuance of A-shares

The non-public offering of A shares of not more than 66,957,470 shares was approved by the document — Approval of the Non-public Offering of Shares by Deppon Logistics Co., Ltd. (《關於核准德邦物流股份有限公司非公開發行股票的批復》) (Zheng Jian Xu Ke [2021] No. 612). The Company issued 66,957,470 A shares at a price of RMB9.17 per share to a total of one specific investor, Yunda Holding Co., Ltd.. The Company increased its registered capital by RMB66,957,470.00, and the registered capital after change was RMB1,026,957,470.00.

XVI. Other Significant Matters**1. Correction of previous accounting errors****(1). Retrospective restatement method**

Applicable Not applicable

(2). Prospective application method

Applicable Not applicable

2. Debt restructuring

Applicable Not applicable

3. Asset exchange**(1). Exchange of non-monetary assets**

Applicable Not applicable

(2). Exchange of other assets

Applicable Not applicable

4. Annuity plan

Applicable Not applicable

5. Discontinuation of operation

Applicable Not applicable

6. Segment information**(1). Determination basis and accounting policy of reporting segments**

Applicable Not applicable

(2). Financial information about reporting segments

Applicable Not applicable

(3). If the Company has no reporting segment or the total assets and total liabilities of the reporting segments cannot be disclosed, please explain the reason

Applicable Not applicable

(4). Other notes

Applicable Not applicable

7. Other significant transactions and matters that have an impact on investors' decision-making

Applicable Not applicable

8. Others

Applicable Not applicable

XVII. Notes to Major Items of Financial Statements of the Parent Company**1. Accounts receivable****(1). Disclosure by aging**

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Book balance at the end of the reporting period
Within one year	
Including: sub-item within one year	
0-3 months	37,875,113.00
4-6 months	146.46
7-12 months	1,700.00
Subtotal within 1 year	37,876,959.46
1 to 2 years	6,905.50
Over 2 years	268.25
Total	37,884,133.21

(2). Classified disclosure by provision for bad debt method

 Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Book balance		Proportion (%)		Closing balance		Provision for bad debts		Proportion (%)		Book value		Opening balance		Provision for bad debts		Proportion (%)		Book value		
	Amount		Amount		Amount		Proportion (%)	Amount		Proportion (%)	Amount		Proportion (%)	Amount		Proportion (%)	Amount		Proportion (%)	Amount	
Provision for bad debt by individual portfolio	37,884,133.21		37,884,133.21	100.00	382,819.45		1.01	37,501,313.76		100.00	284,131.39		1.02	27,615,722.62		1.02	27,615,722.62		1.02	27,615,722.62	
Including:																					
Portfolio 2 due from other customers	37,884,133.21		37,884,133.21	100.00	382,819.45		1.01	37,501,313.76		100.00	284,131.39		1.02	27,615,722.62		1.02	27,615,722.62		1.02	27,615,722.62	
Total	37,884,133.21		37,884,133.21	100.00	382,819.45		1.01	37,501,313.76		100.00	284,131.39		1.02	27,615,722.62		1.02	27,615,722.62		1.02	27,615,722.62	

Provision for bad debts by individual:

Applicable Not applicable

Provision for bad debts by portfolio:

Applicable Not applicable

Portfolio accruals: portfolio 2 due from other customers

Unit: Yuan Currency: RMB

Name	Accounts receivable	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within one year			
Including:			
0-3 months	37,875,113.00	378,751.13	1.00
4-6 months	146.46	7.32	5.00
7-12 months	1,700.00	340.00	20.00
Subtotal within 1 year	37,876,959.46	379,098.45	1.00
1 to 2 years	6,905.50	3,452.75	50.00
Over 2 years	268.25	268.25	100.00
Total	<u>37,884,133.21</u>	<u>382,819.45</u>	<u>1.01</u>

Recognition criteria and explanation on provision for bad debt by portfolio:

Applicable Not applicable

For accounts receivable classified as a portfolio, the Company prepares a table of aging of accounts receivable against the expected credit loss rate for the entire duration to calculate expected credit losses by referring to historical credit loss experience, taking into account current conditions and forecasts of future economy.

If the provision for bad debts is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

(3). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the period				Closing balance
		Provision	Recovery or reverse	Resales or write-off	Other changes	
Provision for bad debts of						
accounts receivable	284,131.39	100,231.06		1,543.00	382,819.45	
Total	<u>284,131.39</u>	<u>100,231.06</u>		<u>1,543.00</u>	<u>382,819.45</u>	

Among them, the important amount of recovery or reverse of provision for bad debt for the period:

Applicable Not applicable

(4). The actual write-off of accounts receivable for the period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
Actual write-off of accounts receivable	1,543.00

The write-off of the important accounts receivable

Applicable Not applicable

(5). Top five customers with closing balance of accounts receivable collected by arrear party

Applicable Not applicable

The aggregate amount of the top five accounts receivable by party in arrears at the end of the reporting period was RMB10,337,897.07, accounting for 27.29% of the total closing balance of accounts receivable, and the corresponding total closing balance of provision for bad debts was RMB103,378.97.

(6). Accounts receivable derecognized due to the transfer of financial assets

Applicable Not applicable

(7). The amount of assets and liabilities generated by transferring accounts receivable and continuing to be involved

Applicable Not applicable

Other notes:

Applicable Not applicable

2. Other receivables**Presentation of items**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	3,459,888,325.78	2,825,573,704.19
Total	<u>3,459,888,325.78</u>	<u>2,825,573,704.19</u>

Other notes:

Applicable Not applicable

Interest receivable**(1). Classification of interest receivable**

Applicable Not applicable

(2). Major overdue interest

Applicable Not applicable

(3). Provision for bad debt

Applicable Not applicable

Other notes:

Applicable Not applicable

Dividend receivable**(4). Dividend receivable**

Applicable Not applicable

(5). Major dividend receivable aged over one year

Applicable Not applicable

(6). Provision for bad debt

Applicable Not applicable

Other notes:

Applicable Not applicable

Other receivables**(1). Disclosure by aging**

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Book balance at the end of the reporting period
Within one year	
Including: sub-item within one year	
Subtotal within 1 year	3,459,949,846.68
1 to 2 years	120,784.00
2 to 3 years	
Over 3 years	
Total	<u>3,460,070,630.68</u>

(2). Classification by nature of payment

Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of payment	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Deposits and guarantees	3,503,209.15	1,013,926.22
Other receivables received	3,456,567,421.53	2,824,615,087.36
Total	<u>3,460,070,630.68</u>	<u>2,825,629,013.58</u>

(3). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Provision for bad debts	Stage I The next 12-month ECL	Stage II Lifetime ECL (not credit- impaired)	Stage III Lifetime ECL (credit-impaired)	Total
Balance as of January 1, 2020	55,309.39			55,309.39
Balance of January 1, 2020 for the period	-	-	-	-
— Transferred to Stage II	-	-	-	-
— Transferred to Stage III	-	-	-	-
— Recovered to Stage II	-	-	-	-
— Recovered to Stage I	-	-	-	-
Provision for the period	126,995.51			126,995.51
Reverse for the period	-	-	-	-
Resales for the period	-	-	-	-
Write-off for the period	-	-	-	-
Other changes	-	-	-	-
Balance as of December 31, 2020	182,304.90			182,304.90

Explanation on the significant changes in the book balance of other receivables that changed due to provision for impairment in the period:

Applicable Not applicable

The amount of provision for bad debts in the period and the basis for assessing whether the credit risk of financial instruments increased significantly:

Applicable Not applicable

(4). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the period			Closing balance
		Provision	Recovery or reverse	Resales or write-off	
Other receivables	55,309.39	126,995.51			182,304.90
Total	<u>55,309.39</u>	<u>126,995.51</u>			<u>182,304.90</u>

Among them, the important amount of reverse or recovery of provision for bad debt for the period:

Applicable Not applicable

(5). The actual write-off of other receivables for the period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
The actual write-off of other receivables	0.00

Write-off of important other receivables:

Applicable Not applicable

Explanation on write-off of other receivables:

Applicable Not applicable

(6). Top five customers with closing balance of other receivables collected by arrear party

Applicable Not applicable

Unit: Yuan Currency: RMB

Company Name	Nature of amount	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of provision for bad debts
德邦（上海）運輸有限公司	Current accounts	875,537,527.14	Within one year	25.30	
寧波德邦基業投資管理有限公司	Current accounts	564,394,295.39	Within one year	16.31	
上海精淮德邦物流有限公司	Current accounts	377,808,460.38	Within one year	10.92	
寧波宣德德邦供應鏈管理有限公司	Current accounts	217,536,265.63	Within one year	6.29	
重慶德邦物流有限公司	Current accounts	140,043,251.84	Within one year	4.05	
Total	/	<u>2,175,319,800.38</u>	/	<u>62.87</u>	

(7). Accounts receivable related to government grants

Applicable Not applicable

(8). Other receivables derecognized due to the transfer of financial assets

Applicable Not applicable

(9). The amount of assets and liabilities generated by transferring other receivables and continuing to be involved

Applicable Not applicable

Other notes:

Applicable Not applicable

3. Long-term equity investment

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	1,534,664,394.64		1,534,664,394.64	1,392,617,175.65		1,392,617,175.65
Investments in associates and joint ventures						
Total	<u>1,534,664,394.64</u>		<u>1,534,664,394.64</u>	<u>1,392,617,175.65</u>		<u>1,392,617,175.65</u>

(1). Investments in subsidiaries

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment for the period	Closing balance of provision for impairment
北京德邦貨運代理有限公司		20,472.19		20,472.19		
北京德啟運輸有限公司	5,000,000.00			5,000,000.00		
常熟德邦物流有限公司	5,000,000.00			5,000,000.00		
成都全程德邦物流有限公司	19,000,000.00			19,000,000.00		
大連星光德邦物流有限公司	1,456,830.26			1,456,830.26		
德邦(廣東)運輸有限公司	50,000,000.00			50,000,000.00		
德邦(海南)運輸有限公司	3,000,000.00			3,000,000.00		
德邦(湖北)運輸有限公司	1,000,000.00			1,000,000.00		
德邦(遼寧)運輸有限公司	5,000,000.00			5,000,000.00		
德邦(上海)運輸有限公司	30,000,000.00	102,360.95		30,102,360.95		
德邦(蕪湖)運輸有限公司	5,000,000.00			5,000,000.00		
福建德邦物流有限公司	45,000,000.00			45,000,000.00		
福建精准運輸有限公司	10,000,000.00			10,000,000.00		
福州星光德邦物流有限公司	1,000,000.00			1,000,000.00		
廣東德邦物流有限公司	50,000,000.00			50,000,000.00		
廣東精准德邦物流有限公司	12,681,388.36	143,305.33		12,824,693.69		
廣西德邦物流有限公司	17,282,695.09			17,282,695.09		
廣州市德邦物流服務有限公司	27,000,000.00	40,944.38		27,040,944.38		
貴陽全程德邦物流有限公司	11,000,000.00			11,000,000.00		
哈爾濱德邦貨物運輸有限公司						
海口全程德邦物流有限公司	12,702,940.79			12,702,940.79		
杭州德邦貨運代理有限公司	68,000,000.00	143,305.33		68,143,305.33		

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment for the period	Closing balance of provision for impairment
合肥德邦貨運代理有限公司	1,000,000.00			1,000,000.00		
河北德邦物流有限公司	3,000,000.00			3,000,000.00		
河北精准運輸有限公司	3,000,000.00			3,000,000.00		
湖北德邦物流有限公司	1,000,000.00			1,000,000.00		
吉林精准運輸有限公司	5,000,000.00			5,000,000.00		
吉林省德邦貨運代理有限公司	2,000,000.00			2,000,000.00		
濟南德邦物流有限公司	2,921,013.64	50,000,000.00		52,921,013.64		
嘉興德邦物流有限公司	10,000,000.00			10,000,000.00		
江蘇德邦物流有限公司	336,000,000.00			336,000,000.00		
江西精准物流有限公司	3,000,000.00			3,000,000.00		
精准德邦（上海）運輸有限公司	5,000,000.00			5,000,000.00		
昆明德邦物流有限公司	6,362,592.32			6,362,592.32		
拉薩市德邦物流有限公司	5,000,000.00			5,000,000.00		
蘭州全程德邦物流有限公司	5,000,000.00			5,000,000.00		
南昌德邦物流有限公司	10,000,000.00			10,000,000.00		
南京德邦物流有限公司	18,000,000.00			18,000,000.00		
內蒙古德邦物流有限公司	1,000,000.00			1,000,000.00		
寧波誠佑投資管理有限公司	30,000,000.00			30,000,000.00		
寧波德邦基業投資管理有限公司	50,000,000.00			50,000,000.00		
寧波志成德邦物流有限公司	22,399,770.40			22,399,770.40		
寧夏志成德邦快遞有限公司	1,000,000.00			1,000,000.00		
青島德邦物流有限公司	4,700,000.00	50,000,000.00		54,700,000.00		
青海德邦物流有限公司	1,000,000.00			1,000,000.00		
廈門全程德邦物流有限公司	9,308,849.26			9,308,849.26		
山東德邦物流有限公司	3,000,000.00	40,944.38		3,040,944.38		

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment for the period	Closing balance of provision for impairment
上海德邦物流有限公司		859,831.98		859,831.98		
上海德啟信息科技有限公司	15,000,000.00	286,610.65		15,286,610.65		
上海精准德邦物流有限公司	10,000,000.00	143,305.33		10,143,305.33		
深圳市德邦物流有限公司	127,210,721.00	143,305.33		127,354,026.33		
瀋陽全程德邦物流有限公司	2,000,000.00			2,000,000.00		
石家莊德邦物流有限公司	1,500,000.00	122,833.14		1,622,833.14		
太原德邦物流有限公司	664,705.65			664,705.65		
天津全程德邦物流有限公司	148,862,036.57			148,862,036.57		
溫州德邦物流有限公司	75,495.05	40,000,000.00		40,075,495.05		
烏魯木齊精准德邦物流有限公司	1,000,000.00			1,000,000.00		
無錫德邦物流有限公司						
武漢市德邦物流有限公司	25,000,000.00			25,000,000.00		
西安志成德邦物流有限公司	695,465.88			695,465.88		
香港德邦物流有限公司	31,510,877.38			31,510,877.38		
長沙市德邦物流有限公司	9,041,804.53			9,041,804.53		
浙江德邦物流有限公司	10,000,000.00			10,000,000.00		
鄭州德邦物流有限公司	40,000,000.00			40,000,000.00		
重慶德邦物流有限公司	9,000,000.00			9,000,000.00		
河南德邦運輸有限公司	3,698,540.63			3,698,540.63		
德易商業保理(深圳)有限公司	39,541,448.84			39,541,448.84		
德歡(上海)運輸有限公司						
上海燕汐軟件信息科技有限公司						
深圳市德邦電子商務有限公司						
北京智邦運輸有限公司						
北京德益運輸有限公司						

Name of investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment for the period	Closing balance of provision for impairment
北京德創運輸有限公司						
北京衛邦運輸有限公司						
北京宣德運輸有限公司						
寧波德昱企業管理有限公司						
寧波德念企業管理合夥企業（有限合夥）						
北京德邦啟航貨運代理有限公司						
精准德邦（上海）物流管理有限公司						
寧波宣德德邦供應鏈管理有限公司						
齊河縣德邦運輸有限公司						
寧波德軒企業管理有限公司						
南通德邦供應鏈管理有限公司						
Total	<u>1,392,617,175.65</u>	<u>142,047,218.99</u>		<u>1,534,664,394.64</u>		

Note: The subsidiaries, except 寧波宣德德邦供應鏈管理有限公司, are all wholly-owned subsidiaries and are accounted for under the cost method. There was no indication of impairment of investment in subsidiaries at the end of the reporting period and no provision for impairment was required.

(2). Investments in associates and joint ventures

Applicable Not applicable

4. Revenue and cost of revenue

(1). Revenue and cost of revenue

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	183,786,429.46	189,093,010.69	137,581,802.70	125,366,154.59
Other businesses	<u>273,262,699.45</u>		<u>258,013,712.74</u>	
Total	<u>457,049,128.91</u>	<u>189,093,010.69</u>	<u>395,595,515.44</u>	<u>125,366,154.59</u>

Note: Other revenue mainly represents the revenue from consulting expenses charged by the Company to its subsidiaries.

(2). Contract-generated revenue

Applicable Not applicable

(3). Description of performance obligations

Applicable Not applicable

(4). Description of the apportionment to the remaining performance obligation

Applicable Not applicable

5. Investment income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Investment income derived from long-term equity investments using cost method	433,908,052.63	678,106,997.81
Investment income derived from trading financial asset during the holding period	29,056,050.02	42,541,037.48
Dividend income from other equity instrument investments during the holding period	25,656,891.00	12,776,266.65
Total	<u>488,620,993.65</u>	<u>733,424,301.94</u>

6. Others

Applicable Not applicable

XVIII. Supplementary Information**1. Breakdown of non-recurring gain or loss for the current period**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount
Gain or loss from disposal of non-current assets	15,624,674.23
Government subsidies charged to current profit or loss (except for government subsidies that are closely related to the business of the enterprise and are enjoyed in accordance with the national standard in a fixed or quantitative manner)	400,097,499.74
Gains or losses from entrusting others to invest or manage assets	31,937,144.98
Gains or losses from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except for effective hedging operations related to the Company's normal business operations	-10,000,000.00
Non-operating income and expenses other than those mentioned above	22,934,990.20
Amount affected by income tax	-106,968,282.99
Effect of non-controlling interests	-133,423.21
Total	<u>353,492,602.95</u>

The reason should be specified for the Company defining items as non-recurring profit or loss items according to the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 – Non-recurring Profit or Loss (《公開發行證券的公司資訊披露解釋性公告第 1 號——非經常性損益》), and the reason for defining the non-recurring profit or loss items illustrated in the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 – Non-recurring Profit or Loss (《公開發行證券的公司資訊披露解釋性公告第 1 號——非經常性損益》) as recurring profit or loss items.

Applicable Not applicable

2. Return on net assets and earnings per share

Applicable Not applicable

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share Basic earnings per share	Diluted earnings per share
Net profits attributable to ordinary shareholders of the Company	13.05	0.59	
Net profits attributable to ordinary shareholders of the Company after deduction of non-recurring items	4.89	0.22	

3. Accounting data differences under domestic and foreign accounting standards

Applicable Not applicable

4. Others

Applicable Not applicable

Section 10 Financial Report**I. Audit Report**

Applicable Not applicable

Audit Report

Rong Cheng Shen Zi [2022] No. 215Z0127

To all Shareholders of Deppon Logistics Co., Ltd.

I. Audit Opinions

We have audited the financial statements of Deppon Logistics Co., Ltd. (“Deppon”), which comprise the consolidated and parent company balance sheets as of December 31, 2021, the consolidated and parent company income statements, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in owners’ equity for the year 2021, and the related notes to the financial statements.

In our opinion, the accompanying financial statements, prepared in accordance with the provisions of the ASBEs in all material respects, present fairly the consolidated and parent company financial position as of December 31, 2021 and the consolidated and parent company results of operations and cash flows for the year 2021 of Deppon.

II. Basis for Audit Opinions

We carried out the audit work according to the Auditing Standards for CPAs of China. Our responsibilities under these standards are further clarified in the section entitled “Responsibilities of CPAs for Auditing Financial Statements” of the audit report. We are independent from Deppon according to the Code of Professional Conduct for Chinese CPAs and have fulfilled our other responsibilities in terms of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are considered to be most significant to the audit of the financial statements for the period. These matters are addressed in the context of an audit of the financial statements as a whole and the formation of audit opinions, and we do not express an opinion on these matters individually.

(I) Integrated logistics revenue recognition**1. Description of the matter**

Related disclosures are detailed in Note V 38. Revenue Recognition and Note VII 61. Revenue and cost of revenue to the financial statements.

In 2021, Deppon achieved a total consolidated logistics services revenue of RMB31,352,252,800. The consolidated logistics services include general freight, freight forwarding, domestic express, and warehousing services. General freight, freight forwarding and domestic express, which are obligations performed at a point in time. Deppon recognizes revenue at the point in time when the customer obtains control over the related services. Warehousing services are obligations performed at a period of time.

Deppon's integrated logistics services revenue is characterized by a large number of customers that are decentralized, and a large number of transactions with a small amount of an individual transaction. Deppon uses information systems to track the provision of integrated logistics services on a continuous and real-time basis. Revenue recognition relies heavily on the effectiveness of the design and operation of internal controls related to information systems.

We identified integrated logistics services revenue recognition as a key audit matter because of the inherent high risk of revenue recognition due to the characteristics of integrated logistics business and the complex information systems and system control processes.

2. Audit response

The procedures we have implemented in relation to the recognition of service revenue from integrated logistics of Deppon mainly include:

(1) Evaluated whether the revenue recognition policy met the requirements of accounting standards by understanding the model and process of integrated logistics business and the vouchers corresponding to the point in time of revenue recognition;

(2) Interviewed with the finance department, business department, IT department, and the management to understand and test internal controls related to revenue recognition, including the understanding and testing of the information system environment related to the integrated logistics revenue, general controls, and application controls, data interface testing of data interaction between systems, and overall reconciliation of data between the finance system and the business system by internal IT specialists of RSM China (the "Firm");

(3) Perform analytical procedures on integrated logistics services revenues, including comparative analysis with industry data, fluctuation analysis, gross margin analysis, and validation analysis of financial data with operational data;

(4) Executed inspection procedures for integrated logistics services revenue, including sampling of operational and financial data, sampling of waybills by a statistical sampling method, tracing from the issuance of waybills to the signing of waybills, checking the related business trajectory, checking the amount of revenue recognition, and tracing to the collection documents for fund payments;

(5) Selected samples to certify the amount of revenue transactions;

(6) For consolidated logistics services revenues recognized around the balance sheet date, selected samples to check to the waybills and customer sign-off records to test whether the revenues were recorded in the appropriate accounting period.

(II) Measurement of expected credit losses on accounts receivable from integrated logistics services

1. Description of the matter

Related disclosures are detailed in Note V 10. Financial Instruments and Note VII 5. Accounts Receivable.

As of December 31, 2021, the original value of accounts receivable in the consolidated financial statements of Deppon was RMB2,213,853,600, and the provision for bad debts was RMB44,323,900.

The balance of the allowance for bad debts receivable reflected the management's best estimate of expected credit losses as at the balance sheet date. In making these estimates, the management is required to consider prior years' credit default history, collection rates, estimation on the creditworthiness of the

debtor, and forward-looking economic indicators. The above matters involve significant accounting estimates and management's judgment and are material to the financial statements, therefore, we identified the expected credit loss on accounts receivable as a key audit matter.

2. Audit response

The procedures we performed on the measurement of expected credit losses on accounts receivable from Deppon consisted primarily of:

(1) Understood, evaluated and tested internal controls over the measurement of expected credit losses on accounts receivable;

(2) Examined the measurement model for expected credit losses and assessed the reasonableness of significant assumptions and key parameters in the model and the appropriateness of the credit risk portfolio classification method;

(3) Selected samples to assess the appropriateness of management's credit loss projections for the entire duration by examining the customer's credit history, payment records, post-period collection and considering forward-looking information;

(4) Examined key data from the expected credit loss model, including historical data, to assess its completeness and accuracy;

(5) Selected samples to certify the accounts receivable.

IV. Additional Information

The Management of Deppon (the "Management") shall be liable for the additional information. Additional information includes that covered in the Annual Report of Deppon for the year 2021, but excludes the financial statements and our audit report.

Our audit opinion on the financial statements does not cover additional information, and we do not express an assurance conclusion of any kind on additional information.

In conjunction with our audit of the financial statements, our responsibility is to read additional information and, in doing so, consider whether additional information is materially inconsistent with, or appears to be materially misstated in, the financial statements or what we have learned during the audit.

Based on what we have done, if we determine that additional information is materially misstated, we shall report that fact. We have no matters to report in this regard.

V. Responsibilities of the Management and the Governance Team for the Financial Statements

The Management shall be responsible for preparing the financial statements in accordance with the Accounting Standards, and realizing their fair presentation, and designing, implementing and maintaining necessary internal controls relevant to the preparation of financial statements that are free from material misstatement due to fraud or errors.

In preparing the financial statements, the management is responsible for assessing the ability of Deppon to continue as a going concern, for disclosing matters related to going concern (where applicable) and for applying the going concern assumptions, unless the management plans to liquidate Deppon, discontinue operations or has no other realistic alternative.

The governance team is responsible for overseeing the financial reporting process of Deppon.

VI. Responsibilities of CPA for Auditing Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes audit opinions. The reasonable assurance is of a high level but doesn't guarantee that an existing material misstatement can always be found in an audit performed as per Auditing Standards. The misstatement may be caused by fraud or error. If the misstatements either alone or put together are reasonably expected to possibly influence the economic decision made by the financial statement user based on the financial statements, they will usually be regarded as material.

In performing our audit in accordance with auditing standards, we use professional judgment and maintain professional skepticism. At the same time, we also perform the following tasks:

(1) We identified and evaluated the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures to address those risks, and obtain sufficient and appropriate audit evidence as a basis for expressing audit opinions. The risk of failure to detect a material misstatement due to fraud is higher than that due to error because fraud may involve collusion, forgery, intentional omissions, misrepresentation or override of internal control.

(2) We understood the audit-related internal control, so as to design proper audit procedures.

(3) We evaluated the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and relevant disclosures.

(4) We drew conclusions about the appropriateness of the management's use of the going concern assumption. At the same time, based on the audit evidence obtained, a conclusion is reached as to whether there is a material uncertainty regarding matters or circumstances that may cast significant doubt on the ability of Deppon to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require that we draw the attention of users of the financial statements to the relevant disclosures in the audit report; if the disclosures are not adequate, we shall express a non-unqualified opinion. Our conclusion is based on information available to us as of the date of our audit report. However, future events or circumstances may cause Deppon to be unable to continue as a going concern.

(5) We evaluated the overall presentation, structure and contents of the financial statements and judged if the financial statements fairly reflected the relevant transactions and events.

(6) We obtained sufficient and appropriate audit evidence about the financial information of the entities or business activities in Deppon to express an audit opinion on the financial statements. We are responsible for directing, supervising and performing group audits and accept full responsibility for audit observations.

We communicate with the governance team on matters such as planned audit scope, timing, and significant audit findings, including communication of internal control deficiencies of concern identified during our audit.

We also provide a statement to the governance team regarding compliance with ethical requirements related to independence and communicate with the governance team about all relationships and other matters that could reasonably be perceived to affect our independence, as well as related precautions, if applicable.

From the matters communicated with the governance team, we determined which matters were most significant to the audit of the financial statements for the period and therefore constituted key audit matters. We describe these matters in our auditor's report except in those cases where public disclosure of such matters is prohibited by law or regulation, or in those rare cases where we determine that we shall not communicate a matter in our auditor's report if we reasonably expect that the negative consequences of communicating it in our auditor's report would outweigh the benefits in the public interest.

(This page has no text and is the signature and seal page of the Report [2022] No. 215Z0127 of Deppon Logistics Co., Ltd.)

RSM China CPA LLP

Beijing, China

Chinese Certified Public
Accountant:

Chinese Certified Public
Accountant:

Chinese Certified Public
Accountant:

April 26, 2022

Liao Jinhui (廖金輝)
(Project Partner)

Ye Chun (葉春)

Zheng Ji'an (鄭紀安)

II. Financial Statement

Consolidated Balance Sheet

December 31, 2021

Prepared by: Deppon Logistics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	December 31, 2021	December 31, 2020
Current assets:			
Monetary funds	VII. 1	1,161,720,243.20	1,387,410,212.80
Deposit reservation for balance			
Lending funds			
Trading financial assets	VII. 2	85,000,000.00	150,000,000.00
Derivative financial assets			
Notes receivable	VII. 4	30,046,960.46	12,736,990.40
Accounts receivable	VII. 5	2,169,529,647.58	1,943,830,425.36
Accounts receivable financing			
Prepayments	VII. 7	233,797,814.42	379,018,201.32
Premiums receivable			
Reinsurance accounts receivable			
Provision of cession receivable			
Other receivables	VII. 8	292,777,848.42	272,655,667.21
Including: interest receivable			
Dividend receivable			
Redemptory monetary capital for sale			
Inventories	VII. 9	21,536,250.31	19,196,740.65
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	VII. 13	1,421,907,018.38	1,131,723,824.14
Total current assets		<u>5,416,315,782.77</u>	<u>5,296,572,061.88</u>
Non-current assets:			
Distribution of loans and advances			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	VII. 17	193,524,876.81	182,280,524.32
Other equity instrument investments	VII. 18	1,782,443,864.18	391,345,564.18
Other non-current financial assets	VII. 19	38,555,839.13	102,614,141.36
Investment properties			
Fixed assets	VII. 21	4,660,987,742.25	3,374,000,819.27
Construction in progress	VII. 22	196,673,468.32	16,616,308.88
Productive biological assets			
Oil and gas assets			
Right-of-use assets	VII. 25	2,143,994,391.79	N/A
Intangible assets	VII. 26	473,292,940.65	119,291,106.33
Development expenditures	VII. 27	18,969,416.49	16,804,455.51
Goodwill	VII. 28		
Long-term deferred expenses	VII. 29	286,710,071.33	346,109,715.65
Deferred tax assets	VII. 30	202,874,042.68	231,917,054.95
Other non-current assets	VII. 31	256,845,294.43	113,710,355.01
Total non-current assets		<u>10,254,871,948.06</u>	<u>4,894,690,045.46</u>
Total assets		<u>15,671,187,730.83</u>	<u>10,191,262,107.34</u>

APPENDIX II
FINANCIAL INFORMATION OF THE DEPPON

Item	Note	December 31, 2021	December 31, 2020
Current liabilities:			
Short-term borrowings	VII. 32	2,443,361,999.77	1,169,253,523.67
Borrowings from central bank			
Loans from other banks and financial institutions			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	VII. 35	156,537,983.00	73,463,488.70
Accounts payable	VII. 36	2,650,892,069.37	2,382,273,050.62
Advances from customers	VII. 37	4,516,460.07	1,610,528.13
Contract liabilities	VII. 38	78,994,448.91	71,841,281.70
Financial assets sold for repurchase			
Deposits from customers and interbank			
Acting trading securities			
Acting underwriting securities			
Payroll payables	VII. 39	746,037,276.48	955,756,130.15
Taxes payables	VII. 40	183,456,074.91	144,406,400.64
Other payables	VII. 41	316,053,937.08	320,945,070.25
Including: interest payable			
Dividends payable			
Handling charges and commissions payable			
Dividend payable for reinsurance			
Held-for-sale liabilities			
Non-current liabilities due within one year	VII. 43	1,210,926,461.21	
Other current liabilities	VII. 44	4,947,820.27	5,007,523.02
Total current liabilities		<u>7,795,724,531.07</u>	<u>5,124,556,996.88</u>
Non-current liabilities:			
Reserve fund for insurance contracts			
Long-term borrowings	VII. 45	700,000.00	
Debentures payable	VII. 46		
Including: preferred shares			
Perpetual bonds			
Lease liabilities	VII. 47	979,845,015.50	N/A
Long-term payables			
Long-term payroll payables	VII. 49	20,660,006.04	41,934,007.70
Estimated liabilities	VII. 50	27,123,821.84	10,687,133.53
Deferred revenues	VII. 51	32,550,269.71	53,233,857.10
Deferred tax liabilities	VII. 30	618,706,548.83	337,031,225.81
Other non-current liabilities			
Total non-current liabilities		<u>1,679,585,661.92</u>	<u>442,886,224.14</u>
Total liabilities		<u>9,475,310,192.99</u>	<u>5,567,443,221.02</u>

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Note	December 31, 2021	December 31, 2020
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII. 53	1,026,957,470.00	960,000,000.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	VII. 55	894,122,947.24	336,896,410.45
Less: treasury stock	VII. 56	153,350,223.49	85,139,398.85
Other comprehensive income	VII. 57	984,338,100.00	-25,440,000.00
Special reserves	VII. 58		
Surplus reserves	VII. 59	425,990,255.82	387,013,417.30
General risk reserves			4,025,472.49
Retained earnings	VII. 60	<u>3,019,458,381.39</u>	<u>3,046,828,843.57</u>
Total owners' equity (or shareholders' equity)			
attributable to parent company		<u>6,197,516,930.96</u>	<u>4,624,184,744.96</u>
Non-controlling interests		<u>-1,639,393.12</u>	<u>-365,858.64</u>
Total owners' equity (or shareholders' equity)		<u>6,195,877,537.84</u>	<u>4,623,818,886.32</u>
Total liabilities and owners' equity (or			
shareholders' equity)		<u>15,671,187,730.83</u>	<u>10,191,262,107.34</u>

Legal representative: Cui Weixing

Accounting principal:
Tang Xianbao

Accounting function's principal:
Zhao Qingyun

Balance sheet of parent company

December 31, 2021

Prepared by: Deppon Logistics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	December 31, 2021	December 31, 2020
Current assets:			
Monetary funds		1,038,442,476.71	937,686,881.97
Trading financial assets		85,000,000.00	
Derivative financial assets			
Notes receivable		17,049,738.76	12,736,990.40
Accounts receivable	XVII. 1	58,099,207.62	37,501,313.76
Accounts receivable financing			
Prepayments		21,162,767.79	7,808,939.17
Other receivables	XVII. 2	5,448,416,599.26	3,459,888,325.78
Including: interest receivable			
Dividend receivable			
Inventories		2,045.13	
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		179,826,739.30	19,535,724.82
Total current assets		<u>6,847,999,574.57</u>	<u>4,475,158,175.90</u>
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XVII. 3	1,573,500,857.15	1,534,664,394.64
Other equity instrument investments		1,563,107,200.00	205,000,000.00
Other non-current financial assets			
Investment properties			
Fixed assets		3,031,008.08	3,280,965.32
Construction in progress			77,227.72
Productive biological assets			
Oil and gas assets			
Right-of-use assets		2,189,612.37	N/A
Intangible assets			56,706.80
Development expenditures			
Goodwill			
Long-term deferred expenses		598,785.03	102,329.08
Deferred tax assets		12,280,182.26	8,886,507.82
Other non-current assets		1,516,204.42	7,829,130.37
Total non-current assets		<u>3,156,223,849.31</u>	<u>1,759,897,261.75</u>
Total assets		<u><u>10,004,223,423.88</u></u>	<u><u>6,235,055,437.65</u></u>

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Note	December 31, 2021	December 31, 2020
Current liabilities:			
Short-term borrowings		2,443,361,999.77	782,012,722.03
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		156,537,983.00	73,463,488.70
Accounts payable		10,362,357.74	23,947,464.24
Advances from customers			
Contract liabilities		163,151.50	208,355.15
Payroll payables		28,899,534.03	10,012,823.45
Taxes payable		10,151,604.95	8,121,135.94
Other payables		689,769,022.47	1,121,860,642.16
Including: interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		302,958,327.60	
Other current liabilities		9,055.69	12,532.75
Total current liabilities		<u>3,642,213,036.75</u>	<u>2,019,639,164.42</u>
Non-current liabilities:			
Long-term borrowings			
Debtures payable			
Including: preferred shares			
Perpetual bonds			
Lease liabilities		1,251,856.32	N/A
Long-term payables			
Long-term payroll payables		2,911,319.79	5,909,161.19
Estimated liabilities		1,423,118.00	1,481,747.50
Deferred revenues		1,986,496.56	129,750.00
Deferred tax liabilities		339,974,967.14	820,946.46
Other non-current liabilities			
Total non-current liabilities		<u>347,547,757.81</u>	<u>8,341,605.15</u>
Total liabilities		<u>3,989,760,794.56</u>	<u>2,027,980,769.57</u>
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)		1,026,957,470.00	960,000,000.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves		887,579,089.13	333,242,979.09
Less: treasury stock		153,350,223.49	85,139,398.85
Other comprehensive income		1,018,580,400.00	
Special reserves			
Surplus reserves		425,990,255.82	387,013,417.30
Retained earnings		<u>2,808,705,637.86</u>	<u>2,611,957,670.54</u>
Total owners' equity (or shareholders' equity)		<u>6,014,462,629.32</u>	<u>4,207,074,668.08</u>
Total liabilities and owners' equity (or shareholders' equity)		<u>10,004,223,423.88</u>	<u>6,235,055,437.65</u>

Legal representative: Accounting principal:
Cui Weixing Tang Xianbao

Accounting function's principal:
Zhao Qingyun

Consolidated income statement

January-December, 2021

Unit: Yuan Currency: RMB

Item	Note	2021	2020
I. Total operating revenues		31,359,068,083.26	27,503,446,481.61
Including: operating revenues	VII. 61	31,359,068,083.26	27,503,446,481.61
Interest income			
Insurance premiums earned			
Service charge and commission income			
II. Total operating cost		31,627,979,500.10	27,195,287,927.53
Including: operating cost	VII. 61	28,027,652,588.95	24,295,988,647.16
Interest expense			
Service charge and commission fee			
Surrender charge fee			
Net payments for insurance claims			
Net provision for insurance liability			
Bond insurance expense			
Amortized reinsurance expenditures			
Taxes and surcharges	VII. 62	103,542,802.15	81,345,877.61
Selling and marketing expenses	VII. 63	488,412,318.14	483,066,023.25
General and administrative expenses	VII. 64	2,778,986,239.37	2,186,061,847.82
Research and development expenses	VII. 65	59,995,976.50	51,197,022.46
Financial expenses	VII. 66	169,389,574.99	97,628,509.23
Including: interest expense		127,773,367.32	60,267,950.03
Interest income		21,929,941.97	20,653,580.66
Add: other income	VII. 67	402,573,314.64	400,097,499.74
Investment income (loss is indicated with "-")	VII. 68	33,629,913.73	59,604,216.27
Including: income from investment in associates and joint ventures		3,346,319.42	2,031,508.78
Gains from derecognition of financial assets at amortized cost			
Exchange income (loss is indicated with "-")			
Net exposure hedging income (loss is indicated with "-")			
Gain from fair value changes (loss is indicated with "-")	VII. 70		-10,000,000.00
Impairment losses under expected credit loss model (loss is indicated with "-")	VII. 71	-21,257,170.97	-60,243,402.89
Asset impairment losses (loss is indicated with "-")	VII. 72		
Gains from asset disposal (loss is indicated with "-")	VII. 73	27,407,398.89	15,624,674.23
III. Operating profit (loss is indicated with "-")		173,442,039.45	713,241,541.43
Add: non-operating income	VII. 74	72,893,618.66	59,723,449.11
Less: non-operating expenses	VII. 75	75,112,249.38	36,788,458.91
IV. Total profit (total loss is indicated with "-")		171,223,408.73	736,176,531.63
Less: income tax expense	VII. 76	28,870,677.37	171,039,289.91
V. Net profit (net loss is indicated with "-")		142,352,731.36	565,137,241.72
(I) Classified by operating continuity			
1. Net profit from continuing operations (net loss is indicated with "-")		142,352,731.36	565,137,241.72
2. Net profit from discontinued operations (net loss is indicated with "-")			

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Note	2021	2020
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company (net loss is indicated with "-")		142,851,715.81	564,379,173.61
2. Non-controlling interests (net loss is indicated with "-")		-498,984.45	758,068.11
VI. Other comprehensive income, net of tax		1,009,778,100.00	12,127,500.00
(I) Other comprehensive income attributable to owners of parent company, net of tax		1,009,778,100.00	12,127,500.00
1. Other comprehensive income that cannot be reclassified to profit or loss		1,009,778,100.00	12,127,500.00
(1) Remeasurement of changes in defined benefit plans			
(2) Other comprehensive income that cannot be converted to profit or loss under the equity method			
(3) Changes in fair value of other equity instrument investments		1,009,778,100.00	12,127,500.00
(4) Fair value change arising from credit risk of the Company			
2. Other comprehensive income that will be reclassified into profit or loss			
(1) Other comprehensive income that can be transferred into profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Amount recorded in other comprehensive income upon financial assets reclassification			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedging reserve			
(6) Exchange differences from translation of financial statements denominated in foreign currencies			
(7) Others			
(II) Other comprehensive income attributable to non-controlling interests, net of tax			
VII. Total comprehensive income		<u>1,152,130,831.36</u>	<u>577,264,741.72</u>
(I) Total comprehensive income attributable to owners of parent company		<u>1,152,629,815.81</u>	<u>576,506,673.61</u>
(II) Total comprehensive income attributable to minority shareholders		-498,984.45	758,068.11
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	XVIII. 2	0.13	0.59
(II) Diluted earnings per share (RMB/share)			

In the case of business combination under common control in the current period, the net profit realized by the merged entity before the merger was RMB0, and the net profit realized by the merged entity in the previous period was RMB0.

Legal representative: Cui Weixing
Accounting principal: Tang Xianbao

Accounting function's principal: Zhao Qingyun

Income statement of parent company

January-December, 2021

Unit: Yuan Currency: RMB

Item	Note	2021	2020
I. Operating revenues	XVII. 4	462,161,752.49	457,049,128.91
Less: operating cost	XVII. 4	183,778,057.05	189,093,010.69
Taxes and surcharges		1,378,310.66	1,392,642.53
Selling and marketing expenses		51,131,588.70	66,325,327.07
General and administrative expenses		209,121,006.06	182,497,190.81
Research and development expenses			
Financial expenses		71,502,431.92	66,729,902.45
Including: interest expense		47,825,027.93	60,100,111.06
Interest income		21,897,325.94	20,467,032.37
Add: other income	XVII. 5	12,267,943.01	11,705,730.40
Investment income (loss is indicated with “-”)		406,929,436.89	488,620,993.65
Including: income from investment in associates and joint ventures			
Gains from derecognition of financial assets at amortized cost			
Net exposure hedging income (loss is indicated with “-”)			
Gain from fair value changes (loss is indicated with “-”)			
Impairment losses under expected credit loss model (loss is indicated with “-”)		-360,243.29	-229,492.00
Asset impairment losses (loss is indicated with “-”)			
Gains from asset disposal (loss is indicated with “-”)		-20,239.69	8,547.87
II. Operating profit (loss is indicated with “-”)		364,067,255.02	451,116,835.28
Add: non-operating income		26,721,175.52	28,351,432.08
Less: non-operating expenses		198,997.29	261,197.59
III. Total profit (total loss is indicated with “-”)		390,589,433.25	479,207,069.77
Less: income tax expense		821,048.09	6,532,466.35
IV. Net profit (net loss is indicated with “-”)		389,768,385.16	472,674,603.42
(I) Net profit from continuing operations (net loss is indicated with “-”)		389,768,385.16	472,674,603.42
(II) Net profit from discontinued operations (net loss is indicated with “-”)			
V. Other comprehensive income, net of tax		1,018,580,400.00	
(I) Other comprehensive income that cannot be reclassified into profit or loss		1,018,580,400.00	
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income that cannot be converted to profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments		1,018,580,400.00	
4. Fair value change arising from credit risk of the Company			

Item	Note	2021	2020
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be transferred into profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount recorded in other comprehensive income upon financial assets reclassification			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences from translation of financial statements denominated in foreign currencies			
7. Others			
VI. Total comprehensive income		1,408,348,785.16	472,674,603.42
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Legal representative: Cui Weixing
Accounting principal: Tang Xianbao

Accounting function's principal:
Zhao Qingyun

Consolidated cash flow statement

January-December, 2021

Unit: Yuan Currency: RMB

Item	Note	2021	2020
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		32,825,045,826.18	28,404,271,074.88
Net increase in customer deposits and interbank deposits			
Net increase in borrowing from central banks			
Net increase in borrowing from other financial institutions			
Cash obtained by receiving the premium of the original insurance contract			
Net cash received from reinsurance business			
Net increase in insured savings and investment funds			
Cash received from interest, fees and commissions			
Net increase in loans from other banks and financial institutions			
Net increase in funds for repurchase operations			
Net cash received from agents buying or selling securities			
Tax refunds received			4,156,217.00
Cash received from other operating activities	VII. 78	609,142,673.47	480,599,820.31
Subtotal of cash inflows from operating activities		33,434,188,499.65	28,889,027,112.19
Cash paid for goods purchased and services received		20,105,118,608.38	17,151,764,133.28
Net increase in customer loans and advances			
Net increase in deposits of central bank and interbank funds			
Cash for payment of claims under the original insurance contract			
Net increase in the amount of lending funds			
Cash paid for interest, fees and commissions			
Cash paid for dividends on a policy			
Net increase in factoring receivables		-188,236,762.69	-59,250,564.96
Cash paid to and for employees		9,084,414,539.65	8,459,744,852.78
Payments of all types of taxes		698,218,248.31	546,671,489.07
Cash paid to other operating activities	VII. 78	1,332,355,008.67	1,017,564,043.63
Subtotal of cash outflows from operating activities		31,031,869,642.32	27,116,493,953.80
Net cash flow from operating activities		2,402,318,857.33	1,772,533,158.39
II. Cash flows from investing activities:			
Cash received from the recovery of investments		116,112,433.33	44,382,365.76
Cash received from acquisition of investment income		13,627,614.09	57,594,035.98
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets		229,040,471.54	107,119,279.23
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities	VII. 78	8,722,628,053.31	19,622,573,994.19
Subtotal of cash inflows from investing activities		9,081,408,572.27	19,831,669,675.16
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		3,218,592,608.30	2,086,194,058.53
Cash paid for investments		111,903,000.00	74,150,000.00

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Note	2021	2020
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid to other investing activities	VII. 78	8,539,280,881.96	19,277,989,868.00
Subtotal of cash outflows from investing activities . . .		11,869,776,490.26	21,438,333,926.53
Net cash flows from investing activities		-2,788,367,917.99	-1,606,664,251.37
III. Cash flows from financing activities:			
Cash received from capital contributions		604,888,421.06	
Including: cash received from subsidiaries' absorbing minority shareholder investment			
Cash received from borrowings		5,229,697,504.41	3,972,876,804.21
Cash received from other financing activities	VII. 78	29,656,767.77	62,273,690.62
Subtotal of cash inflows from financing activities		5,864,242,693.24	4,035,150,494.83
Cash payments for settlement of debts		3,656,785,504.41	3,963,662,131.69
Cash paid for distributing dividends and profits or paying interests		278,161,441.38	90,666,582.15
Including: dividends and profits paid to minority shareholders by subsidiaries			
Cash paid to other financing activities	VII. 78	1,773,749,890.63	55,558,047.08
Subtotal of cash outflows from financing activities . .		5,708,696,836.42	4,109,886,760.92
Net cash flows from financing activities		155,545,856.82	-74,736,266.09
IV. Effect of changes in exchange rate on cash and cash equivalents		1,944,613.57	1,010,440.42
V. Net increase in cash and cash equivalents		-228,558,590.27	92,143,081.35
Add: opening balance of cash and cash equivalents		1,368,872,947.92	1,276,729,866.57
VI. Closing balance of cash and cash equivalents		1,140,314,357.65	1,368,872,947.92

Legal representative: Cui Weixing
Accounting principal: Tang Xianbao

Accounting function's principal:
Zhao Qingyun

Cash flow statement of parent company

January-December, 2021

Unit: Yuan Currency: RMB

Item	Note	2021	2020
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		484,061,731.99	470,428,617.16
Tax refunds received			
Cash received from other operating activities		1,091,065,391.44	119,448,688.56
Subtotal of cash inflows from operating activities		1,575,127,123.43	589,877,305.72
Cash paid for goods purchased and services received		219,532,113.23	166,633,284.90
Cash paid to and for employees		63,229,309.50	72,061,749.21
Payments of all types of taxes		16,531,683.41	13,214,296.87
Cash paid to other operating activities		3,486,560,109.66	1,047,198,250.92
Subtotal of cash outflows from operating activities		3,785,853,215.80	1,299,107,581.90
Net cash flow from operating activities		-2,210,726,092.37	-709,230,276.18
II. Cash flows from investing activities:			
Cash received from the recovery of investments		50,000,000.00	
Cash received from acquisition of investment income		287,959,405.92	416,841,811.38
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets		1,055,630.00	12,941.43
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities		8,052,000,000.00	17,685,419,360.42
Subtotal of cash inflows from investing activities		8,391,015,035.92	18,102,274,113.23
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		6,167,405.15	4,074,045.88
Cash paid for investments		78,480,272.30	140,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid to other investing activities		8,217,000,000.00	17,033,823,899.21
Subtotal of cash outflows from investing activities		8,301,647,677.45	17,177,897,945.09
Net cash flows from investing activities		89,367,358.47	924,376,168.14
III. Cash flows from financing activities:			
Cash received from capital contributions		604,888,421.06	
Cash received from borrowings		5,228,997,504.41	4,090,000,000.00
Cash received from other financing activities		20,686,965.08	62,273,690.62
Subtotal of cash inflows from financing activities		5,854,572,890.55	4,152,273,690.62
Cash payments for settlement of debts		3,269,997,504.41	4,409,000,000.00
Cash paid for distributing dividends and profits or paying interests		200,047,457.58	90,925,804.41
Cash paid to other financing activities		143,904,335.04	55,534,135.79
Subtotal of cash outflows from financing activities		3,613,949,297.03	4,555,459,940.20
Net cash flows from financing activities		2,240,623,593.52	-403,186,249.58
IV. Effect of changes in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		119,264,859.62	-188,040,357.62
Add: opening balance of cash and cash equivalents		919,149,617.09	1,107,189,974.71
VI. Closing balance of cash and cash equivalents		1,038,414,476.71	919,149,617.09

Legal representative:
Cui Weixing

Accounting principal:
Tang Xianbao

Accounting function's principal:
Zhao Qingyun

Consolidated statement of changes in owners' equity

January-December 2021

Unit: Yuan Currency: RMB

Item	Paid-in capital (or share capital)	Other equity instruments		Capital reserves	Owners' equity attributable to parent company		General risk reserves	Retained earnings	Others	Subtotal	Non- controlling interests	Total owners' equity
		Preferred shares	Perpetual bonds		Less: treasury stock	Other comprehensive income						
I. Balance at the end of the previous year	960,000,000.00			336,896,410.45	85,139,398.85	-25,440,000.00	387,013,417.30	4,025,472.49	4,624,744.96	4,624,184,744.96	-365,858.64	4,623,818,886.32
Add: changes in accounting policies												
Correction of errors in the prior period												
Business combination under common control												
Others												
II. Opening balance of the current year	960,000,000.00			336,896,410.45	85,139,398.85	-25,440,000.00	387,013,417.30	4,025,472.49	4,624,744.96	4,624,184,744.96	-365,858.64	4,623,818,886.32
III. Increase/decrease for the year (decrease is indicated with "-")	66,957,470.00			557,226,536.79	68,210,824.64	1,009,778,100.00	38,976,838.52	-4,025,472.49	-27,370,462.18	1,573,332,186.00	-1,273,534.48	1,572,058,651.52
(I) Total comprehensive income						1,009,778,100.00		142,851,715.81		1,152,629,815.81	-498,984.45	1,152,130,831.36
(II) Contribution and withdrawal of capital by owners	66,957,470.00			554,336,110.04	68,210,824.64					553,082,755.40	67,199.00	553,149,954.40
1. Ordinary shares invested by owners	66,957,470.00			536,004,747.28						602,962,217.28	67,199.00	603,029,416.28
2. Capital contributed by holders of other equity instruments												
3. Amount included in owners' equity arising from share- based payment				18,331,362.76						18,331,362.76		18,331,362.76
4. Others					68,210,824.64					-68,210,824.64		-68,210,824.64
(III) Profit distribution							38,976,838.52	-193,020,417.84		-154,043,579.32		-154,043,579.32
1. Appropriation to surplus reserves							38,976,838.52	-38,976,838.52				
2. Appropriation to general risk reserves												
3. Distribution to owners (or shareholders)												
4. Others												
(IV) Transfers within owners' equity												
1. Transfer of capital reserves to capital (or share capital)												
2. Transfer of surplus reserve to capital (or share capital)												
3. Covering loss with surplus reserve												
4. Change of defined benefit plan transferred to retained earnings												

Item	2021														
	Paid-in capital (or share capital)	Preferred shares	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: treasury stock	Owners' equity attributable to parent company Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Others	Subtotal	Non- controlling interests	Total owners' equity
5. Other comprehensive income transferred to retained earnings															
6. Others															
(V) Special reserves															
1. Appropriation for the period							274,678,192.29	274,678,192.29					274,678,192.29		274,678,192.29
2. Utilization for the period							274,678,192.29						274,678,192.29		274,678,192.29
(VI) Others					2,890,426.75					-4,025,472.49	22,798,239.85		21,663,194.11	-841,749.03	20,821,445.08
IV. Closing balance for the period	1,026,957,470.00				894,122,947.24	153,350,223.49	984,338,100.00		425,990,255.82		3,019,458,381.39		6,197,516,930.96	-1,639,393.12	6,195,877,537.84

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	2020														
	Paid-in capital (or share capital)	Other equity instruments Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury stock	Owners' equity attributable to parent company Other comprehensive income	Special reserves	Surplus reserve	General risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total owners' equity
I. Balance at the end of the previous year	960,000,000.00				317,116,815.48	69,430,125.93	-37,567,500.00		339,745,956.96	4,025,472.49	2,541,781,551.27		4,055,672,170.27		4,055,672,170.27
Add: changes in accounting policies															
Correction of errors in the prior period															
Business combination under common control															
Others															
II. Opening balance of the current year	960,000,000.00				317,116,815.48	69,430,125.93	-37,567,500.00		339,745,956.96	4,025,472.49	2,541,781,551.27		4,055,672,170.27		4,055,672,170.27
III. Increase/decrease for the year (decrease is indicated with "-")															
(I) Total comprehensive income					19,779,594.97	15,709,272.92	12,127,500.00		47,267,460.34		505,047,292.30		568,512,574.69	-365,858.64	568,146,716.05
(II) Contribution and withdrawal of capital by owners							12,127,500.00			564,379,173.61			576,506,673.61	758,068.11	577,264,741.72
1. Ordinary shares invested by owners					11,605,668.22	15,709,272.92							-4,103,604.70	7,050,000.00	2,946,395.30
2. Capital contributed holders of other equity instruments														1,000,000.00	1,000,000.00
3. Amount included in owners' equity arising from share-based payment															
4. Others					11,605,668.22	15,709,272.92							11,605,668.22		11,605,668.22
(III) Profit distribution													-15,709,272.92	6,050,000.00	-9,659,272.92
1. Appropriation to surplus reserves									47,267,460.34	-75,853,395.19			-28,585,934.85		-28,585,934.85
2. Appropriation to general risk reserves															
3. Distribution to owners (or shareholders)															
4. Others															
(IV) Transfers with in owners' equity															
1. Transfer of capital reserves to capital (or share capital)															
2. Transfer of surplus reserve to capital (or share capital)															
3. Covering loss with surplus reserve															
4. Change of defined benefit plan transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Others															
(V) Special reserves															
1. Appropriation for the period							258,889,220.49						258,889,220.49		258,889,220.49
2. Utilization for the period							258,889,220.49						258,889,220.49		258,889,220.49
(VI) Others					8,173,926.75					16,521,513.88			24,695,440.63	-8,173,926.75	16,521,513.88
IV. Closing balance for the period	960,000,000.00				336,896,410.45	85,139,398.85	-25,440,000.00		387,013,417.30	4,025,472.49	3,046,828,843.57		4,624,184,744.96	-365,858.64	4,623,818,886.32

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Zhao Qingyun

Statement of changes in owners' equity of parent company

January—December 2021

Unit: Yuan Currency: RMB

Item	Paid-in capital (or share capital)	Other equity instruments		Capital reserves	Less: treasury stock	2021		Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bonds			Other comprehensive income	Special reserves			
I. Balance at the end of the previous year	960,000,000.00			333,242,979.09	85,139,398.85			387,013,417.30	2,611,957,670.54	4,207,074,668.08
Add: changes in accounting policies										
Correction of errors in the prior period										
Others										
II. Opening balance of the current year	960,000,000.00			333,242,979.09	85,139,398.85			387,013,417.30	2,611,957,670.54	4,207,074,668.08
III. Increase/decrease for the year (decrease is indicated with “-”)	66,957,470.00			554,336,110.04	68,210,824.64	1,018,580,400.00		38,976,838.52	196,747,967.32	1,807,387,961.24
(I) Total comprehensive income						1,018,580,400.00				
(II) Contribution and withdrawal of capital by owners	66,957,470.00			554,336,110.04	68,210,824.64					
1. Ordinary shares invested by owners	66,957,470.00			539,382,658.63						
2. Capital invested by holders of other equity instruments										
3. Amount included in owners' equity arising from share-based payment				14,953,451.41						
4. Others					68,210,824.64					
(III) Profit distribution										
1. Appropriation to surplus reserves								38,976,838.52	-193,020,417.84	-154,043,579.32
2. Distribution to owners (or shareholders)								38,976,838.52	-38,976,838.52	
3. Others									-154,043,579.32	-154,043,579.32
(IV) Transfers within owners' equity										
1. Transfer of capital reserves to capital (or share capital)										
2. Transfer of surplus reserve to capital (or share capital)										
3. Covering loss with surplus reserve										
4. Change of defined benefit plan transferred to retained earnings										
5. Other comprehensive income transferred to retained earnings										
6. Others										
(V) Special reserves										
1. Appropriation for the period										
2. Utilization for the period										
(VI) Others										
IV. Closing balance for the period	1,026,957,470.00			887,579,089.13	153,350,223.49	1,018,580,400.00		425,990,255.82	2,808,705,637.86	6,014,462,629.32

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Paid-in capital (or share capital)	Other equity instruments		Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bonds							
I. Balance at the end of the previous year	960,000,000.00			321,637,310.87	69,430,125.93			339,745,956.96	2,215,136,462.31	3,767,089,604.21
Add: changes in accounting policies										
Correction of errors in the prior period										
Others										
II. Opening balance of the current year	960,000,000.00			321,637,310.87	69,430,125.93			339,745,956.96	2,215,136,462.31	3,767,089,604.21
III. Increase/decrease for the year (decrease is indicated with "-")				11,605,668.22	15,709,272.92			47,267,460.34	396,821,208.23	439,985,063.87
(I) Total comprehensive income				11,605,668.22	15,709,272.92			47,267,460.34	472,674,603.42	472,674,603.42
(II) Contribution and withdrawal of capital by owners										-4,103,604.70
1. Ordinary shares invested by owners										
2. Capital invested by holders of other equity instruments										
3. Amount included in owners' equity arising from share-based payment										
4. Others				11,605,668.22	15,709,272.92			47,267,460.34	-75,853,395.19	11,605,668.22
(III) Profit distribution								47,267,460.34	-75,853,395.19	-15,709,272.92
1. Appropriation to surplus reserves								47,267,460.34	-47,267,460.34	-28,585,934.85
2. Distribution to owners (or shareholders)									-28,585,934.85	-28,585,934.85
3. Others										
(IV) Transfers within owners' equity										
1. Transfer of capital reserves to capital (or share capital)										
2. Transfer of surplus reserve to capital (or share capital)										
3. Covering loss with surplus reserve										
4. Change of defined benefit plan transferred to retained earnings										
5. Other comprehensive income transferred to retained earnings										
6. Others										
(V) Special reserves							422,480.30			422,480.30
1. Appropriation for the period							422,480.30			422,480.30
2. Utilization for the period										
(VI) Others										
IV. Closing balance for the period	960,000,000.00			333,242,979.09	85,139,398.85			387,013,417.30	2,611,957,670.54	4,207,074,668.08

Legal representative: Cui Weixing Accounting principal: Tang Xianbao Accounting function's principal: Zhao Qingyun

III. Corporate Information

1. Company profile

Applicable Not applicable

Deppon Logistics Co., Ltd. (“the Company” or “Company”) was a joint stock limited company jointly established by 廣東德邦投資控股股份有限公司 (now renamed 寧波梅山保稅港區德邦投資控股股份有限公司, referred to as “Deppon Holdco”) and Cui Weixing (崔維星) in August 2009, with a registered capital of RMB50 million.

Approved by the China Securities Regulatory Commission on the Approval of the Initial Public Offering of Shares by Deppon Logistics Co., Ltd. (《關於核准德邦物流股份有限公司首次公開發行股票的批復》) (Zheng Jian Xu Ke (2017) No. 2374), the Company applied for the initial public offering of 100 million ordinary shares (A shares) with a par value of RMB1 per share at an actual offering price of RMB4.84 per share. After the issuance, the registered capital (share capital) of the Company was changed to RMB960 million. The Company was listed on the main board of the Shanghai Stock Exchange since January 16, 2018, with the stock abbreviation of “Deppon Shares” and the stock code of 603056.

The Company’s unified social credit code is 91310000692944327T, registered address and headquarters address of Building 1, No. 316, Xuxiang Road, Xujing Town, Qingpu District, Shanghai, and the legal representative of Cui Weixing (崔維星).

The Company and its subsidiaries are mainly engaged in the provision of integrated logistics services such as general freight, freight forwarding, domestic express and warehousing.

The Company has established a corporate governance structure consisting of a general meeting of shareholders, a Board of Directors and a Supervisory Committee, with a Strategy Committee, a Remuneration and Evaluation Committee, a Nomination Committee and an Audit Committee under the Board of Directors. Currently, the Company has the Board of Directors Office, Public Affairs Department, Human Resources Department, Procurement Center, Revenue Management Center, Deppon Technology, Operations Management Center, Audit Department, Finance Department, Culture and Communication Department, Brand Communication Department and Strategy and Change Management Department.

As of the end of the reporting period, we had 122 subsidiaries, with a total of 5,177 directly operated service stations in Mainland China and Hong Kong SAR.

The controlling shareholder of the Company is Deppon Holdco and the ultimate beneficial owner is Cui Weixing (崔維星).

Approval date for issue of the financial statements: The financial statements were approved for issue by the Board of Directors of the Company on April 26, 2022.

2. Scope of the consolidated financial statements

Applicable Not applicable

As of the end of the reporting period, a total number of 122 subsidiaries were included in the scope of consolidated financial statements, as detailed in Note IX. Equity in Other Entities.

For details of changes in the scope of the consolidated financial statements during the reporting period, see Note VIII. Changes in the Consolidation Scope.

IV. Basis for Preparation of Financial Statements

1. Basis of preparation

The Company prepares its financial statements on a going concern basis by recognizing and measuring transactions and events that actually occur in accordance with the provisions of ASBEs and their application guidelines and interpretations of standards. The Company also discloses relevant financial information in accordance with the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports (revised in 2014) (《公開發行證券的公司信息披露編報規則第15號 — 財務報告的一般規定》(2014年修訂)) issued by the CSRC.

2. Going concern

Applicable Not applicable

The Company has assessed its ability to continue as a going concern for the 12 months since the end of the reporting period, and no matters affecting the Company's ability to continue as a going concern have been identified. It is reasonable for the Company to prepare its financial statements on a going concern basis.

V. Significant Accounting Policies and Accounting Estimates

Reminders on specific accounting policies and accounting estimates:

Applicable Not applicable

The following significant accounting policies and estimates of the Company were formulated in accordance with the Accounting Standards for Business Enterprises (ASBEs). Operations not mentioned are carried out in accordance with the relevant accounting policies in the ASBEs.

1. Statement of Compliance with the ASBEs

The financial statements prepared by the Company comply with the requirements of the ASBEs and give a true and complete picture of the Company's financial position, results of operations, changes in owners' equity and cash flows, etc.

2. Accounting period

The Company's fiscal year begins on January 1 and ends on December 31 in the calendar year.

3. Business cycle

Applicable Not applicable

The normal operating cycle of the Company is 12 months.

4. Functional currency

The Company uses RMB as its functional currency.

5. Accounting treatments for business combination under common control and not under common control

Applicable Not applicable

(1) Business combination under common control

Assets and liabilities acquired in a business combination are measured at the carrying amount of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of the merger. In particular, if the accounting policies adopted by the merged entity and the Company before the business combination are different, the accounting policies are unified based on the principle of materiality, i.e., the carrying amounts of the merged entity's assets and liabilities are adjusted in accordance with the Company's accounting policies. If there is a difference between the carrying amount of the net assets acquired in a business combination and that of the consideration paid, the Company first adjusts capital reserves (capital premium or share capital premium), and if the balance of capital reserves (capital premium or share capital premium) is not sufficient for write-downs, it is written down by surplus reserves and retained earnings in turn.

See Note V. 6(6) for the accounting treatment of business combination under common control through stepwise transactions.

(2) Business combination not under common control

Each of the Company's identifiable assets and liabilities of the acquiree acquired in a business combination is measured at its fair value at the date of purchase. In particular, if the accounting policies adopted by the acquiree and the Company before the business combination are different, the accounting policies are unified based on the principle of materiality, i.e., the carrying amounts of the acquiree's assets and liabilities are adjusted in accordance with the Company's accounting policies. If the Company's cost of the business combination at the date of purchase is larger than the fair value of the acquiree's identifiable assets and liabilities acquired in a business combination, the difference is recognized as goodwill. If the cost of the business combination is less than the fair value of the acquiree's identifiable assets and liabilities acquired in a business combination, the cost of the business combination and the fair value of the acquiree's identifiable assets and liabilities acquired in a business combination are first reviewed. If, after review, the cost of business combination is still less than the fair value of the acquiree's identifiable assets and liabilities, the difference is recognized in profit or loss for the period of merger.

See Note V. 6(6) for the accounting treatment of business combination not under common control through stepwise transactions.

(3) Treatment of relevant transaction costs in the business combination

The intermediary fees (including audit, legal service, evaluation and consultation fees) and other relevant management fees incurred for business combination shall be included in profit or loss when they are incurred. Transaction costs of equity securities or debt securities issued as consideration for business combination shall be included in the initially recognized amount of equity securities or debt securities.

6. Methods for preparation of the consolidated financial statements

Applicable Not applicable

(1) Determination of the scope of consolidation

The scope of consolidation in the consolidated financial statements is determined on a control basis and includes not only subsidiaries determined on the basis of voting rights (or similar voting rights) or in combination with other arrangements, but also structured entities determined on the basis of one or more contractual arrangements.

Control means that the Company has power over the investee, enjoys variable returns through its participation in the investee's related activities, and has the ability to use its power over the investee to

influence the amount of its returns. Subsidiaries are subjects controlled by the Company (including enterprises, divisible portions of investees, and structured subjects controlled by enterprises, etc.), and structured subjects are subjects that are not designed to have voting or similar rights as a determining factor in determining their controlling parties (Note: sometimes referred to as special purpose subjects).

(2) Special provisions regarding the parent company as an investment entity

If the parent company is an investment entity, only those subsidiaries that provide services related to the investment activities of the investment entity are included in the scope of consolidation, and other subsidiaries are not consolidated. Equity investors in subsidiaries not included in the scope of consolidation are recognized as financial assets at fair value through profit or loss.

A parent company is an investment entity when it meets all of the following conditions:

① The company is for the purpose of providing investment management services to investors and obtaining funds from one or more investors.

② The sole business purpose of the company is to provide investors with a return through capital appreciation, investment income, or both.

③ The company considers and evaluates the performance of almost all of its investments at fair value.

When a parent company changes from a non-investment entity to an investment entity, the enterprise ceases to consolidate its other subsidiaries from the date of change, except that only the subsidiaries that provide services related to its investment activities are included in the scope of consolidated financial statements for the preparation of consolidated financial statements, and is treated with reference to the principle of partial disposal of equity interests in subsidiaries without loss of control.

When the parent company changes from an investment entity to a non-investment entity, the subsidiaries that were not included in the scope of the consolidated financial statements shall be included in the scope of the consolidated financial statements on the date of change, and the fair value of the subsidiaries that were not included in the scope of the consolidated financial statements on the date of change is considered as the transaction consideration for the purchase and handled in accordance with the accounting treatment for business combination not under common control.

(3) Methods for preparation of the consolidated financial statements

The Company prepares consolidated financial statements based on its own financial statements and those of its subsidiaries, and on other relevant information.

The Company prepares consolidated financial statements by considering the entire enterprise group as one accounting entity, reflecting the financial position, results of operations and cash flows of the enterprise group as a whole in accordance with the recognition, measurement and presentation requirements of the relevant ASBEs and in accordance with uniform accounting policies and accounting periods.

① Combine the assets, liabilities, owner's equity, income, expenses and cash flow items of the parent company and subsidiaries.

② Offset the parent company's long-term equity investment in the subsidiary against the parent company's share in the ownership interest of the subsidiary.

③ Offset the effect of internal transactions that occur between the parent company and its subsidiaries and between subsidiaries. If an internal transaction indicates an impairment loss on the related asset, the full amount of such loss shall be recognized.

④ Adjust special transactions from the perspective of the enterprise group.

(4) Treatment of additions and deletions of subsidiaries during the reporting period

① Increase in subsidiaries or business

A. Increase in subsidiaries or business by a business combination under common control

(a) When preparing the consolidated balance sheet, the opening figures of the consolidated balance sheet are adjusted and the relevant items in the comparative statements are also adjusted as if the consolidated reporting entity had been in existence since the point at which control by the ultimate controlling party began.

(b) When preparing the consolidated income statement, the revenue, expenses and profit of the subsidiary and the business combination for the period from the beginning of the period to the end of the reporting period are included in the consolidated income statement, while the relevant items in the comparative statements are adjusted as if the consolidated reporting entity had been in existence since the point at which control by the ultimate controlling party began.

(c) When preparing the consolidated statement of cash flows, the cash flow of the subsidiary and the business combination for the period from the beginning of the period to the end of the reporting period are included in the consolidated statement of cash flows, while the relevant items in the comparative statements are adjusted as if the consolidated reporting entity had been in existence since the point at which control by the ultimate controlling party began.

B. Increase in subsidiaries or operations by a business combination not under common control

(a) When preparing the consolidated balance sheet, no adjustment is made to the opening balance sheet figures of the consolidated balance sheet.

(b) When preparing the consolidated income statement, the revenues, expenses and profits of the subsidiary as well as those at the end of the reporting period from the date of purchase of the business are included in the consolidated income statement.

(c) When preparing the consolidated statement of cash flows, the cash flows of the subsidiary from the date of purchase to the end of the reporting period are included in the consolidated statement of cash flows.

② Disposal of subsidiaries or business

A. When preparing the consolidated balance sheet, no adjustment is made to the opening balance sheet figures of the consolidated balance sheet.

B. When preparing the consolidated income statement, the revenues, expenses and profits of the subsidiary as well as those from the beginning of the period to the date of disposal are included in the consolidated income statement.

C. When preparing the consolidated statement of cash flows, the cash flows of the subsidiary as well as those from the beginning of the period to the date of disposal are included in the consolidated statement of cash flows.

(5) Special considerations in consolidation and elimination

① Long-term equity investments in the Company held by subsidiaries shall be treated as treasury stock of the Company and presented as a deduction from owners' equity in the consolidated balance sheet under the item "Less: treasury stock".

Long-term equity investments held by subsidiaries in each other are offset against their corresponding shares in the ownership interests of the subsidiaries in accordance with the offsetting method for the Company's equity investments in subsidiaries.

② The "special reserves" and "general risk reserves" items are not part of paid-in capital(or share capital) or capital reserves, and are not the same as retained earnings or retained earnings, and are restored to the owners of the parent company after the long-term equity investment is offset against the owners' equity of the subsidiary.

③ The Company recognizes deferred tax assets or deferred tax liabilities in the consolidated balance sheet when temporary differences arise between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax bases in the taxable entities to which they belong as a result of eliminating unrealized internal sales gains or losses, and adjusts the income tax expense in the consolidated income statement, except for deferred income tax related to transactions or events directly included in the owners' equity and business combinations.

④ Unrealized gains or losses on internal transactions arising from the sale of assets to subsidiaries shall be offset in full against "net profit attributable to owners of the parent company". Unrealized gain or loss on internal transactions arising from the sale of assets by a subsidiary to the Company shall be allocated and offset between "net profit attributable to owners of the parent company" and "non-controlling interests" in proportion to the Company's allocation to the subsidiary. Unrealized gain or loss on internal transactions arising from the sale of assets between subsidiaries shall be allocated and offset between "net profit attributable to owners of the parent company" and "non-controlling interests" in proportion to the Company's allocation to the selling subsidiary.

⑤ If the minority shareholders' share of the subsidiary's current loss exceeds the minority shareholders' share of the subsidiary's ownership interest at the beginning of the period, the balance shall still be offset against the minority shareholders' equity.

(6) Accounting for special transactions

① Purchase of non-controlling interests

The Company purchased the equity interests in subsidiaries owned by minority shareholders of the subsidiaries. In the individual financial statements, the investment cost of a newly acquired long-term equity investment in a non-controlling interest is measured at the fair value of the consideration paid. In the consolidated financial statements, the difference between the newly acquired long-term equity investment due to the purchase of non-controlling interests and the share of net assets of the subsidiary calculated in proportion to the newly acquired shareholding on an ongoing basis from the date of purchase or the date of business combination shall be covered by adjusting the capital reserves (capital premium or share capital premium), and if capital reserves are not sufficient for the write-down, surplus reserves and retained earnings shall be written down in turn.

② Step-by-step acquisition of control of a subsidiary through multiple transactions

A. Step-by-step business combination under common control through multiple transactions

At the date of consolidation, the Company determines the initial investment cost of a long-term equity investment in the individual financial statements based on the share of the net assets of the subsidiary to which the Company is entitled after consolidation in the carrying amount of the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the sum of the carrying value of the long-term equity investment before consolidation plus the carrying value of the newly paid consideration for the acquisition of further shares at the date of business combination shall be covered by adjusting the capital reserves (capital premium or share capital premium), and if capital reserves (capital premium or share capital premium) are not sufficient for the write-down, surplus reserves and retained earnings shall be written down in turn.

In the consolidated financial statements, the assets and liabilities of the merged entity acquired by the merging party in the merger, except for adjustments due to different accounting policies, shall be measured at the carrying amount in the ultimate controlling party's consolidated financial statements on the business combination date. The difference between the sum of the carrying amount of the investment held prior to the business combination plus the carrying amount of the newly paid consideration on the business combination date and the carrying amount of the net assets acquired in a business combination shall be covered by adjusting the capital reserves (share capital premiums/capital premiums). If the capital reserves are not sufficient for the write-down, retained earnings shall be adjusted.

If an equity investment held by the merging party before it obtains control of the merged entity is accounted for under the equity method, the related gains or losses, other comprehensive income and other changes in owners' equity recognized between the later of the date of acquisition of the original equity interest and the date when the merging party and the merged entity are under the ultimate control of the same party, and the business combination date shall be offset against opening retained earnings in the comparative statement period, respectively.

B. Step-by-step business combination not under common control through multiple transactions

At the date of merger, the sum of the carrying amount of the originally held long-term equity investments plus the cost of additional investments at the date of business combination shall be used in the individual financial statements as the initial investment cost of long-term equity investments at the date of merger.

In the consolidated financial statements, the equity interest in the acquiree held prior to the date of purchase is remeasured at the fair value of the equity interest at the date of purchase, and the difference between the fair value and its carrying amount is recognized as investment income in the current period. If the equity interest in the acquiree held prior to the date of purchase involves other comprehensive income, etc. under the equity method of accounting, the other comprehensive income, etc. related to it is transferred to the current income belonging to the date of purchase, except for other comprehensive income resulting from the re-measurement of the net assets or changes in net liabilities of the defined benefit plans of the merged entity. The Company discloses in the notes the amount of the fair value of its equity interest in the acquiree held prior to the date of purchase, and the related gain or loss arising from re-measurement at fair value at the date of purchase.

③ The Company disposes of its long-term equity investment in a subsidiary but does not lose control

When a parent company partially disposes of its long-term equity investment in a subsidiary without losing control, the difference between the proceeds from the disposal and the share of the subsidiary's net assets calculated on an ongoing basis from the date of purchase or the date of business combination corresponding to the disposal of the long-term equity investment shall be covered by adjusting the capital reserves (capital premium or share capital premium) in the consolidated financial statements, and if the capital reserves are not sufficient for the write-down, retained earnings shall be adjusted.

④ The Company disposes of its long-term equity investment in a subsidiary and loses control

A. Disposal in one transaction

If the Company loses control over an investee due to disposal of a portion of its equity investment, etc., the remaining equity interest is remeasured at its fair value at the date of loss of control in preparing the consolidated financial statements. The difference between the sum of the consideration received for the disposal of the equity interest and the fair value of the remaining equity interest, less the share of the net assets of the original subsidiary calculated on an ongoing basis from the date of purchase or the date of business combination in proportion to the original shareholding, is recognized as investment income in the period in which control is lost.

Other comprehensive income and other changes in owner's equity related to equity investments in the former subsidiary are transferred to profit or loss for the period when control is lost, except for other comprehensive income resulting from the re-measurement of the net liability or change in net assets of the defined benefit plan by the investee.

B. Step-by-step disposal of multiple transactions

In the consolidated financial statements, the first step should be to determine whether the step-by-step transaction is a "package transaction".

If a step-by-step transaction is not a "package transaction", the carrying value of the long-term equity investment corresponding to each disposal is carried forward in the individual financial statements for each transaction prior to the loss of control of the subsidiary. The difference between the proceeds and the carrying value of the long-term equity investment disposed of is recognized as investment income in the current period. In the consolidated financial statements, it shall be treated in accordance with the relevant provisions of "The parent company disposes of its long-term equity investment in a subsidiary but does not lose control".

If the step-by-step transaction is a "package transaction", each transaction shall be accounted for as a disposal of a subsidiary and loss of control. In the individual financial statements, the difference between the proceeds from the disposal and the carrying amount of the long-term equity investment corresponding to the equity interest disposed of for each disposal prior to the loss of control is first recognized in other comprehensive income and then transferred to profit or loss for the period in which control is lost. In the consolidated financial statements, for each transaction prior to the loss of control, the difference between the proceeds from the disposal and the share of the net assets of the subsidiary corresponding to the disposal of the investment shall be recognized as other comprehensive income and transferred to profit or loss in the period in which control is lost.

Multiple transactions are generally accounted for as "package transactions" when the terms, conditions and economic effects of each transaction are one or more of the following:

- (a) The transactions were entered into simultaneously or after consideration of their mutual effects.
- (b) These transactions as a whole are required to achieve a complete business result.
- (c) The occurrence of one transaction is dependent on the occurrence of at least one other transaction.
- (d) A transaction is not economical when considered alone, but is economical when considered together with other transactions.

⑤ Dilution of the percentage of equity owned by the parent company due to capital increase by minority shareholders of the subsidiary

Other shareholders of the subsidiary (minority shareholders) increase their capital in the subsidiary, thereby diluting the parent company's percentage of equity in the subsidiary. In the consolidated financial statements, its share in the net assets of the subsidiary's book before the capital increase is calculated in proportion to the equity interest of the parent company before the capital increase. The difference between this share and the share of net assets in the book of the subsidiary after the capital increase calculated in proportion to the parent company's shareholding after the capital increase is adjusted to capital reserves (capital premium or share capital premium), and if the capital reserves (capital premium or share capital premium) is not sufficient for write-downs, the adjustment is made to retained earnings.

7. Classification of joint venture arrangements and accounting treatment method for joint operations

Applicable Not applicable

8. Determination standards for cash and cash equivalents

Cash equivalents are investments that are held for a short period of time (generally maturing within three months from the date of purchase), are highly liquid, easily convertible to known amounts of cash, and having minimal risk of changes in value.

9. Foreign currency business and foreign currency statement translation

Applicable Not applicable

(1) Method of determining the conversion rate for foreign currency transactions

The Company uses the spot exchange rate on the date of the transaction or an exchange rate determined in accordance with a systematic and reasonable method that approximates the spot exchange rate on the date of the transaction (hereinafter referred to as the approximate rate of the spot exchange rate) to translate foreign currency transactions into the functional currency upon initial recognition.

(2) Method of translation of foreign currency monetary items at the balance sheet date

At the balance sheet date, for monetary items denominated in foreign currencies, the spot exchange rate at the balance sheet date is used for translation. Exchange differences arising from the difference between the spot rate at the balance sheet date and the spot rate at initial recognition or at the previous balance sheet date are recognized in profit or loss for the period. For non-monetary items denominated in foreign currencies that are measured at historical cost, the exchange rate prevailing at the date of the transaction is still used for translation. For non-monetary items denominated in foreign currencies that are measured at fair value, the exchange rate prevailing at the date the fair value is determined is used for translation, and the difference between the translated amount of the functional currency and the original amount of the functional currency is recognized in profit or loss for the period.

10. Financial instruments

Applicable Not applicable

A financial instrument is a contract that forms a financial asset of one party and creates a financial liability or equity instrument of another party.

(1) Recognition and derecognition of financial instruments

When the Company becomes a party to a financial instrument contract, it shall recognize the underlying financial asset or financial liability.

The financial asset shall be derecognized when meeting one of the following conditions:

- ① The contractual right to receive cash flows from the financial asset is terminated;
- ② The financial asset has been transferred and the transfer meets the following requirements for derecognition of financial assets.

A financial liability (or a portion thereof) is derecognized when the present obligation is discharged. If the Company (as the borrower) and the lender enters into an agreement to replace the original financial liability by assuming a new financial liability, and the contract terms of the new financial liability deviated materially from the original financial liability, the Company derecognizes the original financial liability and recognizes a new financial liability. If the Company materially modifies the contractual terms of the original financial liability (or part thereof), it shall terminate the original financial liability and recognize a new financial liability in accordance with the modified terms.

Purchases and sales of financial assets in the regular way shall be accounted for and derecognized on a trade date basis. Purchases and sales of financial assets in the regular way means delivery of financial assets in accordance with the terms of the contract and at a schedule determined by regulations or market practice. The transaction date is the date on which the Company commits to buy or sell a financial asset.

(2) Classification and measurement of financial assets

On initial recognition, the Company classifies financial assets into: financial assets at amortized cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income based on the business mode for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial assets may not be reclassified after initial recognition unless the Company changes its business mode for managing financial assets, in which case all underlying financial assets affected are reclassified on the first day of the first reporting period following the change in the business mode.

Financial assets are measured at fair value on initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are recognized directly in profit or loss, and for other categories of financial assets, the related transaction costs are recognized in their initial recognition amounts. Notes and accounts receivable arising from the sale of goods or provision of services that do not contain or consider a significant financing component are initially measured at the transaction price as defined in the income guidelines.

The subsequent measurement of a financial asset depends on its classification:

① Financial assets at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met: the Company's business mode for managing the financial asset is to collect the contractual cash flows; the contractual terms of the financial asset provide that the cash flows arising on a specific date are only payments of principal and interest based on the outstanding principal amount. For such financial assets, the effective interest rate method is used for subsequent measurement at amortized cost, and any gain or loss arising from derecognition, amortization or impairment under the effective interest rate method is recognized in profit or loss for the current period.

② Financial assets at fair value through other comprehensive income

A financial asset is classified as a financial asset at fair value through other comprehensive income if both of the following conditions are met: the Company's business mode of managing the financial asset aims at both collecting the contractual cash flow and selling the financial asset; and the contractual terms of the financial asset provide that the cash flows arising on a specific date are solely payments of principal and interest based on the principal amount outstanding. Such financial assets shall be subsequently measured at fair value. Except for impairment losses or gains and exchange gains or losses recognized in profit or loss, changes in the fair value of such financial assets are recognized as other comprehensive income until the financial assets are derecognized, at which time the cumulative gain or loss is transferred to current profit or loss. However, the interest income related to this financial asset calculated using the effective interest rate method is recognized in profit or loss for the current period.

The Company irrevocably elects to designate certain investments in non-trading equity instruments as financial assets at fair value through other comprehensive income, with only the related dividend income recognized in profit or loss for the current period, while the changes in fair value are recognized as other comprehensive income until the financial assets are derecognized, with the accumulated gains or losses transferred to retained earnings.

③ Financial assets at fair value through profit or loss

Financial assets other than those measured at amortized cost or fair value through other comprehensive income as described above are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value, with all changes in fair value recognized in profit or loss for the current period.

(3) Classification and measurement of financial liabilities

The Company classifies financial liabilities as those at fair value through profit or loss and those at amortized cost.

The subsequent measurement of a financial liability depends on its classification:

① Financial liabilities at fair value through profit or loss

Such financial liabilities include those held for trading (including derivatives that are financial liabilities) and those designated as at fair value through profit or loss. Subsequent to initial recognition, such financial liabilities are subsequently measured at fair value, with gains or losses (including interest expense) recognized in profit or loss for the current period, except for those related to hedge accounting. However, for financial liabilities designated as at fair value through profit or loss, the amount of change in fair value of such financial liabilities arising from changes in their own credit risk is recognized in other comprehensive income, and when such financial liabilities are derecognized, the cumulative gains and losses previously recognized in other comprehensive income shall be transferred from other comprehensive income to retained earnings.

② Financial liabilities at amortized cost

After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

Except in special cases, financial liabilities are distinguished from equity instruments in accordance with the following principles:

① A contractual obligation meets the definition of a financial liability if the Company cannot unconditionally avoid meeting that obligation by delivering cash or other financial assets. Some financial instruments do not explicitly contain terms and conditions of delivering cash or other financial asset but may indirectly create contractual obligations through other terms and conditions.

② If a financial instrument is required to be settled with or available for settlement with the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument are used as a substitute for cash or other financial assets or to give the holder of the instrument a residual interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is a financial liability of the issuer; in the latter case, the instrument is an equity instrument of the issuer. In certain circumstances, a financial instrument contract that requires the Company to settle the financial instrument with or available for using its own equity instruments, where the amount of the contractual right or contractual obligation is equal to the number of its own equity instruments available for acquisition or delivery multiplied by their fair value at the time of settlement, is classified as a financial liability whether the amount of the contractual right or contractual obligation is fixed or changes based, in whole or in part, on changes in variables other than the market price of the Company's own equity instruments (for example, interest rates, the price of a commodity or the price of a financial instrument).

(4) Impairment of financial instruments

For financial assets at amortized cost, debt investments at fair value through other comprehensive income, contract assets and lease receivables, the Company recognizes an allowance for losses based on expected credit losses.

① Measurement of expected credit losses

Expected credit loss refers to the weighted average credit losses on financial instruments weighted by the risk of default. Credit losses represent the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Company, discounted at the original effective interest rate, i.e., the present value of all cash shortfalls. Financial assets purchased or originated by the Company that are credit-impaired shall be discounted at the credit-adjusted effective interest rate of the financial assets.

Expected credit loss for the entire life is the expected credit loss resulting from all possible events of default throughout the expected life of the financial instrument.

Expected credit losses within the next 12 months are expected credit losses resulting from possible default events on financial instruments within 12 months after the balance sheet date (or the expected duration if the expected duration of the financial instrument is less than 12 months) and are part of the expected credit losses for the entire duration.

At each balance sheet date, the Company measures expected credit losses separately for financial instruments that are in different stages. If the credit risk of a financial instrument has not increased significantly since initial recognition, it is in the first stage, and the Company measures the allowance for losses based on the expected credit losses over the next 12 months; if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in the second stage, and the Company measures the allowance for losses based on the expected credit losses over the entire life of the instrument; if the credit of a financial instrument has been impaired since initial recognition, it is in the third stage, and the Company measures the allowance for losses based on the expected credit losses over the entire life of the instrument.

For financial instruments with low credit risk at the balance sheet date, the Company assumes that their credit risk has not increased significantly since initial recognition, and measures the allowance for losses based on expected credit losses over the next 12 months.

The Company calculates the interest income on financial instruments that are in the first and second stages, as well as those with low credit risk, based on their carrying amounts before deducting impairment allowances and using the effective interest rates. For financial instruments in the third stage, interest income is calculated on the basis of their carrying amount less the amortized cost after the impairment allowances and using the effective interest rate.

For notes receivable, accounts receivable, factoring receivables and receivables financing, the Company measures the allowance for losses based on the expected credit losses throughout their lives, regardless of whether there is a significant financing component.

A. Receivables

For notes receivable, accounts receivable, factoring receivables, other receivables, receivables financing, etc. for which objective evidence of impairment exists or applicable to individual assessments, separate impairment tests are performed, expected credit losses are recognized and individual impairment allowances are made. For notes receivable, accounts receivable, factoring receivables, other receivables, receivables financing for which there is no objective evidence of impairment, or when information on expected credit losses cannot be assessed at a reasonable cost for individual financial assets, the Company divides notes receivable, accounts receivable, factoring receivables, other receivables,

receivables financing, etc. into certain combinations based on credit risk characteristics, and calculates expected credit losses on the basis of the combinations, which are determined on the following basis:

The basis for determining the portfolio of notes receivable is as follows:

Portfolio of notes receivable 1 Commercial acceptance note

Portfolio of notes receivable 2 Bank acceptance note

For notes receivable classified as a portfolio, the Company calculates expected credit losses by referring to historical credit loss experience, current conditions and forecasts of future economy through default risk exposures and expected credit loss rates throughout the life of the notes.

The basis for determining the portfolio of accounts receivable is as follows:

Accounts receivable portfolio 1 Receivables from related parties in the scope of consolidation

Accounts receivable portfolio 2 Due from other customers

For accounts receivable classified as a portfolio, the Company prepares a table of aging of accounts receivable against the expected credit loss rate for the entire duration to calculate expected credit losses by referring to historical credit loss experience, taking into account current conditions and forecasts of future economy.

The basis for determining the portfolio of factoring receivables is as follows:

Portfolio of factoring receivables 1 Factoring receivables

For factoring receivables classified as a portfolio, the Company calculates expected credit losses by taking into account historical credit loss experience, current conditions and forecasts of future economy based on default risk exposures and expected credit loss rates throughout the duration.

The basis for determining the portfolio of other receivables is as follows:

Portfolio of other receivables 1 Interest receivable

Portfolio of other receivables 2 Margins, deposits, reserve funds and other receivables from employees

Portfolio of other receivables 3 Receivables from related parties in the scope of consolidation

Portfolio of other receivables 4 Other receivables

For other receivables classified as a portfolio, the Company calculates expected credit losses by referring to historical credit loss experience, current conditions and forecasts of future economy through default risk exposures and expected credit loss rates over the next 12 months or the entire duration.

B. Debt investments, other debt investments

For debt investments and other debt investments, the Company calculates expected credit losses through default risk exposures and expected credit loss rates over the next 12 months or the entire duration, depending on the nature of the investment and the types of counterparties and risk exposures.

② Low credit risk

A financial instrument is considered to have low credit risk if the default risk of financial instruments is low, the borrower is competent in meeting its contractual cash flow obligations in the short term, and even if adverse changes in economic conditions and business environment in the longer term do not necessarily reduce the borrower's ability to meet its contractual cash flow obligations.

③ A significant increase in credit risk

The Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the probability of default over the expected life of the financial instrument as determined at the balance sheet date with the probability of default over the expected life of the financial instrument as determined at initial recognition to determine the relative change in the probability of default over the expected life of the financial instrument.

In determining whether the credit risk has increased significantly since initial recognition, the Company considers reasonable and substantiated information, including forward-looking information, that is available without undue additional cost or effort. The Company considers the following information:

A. Whether there is a significant change in internal price indicators resulting from changes in the credit risk;

B. Whether there is an adverse change in business, finance or economy that are expected to result in a significant change in the debtor's ability to meet its debt service obligations;

C. Whether there has been a significant change in the actual or expected results of the debtor's operations; and whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor operates;

D. Whether there has been a significant change in the value of the collateral pledged as security for the debt or in the quality of the guarantee or credit enhancement provided by third parties. These changes are expected to reduce the debtor's economic incentive to repay by the contractual deadline or to affect the probability of default;

E. Whether there has been a significant change in the economic incentive that is expected to reduce the debtor's ability to repay by the contractual deadline;

F. Anticipated changes to the borrowing contract, including whether the anticipated breach may result in a waiver or amendment of contractual obligations, the granting of an interest-free period, a jump in interest rates, a requirement for additional collateral or security, or other changes to the contractual framework of the financial instrument;

G. Whether there has been a significant change in the debtor's expected performance and repayment behavior;

Depending on the nature of the financial instruments, the Company assesses whether there is a significant increase in the credit risk on the basis of individual financial instruments or a portfolio of financial instruments. When conducting an evaluation on the basis of a portfolio of financial instruments, the Company may classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

④ Credit-impaired financial asset

The Company assesses at the balance sheet date whether financial assets at amortized cost and debt investments at fair value through other comprehensive income are credit-impaired. A financial asset becomes credit-impaired when one or more events occur that have an adverse effect on the expected future cash flows of the financial asset. Evidence that a financial asset is credit-impaired includes the following observable information:

Significant financial difficulties of the issuer or debtor; breach of contract by the debtor, such as default or delinquency in interest or principal payments; creditors granting concessions to the debtor that

would not otherwise be made because of economic or contractual considerations related to the debtor's financial difficulties; probable bankruptcy or other financial reorganization of the debtor; disappearance of an active market for the financial asset as a result of the issuer's or debtor's financial difficulties; purchase or origination of a financial asset at a significant discount that reflects the credit loss.

⑤ Presentation of allowance for expected credit losses

To reflect changes in the credit risk of financial instruments since initial recognition, the Company remeasures expected credit losses at each balance sheet date, and the resulting increase or reversal in the allowance for losses shall be recognized as an impairment loss or gain in profit or loss for the current period. For financial assets at amortized cost, the allowance for losses shall be offset against the carrying amount of the financial assets presented in the balance sheet; for debt investments at fair value through other comprehensive income, the Company recognizes its allowance for losses in other comprehensive income, without deducting the carrying amount of the financial assets.

⑥ Write-offs

If the Company no longer has a reasonable expectation that the contractual cash flows from a financial asset will be fully or partially recovered, the carrying amount of the financial asset shall be written down directly. Such write-downs constitute derecognition of the underlying financial assets. This usually occurs when the Company determines that the debtor does not have assets or sources of income that will generate sufficient cash flows to repay the amount to be written down.

If a financial asset that has been written down is subsequently recovered, the reversal of the impairment loss is recognized as a gain or loss in the period in which it is recovered.

(6) Transfer of financial assets

A transfer of financial assets is either:

A. Transferring the contractual right to receive cash flows from a financial asset to another party;

B. Transferring the financial asset, in whole or in part, to another party, but retaining a contractual right to receive cash flows from the financial asset and a contractual obligation to pay the cash flows received to one or more recipients.

① Derecognition of transferred financial assets

A financial asset is derecognized if substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee, or if substantially all the risks and rewards of ownership of the financial asset have neither been transferred nor retained, but control over the financial asset has been relinquished.

In determining whether control over the transferred financial asset has been relinquished, the actual ability of the transferee to sell the financial asset is considered. If the transferee is able to unilaterally sell the transferred financial asset in its entirety to an unrelated third party without additional conditions limiting such sale, the Company has relinquished its control over the financial asset.

The Company focuses on the substance of the transfer of financial assets when determining whether the conditions for derecognition of a financial asset are met.

When a transfer of a financial asset as a whole satisfies the derecognition condition, the difference between the following two amounts is recognized in profit or loss for the current period:

A. The carrying amount of the financial asset transferred;

B. The sum of the consideration received for the transfer and the amount of derecognized portion of the cumulative amount of changes in fair value previously recognized directly in other comprehensive

income (financial assets involved in the transfer are those classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of ASBEs No. 22 — Recognition and Measurement of Financial Instruments).

When a partial transfer of a financial asset meets the derecognition condition, the carrying amount of the financial asset as a whole is apportioned between the derecognized portion and the unrecognized portion (in which case the retained service asset is treated as part of the continuing recognition of the financial asset), based on their respective relative fair values at the date of transfer, and the difference between the following amounts is recognized in profit or loss for the current period:

A. The carrying value of the derecognized portion at the date of derecognition;

B. The sum of the consideration for the derecognized portion and the amount of derecognized portion of the cumulative amount of changes in fair value previously recognized directly in other comprehensive income (financial assets involved in the transfer are those classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of ASBEs No. 22 — Recognition and Measurement of Financial Instruments).

② Continuing involvement in transferred financial assets

If substantially all the risks and rewards of ownership of a financial asset are neither transferred nor retained, and control over the financial asset is not relinquished, the underlying financial asset shall be recognized to the extent of its continuing involvement in the transferred financial asset, and the related liability shall be recognized accordingly.

The extent of continuing involvement in transferred financial assets is the extent to which the enterprise bears the risk or reward of changes in the value of the transferred financial assets.

③ Continue to recognize the transferred financial assets

If substantially all the risks and rewards associated with ownership of the transferred financial asset are retained, the transferred financial asset shall be recognized in its entirety, and the consideration received shall be recognized as a financial liability.

The financial asset and the underlying financial liability recognized shall not offset against each other. In subsequent accounting periods, the Company shall continue to recognize the income (or gain) from the financial asset and the expense (or loss) from the financial liability.

(7) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the balance sheet and not be offset against each other. The net offsetting amount is shown in the balance sheet if the following conditions are met:

The Company has a legal right to offset the recognized amount and such a legal right is currently enforceable;

The Company plans to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously.

For transfers of financial assets that do not meet the derecognition criteria, the transferor shall not make the transferred financial assets set against related liabilities.

(8) Methodology for determining the fair value of financial instruments

The fair value determination method for financial assets and financial liabilities is described in Note V. 10.

11. Notes receivable**Method of determining expected credit losses on notes receivable and accounting treatment**

Applicable Not applicable

For details, please refer to Section X of this report on Financial Report V. Significant accounting policies and accounting estimates: 10. Financial instruments.

12. Accounts receivable**Method of determining expected credit losses on accounts receivable and accounting treatment**

Applicable Not applicable

For details, please refer to Section X of this report on Financial Report V. Significant accounting policies and accounting estimates: 10. Financial instruments.

13. Accounts receivable financing

Applicable Not applicable

14. Other receivables**Method of determining expected credit losses on other receivables and accounting treatment**

Applicable Not applicable

For details, please refer to Section X of this report on Financial Report V. Significant accounting policies and accounting estimates: 10. Financial instruments.

15. Inventories

Applicable Not applicable

(1) Categories of inventories

All of the Company's inventories are low-value consumables.

(2) Measurement of outgoing inventories

The Company's inventories are valued at actual cost at the time of acquisition, and the first-in, first-out method is used to determine the cost of outgoing inventories.

(3) Inventory system

The Company's inventories are inventoried on a perpetual basis, at least once a year, and the amount of inventory gain or loss is recognized in profit or loss for the year.

(4) Provision for decline in the value of inventories

The net realizable value of inventories is based on the estimated selling price of the inventories less estimated selling and marketing expenses and related taxes. The determination of the net realizable value of inventories is based on conclusive evidence obtained, taking into account the purpose for which the inventories are held and the effect of events after the balance sheet date.

On the balance sheet date, provision for inventory impairment shall be made if the cost of inventories is higher than its net realizable value. The Company usually makes provision for inventory impairment based on an individual category of inventory items. At the balance sheet date, if the factors affecting the value of previously written down inventory disappears, the provision for inventory impairment is reversed within the amount originally provided for.

16. Contract assets**(1). Methods and criteria for recognition of contract assets**

Applicable Not applicable

(2). Method of determining expected credit losses on contract assets and accounting treatment

Applicable Not applicable

17. Held-for-sale assets

Applicable Not applicable

18. Debt investments**(1). Method of determining expected credit losses on debt investments and accounting treatment**

Applicable Not applicable

19. Other debt investments**(1). Method of determining expected credit losses on other debt investments and accounting treatment**

Applicable Not applicable

20. Long-term receivables**(1). Method of determining expected credit losses on long-term receivables and accounting treatment**

Applicable Not applicable

21. Long-term equity investment

Applicable Not applicable

Long-term equity investments include equity investments in subsidiaries and associates. Where the Company is able to exert significant influence on the investee, the investee is an associate of the Company.

(1) Investment cost determination

For long-term equity investments acquired in a business combination under common control, the cost of investment at the date of consolidation is based on the acquisition of the share of the ownership interest of the merged entity in the carrying amount of the consolidated financial statements of the ultimate controlling party.

For long-term equity investments acquired by paying cash other than in a business combination, the initial investment cost is based on the actual price paid.

(2) Subsequent measurement and recognition method of profits and losses

Long-term equity investments in which the Company is able to exercise control over the investee are accounted for using the cost method. Profits declared by the investee are recognized as investment income and recognized in profit or loss for the current period.

In the case of making accounting using the equity method, the Company shall recognize the investment income and other comprehensive income according to the share of the realized net profit and loss and other comprehensive income of the investee attributable to the Company, and adjust the book value of the long-term equity investment. The Company shall write down the book value of the long-term equity investment according to share of the profit or cash dividend declared by the investee attributable to the Company. Other changes to the owner's equity of the investee, other than the net profit and loss, other comprehensive income and profit distribution, shall be used to adjust the book value of the long-term equity investment and included in capital reserves (other capital reserves). When recognizing its share in the net profit and loss of the investee, the Company shall recognize it on the basis of the fair value of the identifiable assets of the investee when acquiring the investment and after adjusting the net profit of the investee in accordance with the Company's accounting policies and accounting period.

(3) Basis for determining significant influence over an investee

Significant influence means the investor has the power to participate in decision-making for the financial and business policies of the investee, but cannot control or jointly control with other parties over the formulation of such policies. In determining whether significant influence can be exercised over an investee, the investor shall consider its direct or indirect holdings of voting shares in the investee and the effect of current exercisable potential voting rights held by the investor and others upon their assumed conversion into equity interests in the investee's units, including the effect of current convertible warrants, share options and convertible corporate bonds issued by the investee, etc.

(4) Method of impairment test and provision for impairment

For investments in subsidiaries and associates, the Company provides for impairment of long-term assets as described in Note V. 30.

22. Investment properties

Not applicable

23. Fixed assets

Fixed assets are tangible assets with a high unit value that are held for the production of goods, provision of services, rental or operation management with a useful life of more than one year.

(1). Recognition criteria

Applicable Not applicable

Fixed assets are recognized at their actual cost at the time of acquisition when both of the following conditions are met:

① It is probable that the economic benefits associated with the fixed assets will flow to the enterprise.

② The cost of the fixed asset can be measured reliably.

Subsequent expenditures incurred for fixed assets are recognized in the cost of fixed assets if the recognition criteria are met; those that do not meet the recognition criteria are recognized in the current profit or loss as incurred.

(2). Depreciation method

Applicable Not applicable

Category	Depreciation method	Depreciation life (year)	Rate of residual value	Annual depreciation rate
Transportation vehicles (electric vehicles)	Straight-line method	2	0%	50.00%
Transportation vehicles (excluding electric vehicles)	Straight-line method	5-6	5%	15.83%-19.00%
Machinery equipment	Straight-line method	3-10	0%-5%	9.50%-33.33%
Electronic and office equipment	Straight-line method	3	0%	33.33%

The Company makes provision for depreciation using the straight-line method. Depreciation on fixed assets begins when they reach their intended useable condition and ceases upon derecognition or when they are classified as non-current assets held for sale. The annual depreciation rates of the Company's fixed assets by category, estimated useful life and estimated salvage value are shown in the table above.

For fixed assets for which provision for impairment has been made, the provision for impairment of fixed assets is deducted when provision for depreciation is made. See Note V. 30 for the impairment method and provision for impairment of fixed assets.

At the end of each year, the Company reviews the useful life, estimated net salvage value and depreciation method of fixed assets. If the estimated useful life is different from the original estimate, the useful life of the fixed asset shall be adjusted.

(3). Recognition basis, valuation and depreciation method of fixed assets acquired under financing leases

Applicable Not applicable

24. Construction in progress

Applicable Not applicable

(1) Construction in progress is accounted by the classification of project establishment.

(2) Criteria and timing for carrying forward construction-in-progress to fixed assets

Construction-in-progress projects are recorded as fixed assets at the value of all expenditures incurred in the construction of the asset until it reaches its intended usable condition. This includes construction costs, original cost of machinery and equipment, other necessary expenditures incurred to make construction in progress reach its intended usable condition, and borrowing costs incurred for borrowings specifically for the project before the asset reaches its intended usable condition and borrowing costs incurred for general borrowings occupied. The Company transfers construction in progress to fixed assets when the installation or construction is completed to its intended usable condition. Fixed assets constructed in their intended usable condition but not yet completed for final settlement are transferred to fixed assets at their estimated value from the date they reach their intended usable condition based on the project budget, construction cost or actual cost of construction, etc. and the provision for depreciation of fixed assets is made in accordance with the Company's depreciation policy for fixed assets. The original provisional estimated value is adjusted based on the actual cost after the final settlement is completed, but the original amount of provision for depreciation shall not be adjusted.

25. Borrowing costs

Applicable Not applicable

26. Biological assets

Applicable Not applicable

27. Oil and gas assets

Applicable Not applicable

28. Right-of-use assets

Applicable Not applicable

The right-of-use asset is the right of the lessee to use the leased asset for the term of the lease.

At the inception date of the lease, right-of-use assets are initially measured at cost. The cost includes:

- The initially measured amount of the lease liabilities;
- The amount of lease payment paid on or before the beginning of the lease term (if there is a lease incentive, the amount of lease incentive already enjoyed shall be deducted);
- The initial direct fees incurred by the lessee;
- The cost expected to be incurred by the lessee to dismantle and remove the leased assets, restore the site where the leased assets are located or restore the leased assets to the state specified in the lease terms. The Company recognizes and measures this cost in accordance with the recognition criteria and measurement method for estimated liabilities, as described in Note V. 34. The aforementioned costs that are incurred for the production of inventories shall be included in the cost of inventories.

The straight-line method shall be used for the classified provision for depreciation on right-of-use assets. If it is reasonably certain that ownership of the leased asset will be obtained at the end of the lease term, the depreciation rate is determined based on the category of the right-of-use asset and the estimated net residual value rate over the estimated remaining useful life of the leased asset. If it is not reasonably certain that ownership of the leased asset will be obtained at the end of the lease term, the depreciation rate is determined according to the category of the right-of-use asset within the shorter of the lease term and the remaining useful life of the leased asset.

29. Intangible assets**(1). Measurement method, useful life and impairment test**

Applicable Not applicable

The Company's intangible assets include software, trademarks, non-patented technology and land use rights, etc.

Intangible assets are initially measured at cost, and their useful lives are analyzed and determined at the time of acquisition. Intangible assets with finite useful lives are amortized over their estimated useful lives from the time they become available for use, using an amortization method that reflects the expected realization of economic benefits associated with the asset; if the expected realization cannot be reliably determined, the straight-line method is used; intangible assets with indefinite useful lives are not amortized.

The amortization method for intangible assets with finite useful lives is as follows:

Item	Estimated useful life	Basis
Land use rights	50 years	Legal right of use
Software	3 years	The useful life shall be determined by reference to the period of time during which the Company can generate economic benefits
Trademark	3 years	The useful life shall be determined by reference to the period of time during which the Company can generate economic benefits

At the end of each year, the Company reviews the useful lives and amortization methods of intangible assets with finite useful lives and adjusts the original estimates if they differ from previous estimates and treats them as changes in accounting estimates.

If an intangible asset is no longer expected to provide future economic benefits to the Company at the balance sheet date, the full carrying amount of the intangible asset is transferred to current profit or loss.

The method of provision for impairment of intangible assets for long-term assets is described in Note V. 30.

(2). Accounting policies for internal research and development expenditures

Applicable Not applicable

(1) Criteria for dividing the research phase and development phase of internal research and development projects

① The Company treats the preparation for information and related aspects for further development activities as the research phase, and expenses for the research phase of intangible assets are recognized in the current profit or loss as incurred.

② Development activities after the Company's research phase shall be considered as the development phase.

(2) Specific conditions for capitalization of development phase expenditures

Expenditures in the development phase are recognized as intangible assets only when all of the following conditions are met:

A. It is technically feasible to complete the intangible asset so that it can be used or sold;

B. There's the intent to complete the intangible asset and use or sell it;

C. The manner in which the intangible asset generates economic benefits can be demonstrated, including the existence of a market for the product produced using the intangible asset or the existence of a market for the intangible asset itself, or the usefulness of the intangible asset if it will be used internally;

D. There's sufficient technical, financial and other resources to support the completion of the development of the intangible asset and the ability to use or sell the intangible asset;

E. The expenditure attributable to the development phase of this intangible asset can be measured reliably.

Expenditures in the development phase that do not meet the above conditions are recognized in the current profit or loss as incurred. Development expenditures recognized in profit or loss in prior periods can't be re-recognized as assets in subsequent periods. Expenditures in the development phase that have been capitalized are presented on the balance sheet as development expenditures and transferred to intangible assets from the date the project reaches its intended use.

30. Impairment of long-term assets

Applicable Not applicable

Impairment of assets of long-term equity investments, fixed assets, construction in progress, right-of-use assets, and intangible assets of subsidiaries and associates are determined as follows:

At the balance sheet date, the Company determines whether there is an indication that an asset may be impaired. If there is an indication of impairment, the Company will estimate its recoverable amount and perform an impairment test. Goodwill resulting from business combination, intangible assets with indefinite useful lives and intangible assets that have not yet reached their useful lives are tested annually for impairment regardless of whether there is an indication of impairment.

The recoverable amount is determined as the higher of the net of the asset's fair value less fees of disposal and the present value of the asset's estimated future cash flows. The Company estimates the recoverable amount of an individual asset on an individual basis; if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs. The identification of an asset group is based on whether the primary cash inflows generated by the asset group are independent of those from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the Company writes down the carrying amount to its recoverable amount, and the amount of the write-down is recognized in profit or loss for the current period, together with a corresponding provision for asset impairment.

For the purpose of impairment testing of goodwill, the carrying amount of goodwill arising from a business combination is apportioned to the relevant asset group from the date of purchase using a reasonable method; if it is difficult to apportion to the relevant asset group, it is apportioned to the relevant asset group portfolio. The relevant asset group or asset group portfolio is that that can benefit from the synergies of the business combination and is not larger than the Company's identified reporting segments.

When testing for impairment, if there is an indication that an asset group or asset group portfolio related to goodwill is impaired, the asset group or asset group portfolio that does not contain goodwill is first tested for impairment, the recoverable amount is calculated, and a corresponding impairment loss is recognized. The asset group or asset group portfolio containing goodwill is then tested for impairment, and the carrying amount is compared with the recoverable amount. If the recoverable amount is less than the carrying amount, an impairment loss on goodwill is recognized.

Once an impairment loss on an asset is recognized, it can't be reversed in subsequent accounting periods.

31. Long-term deferred expenses

Applicable Not applicable

The Company's long-term deferred expenses refer to expenses that have been paid but have a benefit period of more than one year (excluding one year), mainly the expenses for renovation of leased-in buildings. The amortization period for expenses for renovation of leased-in buildings is determined based

on the shorter of the lease term and the expected benefit period, and is amortized evenly over the amortization period. The expected benefit period for renovation expenses of business outlets is 3 years and the expected benefit period of other major renovations is based on the actual situation; The amortized value of long-term deferred expenses items that will not benefit subsequent accounting periods is fully recognized in profit or loss for the period.

32. Contract liabilities

(1). Method of recognition of contract liabilities

Applicable Not applicable

Applicable as of January 1, 2020

The Company presents contract liabilities in the balance sheet based on the relationship between the performance obligation and the customer's payment. The Company's obligations to transfer goods or provide services to customers for consideration received or receivable are presented as contract liabilities.

Contract liabilities are shown separately in the balance sheet. Contract liabilities under the same contract shown on a net basis, and if the net amount is a credit balance, it is shown in "contract liabilities" or "other non-current liabilities" according to their liquidity. Contract assets and contract liabilities under different contracts cannot be offset against each other.

33. Employee compensation

Employee compensation refers to various forms of remuneration or compensation given by the Company for services rendered by employees or for the termination of employment relationships. Employee compensation mainly includes short-term compensation, post-employment benefits and other long-term employee benefits. Benefits provided to employees' spouses, children, dependents, survivors of deceased employees and other beneficiaries, etc., are also considered employee compensation.

According to the liquidity, employee compensation is shown in the "payroll payables" and "long-term payroll payables" items in the balance sheet, respectively.

(1). Accounting treatment for short-term compensation

Applicable Not applicable

During the accounting period when employees provide services, the Company shall recognize the actual wages, bonuses, medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurance premiums and housing provident funds paid for employees pursuant to the prescribed standards and proportions as liabilities, and record them into the current profit and loss or related asset costs.

(2). Accounting treatment for post-employment benefits

Applicable Not applicable

The post-employment benefit plan is a defined contribution plan.

A defined contribution plan is a post-employment benefit plan in which no further payment obligations are assumed after a fixed charge has been contributed to a separate fund. The defined contribution plan includes basic pension insurance, unemployment insurance, etc.

During the accounting period in which employees render services, the amount of contributions payable based on the defined contribution plan is recognized as a liability and recognized in profit or loss for the period.

(3). Accounting treatment for termination benefits

Applicable Not applicable

(4). Accounting treatment for other long-term employee benefits

Applicable Not applicable

The Company established the Excess Earnings Sharing Plan, which sets a certain percentage of the annual excess profit after the return on net assets exceeds the target value as an incentive bonus for the Group's management team and core employees, to be implemented over three years, with 1/3 of the incentive bonus in each year as the target bonus for that year, to be paid after adjustment by the company and individual performance evaluation coefficients for that year.

The Company discounts the incentive bonus that is expected to be paid after one year using the yield to maturity of treasury bonds on the corresponding maturity date.

34. Lease liabilities

Applicable Not applicable

The lease liabilities shall be initially measured at the present value of the outstanding lease payment on the commencement date of the lease term. The lease payment amount includes the following five elements:

- Fixed payments and material fixed payments, net of amounts related to lease incentives, if lease incentives exist;
- Variable lease payments that depend on an index or rate;
- The exercise price of the purchase option, provided that the lessee reasonably determines that it will exercise the option;
- The amount required to be paid to exercise the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease;
- The amount expected to be paid based on the residual value of the guarantee provided by the lessee.

When calculating the present value of lease payments, the interest rate implicit in the lease is used as the discount rate. If the interest rate implicit in the lease cannot be determined, the Company's incremental borrowing rate is used as the discount rate. The difference between the lease payments and their present values is recognized as an unrecognized financing fee, and interest fee is recognized at the discount rate of the present value of the recognized lease payments during each period of the lease term and is recognized in profit or loss for the period. Variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss for the period when they are actually incurred.

After the commencement date of the lease term, when there is a change in the substantive fixed payment amount, a change in the amount expected to be payable for the guaranteed residual value, a change in the index or rate used to determine the lease payment amount, or a change in the evaluation result or actual exercise of the purchase option, renewal option or termination option, the Company

remeasures the lease liability at the present value of the changed lease payment amount and adjusts the carrying value of the right-of-use asset accordingly.

35. Estimated liabilities

Applicable Not applicable

(1) Criteria for recognition of estimated liabilities

If obligations related to the contingencies meet the following conditions simultaneously, the Company shall recognize them as estimated liabilities:

- ① The obligation is the present obligation assumed by the Company;
- ② The performance of this obligation is likely to cause outflow of economic benefits of the Company;
- ③ The amount of the obligation can be reliably measured.

(2) Measurement of estimated liabilities

Estimated liabilities are initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account the risks associated with contingencies, uncertainties and the time value of money. On each balance sheet date, the Company reviews the book value of estimated liabilities. If there is conclusive evidence that the book value does not reflect the current best estimate, the book value is adjusted in accordance with the current best estimate.

36. Share-based payment

Applicable Not applicable

(1) Types of share-based payments

The Company's share-based payment includes cash-settled share-based payments and equity-settled share-based payments.

(2) Determination method for the fair value of an equity instrument

① For shares granted to employees, the fair value is measured at the market price of the Company's shares, subject to adjustment based on the terms and conditions on which the shares are granted (excluding vesting conditions other than market conditions). ② For stock options granted to employees, it is difficult to obtain their market prices in many cases. If no traded options with similar terms and conditions exist, the Company selects the applicable option pricing model to estimate the fair value of the options granted.

(3) Basis for recognizing the best estimate of exercisable equity instruments

At each balance sheet date during the waiting period, the Company makes a best estimate of the number of equity instruments expected to be exercisable by revising the best estimate of the number of equity instruments expected to be exercisable based on subsequent information such as the latest available changes in the number of exercisable employees.

(4) Accounting for share-based payment plan implementation

Equity-settled share-based payments

① Equity-settled share-based payments in exchange for employee services that are exercisable immediately after the grant are recorded in the relevant cost or fee at the fair value of the equity instrument at the date of grant, with a corresponding increase in capital reserves.

② For equity-settled share-based payments that are exercisable in exchange for employee services after the completion of the waiting period or after the achievement of specified performance conditions, the services acquired during the period are recorded in cost or fee and capital reserves at each balance sheet date during the waiting period, based on the best estimate of the number of exercisable equity instruments, and the fair value of the equity instruments at the date of grant.

(5) Accounting for share-based payment plan modifications

When the Company makes modifications to a share-based payment plan, if the modifications increase the fair value of the equity instruments granted, an increase in the acquisition of services is recognized accordingly in accordance with the increase in the fair value of the equity instruments; if the modifications increase the number of equity instruments granted, the fair value of the increased equity instruments is recognized accordingly as an increase in the acquisition of services. The increase in the fair value of equity instruments refers to the difference between fair values of the equity instruments before and after the modification on the date of modification. If a modification reduces the total fair value of share-based payments or otherwise modifies the terms and conditions of a share-based payment plan in a manner unfavorable to employees, the acquired services continue to be accounted for as if the change never occurs, unless the Company cancels some or all of the equity instruments granted.

(6) Accounting for termination of share-based payment plans

If the granted equity instruments are canceled or settled during the waiting period (except those canceled due to failure to meet the vesting conditions), the Company:

① The cancellation or settlement shall be treated as an accelerated exercisable right, recognizing immediately the amount that would otherwise be recognized over the remaining waiting period;

② All payments made to employees upon cancellation or settlement are treated as repurchases of equity. The excess of the repurchase payment over the fair value of the equity instrument at the date of repurchase is recognized in the current fee.

If the Company repurchases an equity instrument for which its employees have exercised their rights, it is reduced to the owner's equity of the enterprise; the excess of the repurchase payment over the fair value of the equity instrument at the date of repurchase is recognized in profit or loss for the current period.

37. Preferred Shares, perpetual bonds and other financial instruments

Applicable Not applicable

38. Revenue

(1) Accounting policies for recognition and measurement of revenue

Applicable Not applicable

(1) General principles

Revenue is the total inflow of economic benefits arising from the Company's ordinary activities that would result in an increase in shareholders' equity and are unrelated to capital contributions by shareholders.

The Company recognizes the revenue when it has fulfilled its performance obligations under the contract, that is, when the customer obtains control of the relevant goods. Obtaining control of the relevant goods means being able to dominate the use of that goods and derive almost all of the economic benefits from it.

If a contract contains two or more performance obligations, the Company apportions the transaction price to each individual performance obligation at the contract commencement date in the relative proportion of the individual selling price of the goods or services promised by each individual performance obligation, and measures the revenue based on the transaction price apportioned to each individual performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled as a result of the transfer of goods or services to the customer, excluding amounts collected on behalf of third parties. In determining the transaction price of a contract, if variable consideration exists, the Company determines the best estimate of the variable consideration based on the expected value or the most likely amount and includes in the transaction price an amount not to exceed the amount for which it is highly probable that there will be no material reversal of the revenue recognized in the aggregate when the related uncertainty is removed. If there is a significant financing component in the contract, the Company will determine the transaction price based on the amount payable in cash by the customer upon acquisition of control of the goods, and the difference between such transaction price and the contract consideration will be amortized over the contract period using the effective interest rate method, and the Company will not consider the financing component in the case where the interval between the transfer of control and the payment of the price by the customer does not exceed one year.

Performance obligations are fulfilled within a certain period of time if one of the following conditions is met; otherwise, performance obligations are fulfilled at a certain point in time:

- ① The customer obtains and consumes the economic benefits resulting from the Company's performance at the same time as the Company's performance;
- ② The customer is able to control the goods under construction in the course of the Company's performance;
- ③ The goods produced in the course of the Company's performance are of irreplaceable use and the Company is entitled to receive payment for the cumulative portion of performance completed to date throughout the contract period.

For performance obligations to be performed within a certain period of time, the Company recognizes the revenue in accordance with the progress of performance during that period, except when the progress of performance cannot be reasonably determined. The Company determines the performance schedule for the provision of services based on the input method (or output method). When the performance schedule can not be reasonably determinable, the Company recognizes the revenue at the amount of costs already incurred until the performance schedule can be reasonably determined if the costs are expected to be reimbursed.

For performance obligations performed at a point in time, the Company recognizes the revenue at the point in time when the customer obtains control of the relevant goods. In determining whether a customer has obtained control of goods or services, the Company will consider the following indications:

- ① The Company has a present right to receive payment for the goods or services, i.e. the customer has a present obligation to pay for the goods;
- ② The Company has transferred legal ownership of the goods to the customer, i.e. the customer has obtained the legal ownership of the goods;
- ③ The Company has physically transferred the goods to the customer, i.e. the customer has taken physical possession of the goods;
- ④ The Company has transferred to the customer the major risks and rewards of ownership of the goods, i.e., the customer has obtained the major risks and rewards of ownership of the goods;
- ⑤ The customer has accepted the goods.

Consideration payable to customers

If there is consideration payable to a customer in a contract, unless the consideration is for other clearly distinguishable goods or services from the customer, the Company reduces the transaction price by the amount of the consideration payable and writes down the current revenue at the later of the recognition of the related revenue or the payment (or promise to pay) the consideration to the customer.

Customer's unexercised contractual rights

When the Company receives payments in advance from customers for sales of goods or services, such payments are first recognized as liabilities and then transferred to revenue when the related performance obligations are fulfilled. When the Company's advances from customers are not required to be returned and it is probable that the customer will waive all or part of its contractual rights, the Company recognizes revenue on a pro rata basis in accordance with the pattern of the customer's exercise of contractual rights if the Company expects to be entitled to the amounts related to the contractual rights waived by the customer; otherwise, the Company recognizes the related balance of the liabilities as revenue only when it is highly unlikely that the customer will require performance of the remaining performance obligations.

(2) Specific method

The specific method of revenue recognition for the Company is as follows:

The Company provides integrated logistics services such as general freight, freight forwarding, domestic express, warehousing, etc. General freight, freight forwarding and domestic express, which are obligations performed at a point in time. The Company recognizes revenue at the point in time when the customer obtains control over the related services. Warehousing services are obligations performed at a period of time.

Revenue from general freight, freight forwarding and domestic express services provided by the Company is recognized when the services have been provided and the right to receive the service revenue has been obtained; warehousing revenue is recognized when the services have been completed, the related revenue and costs can be measured reliably, and it is probable that the economic benefits associated with the services will flow to the Company.

(2). Differences in accounting policies for revenue recognition due to different operating models for the same type of business

Applicable Not applicable

39. Contract costs

Applicable Not applicable

40. Government grants

Applicable Not applicable

Government grants are recognized when the conditions attached to the government grants are met and can be received.

The Company's government grants for monetary assets are measured at the amount received.

Government grants related to assets are government grants acquired by the Company for the acquisition or other formation of long-term assets; otherwise, they are treated as government grants related to revenues.

For the government grants for which the government documents do not specify the objects and that can form long-term assets, the part of government grants corresponding to the value of assets is treated as asset-related government grants, and the rest is treated as revenue-related government grants; if it is difficult to distinguish, the government grants as a whole are treated as revenue-related government grants.

Government grants related to assets are recognized as deferred revenues and included in profit or loss over the useful life of the related assets in accordance with a reasonable and systematic method. Government grants related to income are recognized in profit or loss in the period if they are used to compensate for related costs or losses incurred, or in deferred revenues if they are used to compensate for related costs or losses in subsequent periods, and are recognized in profit or loss in the period in which the related costs or losses are recognized. The Company applies a consistent approach to the treatment of the same or similar government grants.

Government grants related to ordinary activities are recorded in other income in accordance with the substance of economic operations. Government grants that are not related to ordinary activities are included in non-operating income and expenses.

When a recognized government grant is required to be returned, the carrying amount of the asset is adjusted if the carrying amount of the asset is reduced upon initial recognition; if there is a deferred revenues balance, the carrying amount of the deferred revenues is reduced and the excess is recognized in profit or loss for the current period; in other cases, the deferred revenues are recognized directly in profit or loss for the current period.

41. Deferred tax assets/deferred tax liabilities

Applicable Not applicable

The Company generally recognizes and measures the amount of taxable temporary differences or deductible temporary differences for income tax purposes as deferred tax liabilities or deferred tax assets using the balance sheet liability method based on temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their tax bases. The Company does not discount deferred tax assets and deferred tax liabilities.

(1) Recognition of deferred tax assets

For deductible temporary differences, deductible losses and tax credits that can be carried forward to future years, the amount of their impact on income tax is calculated at the income tax rate in the period in which they are expected to reverse, and the impact is recognized as deferred tax assets to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized.

The amount of the impact on income tax of deductible temporary differences arising from the initial recognition of assets or liabilities in transactions or events that also have the following characteristics is not recognized as deferred tax assets:

A. The transaction is not a business combination;

B. The transaction affects neither the accounting profit nor the taxable income (or deductible loss) when it occurs.

The Company recognizes deferred tax assets for the amount of the impact of deductible temporary differences (associated with investments in subsidiaries, associates and joint ventures) on income tax to the extent that both of the following conditions are met:

A. It is probable that the temporary differences will reverse in the foreseeable future;

B. It is probable that future taxable income will be available to offset deductible temporary differences;

Deferred tax assets not recognized in prior periods are recognized if, at the balance sheet date, it is proved that sufficient taxable income will be available to offset deductible temporary differences in future periods.

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. The carrying amount of deferred tax assets is written down if it is probable that sufficient taxable income will not be available in future periods to allow for the benefit of the deferred tax assets. Write-downs are reversed when it is probable that sufficient taxable income will be available.

(2) Recognition of deferred tax liabilities

All of the Company's taxable temporary differences are measured at the income tax rate in the period in which they are expected to reverse, and the effect is recognized as deferred tax liabilities, except for the following:

① Deferred tax liabilities are not recognized for the income tax effects of taxable temporary differences arising from the following transactions or events:

A. Initial recognition of goodwill;

B. Initial recognition of an asset or liability arising from a transaction that has the following characteristics: the transaction is not a business combination and the transaction neither affects the accounting profit nor taxable income or deductible loss at the time it occurs.

② The Company generally recognizes deferred tax liabilities for the amount of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates that affect income tax, except when both of the following conditions are met:

A. The Company is able to control the time of the reversal of temporary differences;

B. It is probable that the temporary difference will not reverse in the foreseeable future.

(3) Recognition of deferred tax liabilities or assets in respect of specific transactions or events

① Deferred tax liabilities or assets related to business combination

For taxable temporary differences or deductible temporary differences arising from business combination not under common control, the related deferred income tax fees (or profit) is recognized along with the deferred tax liabilities or deferred tax assets, usually adjusting the goodwill recognized in the business combination.

② Items included directly in owners' equity

Current and deferred income tax related to transactions or events that are directly included in owners' equity is recognized in owners' equity. Transactions or events that are included in owners' equity for the income tax effects of temporary differences include: other comprehensive income resulting from changes in the fair value of other debt investments, etc.; changes in accounting policies using the retrospective adjustment method or the retrospective restatement method for the correction of differences in prior period (significant) accounting errors to adjust opening retained earnings; and hybrid financial instruments that contain both liability and equity components are included in the owners' equity upon initial recognition.

③ Compensable losses and tax credits

A. Compensable losses arising from the Company's own operations and tax credits

Deductible losses are losses that are allowed to be offset by taxable income in subsequent years as determined by the calculation in accordance with the provisions of the tax law. For the uncompensated losses (deductible losses) and tax credits that can be carried forward to future years in accordance with the provisions of the tax law, they are treated as deductible temporary differences. To the extent that it is probable that sufficient taxable income will be available in future periods against which compensable losses or tax credits can be utilized, corresponding deferred tax assets are recognized to the extent of the probable taxable income, and the income tax fee is reduced in the income statement for the period.

B. Compensable uncompensated losses of the consolidated enterprise resulting from a business combination

In a business combination, the Company acquires deductible temporary differences from the acquiree. Deferred tax assets shall not be recognized if they do not qualify for recognition at the date of acquisition. Within 12 months after the date of acquisition, if new or further information becomes available indicating that the relevant circumstances at the date of acquisition have existed, and it is expected that the economic benefits arising from deductible temporary differences of the acquiree at the date of acquisition will be realized, the related deferred tax assets are recognized and goodwill is reduced. When the amount of goodwill is less than the deferred tax assets that shall be recognized, the difference shall be recognized in the profit or loss for the period. Except for the above cases, deferred tax assets related to business combination are recognized in profit or loss for the current period.

④ Temporary differences resulting from consolidation and elimination

In preparing the consolidated financial statements, the Company recognizes deferred tax assets or deferred tax liabilities in the consolidated balance sheet when temporary differences arise between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax bases in the taxable entities to which they belong as a result of eliminating unrealized internal sales gains or losses, and adjusts the income tax fee in the consolidated income statement, except for deferred income tax related to transactions or events directly included in the owners' equity and business combination.

⑤ Equity-settled share-based payments

If the tax law provides that expenses related to share-based payments are allowed for pre-tax deduction, in the period in which the costs and fees are recognized in accordance with the accounting standards, the Company calculates and determines its tax basis and the resulting temporary differences based on the amount of estimated pre-tax deductibility according to information obtained at the end of the accounting period, and recognizes the related deferred income tax if the conditions for recognition are met. The amount expected to be deductible for pre-tax purposes in future periods exceeds the costs and fees related to share-based payments recognized in accordance with accounting standards, and the income tax effect of the excess shall be recognized directly in owners' equity.

42. Lease

(1). Accounting treatment of operating leases

Applicable Not applicable

(2). Accounting treatment of finance leases

Applicable Not applicable

(3). Method of determining the lease and accounting treatment under the new lease standard

Applicable Not applicable

Applicable since January 1, 2021

(1) Identification of the lease

At the contract inception date, the Company assesses whether a contract is a lease or contains a lease. If one party to the contract cedes the right to control the use of one or more identified assets for a specified period of time in exchange for consideration, a contract is a lease or contains a lease. If one party to the contract cedes the right to control the use of one or more identified assets for a specified period of time in exchange for consideration. In order to determine whether the contract gives the right to control the use of the identified assets for a certain period of time, the Company assesses whether the customer under the contract has the right to receive substantially all of the economic benefits arising from the use of the identified assets during the period of use and the right to dominate the use of the identified assets during that period of use.

(2) Identification of separate leases

If a contract contains several separate leases, the Company splits the contract and accounts for each separate lease separately. The right to use the identified asset constitutes an separate lease under the contract if the following conditions are met simultaneously: ① the lessee can profit from the use of the asset alone or in conjunction with other resources that are readily available; ② the asset is not highly dependent or highly related to other assets under the contract.

(3) Accounting treatment of the Company as a lessee

At the commencement date of the lease term, the Company recognizes leases with a lease term of up to 12 months that do not include a purchase option as short-term leases; leases with a lower value when the single leased asset is a brand-new asset are recognized as low-value asset leases. If the Company subleases or expects to sublease the leased assets, the original lease is not recognized as a low-value asset lease.

For all short-term leases and leases of low-value assets, the Company records lease payments on a straight-line basis over the respective periods of the lease term at the cost of the related assets or in profit or loss for the current period.

Except for short-term leases and leases of low-value assets that use simplified treatment as described above, the Company recognizes right-of-use assets and lease liabilities for leases at the beginning of the lease term.

(4) Accounting treatment of the Company as a lessor

At the inception date of a lease, the Company classifies a lease that transfers substantially all the risks and rewards associated with the ownership of the leased asset as a finance lease and leases other than finance leases as operating leases.

Operating leases

The Company recognizes lease receipts as rental income on a straight-line basis over each period of the lease term, and the initial direct fees incurred are capitalized and apportioned on the same basis as rental income is recognized and amortized to current profit or loss. Variable lease payments acquired by the Company in connection with operating leases that are not included in the lease receipts are recognized in profit or loss for the period when they are actually incurred.

(5) Accounting for lease changes

① Lease change as a separate lease

The Company accounts for a lease change as a separate lease if the lease change occurs and both of the following conditions are met: A. The lease change expands the scope of the lease by adding the right to use one or more leased assets; B. The increased consideration is equivalent to the separate price of the expanded portion of the lease adjusted for the circumstances of that contract.

② Lease change not as a separate lease

A. The Company as the lessee

At the effective date of the lease modification, the Company re-determines the lease term and discounts the changed lease payments using the revised discount rate to re-measure the lease liability. In calculating the present value of the lease payments after the change, the interest rate implicit in the lease for the remaining lease term is used as the discount rate; if the interest rate implicit in the lease for the remaining lease term cannot be determined, the incremental borrowing rate as of the effective date of the lease change shall be used as the discount rate.

With respect to the effect of the above lease liability adjustments, the following scenarios are distinguished for accounting purposes:

- If a lease change results in a reduction in the scope of the lease or a shortening of the lease term, the carrying value of the right-of-use asset is reduced and the gain or loss related to the partial termination or complete termination of the lease is recognized in profit or loss for the current period;
- Other lease changes are made and the carrying value of the right-of-use asset is adjusted accordingly.

B. The Company as the lessor

When a change in an operating lease occurs, the Company accounts for it as a new lease from the effective date of the change, and the amount of lease receipts received in advance or receivable in connection with the lease prior to the change is considered to be the amount of lease receipts under the new lease.

If a change in a finance lease is not accounted for as a separate lease, the Company treats the changed lease in the following circumstances: if the lease change becomes effective on the lease commencement date and the lease would be classified as an operating lease, the Company accounts for it as a new lease from the effective date of the lease change and uses the net lease investment before the effective date of the lease change as the carrying value of the leased asset; if the lease change becomes effective on the lease commencement date and the lease would be classified as a finance lease, the Company accounts for it in accordance with the provisions on amending or renegotiating the contract.

The following operating lease accounting policies apply to year 2020 and prior

A lease that in substance transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. All leases other than the finance lease are an operating lease.

(1) Accounting for operating leases

① When the Company is a lessee under an operating lease, the rental expense under the operating lease is included in the current profit or loss on a straight-line basis or based on the amount of use of the leased asset during each period of the lease term. If the lessor provides a rent-free period, the Company apportions the total rent on a straight-line basis or other reasonable method over the entire lease term without deducting the rent-free period, and recognizes the rental fee and the corresponding liability during the rent-free period. If the lessor bears certain fees of the lessee, the Company shall apportion the balance of the rental fee over the lease term after such fees are deducted from the total rental expense.

The initial direct fees are recognized in the current profit or loss. Contingent rentals, if agreed, are recognized in profit or loss for the period when they are actually incurred.

② When the Company acts as an operating lease lessor, it recognizes the rent received as income over the lease term using the straight-line method. If the lessor provides a rent-free period, the lessor allocates the total rent on a straight-line basis or other reasonable method over the entire lease term without deducting the rent-free period, and the lessor also recognizes rental income during the rent-free period. If the Company bears certain fees of the lessee, the Company allocates the balance of the rental income over the lease term after such fees are deducted from the total rental income.

The initial direct fees are recognized in the current profit or loss. Significant amounts are capitalized and recognized in profit or loss for the period on the same basis as rental income throughout the term of the operating lease. Contingent rentals, if agreed, are recognized in profit for the period when they are actually incurred.

43. Other significant accounting policies and accounting estimates

Applicable Not applicable

(1). Production safety expenses

According to the Notice on the Issuance of Measures for the Administration of the Withdrawal and Use of Enterprise Production safety expenses (關於印發《企業安全生產費用提取和使用管理辦法》的通知) (Cai Qi [2012] No. 16) issued by Ministry of Finance and the State Administration of Work Safety on February 14, 2012, the Company's main business is "general freight business". Production safety expenses are charged at 1% of the revenue of general freight business in the previous year. When the balance of safety expenses at the end of the previous year reached 1.5% of the Company's revenue from general freight business in the previous year, as agreed with the financial sector of the local production safety supervision and management departments at the county level or above, the withdrawal of safety expenses can be suspended or is made less in the year.

(2). Repurchase of Company shares

① If the Company reduces its capital by acquiring the Company's shares in accordance with the statutory procedures, the share capital is reduced by the total par value of the canceled shares, and the owners' equity is adjusted based on the difference between the price paid for the share repurchase (including transaction costs) and the par value of the shares. The excess of the total par value is offset against capital reserves (share capital premium), surplus reserves and retained earnings, in that order; If the amount is lower than the total par value, the portion below the total par value increases capital reserves (share capital premium).

② The shares repurchased by the Company are managed as treasury stock until they are canceled or transferred, and all expenses for the repurchased shares are transferred to the cost of treasury stock.

③ Upon the transfer of treasury stock, the portion of the transfer proceeds above the cost of treasury stock increases capital reserves (share capital premium); the portion below the cost of treasury stock is offset against capital reserves (share capital premium), surplus reserves, and retained earnings, in that order.

44. Changes in significant accounting policies and accounting estimates**(1). Changes in significant accounting policies**

Applicable Not applicable

Content of and reasons for changes in accounting policies	Approval procedures	Notes (Statement items and amounts significantly affected)
First-time implementation of the New Lease Standard	The 25th meeting of the 4th session of the Board of Directors of the Company	See other notes for details
Implementation of the Interpretation No. 14 of Accounting Standards for Business Enterprises	/	/
Implementation of the provisions of "Presentation related to centralized management of funds" in the Interpretation No. 15 of Accounting Standards for Business Enterprises	/	/

Other Notes

Implementation of New Lease Standard

On December 7, 2018, the Ministry of Finance issued the Accounting Standard for Business Enterprises No. 21 — Leases (the "New Lease Standard"). The Company implemented the New Lease Standard since January 1, 2021, and adjusted related accounting policies as described in Note V. 42.

For contracts that existed prior to the date of initial implementation, the Company has elected not to reassess whether they are leases or contain leases at the date of initial implementation.

For contracts entered into or modified after the date of initial implementation, the Company assesses whether the contract is a lease or contains a lease in accordance with the definition of lease in the New Lease Standard.

① The Company as the lessee

The Company elected to adjust the amount of retained earnings and other related items in the financial statements at the beginning of the year of first-time implementation (i.e., January 1, 2021) for the cumulative effect of first-time implementation of the New Lease Standard, without adjusting the information for comparable periods as follows:

A. For finance leases prior to the date of initial implementation, the Company measures the right-of-use assets and lease liabilities at the original carrying amounts of the finance leased-in assets and finance lease payable, respectively, at the date of initial implementation.

B. For operating leases prior to the date of initial implementation, the Company measures the lease liability at the date of initial implementation based on the remaining lease payments discounted at the present value of the lessee's incremental borrowing rate at the date of initial implementation, and measures the right-of-use asset based on each lease at an amount equal to the lease liability and prepaid rentals with necessary adjustments.

C. At the date of initial implementation, the Company tests right-of-use assets for impairment and accounts for them accordingly in accordance with Note V. 30.

Operating leases where the leased assets were low-value assets prior to the date of initial implementation were treated in a simplified manner and no right-of-use assets or lease liabilities were recognized. In addition, the Company uses one or more of the following simplified treatments for operating leases prior to the date of first implementation:

- Leases that will be completed within 12 months of the date of initial implementation are treated as short-term leases;
- The same discount rate is used for leases with similar characteristics when measuring the lease liability;
- The measurement of right-of-use assets does not include initial direct fees;
- Where an option to renew or an option to terminate the lease exists, the Company determines the term of the lease based on the actual exercise of the option prior to the date of first implementation and other recent circumstances;
- As an alternative to testing right-of-use assets for impairment, the Company assesses whether the contract containing the lease was a loss-making contract prior to the date of initial implementation in accordance with the Accounting Standard for Business Enterprises No. 13 — Contingencies, and adjusts the right-of-use asset based on the amount of the provision for loss recorded in the balance sheet prior to the date of initial implementation;
- If a lease change occurs before the date of initial implementation, the Company accounts for the lease change according to the final arrangement of the lease change.

② The Company as the lessor

For subleases classified as operating leases prior to the date of initial implementation and still in existence after the date of initial implementation, the Company, as the sublessor, reassesses and makes a classification based on the remaining contractual term and terms of the original lease and the sublease on the date of initial implementation. Other than that, the Company did not adjust the leases as lessor in accordance with the convergence provision, but accounted for them in accordance with the New Lease Standard from the date of initial implementation.

Implementation of the Interpretation No. 14 of Accounting Standards for Business Enterprises

On January 26, 2021, the Ministry of Finance issued the Interpretation No. 14 of Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 1) (“Interpretation No. 14”), effective as of the date of its issuance, and the Company has implemented the Interpretation since January 26, 2021. The implementation of Interpretation No. 14 has had no impact on the Company’s financial statements.

Implementation of the provisions of “Presentation related to centralized management of funds” in the Interpretation No. 15 of Accounting Standards for Business Enterprises

On December 30, 2021, the Ministry of Finance issued the Interpretation No. 15 of Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35) (“Interpretation No. 15”). Of which, the “Presentation related to centralized management of funds” shall be effective from the date of publication. The Company has implemented the provision since December 30, 2021. The implementation of the “Presentation related to centralized management of funds” has had no impact on the Company’s financial statements.

(2). Significant changes in accounting estimates

Applicable Not applicable

There were no significant changes in accounting estimates during the reporting period.

(3). First-time implementation of the New Lease Standard has adjusted items related to financial statements at the beginning of the year of first-time implementation since 2021

Applicable Not applicable

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Consolidated balance sheet

Unit: Yuan Currency: RMB

Item	December 31, 2020	January 1, 2021	Adjustment
Current assets:			
Monetary funds	1,387,410,212.80	1,387,410,212.80	
Settlement reserve fund			
Placements with banks and other financial institutions			
Trading financial assets	150,000,000.00	150,000,000.00	
Derivative financial assets			
Notes receivable	12,736,990.40	12,736,990.40	
Accounts receivable	1,943,830,425.36	1,943,830,425.36	
Accounts receivable financing			
Prepayments	379,018,201.32	180,315,950.05	-198,702,251.27
Premiums receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	272,655,667.21	272,655,667.21	
Including: interest receivable			
Dividend receivable			
Financial assets held under resale agreements			
Inventory	19,196,740.65	19,196,740.65	
Contract assets			
Assets held for sales			
Non-current assets due within one year			
Other current assets	1,131,723,824.14	1,131,723,824.14	
Total current assets	<u>5,296,572,061.88</u>	<u>5,097,869,810.61</u>	<u>-198,702,251.27</u>
Non-current assets:			
Loans and advances to customers			
Debt Investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	182,280,524.32	182,280,524.32	
Other equity instrument investments	391,345,564.18	391,345,564.18	
Other non-current financial assets	102,614,141.36	102,614,141.36	
Investment properties			
Fixed assets	3,374,000,819.27	3,374,000,819.27	
Construction in progress	16,616,308.88	16,616,308.88	
Productive biological assets			
Oil and gas assets			
Right-of-use assets	N/A	2,335,507,650.81	2,335,507,650.81
Intangible assets	119,291,106.33	119,291,106.33	
Development expenditures	16,804,455.51	16,804,455.51	
Goodwill			
Long-term deferred expenses	346,109,715.65	230,334,639.00	-115,775,076.65
Deferred tax assets	231,917,054.95	231,917,054.95	
Other non-current assets	113,710,355.01	113,710,355.01	
Total non-current assets	<u>4,894,690,045.46</u>	<u>7,114,422,619.62</u>	<u>2,219,732,574.16</u>
Total assets	<u>10,191,262,107.34</u>	<u>12,212,292,430.23</u>	<u>2,021,030,322.89</u>

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	December 31, 2020	January 1, 2021	Adjustment
Current liabilities:			
Short-term borrowings	1,169,253,523.67	1,169,253,523.67	
Borrowings from the central bank			
Placements from banks and other financial institutions			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	73,463,488.70	73,463,488.70	
Accounts payable	2,382,273,050.62	2,382,273,050.62	
Advances from customers	1,610,528.13	1,610,528.13	
Contract liabilities	71,841,281.70	71,841,281.70	
Financial assets sold under repurchase agreements			
Due to customers and inter-bank deposit			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Payroll payables	955,756,130.15	955,756,130.15	
Taxes payable	144,406,400.64	144,406,400.64	
Other payables	320,945,070.25	320,945,070.25	
Including: interest payable			
Dividend payable			
Fees and commissions payable			
Reinsurance amounts payable			
Liabilities held for sales			
Non-current liabilities due within one year		925,199,208.37	925,199,208.37
Other current liabilities	5,007,523.02	5,007,523.02	
Total current liabilities	<u>5,124,556,996.88</u>	<u>6,049,756,205.25</u>	<u>925,199,208.37</u>
Non-current liabilities:			
Reserves for insurance contract			
Long-term borrowings			
Debentures payable			
Including: preferred shares			
Perpetual bonds			
Lease liabilities	N/A	1,095,831,114.52	1,095,831,114.52
Long-term payables			
Long-term payroll payables	41,934,007.70	41,934,007.70	
Estimated liabilities	10,687,133.53	10,687,133.53	
Deferred revenues	53,233,857.10	53,233,857.10	
Deferred tax liabilities	337,031,225.81	337,031,225.81	
Other non-current liabilities			
Total non-current liabilities	<u>442,886,224.14</u>	<u>1,538,717,338.66</u>	<u>1,095,831,114.52</u>
Total liabilities	<u>5,567,443,221.02</u>	<u>7,588,473,543.91</u>	<u>2,021,030,322.89</u>
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	960,000,000.00	960,000,000.00	
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	336,896,410.45	336,896,410.45	
Less: treasury stock	85,139,398.85	85,139,398.85	
Other comprehensive income	-25,440,000.00	-25,440,000.00	
Special reserves			
Surplus reserves	387,013,417.30	387,013,417.30	

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	December 31, 2020	January 1, 2021	Adjustment
General risk reserves	4,025,472.49	4,025,472.49	
Retained earnings	3,046,828,843.57	3,046,828,843.57	
Total owners' equity attributable to parent company (or shareholders' equity)	4,624,184,744.96	4,624,184,744.96	
Non-controlling interests	-365,858.64	-365,858.64	
Total owners' equity (or shareholders' equity)	<u>4,623,818,886.32</u>	<u>4,623,818,886.32</u>	
Total liabilities and owners' equity (or shareholders' equity)	<u>10,191,262,107.34</u>	<u>12,212,292,430.23</u>	<u>2,021,030,322.89</u>

Description of adjustments of each item:

Applicable Not applicable

According to Accounting Standards for Business Enterprises No. 21 — Leases (Cai Kuai [2018] No.35) revised and issued by the Ministry of Finance on December 7, 2018 (the “New Lease Standards”), the Company implemented the New Lease Standards since January 1, 2021. In accordance with the transition policy, the Company chose to simplify the implementation of the New Lease Standards. That is, the information of comparable periods was not retrospectively adjusted, but only the number at the beginning of 2021 would be adjusted. The necessary adjustment was made according to the principle that the lease liability is equal to present value of the remaining lease payment and the right to use asset is equal to the lease liability, without adjusting the retained earnings at the beginning of 2021.

As at January 1, 2021, the Company and its parent company reconciled the disclosure of outstanding minimum operating lease payments under the former lease standard for significant operating leases to the lease liability recognized under the New Lease Standard as follows:

Item	Unit: Yuan Currency: RMB	
	The Company	Parent company
Minimum lease payments for significant operating leases as of		
December 31, 2020	2,655,743,781.63	1,481,673.31
Less: contracts with leases starting after January 1, 2021 (excluding tax amount)	207,272,980.23	
Value-added tax	139,673,598.03	86,500.70
Adjusted future minimum operating lease payments	2,308,797,203.37	1,395,172.61
Less: minimum lease payments using simplified treatment	66,384,558.44	
Including: short-term lease	66,384,558.44	
Leases of low-value assets with remaining lease terms of more than 12 months		
Add: minimum lease payments for finance leases as of December 31, 2020		
Minimum lease payments under the New Lease Standards as of		
January 1, 2021	2,242,412,644.93	1,395,172.61
Weighted average of interest rates on incremental borrowings as of		
January 1, 2021	3.85% / 4.65%	3.85% / 4.65%
Lease liabilities as of January 1, 2021	2,021,030,322.89	1,211,429.20
Presented as:		
Non-current liabilities due within one year	925,199,208.37	826,714.33
Lease liabilities	1,095,831,114.52	384,714.87

Balance Sheet of Parent Company

Unit: Yuan Currency: RMB

Item	December 31, 2020	January 1, 2021	Adjustment
Current assets:			
Monetary capital	937,686,881.97	937,686,881.97	
Trading financial assets			
Derivative financial assets			
Notes receivable	12,736,990.40	12,736,990.40	
Accounts receivable	37,501,313.76	37,501,313.76	
Accounts receivable financing			
Prepayments	7,808,939.17	7,664,769.65	-144,169.52
Other receivables	3,459,888,325.78	3,459,888,325.78	
Including: interest receivable			
Dividend receivable			
Inventories			
Contract assets			
Assets held for sales			
Non-current assets due within one year			
Other current assets	19,535,724.82	19,535,724.82	
Total current assets	4,475,158,175.90	4,475,014,006.38	-144,169.52
Non-current assets:			
Debt Investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	1,534,664,394.64	1,534,664,394.64	
Other equity instrument investments	205,000,000.00	205,000,000.00	
Other non-current financial assets			
Investment properties			
Fixed assets	3,280,965.32	3,280,965.32	
Construction in progress	77,227.72	77,227.72	
Productive biological assets			
Oil and gas assets			
Right-of-use assets	N/A	1,246,905.26	1,246,905.26
Intangible assets	56,706.80	56,706.80	
Development expenditures			
Goodwill			
Long-term deferred expenses	102,329.08	102,329.08	
Deferred tax assets	8,886,507.82	8,886,507.82	
Other non-current assets	7,829,130.37	7,829,130.37	
Total non-current assets	1,759,897,261.75	1,761,144,167.01	1,246,905.26
Total assets	6,235,055,437.65	6,236,158,173.39	1,102,735.74
Current liabilities:			
Short-term borrowings	782,012,722.03	782,012,722.03	
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	73,463,488.70	73,463,488.70	
Accounts payable	23,947,464.24	23,947,464.24	
Advances from customers			
Contract liabilities	208,355.15	208,355.15	
Payroll payables	10,012,823.45	10,012,823.45	
Taxes payable	8,121,135.94	8,121,135.94	
Other payables	1,121,860,642.16	1,121,860,642.16	

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	December 31, 2020	January 1, 2021	Adjustment
Including: interest payable			
Dividend payable			
Liabilities held for sales			
Non-current liabilities due within one year		716,800.63	716,800.63
Other current liabilities	12,532.75	12,532.75	
Total current liabilities	2,019,639,164.42	2,020,355,965.05	716,800.63
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: preferred shares			
Perpetual bonds			
Lease liabilities	N/A	385,935.11	385,935.11
Long-term payables			
Long-term payroll payables	5,909,161.19	5,909,161.19	
Estimated liabilities	1,481,747.50	1,481,747.50	
Deferred revenues	129,750.00	129,750.00	
Deferred tax liabilities	820,946.46	820,946.46	
Other non-current liabilities			
Total non-current liabilities	8,341,605.15	8,727,540.26	385,935.11
Total liabilities	2,027,980,769.57	2,029,083,505.31	1,102,735.74
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	960,000,000.00	960,000,000.00	
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	333,242,979.09	333,242,979.09	
Less: treasury stock	85,139,398.85	85,139,398.85	
Other comprehensive income			
Special reserve			
Surplus reserves	387,013,417.30	387,013,417.30	
Retained earnings	2,611,957,670.54	2,611,957,670.54	
Total owners' equity (or shareholders' equity) . .	4,207,074,668.08	4,207,074,668.08	
Total liabilities and owners' equity (or shareholders' equity)	6,235,055,437.65	6,236,158,173.39	1,102,735.74

Description of adjustments of each item:

Applicable Not applicable

According to Accounting Standards for Business Enterprises No. 21 — Leases (Cai Kuai [2018] No.35) revised and issued by the Ministry of Finance on December 7, 2018 (the “New Lease Standards”),(2018) the Company implemented the New Lease Standards since January 1, 2021. In accordance with the transition policy, the Company chose to simplify the implementation of the New Lease Standards. That is, the information of comparable periods was not retrospectively adjusted, but only the number at the beginning of 2021 would be adjusted. The necessary adjustment was made according to the principle that the lease liability is equal to present value of the remaining lease payment and the right to use asset is equal to the lease liability, without adjusting the retained earnings at the beginning of 2021.

(4). Description of comparative data in the previous period retroactively adjusted by the first implementation of the New Lease Standards since 2021

Applicable Not applicable

45. Others

Applicable Not applicable

VI. Taxation**1. Main tax types and tax rates**

Description of main tax types and tax rates

Applicable Not applicable

Tax type	Taxation basis	Tax rate
Value-added tax	Transportation service revenue, logistics auxiliary service revenue and consulting service revenue, leasing revenue, sales of goods and services	3%, 5%, 6%, 9%, 13%
Urban maintenance and construction tax	Amount of turnover taxes payables	1%, 5%, 7%
Enterprise income tax	Taxable income	Note (1)
Education surcharge	Amount of turnover taxes payables	3%
Local education surcharge	Amount of turnover taxes payables	1%, 1.5%, 2%

If there are taxable entities with different corporate income tax rates, disclose the description of the situation

Applicable Not applicable

Taxpayer	Income tax rate (%)
The Company	25
Subsidiaries	
香港德邦物流有限公司	16.5
廣西德邦物流有限公司	15
成都全程德邦物流有限公司	15
重慶德邦物流有限公司	15
昆明德邦物流有限公司	15
貴陽全程德邦物流有限公司	15
西安志成德邦物流有限公司	15
烏魯木齊精准德邦物流有限公司	15
蘭州全程德邦物流有限公司	15
寧夏志成德邦快遞有限公司	15
青海德邦物流有限公司	15
內蒙古德邦物流有限公司	15
江西精准物流有限公司	15
德邦（上海）運輸有限公司昆明分公司	15
德邦（上海）運輸有限公司貴陽分公司	15
德邦（上海）運輸有限公司烏魯木齊縣分公司	15
德邦（上海）運輸有限公司廣西分公司	15
德邦（上海）運輸有限公司成都分公司	15
德邦（上海）運輸有限公司西安分公司	15
德邦（上海）運輸有限公司蘭州分公司	15
寧波宣德德邦供應鏈管理有限公司烏魯木齊分公司	15

Taxpayer	Income tax rate (%)
拉薩市德邦物流有限公司	9
上海德啟信息科技有限公司	15
德邦(海南)運輸有限公司	15
海口全程德邦物流有限公司	15
珠海市德邦物流有限公司	20
德邦(遼寧)運輸有限公司	20
Other subsidiaries	25

2. Preferential Tax Treatment

Applicable Not applicable

(1) Corporate income tax

The Company enjoys preferential policies for corporate income tax, mainly including:

① According to the Notice Concerning Relevant Taxation Policy Issues Related with Enhancing the Western Region Development Strategy (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) (Cai Shui [2011] No. 58) and the Notice on the Implementation of Taxation Policies for Western Region Development in Ganzhou City (《關於贛州市執行西部大開發稅收政策問題的通知》) (Cai Shui [2013] No. 4) issued by the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration on July 27, 2011, the corporate income tax on enterprises in the encouraged industries located in the western region shall be levied at a reduced rate of 15% from January 1, 2011 to December 31, 2020. According to No. 23 Announcement of the Ministry of Finance, the State Taxation Administration, and the Development and Reform Commission for 2020 (《財政部稅務總局國家發展改革委公告2020年第23號》), the implementation period of the tax incentives stipulated in Cai Shui [2021] No. 58 is extended to December 31, 2030. The following subsidiaries and branches of the Company are subject to a reduced corporate income tax rate of 15%.

② According to the Notice of the People's Government of the Tibet Autonomous Region on the Issuance of Certain Provisions on Preferential Policies for Attracting Investment in the Tibet Autonomous Region (Trial) (《關於印發西藏自治區招商引資優惠政策若干規定(試行)的通知》) (Zang Zheng Fa [2018] No. 25), the local share of the corporate income tax payables was temporarily exempted from January 1, 2018 to December 31, 2021. The following subsidiaries of the Company are subject to corporate income tax at a rate of 9% on the basis of a reduced corporate income tax rate of 15% for enterprises in encouraged industries in the western region and the exemption from the 40% portion of corporate income tax that is a local share.

③ According to the Notice on the Applicable Policies for the Settlement and Payment of Corporate Income Tax of Integrated Circuit Design Enterprises and Software Enterprises in 2019 issued by the State Administration of Taxation of the Ministry of Finance on May 29, 2020, qualified integrated circuit design enterprises and software enterprises established in accordance with law shall enjoy preferential tax treatment since the profit-making year before December 31, 2019, and shall be exempted from corporate income tax from the first year to the second year, and levied of the corporate income tax at half of the statutory tax rate of 25% from the third year to the fifth year, until the preferential treatment period expires. Shanghai Yanxi Software Co., Ltd, subsidiary of the Company, enjoys the preferential policy.

④ According to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the enterprise income tax shall be levied at a reduced tax rate of 15% for the high-tech enterprises which need to be supported by the state. After filing with the local tax bureau, the following subsidiaries of the Company have been certified as high-tech enterprises, enjoying preferential income tax rate reduction and exemption for high-tech enterprises in need of key support by the State. The applicable income tax rate for this reporting period is 15%.

⑤ According to the Notice on Preferential Policies for Corporate Income Tax of Hainan Free Trade Port (《關於海南自由貿易港企業所得稅優惠政策的通知》) (Cai Shui [2020] No. 31), encouraged industries registered in Hainan Free Trade Port and operating substantially are subject to a reduced corporate income tax rate of 15%. The following subsidiaries of the Company currently meet the requirements of enterprises in the directory of encouraged industries and are subject to corporate income tax at a rate of 15%.

⑥ According to Article 2 of the Notice on the Implementation of Preferential Tax Relief Policies for Small and Micro Enterprises (《關於實施小微企業普惠性稅收減免政策的通知》) (Cai Shui [2019] No. 13) issued by the Ministry of Finance and the State Taxation Administration, the annual taxable income of small and micro-profit enterprises not exceeding RMB1 million shall be reduced by 25% and the annual taxable income exceeding RMB1 million but less than RMB3 million shall be reduced by 50% and subject to corporate income tax at a rate of 20%. According to Article 1 of the Announcement on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Entrepreneurs (Announcement No. 12 of 2021 by the Ministry of Finance and the State Taxation Administration) (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》(財政部稅務總局公告2021年第12號)), the portion of the annual taxable income of small and micro enterprises not exceeding RMB1 million shall be subject to a 50% reduction in corporate income tax on top of the preferential policies stipulated in Article 2 of the Notice on the Implementation of Preferential Tax Relief Policies for Small and Micro Enterprises (《關於實施小微企業普惠性稅收減免政策的通知》) (Cai Shui [2019] No. 13) issued by the Ministry of Finance and the State Taxation Administration.

In addition, the statutory tax rate of 香港德邦物流有限公司, a subsidiary of the Company registered in Hong Kong, is 16.5%.

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

(2) VAT benefits

① According to the Notice of the Ministry of Finance and the State Taxation Administration on the Implementation of Preferential Tax Relief Policies for Small and Micro Enterprises (《財政部稅務總局關於實施小微企業普惠性稅收減免政策的通知》) (Cai Shui [2019] No. 13), small-scale taxpayers who engage in taxable sales of VAT and whose total monthly sales do not exceed RMB100,000 (for a quarterly tax period, the quarterly sales do not exceed RMB300,000, the same below) are exempt from VAT. Small-scale taxpayers whose monthly sales exceed RMB100,000 in total but do not exceed RMB100,000 after deducting the sales of real estate in the current period are exempt from VAT for the sales of goods, labor, services and intangible assets. According to the Announcement of the Ministry of Finance and the State Taxation Administration on the Clarification of the VAT Exemption Policy for Small-scale VAT Payers (《財政部、稅務總局關於明確增值稅小規模納稅人免徵增值稅政策的公告》) (Cai Shui [2021] No. 11), small-scale taxpayers who engage in taxable sales of VAT and whose total monthly sales do not exceed RMB150,000 (for a quarterly tax period, the quarterly sales do not exceed RMB450,000, the same below) are exempt from VAT. Small-scale taxpayers whose monthly sales exceed RMB150,000 in total but do not exceed RMB150,000 after deducting the sales of real estate in the current period are exempt from VAT for the sales of goods, labor, services and intangible assets. Some of the independently-accounted branches in the Company are recognized as small-scale taxpayers and enjoy preferential policies of VAT exemption.

② According to the Notice on Relevant Policies on Deepening VAT Reform (《關於深化增值稅改革有關政策的通告》) (Cai Shui [2019] No. 39) and the Announcement on Clarifying the VAT Additional Deduction Policy for the Living Services (《關於明確生活性服務業增值稅加計抵減政策的公告》) (Cai Shui [2019] No. 87), For taxpayers whose sales of postal services, telecommunication services, modern services and living services account for more than 50% of all sales, from April 1, 2019 to December 31, 2021, the amount of VAT payable shall be deducted by additional 10% of the deductible input VAT

amount for the current period. For taxpayers whose sales from the provision of living services account for more than 50% of all sales, from October 1, 2019 to December 31, 2021, the amount of VAT payable shall be reduced by additional 15% of the deductible input VAT amount for the current period.

③ According to the Announcement on Taxation Policies Supporting Prevention and Control of COVID-19 (《關於支援新型冠狀病毒感染的肺炎疫情防控有關稅收政策的公告》) (No. 8 Announcement of the Ministry of Finance and the State Administration of Taxation of 2020) issued by the Ministry of Finance and the State Taxation Administration on February 6, 2020 and the Announcement on the Implementation Period of Tax and Fee Policies to Support the Prevention and Control of COVID-19 and to Protect Supplies (《關於支持疫情防控保供等稅費政策實施期限的公告》) (No. 28 Announcement of the Ministry of Finance and the State Administration of Taxation of 2020) issued by the Ministry of Finance and the State Taxation Administration on May 15, 2020, the income obtained by taxpayers from transporting key security materials for pandemic prevention and control, providing public transportation services, living services and express delivery services of essential living materials for residents shall be exempted from VAT, urban maintenance and construction tax, education surcharge and local education surcharge from January 1, 2020 to December 31, 2020. According to No. 7 Announcement of the Ministry of Finance and the State Administration of Taxation of 2021, and No. 8 Announcement of the Ministry of Finance and the State Administration of Taxation of 2020, the implementation period of the tax incentives shall be extended to March 31, 2021.

④ According to No. 7 Announcement of the Ministry of Finance and the State Administration of Taxation of 2021, and No. 13 Announcement of the Ministry of Finance and the State Administration of Taxation of 2020, the implementation period of the tax incentives shall be extended to March 31, 2021. Small-scale VAT payers of Hubei Province shall be subject to a reduced VAT rate of 1% on taxable sales revenue subject to a 3% levy rate and a reduced VAT prepayment rate of 1% on prepaid VAT items subject to a 3% prepayment rate.

3. Others

Applicable Not applicable

VII. Notes to Items in Consolidated Financial Statements

1. Monetary funds

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand		
Bank deposit	823,432,226.21	911,855,494.78
Other monetary funds	<u>338,288,016.99</u>	<u>475,554,718.02</u>
Total	<u>1,161,720,243.20</u>	<u>1,387,410,212.80</u>
Including: total proceeds deposited abroad	19,740,231.21	15,302,690.76

Other notes

(1) RMB191,475,699.22 of other monetary funds at the end of the period were funds in transit from POS machines, RMB47,087,864.01 were deposits with third-party payment institutions, RMB21,405,885.55 were funds frozen by the court, and the remaining amount was provision funds deposited with banks;

(2) See Note VII. 82 for details of foreign currency monetary funds;

(3) See Note VII. 81 for details of the restrictions on the use of monetary funds.

2. Trading financial assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	85,000,000.00	150,000,000.00
Including:		
Short-term wealth management products	<u>85,000,000.00</u>	<u>150,000,000.00</u>
Total	<u><u>85,000,000.00</u></u>	<u><u>150,000,000.00</u></u>

Other notes:

Applicable Not applicable

3. Derivative financial assets

Applicable Not applicable

4. Notes receivable

(1). Notes receivable by type

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance note	30,046,960.46	12,458,451.57
Commercial acceptance note		<u>278,538.83</u>
Total	<u><u>30,046,960.46</u></u>	<u><u>12,736,990.40</u></u>

(2). Notes receivable pledged by the Company at the end of the reporting period

Applicable Not applicable

(3). Notes receivable endorsed or discounted by the Company, which were not yet due on the balance sheet date as at the end of the reporting period

Applicable Not applicable

(4). Notes that the Company transferred to accounts receivable at the end of the period due to the non-performance of the drawer

Applicable Not applicable

(5). Classified disclosure by provision for bad debt method

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Book balance		Closing balance		Book balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Provision for bad debt by individual								
Provision for bad debt by portfolio	30,046,960.46	100.00	30,046,960.46	100.00	12,736,990.40	100.00	12,736,990.40	
Including:								
Bank acceptance note	30,046,960.46	100.00	30,046,960.46	100.00	12,458,451.57	2.21	12,458,451.57	
Commercial acceptance note								
Total	30,046,960.46	100.00	30,046,960.46	100.00	281,352.35	97.79	2,813.52	1.00
					12,736,990.40	100.00	2,813.52	/
					12,736,990.40	100.00	2,813.52	/

Provision for bad debt by individual:

Applicable Not applicable

Provision for bad debts by portfolio:

Applicable Not applicable

If the provision for bad debts is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

(6). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the period			Closing balance
		Provision	Recovery or reverse	Resales or write-off	
Commercial acceptance note	2,813.52		2,813.52		
Total	<u>2,813.52</u>		<u>2,813.52</u>		

Among them, the important amount of recovery or reverse of provision for bad debt for the period:

Applicable Not applicable

Other notes:

None

(7). The actual write-off of notes receivable for the period

Applicable Not applicable

Other notes

Applicable Not applicable

5. Accounts receivable**(1). Disclosure by aging**

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Book balance at the end of the reporting period
Within one year	
Including: sub-item within one year	
0-3 months	2,163,408,021.13
4-6 months	9,956,538.14
7-12 months	11,684,265.36
Subtotal within 1 year	2,185,048,824.63
1 to 2 years	23,852,536.40
Over 2 years	4,952,231.18
Total	<u>2,213,853,592.21</u>

(2). Classified disclosure by provision for bad debt method

 Applicable Not applicable

Unit: Yuan Currency: RMB

Category	December 31, 2021		December 31, 2020	
	Book balance Amount	Proportion (%)	Book balance Amount	Proportion (%)
Provision for bad debt by individual	7,394,341.77	0.33	11,454,658.23	0.58
Provision for bad debt by portfolio	2,206,459,250.44	99.67	30,847,466.77	99.42
Including: Portfolio 2 due from other customers	2,206,459,250.44	99.67	30,847,466.77	99.42
Total	2,213,853,592.21	100.00	42,302,125.00	100.00

Provision for bad debt by individual:

 Applicable Not applicable

Unit: Yuan Currency: RMB

Name	Closing balance		Reason
	Book balance	Proportion for bad debt Proportion (%)	
Above 1 million: 珠海優貿電子商務有限公司	1,432,041.60	100.00	Beyond the credit period and unable to repay
Subtotal of item below 1 million	5,962,300.17	100.00	Beyond the credit period and unable to repay
Total	7,394,341.77	100.00	/

Notes on the provision for bad debt by individual:

Applicable Not applicable

As at December 31, 2021, the Company's accounts receivable with provision for bad debts by individual amounted to RMB7,394,341.77, and provision for bad debts of RMB7,394,341.77 (December 31, 2020: RMB11,454,658.23).

Provision for bad debt by portfolio:

Applicable Not applicable

Portfolio accruals: Portfolio 2 due from other customers

Unit: Yuan Currency: RMB

Name	Accounts receivable	Closing balance	
		Provision for bad debts	Provision proportion (%)
0-3 months	2,163,392,146.23	21,633,921.46	1.00
4-6 months	9,949,481.14	497,474.08	5.00
7-12 months	11,264,141.31	2,252,828.26	20.00
Subtotal within 1 year	2,184,605,768.68	24,384,223.80	1.12
1 to 2 years	18,616,205.40	9,308,102.70	50.00
Over 2 years	3,237,276.36	3,237,276.36	100.00
Total	<u>2,206,459,250.44</u>	<u>36,929,602.86</u>	<u>1.67</u>

Recognition criteria and explanation on provision for bad debt by portfolio:

Applicable Not applicable

See Note V.10 for the recognition criteria and explanation on provision for bad debt by portfolio

If the provision for bad debt is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

(3). Provision for bad debts

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Provision	Changes in amount for the period			Closing balance
			Recovery or reverse	Resales or write-off	Other changes	
Accounts receivable ..	<u>42,302,125.00</u>	<u>16,453,772.79</u>		<u>14,431,953.16</u>		<u>44,323,944.63</u>
Total	<u>42,302,125.00</u>	<u>16,453,772.79</u>		<u>14,431,953.16</u>		<u>44,323,944.63</u>

Including: the important amount of provisions for bad debt recovered or reversed in the current period:

Applicable Not applicable

(4). The actual write-off of accounts receivable for the period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
Actual write-off of accounts receivable	14,431,953.16

Including: write-off of important accounts receivable

Applicable Not applicable

Explanation on write-off of other receivable:

Applicable Not applicable

(5). Top five customers with closing balance of accounts receivable collected by arrear party

Applicable Not applicable

The aggregate amount of the top five accounts receivable by party in arrears at the end of the reporting period was RMB275,833,619.93, accounting for 12.46% of the total closing balance of accounts receivable, and the corresponding total closing balance of provision for bad debts was RMB2,758,336.20.

(6). Accounts receivable derecognized due to transfer of financial assets

Applicable Not applicable

(7). The amount of assets and liabilities generated by transferring accounts receivable and continuing to be involved

Applicable Not applicable

Other notes:

Applicable Not applicable

6. Receivables financing

Applicable Not applicable

7. Prepayments

(1). Prepayments by aging

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	232,560,860.58	99.47	376,450,034.05	99.32
1 to 2 years	1,236,953.84	0.53	2,568,167.27	0.68
Total	<u>233,797,814.42</u>	<u>100.00</u>	<u>379,018,201.32</u>	<u>100.00</u>

Notes on the reasons why the prepayment with an aging of more than 1 year and an important amount is not settled in time:

None

(2). Top five suppliers with closing balance of prepayments collected by prepaid entity

Applicable Not applicable

Company name	Closing balance	Percentage of total of closing balance of prepayments (%)
安徽科大國創慧聯運科技有限公司	36,927,743.94	15.79
Sinopec Sales Co., Ltd.	34,909,706.26	14.93
PetroChina Company Limited	11,824,424.80	5.06
中籃聯(北京)體育有限公司	9,743,081.76	4.17
山東高速信聯科技股份有限公司	5,545,179.63	2.37
Total	<u>98,950,136.39</u>	<u>42.32</u>

Other notes

None

Other notes

Applicable Not applicable

8. Other receivables

By type

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	292,777,848.42	272,655,667.21
Total	<u>292,777,848.42</u>	<u>272,655,667.21</u>

Other notes:

Applicable Not applicable

Interest receivable**(1). Classification of interest receivable**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Term deposits		
Entrusted loan		
Bond investment		
Interest on overdue factoring	1,922,216.23	1,659,566.67
Less: provision for bad debt	1,922,216.23	1,659,566.67
Total		

(2). Significant overdue interest

Applicable Not applicable

Unit: Yuan Currency: RMB

Borrower	Closing balance	Overdue time	Reason for overdue	Whether impairment occurred and judgment basis
上海策園實業有限公司				
	1,654,554.23	Over 8 months	Funds are tight and cannot be returned	Yes
上海金賽豹物流有限公司				
	267,662.00	Over 8 months	Funds are tight and cannot be returned	Yes
Total	<u>1,922,216.23</u>	<u>/</u>	<u>/</u>	<u>/</u>

(3). Provision for bad debts

Applicable Not applicable

Other notes:

Applicable Not applicable

(4). Dividends receivable

Applicable Not applicable

(5). Important dividends receivable aging for more than 1 year

Applicable Not applicable

(6). Provision for bad debts

Applicable Not applicable

Other notes:

 Applicable Not applicable

Other receivables

(7). Disclosure by aging Applicable Not applicable

Unit: Yuan Currency: RMB

Aging**Closing book balance**

Within one year

Including: sub-item within one year

Subtotal within 1 year	185,526,626.90
1 to 2 years	62,634,034.32
2 to 3 years	30,355,374.81
Over 3 years	34,461,966.68
Total	<u>312,978,002.71</u>

(8). Classification by nature of payment Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of payment**Closing book balance Opening book balance**

Reserve and staff debit	947,022.00	2,681,913.58
Deposits and guarantees	261,026,163.26	220,664,196.16
Other receivables received	<u>51,004,817.45</u>	<u>69,827,162.17</u>
Total	<u>312,978,002.71</u>	<u>293,173,271.91</u>

(9). Provision for bad debt method Applicable Not applicable

Unit: Yuan Currency: RMB

Provision for bad debts	Stage I The next 12-month ECL	Stage II Lifetime ECL (not credit-impaired)	Stage III Lifetime ECL (credit-impaired)	Total
Balance as of January 1, 2021	16,720,756.70		3,796,848.00	20,517,604.70
Balance as of January 1, 2021 for the period	—	—	—	—
— Transferred to Stage II				
— Transferred to Stage III	-815,932.00		815,932.00	
— Reversed to Stage II				
— Reversed to Stage I				
Provision for the period	4,453.59			4,453.59
Reverse for the period				
Resale for the period				
Write-off for the period	321,904.00			321,904.00
Other changes				
Balance as of December 31, 2021	15,587,374.29		4,612,780.00	20,200,154.29

Explanation on the significant changes in the book balance of other receivables that changed due to the provision for impairment in the period:

Applicable Not applicable

Amount of provision for bad debt in the current period and basis adopted for evaluating whether the credit risk of financial instruments has increased significantly:

Applicable Not applicable

(10). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the period			Closing balance
		Provision	Recovery or reverse	Resales or write-off Other changes	
Other receivables	20,517,604.70	4,453.59		321,904.00	20,200,154.29
Total	<u>20,517,604.70</u>	<u>4,453.59</u>		<u>321,904.00</u>	<u>20,200,154.29</u>

Among them, the important amount of reverse or recovery of provision for bad debt for the period:

Applicable Not applicable

(11). Actual write-off of other receivables

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
The actual write-off of other receivables	321,904.00

Write-off of important other receivables:

Applicable Not applicable

Explanation on write-off of other receivables:

Applicable Not applicable

(12). Top five customers with closing balance of other receivables collected by arrear party

 Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Nature of amount	Closing Balance	Aging	Percentage of total of closing balance of other receivables (%)	Closing balance of provision for bad debts
上海鼎滬實業發展有限公司		7,712,595.13	Within one year	2.46	
	Deposit	5,861,423.32	Over 3 years	1.87	773,700.92
佛山順德國通物流城有限公司		7,837,878.50	1-2 years	2.50	
司	Deposit	4,052,093.00	Over 3 years	1.29	594,498.58
深圳市深國際華南物流有限公司		3,460,318.42	Within one year	1.11	
	Deposit	2,149,621.54	1-2 years	0.69	
	Deposit	1,291,840.20	2-3 years	0.41	345,089.01
Changsha Jinxia Economic Development Zone Management Committee	Margin	5,000,000.00	Within one year	1.60	250,000.00
江蘇滿運軟件科技有限公司	Deposit	4,700,000.00	Within one year	1.50	235,000.00
Total		<u>42,065,770.11</u>		<u>13.43</u>	<u>2,198,288.51</u>

(13). Accounts receivable related to government grants

 Applicable Not applicable

(14). Other receivable derecognized due to the transfer of financial assets

 Applicable Not applicable

(15). The amount of assets and liabilities generated by transferring other receivables and continuing to be involved

 Applicable Not applicable

Other notes:

 Applicable Not applicable

9. Inventories

(1). Categories of inventories

 Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Book balance	Closing Balance Provision for impairment of inventories and contract fulfillment cost	Book value	Book balance	Opening Balance Provision for impairment of inventories and contract fulfillment cost	Book value
Low-value consumables . .	<u>21,536,250.31</u>		<u>21,536,250.31</u>	<u>19,196,740.65</u>		<u>19,196,740.65</u>
Total	<u>21,536,250.31</u>		<u>21,536,250.31</u>	<u>19,196,740.65</u>		<u>19,196,740.65</u>

(2). Inventory impairment provision and provision for impairment for contract performance cost

Applicable Not applicable

(3). Explanation on closing balance of inventories involving capitalized amount of borrowing costs

Applicable Not applicable

(4). Description of the current amortization amount of contract performance costs

Applicable Not Applicable

Other notes

Applicable Not applicable

10. Contract assets**(1). Contract assets**

Applicable Not applicable

(2). Amount and reasons for significant changes in book value during the reporting period

Applicable Not applicable

(3). Provision for impairment of contract assets in the current period

Applicable Not applicable

If the provision for bad debts is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

Other notes:

Applicable Not applicable

11. Assets held for sale

Applicable Not applicable

12. Non-current assets due within one year

Applicable Not applicable

Important debt investment and other debt investment at the end of the period:

Applicable Not applicable

Other notes

None

13. Other current assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Term deposits	70,816,711.11	
Reclassification of VAT debit balances	1,311,634,451.87	813,702,725.50
Prepayments of income tax	39,428,296.32	18,404,679.36
Factoring balance	27,559.08	299,616,419.28
Total	<u>1,421,907,018.38</u>	<u>1,131,723,824.14</u>

Other notes

Factoring balance

① Presentation by type

Item	December 31, 2021	December 31, 2020
Factoring receivables	9,409,951.68	304,459,703.37
Less: provision for bad debt	9,382,392.60	4,843,284.09
Total	<u>27,559.08</u>	<u>299,616,419.28</u>

② Factoring receivables are disclosed by category

Item	December 31, 2021	December 31, 2020
Recourse	9,409,951.68	288,206,776.63
Less: provision for bad debt	9,382,392.60	4,843,284.09
Total	<u>27,559.08</u>	<u>283,363,492.54</u>

③ Disclosure of overdue factored amounts by age of overdue accounts

Item	December 31, 2021	December 31, 2020
Within 3 months (inclusive)		
3 months to 6 months (inclusive)		
6 months to 8 months (inclusive)		
Over 8 months	9,382,392.60	9,382,392.60
Total	<u>9,382,392.60</u>	<u>9,382,392.60</u>

14. Debt investment**(1). Debt investment**

Applicable Not applicable

(2). Important debt investment at the end of the period

Applicable Not applicable

(3). Provision for impairment

Applicable Not applicable

The amount of provision for impairment in the current period and the basis for assessing whether the credit risk of financial instruments has increased significantly

Applicable Not applicable

Other notes

Applicable Not applicable

15. Other debt investment

(1). Other debt investments

Applicable Not applicable

(2). Other important debt investments at the end of the period

Applicable Not applicable

(3). Provision for impairment

Applicable Not applicable

The amount of provision for impairment in the current period and the basis for assessing whether the credit risk of financial instruments has increased significantly

Applicable Not applicable

Other notes:

Applicable Not applicable

16. Long-term receivables

(1). Long-term receivables

Applicable Not applicable

(2). Provision for bad debts

Applicable Not applicable

The amount of provision for bad debt in the current period and the basis for assessing whether the credit risk of financial instruments has increased significantly

Applicable Not applicable

(3). Long-term receivables derecognized due to transfer of financial assets

Applicable Not applicable

(4). The amount of assets and liabilities generated by transferring long-term receivable and continuing to be involved

Applicable Not applicable

Other notes

 Applicable Not applicable**17. Long-term equity investment** Applicable Not applicable

Unit: Yuan Currency: RMB

Name of investees	Opening balance	Increase in investment	Decrease in investment	Increase/Decrease for the period			Closing balance	Closing balance of provision for impairment
				Investment profit or loss recognized under equity method	Adjustments to other comprehensive income	Other changes in equity		
I. Joint venture								
Subtotal								
II. Associates								
上海能運物流有限公司	57,965,294.79	15,369.40					57,980,664.19	
明通裝備科技集團股份有限公司	66,931,122.27	4,373,642.45					71,304,764.72	
成都縱連展會物流有限公司	24,107,520.97	2,418,780.19			1,000,000.00		25,526,301.16	
山東中一樂邦物流有限公司	1,953,350.10	64,425.30					2,017,775.40	
上海木蟻機器人科技有限公司	22,551,259.36	-3,071,831.50		2,048,677.72			21,528,105.58	
廣州物通天下物流科技有限公司	8,771,976.83	8,150,644.65						
上海貝殼供應鏈管理有限公司		15,000,000.00						
寧波德企企業管理合夥企業(有限合伙)								
		23.04						
Subtotal	182,280,524.32	15,000,000.00	8,150,644.65	3,346,319.42	2,048,677.72	1,000,000.00	193,524,876.81	23.04
Total	182,280,524.32	15,000,000.00	8,150,644.65	3,346,319.42	2,048,677.72	1,000,000.00	193,524,876.81	23.04

Other notes

Not available

18. Other equity instrument investments

(1). Other equity instrument investments

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
東方航空物流股份有限公司	1,563,107,200.00	205,000,000.00
廣東天元實業集團股份有限公司	30,758,100.00	44,670,000.00
杭州佳成國際物流股份有限公司		50,000,000.00
北京樂卡車聯科技有限公司	4,886,640.05	4,886,640.05
北京易代儲科技有限公司	20,000,000.00	20,000,000.00
生生供應鏈管理(上海)有限公司	33,699,411.27	33,699,411.27
ForU Worldwide Inc.	28,089,512.86	28,089,512.86
寧波鐘德投資合夥企業(有限合夥)	5,000,000.00	5,000,000.00
Inceptio Group Limited	96,903,000.00	
寧波德卡投資合夥企業(有限合夥)		
東北亞煤炭交易有限公司		
Total	<u>1,782,443,864.18</u>	<u>391,345,564.18</u>

(2). Non-trading equity instrument investments

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Dividend income recognized for the period	Accumulated profits	Accumulated losses	Amount of other comprehensive income carried forward to retained earnings	Reason for designating fair value measurement and its changes recorded into other comprehensive income	Reason for other comprehensive income carried forward to retained earnings
東北亞煤炭交易有限公司			25,000,000.00		Investments planned to be held for the long term for strategic purposes	
東方航空物流股份有限公司		1,358,107,200.00			Investments planned to be held for the long term for strategic purposes	
寧波德卡投資合夥企業（有限合夥）			25,090,000.00		Investments planned to be held for the long term for strategic purposes	
廣東天元實業集團股份有限公司	450,000.00	4,433,600.00		926,456.48	Investments planned to be held for the long term for strategic purposes	Partial disposal
杭州佳成國際物流股份有限公司				24,103,900.00	Investments planned to be held for the long term for strategic purposes	Disposal

Item	Dividend income recognized for the period	Accumulated profits	Accumulated losses	Amount of other comprehensive income carried forward to retained earnings	Reason for designating fair value measurement and its changes recorded into other comprehensive income	Reason for other comprehensive income carried forward to retained earnings
北京樂卡車聯科技有限公司					Investments planned to be held for the long term for strategic purposes	
北京易代儲科技有限公司					Investments planned to be held for the long term for strategic purposes	
生生供應鏈管理(上海)有限公司					Investments planned to be held for the long term for strategic purposes	
ForU Worldwide Inc.					Investments planned to be held for the long term for strategic purposes	
寧波鐘德投資合夥企業(有限合夥)					Investments planned to be held for the long term for strategic purposes	
Inceptio Group Limited					Investments planned to be held for the long term for strategic purposes	
Total	450,000.00	1,362,540,800.00	50,090,000.00	25,030,356.48		

Other notes:

Applicable Not applicable

Due to the deterioration of the operating condition of the companies invested by 東北亞煤炭交易有限公司 and 寧波德卡投資合夥企業(有限合夥), the Company recognized a fair value of 0 through accumulated losses.

19. Other non-current financial assets

Applicable Not applicable

Item	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Financial assets at fair value through profit or loss	38,555,839.13	102,614,141.36
Total	<u>38,555,839.13</u>	<u>102,614,141.36</u>

Other notes:

Applicable Not applicable

Other non-current financial assets

Item	December 31, 2021	December 31, 2020
珠海高瓴翔遠資產管理中心(有限合夥)		59,681,937.07
蕪湖歌斐景澤投資中心(有限合夥)	38,555,839.13	42,932,204.29
Total	<u>38,555,839.13</u>	<u>102,614,141.36</u>

20. Investment properties

The measurement model of investment properties

Not applicable

21. Fixed assets

By item

Applicable Not applicable

Item	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Fixed assets	4,660,987,742.25	3,374,000,819.27
Total	<u>4,660,987,742.25</u>	<u>3,374,000,819.27</u>

Other notes:

Applicable Not applicable

None

Fixed assets**(1). Fixed assets**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Machinery equipment	Transportation vehicles	Electronic and office equipment	Total
I. Original book value:				
1. Opening balance	1,529,202,370.72	4,088,770,445.04	1,020,090,370.73	6,638,063,186.49
2. Increase for the period	1,254,341,106.85	1,135,470,756.66	113,724,298.39	2,503,536,161.90
(1) Purchase	272,527,656.10	1,135,470,756.66	99,981,117.64	1,507,979,530.40
(2) Transfer from construction in progress	981,813,450.75		13,743,180.75	995,556,631.50
3. Decrease for the period	193,818,809.48	693,764,271.60	176,777,655.08	1,064,360,736.16
(1) Disposal or scrapping	193,818,809.48	693,764,271.60	176,777,655.08	1,064,360,736.16
4. Closing balance	2,589,724,668.09	4,530,476,930.10	957,037,014.04	8,077,238,612.23
II. Accumulated depreciation				
1. Opening balance	452,054,353.39	2,103,867,226.98	708,140,786.85	3,264,062,367.22
2. Increase for the period	231,551,886.89	622,251,482.22	161,112,797.16	1,014,916,166.27
(1) Provision	231,551,886.89	622,251,482.22	161,112,797.16	1,014,916,166.27
3. Decrease for the period	104,701,896.36	612,654,515.14	145,371,252.01	862,727,663.51
(1) Disposal or scrapping	104,701,896.36	612,654,515.14	145,371,252.01	862,727,663.51
4. Closing balance	578,904,343.92	2,113,464,194.06	723,882,332.00	3,416,250,869.98
III. Provision for impairment				
1. Opening balance				
2. Increase for the period				
(1) Provision				
3. Decrease for the period				
(1) Disposal or scrapping				
4. Closing balance				
IV. Book value of fixed assets				
1. Closing book value	2,010,820,324.17	2,417,012,736.04	233,154,682.04	4,660,987,742.25
2. Opening book value	1,077,148,017.33	1,984,903,218.06	311,949,583.88	3,374,000,819.27

(2). Temporarily idle fixed assets

Applicable Not applicable

(3). Fixed assets rented through finance lease

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value
Transportation equipment	1,625,276.95	1,286,944.44		338,332.51

(4). Fixed assets leased out through operating lease

Applicable Not applicable

(5). Fixed assets without property right certificate

Applicable Not applicable

Other notes:

Applicable Not applicable

Liquidation of fixed assets

Applicable Not applicable

22. Construction in progress**By item**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	196,673,468.32	16,616,308.88
Total	<u>196,673,468.32</u>	<u>16,616,308.88</u>

Other notes:

Applicable Not applicable

Construction in progress**(1). Construction in progress**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance Provision for			Opening balance Provision for		
	Book balance	impairment	Book value	Book balance	impairment	Book value
Construction in progress	196,673,468.32	_____	196,673,468.32	16,616,308.88	_____	16,616,308.88
Total	<u>196,673,468.32</u>	<u>_____</u>	<u>196,673,468.32</u>	<u>16,616,308.88</u>	<u>_____</u>	<u>16,616,308.88</u>

(2).

(3). Changes in important projects in progress for the period

Applicable Not applicable

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Unite: Yuan Currency: RMB

Item	Budget	Opening balance	Increase for the period	Transfer to fixed assets for the period	Decrease in other amounts for the period	Closing balance	Proportion of total investment in budget (%)	Progress of the project (%)	Capitalized amount of interest for the period	Including: capitalized amount of interest for the period	Capitalization rate of interest for the period (%)	Source of capital
Headquarters Park Project	1,770,000,000.00	7,262,568.04	14,058,858.86			21,321,426.90	1.20	1.20%				Self-owned funds
Xi'an Industrial Park Project	196,000,000.00	577,090.57	49,342,748.80			49,919,839.37	25.47	25.47%				Self-owned funds
Xiamen Industrial Park Project	218,000,000.00		28,812,916.44			28,812,916.44	13.22	13.22%				Self-owned funds
Jiading site new automation	31,371,681.42		31,371,681.42	31,371,681.42			100.00	100.00%				Self-owned funds
Xuzhou equipment upgrade automation	30,088,495.58		30,088,495.58	30,088,495.58			100.00	100.00%				Self-owned funds
Suzhou Sorting Line Project	118,584,070.80		118,584,070.80	118,584,070.80			100.00	100.00%				Self-owned funds
Zhengzhou Sorting Line Project	51,150,442.48		51,150,442.48	51,150,442.48			100.00	100.00%				Self-owned funds
Luohe Sorting Line Project	18,584,070.80		18,584,070.80	18,584,070.80			100.00	100.00%				Self-owned funds
Wuhu Sorting Line Project	19,203,539.82		19,203,539.82	19,203,539.82			100.00	100.00%				Self-owned funds
Jiaxing Sorting Line Phase I	24,247,787.61		24,247,787.61	24,247,787.61			100.00	100.00%				Self-owned funds
Kunming Sorting Line Project	31,238,938.05		31,238,938.05	31,238,938.05			100.00	100.00%				Self-owned funds
Changsha Sorting Line Project	11,415,929.20		11,415,929.20	11,415,929.20			100.00	100.00%				Self-owned funds
Jiangxia Sorting Line Project	23,008,849.56		23,008,849.56	23,008,849.56			100.00	100.00%				Self-owned funds
Tianjin Phase II Sorting Line Project	30,265,486.73		30,265,486.73	30,265,486.73			100.00	100.00%				Self-owned funds
Xinkou Phase I Sorting Line Project	17,486,725.66		17,486,725.66	17,486,725.66			100.00	100.00%				Self-owned funds
Shunde Sorting Line Project Phase I	17,964,601.77		17,964,601.77	17,964,601.77			100.00	100.00%				Self-owned funds
Baoding Sorting Line Project	16,814,160.00		16,814,160.00	16,814,160.00			100.00	100.00%				Self-owned funds

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Item	Budget	Opening balance	Increase for the period	Transfer to fixed assets for the period	Decrease in other amounts for the period	Closing balance	Proportion of total project investment in budget (%)	Progress of the project (%)	Capitalized accumulated amount of interest	Including: capitalized amount of interest for the period	Capitalization rate of interest for the period (%)	Source of capital
Yantai Sorting Line Project	31,415,929.20		31,415,929.20	31,415,929.20			100.00	100.00%				Self-owned funds
Heze Sorting Line Project	23,893,805.31		23,893,805.31	23,893,805.31			100.00	100.00%				Self-owned funds
Hefei Sorting Line Project	12,371,681.42		12,371,681.42	12,371,681.42			100.00	100.00%				Self-owned funds
Xi'an Sorting Line Project	10,267,868.14		10,267,868.14	10,267,868.14			100.00	100.00%				Self-owned funds
Huainan Industrial Park project	103,000,000.00		10,569,072.10			10,569,072.10	10.26	10.26%				Self-owned funds
Qingdao Industrial Park project	250,000,000.00		27,951,508.21			27,951,508.21	11.18	11.18%				Self-owned funds
Chongqing Sorting Line Project	67,256,637.17		35,309,734.52			35,309,734.52	52.50	52.50%				Self-owned funds
Changzhou Sorting Line Project	15,442,478.00		15,442,478.00	15,442,478.00			100.00	100.00%				Self-owned funds
Huainan Sorting Line Project	28,203,539.83		28,203,539.83	28,203,539.83			100.00	100.00%				Self-owned funds
Quanzhou Sorting Line Project	12,079,646.03		12,079,646.03	12,079,646.03			100.00	100.00%				Self-owned funds
Fuzhou Sorting Line Project	11,088,495.57		11,088,495.57	11,088,495.57			100.00	100.00%				Self-owned funds
Chaoshan Sorting Line Project	12,654,867.26		12,654,867.26	12,654,867.26			100.00	100.00%				Self-owned funds
Zhongshan Sorting Line Project	50,734,513.26		50,734,513.26	50,734,513.26			100.00	100.00%				Self-owned funds
Harbin Sorting Line Project	12,256,637.17		12,256,637.17	12,256,637.17			100.00	100.00%				Self-owned funds
Yuhang Sorting Line Project	28,318,584.06		28,318,584.06	28,318,584.06			100.00	100.00%				Self-owned funds
Jinan Sorting Line Project	18,230,089.00		18,230,089.00	18,230,089.00			100.00	100.00%				Self-owned funds
Nanchang Sorting Line Project	10,176,991.16		10,176,991.16	10,176,991.16			100.00	100.00%				Self-owned funds
Qingdao Sorting Line Project	13,097,346.00		13,097,346.00	13,097,346.00			100.00	100.00%				Self-owned funds

Item	Budget	Opening balance	Increase for the period	Transfer to fixed assets for the period	Decrease in other amounts for the period	Closing balance	Proportion of total investment in budget (%)	Progress of the project (%)	Capitalized amount of interest for the period	Capitalization rate of interest for the period (%)	Source of capital
Pudong Sorting Line Project	15,929,203.54	15,929,203.54	15,929,203.54	15,929,203.54		15,929,203.54	100.00	100.00%			Self-owned funds
Shijiazhuang Sorting Line Project	11,415,929.20	11,415,929.20	11,415,929.20	11,415,929.20		11,415,929.20	100.00	100.00%			Self-owned funds
Linyi Sorting Line Project	17,654,868.00	17,654,868.00	17,654,868.00	17,654,868.00		17,654,868.00	100.00	100.00%			Self-owned funds
Shenyang Sorting Line Project	18,584,070.80	18,584,070.80	18,584,070.80	18,584,070.80		18,584,070.80	100.00	100.00%			Self-owned funds
Total	3,399,497,959.60	7,839,658.61	961,286,161.36	795,241,322.43		173,884,497.54	/	/	/	/	/

(4). Provision for impairment of construction in progress for the current period

Applicable Not applicable

Other notes

Applicable Not applicable

Construction materials**(5). Construction materials**

Applicable Not applicable

23. Productive biological assets**(1). Productive biological assets using cost measurement model**

Applicable Not applicable

(2). Productive biological assets measured at fair value

Applicable Not applicable

Other notes

Applicable Not applicable

24. Oil and gas assets

Applicable Not applicable

25. Right-of-use assets

Applicable Not applicable

Unite: Yuan Currency: RMB

Item	Houses and buildings	Total
I. Original book value:		
1. Opening balance	2,335,507,650.81	2,335,507,650.81
2. Increase for the period	1,517,789,097.79	1,517,789,097.79
3. Decrease for the period	610,502,682.31	610,502,682.31
4. Closing balance	3,242,794,066.29	3,242,794,066.29
II. Accumulated depreciation		
1. Opening balance		
2. Increase for the period	1,528,233,532.11	1,528,233,532.11
(1) Provision	1,528,233,532.11	1,528,233,532.11
3. Decrease for the period	429,433,857.61	429,433,857.61
(1) Disposal	429,433,857.61	429,433,857.61
4. Closing balance	1,098,799,674.50	1,098,799,674.50
III. Provision for impairment		
1. Opening balance		
2. Increase for the period		
3. Decrease for the period		
4. Closing balance		
IV. Book value		
1. Closing book value	2,143,994,391.79	2,143,994,391.79
2. Opening book value	2,335,507,650.81	2,335,507,650.81

Other notes:

None

26. Intangible assets

(1). Intangible assets

Applicable Not applicable

Unite: Yuan Currency: RMB

Item	Land use rights	Software	Trademark	Non-patent technology	Total
I. Original book value					
1. Opening balance	98,300,263.72	116,772,403.41	14,400.00	53,000.00	215,140,067.13
2. Increase for the period	287,555,721.45	108,682,517.71			396,238,239.16
(1)Purchase	287,555,721.45	54,239,302.76			341,795,024.21
(2)Internal R&D		54,443,214.95			54,443,214.95
3. Decrease for the period					
(1) Disposal					
4. Closing balance	385,855,985.17	225,454,921.12	14,400.00	53,000.00	611,378,306.29
II. Accumulated amortization					
1. Opening balance	397,757.51	95,436,803.29	14,400.00		95,848,960.80
2. Increase for the period	5,449,772.25	36,786,632.59			42,236,404.84
(1) Provision	5,449,772.25	36,786,632.59			42,236,404.84
3. Decrease for the period					
(1) Disposal					
4. Closing balance	5,847,529.76	132,223,435.88	14,400.00		138,085,365.64
III. Provision for impairment					
1. Opening balance					
2. Increase for the period					
(1) Provision					
3. Decrease for the period					
(1) Disposal					
4. Closing balance					
IV. Book value					
1. Closing book value	380,008,455.41	93,231,485.24		53,000.00	473,292,940.65
2. Opening book value	97,902,506.21	21,335,600.12		53,000.00	119,291,106.33

At the end of the period, the proportion of intangible assets formed through internal R&D of the Company accounted for 8.90% of the balance of intangible assets

(2). Land use rights without property right certificate

Applicable Not applicable

Other notes:

Applicable Not applicable

27. Development expenditures

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Internal development expenditures	Others	Recognized as intangible assets	Transfer to current profit and loss	
Complementary code prefix and end address base project	2,422,856.89	192,515.95		2,615,372.84		
Call center digitalization construction project . . .	2,849,272.60	312,762.94		3,162,035.54		
Field station logistics digitalization project . .	2,083,426.08	309,467.35		2,392,893.43		
Integrated management implementation project	9,448,899.94	36,824,013.20		46,272,913.14		
Integrated intelligent improvement project . .		15,491,879.61				15,491,879.61
Budget control and rolling forecast project		3,477,536.88				3,477,536.88
Total	16,804,455.51	56,608,175.93		54,443,214.95		18,969,416.49

Other notes

None

28. Goodwill**(1). Original book value of goodwill**

Applicable Not applicable

(2). Provision for impairment of goodwill

Applicable Not applicable

(3). Information about the asset group or combination of asset groups in which goodwill is located

Applicable Not applicable

(4). Describe the goodwill impairment test process, key parameters (such as the growth in the forecast period, the growth in the stable period, the profit rate, the discount rate, the forecast period, etc. when predicting the present value of future cash flow, if applicable) and the recognition method of goodwill impairment loss

Applicable Not applicable

(5). Impact of goodwill impairment test

Applicable Not applicable

Other notes

Applicable Not applicable

29. Long-term deferred expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Amortized amount for the period	Decrease in other amounts	Closing balance
Leased-in building renovation expenses	193,421,141.00	191,781,894.27	147,337,643.72		237,865,391.55
Others	36,913,498.00	42,019,867.73	30,088,685.95		48,844,679.78
Total	<u>230,334,639.00</u>	<u>233,801,762.00</u>	<u>177,426,329.67</u>		<u>286,710,071.33</u>

Other notes:

When the Company applies the “New Lease Standards” on January 1, 2021, the long-term rent paid in one lump sum will be transferred to the right-of-use assets.

30. Deferred tax assets/ deferred tax liabilities**(1). Deferred tax assets before offset**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for credit impairment	75,813,401.74	18,238,518.87	69,325,393.98	16,766,262.17
Accrual of unpaid employee remuneration	134,243,342.27	31,094,955.75	152,780,048.40	34,008,899.04
Estimated liabilities	27,123,821.84	6,595,435.02	10,687,133.53	2,616,597.52
Unrealised profits of intra-group transactions	384,628.88	96,157.22	576,943.24	144,235.81
Deductible losses	539,513,123.21	126,721,083.17	725,441,955.86	165,858,560.41
Changes in fair value of investments in other equity instruments recognized in other comprehensive income . . .	50,090,000.00	12,522,500.00	50,090,000.00	12,522,500.00
Difference between the book value and tax basis of right-to-use assets	<u>31,681,823.58</u>	<u>7,605,392.65</u>		
Total	<u>858,850,141.52</u>	<u>202,874,042.68</u>	<u>1,008,901,475.01</u>	<u>231,917,054.95</u>

(2). Deferred tax liabilities before offset

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Taxable temporary differences between the book value and tax basis of fixed assets (Note)	1,171,410,607.32	278,071,348.83	1,391,767,974.27	328,924,493.72
Changes in fair value of investments in other equity instruments recognized in other comprehensive income	1,362,540,800.00	340,635,200.00	16,170,000.00	4,042,500.00
Others			16,171,036.24	4,064,232.09
Total	<u>2,533,951,407.32</u>	<u>618,706,548.83</u>	<u>1,424,109,010.51</u>	<u>337,031,225.81</u>

Note: The Company accelerated the depreciation of certain transportation tools, machinery equipment, electronic and office equipment in calculating taxable income, resulting in temporary differences between the book value of fixed assets and taxable basis.

(3). Deferred tax assets or liabilities presented at net amount after offset

Applicable Not applicable

(4). Details of unrecognized deferred tax assets

Applicable Not Applicable

(5). The deductible losses of unrecognized deferred tax assets will expire in the following year

Applicable Not applicable

Other notes:

Applicable Not applicable

31. Other non-current assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Book balance	Provision for impairment	Book balance	Provision for impairment
Prepayments for the acquisition of long-term assets	256,845,294.43	256,845,294.43	113,710,355.01	113,710,355.01
Total	<u>256,845,294.43</u>	<u>256,845,294.43</u>	<u>113,710,355.01</u>	<u>113,710,355.01</u>

Other notes:

None

32. Short-term borrowings

(1). Classification of short-term borrowings

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Guaranteed borrowings	1,840,000,000.00	650,000,000.00
Credit borrowings	600,000,000.00	517,788,000.00
Interest payable for short-term borrowings	3,361,999.77	1,465,523.67
Total	<u>2,443,361,999.77</u>	<u>1,169,253,523.67</u>

Note on short-term borrowings classification:

The guaranteed borrowings are loans secured between the Company and its subsidiaries, see Note XIV.2 for details

(2). Short-term borrowings that are past due

Applicable Not applicable

The important short-term borrowings that are past due are as follows:

Applicable Not applicable

Other notes

Applicable Not applicable

33. Trading financial liabilities

Applicable Not applicable

34. Derivative financial liabilities

Applicable Not applicable

35. Notes payable

(1) Notes payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Closing balance	Opening balance
Bank acceptance note	156,537,983.00	73,463,488.70
Total	<u>156,537,983.00</u>	<u>73,463,488.70</u>

Total amount of notes payable that were due but unpaid at the end of the period was RMB0.

36. Accounts payable

(1). Accounts payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Capacity purchase payment and payment for goods	1,746,939,459.78	1,818,815,413.6
Equipment and engineering payments	<u>903,952,609.59</u>	<u>563,457,637.02</u>
Total	<u><u>2,650,892,069.37</u></u>	<u><u>2,382,273,050.62</u></u>

(2). Important accounts payable aged more than 1 year

Applicable Not applicable

Other notes

Applicable Not applicable

37. Advances from customers

(1). Advances from customers

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Lease payments received in advance, etc.	<u>4,516,460.07</u>	<u>1,610,528.13</u>
Total	<u><u>4,516,460.07</u></u>	<u><u>1,610,528.13</u></u>

(2). Important advances from customers aged more than 1 year

Applicable Not applicable

Other notes

Applicable Not applicable

38. Contractual liabilities**(1). Contractual liabilities**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Integrated logistics services fee	<u>78,994,448.91</u>	<u>71,841,281.70</u>
Total	<u><u>78,994,448.91</u></u>	<u><u>71,841,281.70</u></u>

(2). Amount and reasons for significant changes in book value during the reporting period

Applicable Not applicable

Other notes:

Applicable Not applicable

39. Payroll payables**(1). Payroll payables**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term compensation ..	930,595,003.64	8,423,310,980.07	8,616,566,639.15	737,339,344.56
II. Post-employment benefits-defined contribution plans		448,559,711.99	439,861,780.07	8,697,931.92
III. Termination benefits				
IV. Other benefits due within one year	<u>25,161,126.51</u>		<u>25,161,126.51</u>	
Total	<u><u>955,756,130.15</u></u>	<u><u>8,871,870,692.06</u></u>	<u><u>9,081,589,545.73</u></u>	<u><u>746,037,276.48</u></u>

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

(2). Short-term compensation

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Salary, bonus, allowance, and subsidy	930,595,003.64	7,720,743,149.50	7,919,980,517.38	731,357,635.76
II. Staff welfare		245,450,030.91	245,450,030.91	
III. Social insurance premium		212,053,615.07	206,219,646.27	5,833,968.80
Including: medical insurance premium		182,225,562.84	177,059,055.48	5,166,507.36
Work injury insurance premium		12,994,739.92	12,738,572.52	256,167.40
Maternity insurance premium		16,833,312.31	16,422,018.27	411,294.04
IV. Housing provident fund		168,556,201.89	168,408,461.89	147,740.00
V. Trade union funding and employee education funding		75,246,460.49	75,246,460.49	
VI. Short term paid absence				
VII. Short term profit sharing plan				
VIII. Commercial insurance premiums		1,261,522.21	1,261,522.21	
Total	<u>930,595,003.64</u>	<u>8,423,310,980.07</u>	<u>8,616,566,639.15</u>	<u>737,339,344.56</u>

(3). Defined contribution plans

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance		431,684,739.52	423,259,220.72	8,425,518.80
2. Unemployment insurance		16,874,972.47	16,602,559.35	272,413.12
3. Enterprise annuity payment				
Total		<u>448,559,711.99</u>	<u>439,861,780.07</u>	<u>8,697,931.92</u>

Other notes:

Applicable Not applicable

40. Taxes payables

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Value-added tax	98,160,645.86	76,231,789.27
Corporate income tax	56,710,340.86	44,901,151.31
Individual income tax	17,133,613.52	13,401,025.73
Urban maintenance and construction tax	6,140,432.27	5,238,027.79
Education surcharge and local education surcharge	4,916,720.61	4,529,410.30
Others	394,321.79	104,996.24
Total	<u>183,456,074.91</u>	<u>144,406,400.64</u>

Other notes:

None

41. Other payables

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable		
Dividends payable		
Other payables	316,053,937.08	320,945,070.25
Total	<u>316,053,937.08</u>	<u>320,945,070.25</u>

Other notes:

Applicable Not applicable

Interest payable

(1). By type

Applicable Not applicable

Dividend payable

(2). By type

Applicable Not applicable

Other payables

(1). Other payables presentation by nature

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deposits, security deposits	192,170,529.67	181,114,719.15
Collection of payment for goods on a commission basis	98,681,781.69	103,327,936.50
Others	25,201,625.72	36,502,414.60
Total	<u>316,053,937.08</u>	<u>320,945,070.25</u>

(2). Important other payables aged for more than 1 year

Applicable Not applicable

Other notes:

Applicable Not applicable

42. Liabilities held for sale

Applicable Not applicable

43. Non-current liabilities due within one year

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Debentures payable due within one year	301,759,029.16	
Lease liabilities due within one year	<u>909,167,432.05</u>	<u>925,199,208.37</u>
Total	<u><u>1,210,926,461.21</u></u>	<u><u>925,199,208.37</u></u>

Other notes:

None

44. Other current liabilities

Other current liabilities

Applicable Not applicable

Increase and decrease of short-term debentures payable:

Applicable Not applicable

Other notes:

Applicable Not applicable

45. Long-term borrowings

(1). Classification of long-term borrowings

Applicable Not applicable

Other notes, including interest rate range:

Applicable Not applicable

46. Debentures payable

(1). Debentures payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Debentures payable	301,759,029.16	
Less: debentures payable due within one year	301,759,029.16	
Total	<u> </u>	

(2). Changes in bonds payable (excluding preferred shares classified as financial liabilities, perpetual bonds and other financial instruments)

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of bonds	Par value	Issuing date	Period of credit	Issue amount	Opening balance	Issuing for the period	Interest provisioned by par value	Amortization of discounts and current premiums	Paid in the period	Closing balance
Deppon Logistics Co., Ltd. 2021 Phase I Ultra Short Term Financing Bills (Rural Revitalization) ...	RMB100	October 22, 2021	179 days	300,000,000.00			1,759,029.16			301,759,029.16
Total	<u> /</u>	<u> /</u>	<u> /</u>	<u>300,000,000.00</u>			<u>1,759,029.16</u>			<u>301,759,029.16</u>

(3). Notes to conversion conditions and conversion time of convertible corporate bonds

Applicable Not applicable

(4). Notes to other financial instruments classified as financial liabilities

Outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period

Applicable Not applicable

Table of changes in outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period

Applicable Not applicable

Notes to basis for other financial instruments classified as financial liabilities

Applicable Not applicable

Other notes:

Applicable Not applicable

47. Lease liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Lease payment amount	1,993,987,077.58	2,242,412,644.93
Less: unrecognized financing expenses	104,974,630.03	221,382,322.04
Less: lease liabilities due within one year	909,167,432.05	925,199,208.37
Total	<u>979,845,015.50</u>	<u>1,095,831,114.52</u>

Other notes:

None

48. Long-term payables**Presentation of items**

Applicable Not applicable

Other notes:

Applicable Not applicable

Long-term payables**(1). Long-term payables presentation by nature**

Applicable Not applicable

Special payables**(2). Special payables presentation by nature**

Applicable Not applicable

49. Long-term payroll payables

Applicable Not applicable

(1). Table of long-term payroll payables

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Net liability for post-employment benefits — defined benefit plans		
II. Termination benefits		
III. Other long-term benefits	20,660,006.04	41,934,007.70
Total	<u>20,660,006.04</u>	<u>41,934,007.70</u>

Note: Other long-term benefits are the excess profit sharing plan formulated by the Company in 2014. The plan uses a certain proportion of the excess profit after the annual return on net assets exceeding the target value as the incentive bonus for the management team and core employees of the Company, which will be implemented in three years. One-third of the incentive bonus will be used as the target bonus for the year during the implementation period, which will be distributed after the adjustment of the Group's and individual business performance coefficient for the year. The Company discounts the incentive bonus expected to be distributed after one year based on the yield to maturity of the treasury bonds with corresponding maturity date.

(2). Change of defined benefit plan

Present value of the defined benefit plan obligations:

Applicable Not applicable

Plan assets:

Applicable Not applicable

Net liabilities (net assets) of the defined benefit plan

Applicable Not applicable

Notes to the content of the defined benefit plan and related risks, and the impact on the Company's future cash flow, time and uncertainty:

Applicable Not applicable

Notes to major actuarial assumptions and sensitivity analysis results of the defined benefit plan

Applicable Not applicable

Other notes:

Applicable Not applicable

50. Estimated liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Reason
Pending action	10,687,133.53	25,170,698.84	Involved in litigation
Others		1,953,123.00	Rental property rehabilitation fees
Total	10,687,133.53	27,123,821.84	/

Other notes, including important assumptions and estimates related to important provisions:

None.

51. Deferred revenues

Deferred revenues

 Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	53,233,857.10	36,631,252.26	57,314,839.65	32,550,269.71	Received government grants
Total	<u>53,233,857.10</u>	<u>36,631,252.26</u>	<u>57,314,839.65</u>	<u>32,550,269.71</u>	/

Items involving government grants:

 Applicable Not applicable

Unit: Yuan Currency: RMB

Items related to liabilities	Opening balance	Grants increased for the period	Amount included in non-operating income during the period	Amount included in other income during the period	Other changes	Closing balance	Related to assets/income
Grants to upgrade equipment for the freight industry	5,853,914.30	959,224.00		3,202,326.59		3,610,811.71	Related to assets
Construction and renovation project of urban and rural trade and logistics facilities	395,845.71	0.00		51,513.59		344,332.12	Related to assets
Service industry development guide funds	96,498.80	7,650,068.00		2,304,928.44		5,441,638.36	Related to assets
System construction project of urban and rural efficient delivery service	1,259,526.22	2,477,723.14		1,450,123.69		2,287,125.67	Related to assets

APPENDIX II
FINANCIAL INFORMATION OF THE DEPPON

Liabilities item	Opening balance	Grants increased for the period	Amount included in non-operating income during the period	Amount included in other income during the period	Other changes	Closing balance	Related to assets/income
Logistics and supporting link upgrade and renovation project		2,909,720.00		1,287,660.70		1,622,059.30	Related to assets
“Three system” implementation of sending channel project	34,375.22	51,640.00		21,378.87		64,636.35	Related to assets
Deppon intelligent warehouse and logistics center construction project	204,185.64	0.00		146,490.82		57,694.82	Related to assets
Supply chain system construction projects	6,541,299.29	5,530,900.00		6,783,286.19		5,288,913.10	Related to assets
Smart manufacturing project	1,906,889.76	999,600.00		1,411,646.11		1,494,843.65	Related to assets
Special funds for business development	446,279.86	50,000.00		56,150.70		440,129.16	Related to assets
Logistics infrastructure and equipment standardization update project	607,039.04	0.00		519,482.90		87,556.14	Related to assets
Subsidies for stabilizing job posts	33,227,464.89			33,227,464.89		0.00	Related to income
Declaration of market regulation item—X-ray machine purchase		40,000.00		40,000.00		0.00	Related to assets

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Items related to liabilities	Opening balance	Grants increased for the period	Amount included in non-operating income during the period	Amount included in other income during the period	Other changes	Closing balance	Related to assets/income
Modern logistics industry support funds	620,442.50	0.00		335,491.25		284,951.25	Related to assets
Support fund for software and IC industry		1,000,000.00		430,698.50		569,301.50	Related to assets
Special funds for postal services		222,487.85		91,107.19		131,380.66	Related to assets
Intelligent logistics project	1,814,854.28	1,610,000.00		622,757.49		2,802,096.79	Related to assets
Special fund project of Guangdong technology innovation strategy	26,205.17	0.00		19,652.93		6,552.24	Related to assets
Provincial fund for promoting development of circulation industry and municipal special fund for order management .		300,000.00		32,280.61		267,719.39	Related to assets
Warehouse and distribution integration construction project		636,700.00		64,492.24		572,207.76	Related to assets
Shenzhen emerging industries support project		1,780,000.00		971,312.54		808,687.46	Related to assets
Construction project for commercial, trade and logistic infrastructures		500,000.00		244,773.14		255,226.86	Related to assets

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Items related to liabilities	Opening balance	Grants increased for the period	Amount included in non-operating income during the period	Amount included in other income during the period	Other changes	Closing balance	Related to assets/income
Special fund project for development of software and integrated circuit industry		3,000,000.00		2,961,627.54		38,372.46	Related to assets
High-quality Development Project for Aviation Economy in Shuangliu District, Chengdu City		2,013,030.00		480,363.16		1,532,666.84	Related to assets
Informatization construction project		548,876.00		114,501.20		434,374.80	Related to assets
Tonnage subsidy		87,188.00		7,865.05		79,322.95	Related to assets
Application demonstration of express logistics resource sharing service		25,950.00				25,950.00	Related to assets
Special fund from Shenzhen Post Administration		29,375.00		3,560.61		25,814.39	Related to assets
New Base Project of Hefei Deppon Station		1,000,000.00		32,741.01		967,258.99	Related to assets
Project on research, development and application of common key technologies for modern service industry	129,750.00	50,000.00		23,337.46		156,412.54	Related to assets

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Items related to liabilities	Opening balance	Grants increased for the period	Amount included in non-operating income during the period	Amount included in other income during the period	Other changes	Closing balance	Related to assets/income
New transport capacity project		2,000,000.00		69,654.78		1,930,345.22	Related to assets
Award for business scale development and infrastructure investment project of enterprise		223,700.00		31,216.31		192,483.69	Related to assets
Project with special fund under Counterpart Support, Cooperation and Exchange Program with Shanghai		935,070.27		205,666.73		729,403.54	Related to assets
Industrial informatization transformation and upgrading funds	69,286.42	0.00		69,286.42		0.00	Related to assets
Total	53,233,857.10	36,631,252.26		57,314,839.65		32,550,269.71	

Other notes:

 Applicable Not applicable**52. Other non-current liabilities** Applicable Not applicable**53. Share capital** Applicable Not applicable

Unit: Yuan Currency: RMB

	Opening balance	Issuance of new shares	Bonus issue	Increase or decrease (+, -)		Subtotal	Closing balance
				Conversion of capital reserve into share capital	Others		
Total number of shares	960,000,000.00	66,957,470.00				66,957,470.00	1,026,957,470.00

Other notes:

None

54. Other equity instruments

(1). Outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period

Applicable Not applicable

(2). Table of changes in outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period

Applicable Not applicable

Notes to changes in other equity instruments and reasons thereof for the reporting period, and basis for related accounting treatment:

Applicable Not applicable

Other notes:

Applicable Not applicable

55. Capital reserves

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share capital premium)	325,266,830.94	536,846,496.31		862,113,327.25
Other capital reserves	11,629,579.51	20,429,213.27	49,172.79	32,009,619.99
Total	<u>336,896,410.45</u>	<u>557,275,709.58</u>	<u>49,172.79</u>	<u>894,122,947.24</u>

Other notes, including changes and reasons thereof for the reporting period:

(1) The change in share capital premium for the year was due to: ① the non-public offering of shares to Yunda Holding Co., Ltd. raising total funds of RMB613,999,999.90 and net proceeds of RMB602,962,217.28 after deducting issuance fees, including an increase in registered capital (share capital) of RMB66,957,470.00 and an increase in capital reserves (share capital premium) of RMB536,004,747.28; ② increase in capital by minority shareholders of the subsidiary, resulting in an increase in share capital premium of RMB841,749.03.

(2) The change in other capital reserves for the year was due to: ① an increase in other capital reserves of RMB18,380,535.55 due to the recognition of share-based compensation of the second phase of the Company's employee stock ownership plan based on the estimated number of exercisable options at the end of the period; ② a decrease in capital reserves of RMB49,172.79 due to the share repurchase handling fee; ③ an increase in other capital reserves of RMB2,048,677.72 due to changes in other equity of associates.

56. Treasury stock

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Treasury stock	<u>85,139,398.85</u>	<u>68,210,824.64</u>	<u> </u>	<u>153,350,223.49</u>
Total	<u>85,139,398.85</u>	<u>68,210,824.64</u>	<u> </u>	<u>153,350,223.49</u>

Other notes, including changes and reasons thereof for the reporting period:

The increase in the current period was due to the repurchase of shares by the Company through centralized bidding transactions.

57. Other comprehensive income

 Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for current period				Closing balance
	Opening balance	Amount incurred for current period before income tax	Less: Recorded in other comprehensive income for the period and transferred to profit or loss for the period	Less: Recorded in other comprehensive income for the period and transferred to retained earnings for the period	
I. Other comprehensive income that cannot be reclassified to profit or loss	-25,440,000.00	1,347,294,890.00		693,067.50	984,338,100.00
Including: changes in remeasurement of defined benefit plans					
Changes in fair value of other equity instrument investments	-25,440,000.00	1,347,294,890.00		693,067.50	984,338,100.00
Total other comprehensive income	-25,440,000.00	1,347,294,890.00		693,067.50	984,338,100.00
			Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax
			336,823,722.50	1,009,778,100.00	984,338,100.00

Other notes, including adjustments of the effective portion of the cash flow hedge gain or loss transferred to the amount initially recognized for the hedged item:

None

Details on adjustment of retained earnings at the beginning of the period:

1. Due to retrospective adjustments in accordance with Accounting Standards for Business Enterprises and relevant new provisions, retained earnings at the beginning of the period read RMB0.

2. Due to changes in accounting policies, retained earnings at the beginning of the period read RMB0.

3. Due to correction of material accounting errors, retained earnings at the beginning of the period read RMB0.

4. Due to changes in the consolidation scope under common control, retained earnings at the beginning of the period read RMB0.

5. Due to total of other adjustments, retained earnings at the beginning of the period read RMB0.

61. Revenue and cost of revenue

(1). Revenue and cost of revenue

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	<u>31,359,068,083.26</u>	<u>28,027,652,588.95</u>	<u>27,503,446,481.61</u>	<u>24,295,988,647.16</u>
Total	<u>31,359,068,083.26</u>	<u>28,027,652,588.95</u>	<u>27,503,446,481.61</u>	<u>24,295,988,647.16</u>

(2). Deduction from revenue

Unit: ten thousand yuan Currency: RMB

Item	Current year	Specific deduction	Previous year	Specific deduction
Amount of revenue	3,135,906.81	/	2,750,344.65	/
Total amount of revenue deductibles	681.530197	/	3,562.725261	/
Percentage of total amount of revenue deductibles in revenue (%)	0.02	/	0.13	/
I. Revenue unrelated to principal business				
1. Other revenue beyond normal operation. Such as revenues realized from lease of fixed assets, intangible assets, packaging materials, sales of materials, exchange of non-monetary assets with materials, operation of trusteeship business, etc., as well as revenues that are included in the revenue from principal business but belongs to the revenue of the listed company beyond the normal operation.				
	681.530197	/	3,562.725261	/
2. Revenue from quasi-financial business without the qualification such as interest income from lending funds; revenue from new quasi-financial business in the current fiscal year and previous fiscal year, such as revenue from guarantee, commercial factoring, micro loan, finance leases, pawn and other business, excluding finance leases conducted to sell principal products.				
3. Revenue from new trading business in current accounting year and previous fiscal year.				
4. Revenue from related party transactions unrelated to the listed company's existing normal business operations.				
5. Revenue derived from subsidiaries involved in business combination under common control from the beginning of period to the date of consolidation.				
6. Revenue from business that have not established or are hard to establish stable business mode.				
Subtotal of revenue unrelated to principal business	681.530197	/	3,562.725261	/
II. Revenue without commercial substance				
1. Revenue from transactions or events that do not significantly change the risk, time distribution or amount of future cash flow of the enterprise.				
2. Revenue from transactions without real business. Such as false revenue realized from self-dealing and false revenue derived from transactions constructed by using Internet technology means or other methods.				
3. Revenue from business with obviously unfair price.				
4. Revenue derived from subsidiaries involved in business combination or business acquired for obviously unfair considerations or non-transaction basis in current fiscal year.				
5. Revenue involved in nonstandard audit opinions.				
6. Revenue from transactions or events that are commercially unreasonable.				
Subtotal of revenue without commercial substance				
III. Other revenues unrelated to principal business or without commercial substance				
Amount of revenue after deduction	3,135,225.28		2,746,781.92	

(3). Contract-generated revenue

Applicable Not applicable

Description of Contract-generated revenue:

Applicable Not applicable

(4). Description of performance obligations

Applicable Not applicable

(5). Description of the apportionment to the remaining performance obligation

Applicable Not applicable

Other notes:

None

62. Taxes and surcharges

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	45,049,490.01	35,017,490.50
Education surcharge	36,144,130.61	28,765,877.17
Land use taxes	347,491.19	50,075.21
Vehicle and vessel use tax	2,155,652.54	1,820,653.63
Stamp duty	17,732,988.90	14,455,279.50
Others	2,113,048.90	1,236,501.60
Total	<u>103,542,802.15</u>	<u>81,345,877.61</u>

Other notes:

None

63. Selling and marketing expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	330,280,769.25	302,803,059.75
Advertising and promotion fees	111,830,526.06	127,034,757.40
Consulting expenses	17,252,698.83	18,996,571.35
Office expenses	18,002,173.15	22,668,078.07
Others	11,046,150.85	11,563,556.68
Total	<u>488,412,318.14</u>	<u>483,066,023.25</u>

Other notes:

None

64. General and administrative expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	1,845,574,984.89	1,472,973,715.40
Management consulting expenses	291,255,774.06	209,170,225.89
Transportation and travel expenses	131,482,332.03	95,833,168.61
Depreciation expenses	131,027,243.60	101,179,597.59
Training and recruitment expenses	58,092,527.16	61,834,871.68
Communication expenses	48,452,045.47	72,103,293.84
Office expenses	108,582,292.19	98,253,363.61
Room rental expenses	124,605,268.16	52,638,324.25
Amortization of leasehold improvement expenses	27,524,881.33	14,448,144.53
Taxation	8,117,522.73	2,647,510.16
Others	4,271,367.75	4,979,632.26
Total	<u>2,778,986,239.37</u>	<u>2,186,061,847.82</u>

Other notes:

None

65. Research and development expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	48,990,248.12	45,225,031.03
Depreciation and amortization expenses	352,510.37	1,177,212.87
Consulting expenses and others	10,653,218.01	4,794,778.56
Total	<u>59,995,976.50</u>	<u>51,197,022.46</u>

Other notes:

None

66. Finance expenses Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Interest expenses	48,423,896.76	60,267,950.03
Add: interest expenses of lease liabilities	79,349,470.56	
Less: interest income	21,929,941.97	20,653,580.66
Exchange loss	1,944,613.57	1,739,874.89
Bank charges and others	<u>61,601,536.07</u>	<u>56,274,264.97</u>
Total	<u>169,389,574.99</u>	<u>97,628,509.23</u>

Other notes:

None

67. Other income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Grants to upgrade equipment for the freight industry	3,202,326.59	2,777,739.24
Deppon intelligent warehouse and logistics center construction project	146,490.82	1,406,296.54
Industrial informatization transformation and upgrading funds	69,286.42	758,558.04
Supply chain system construction projects	6,783,286.19	8,962,440.81
Special fund project of Guangdong technology innovation strategy	19,652.93	1,089,664.65
Logistic infrastructure and equipment standardization update project	519,482.90	1,668,280.38
Subsidies for job stabilization	37,531,306.89	7,444,381.84
Intelligent logistic project	622,757.49	613,145.72
Smart manufacturing project	1,411,646.11	795,610.24
“Three Systems” and green development implementation project for posting and express delivery channels	21,378.87	72,524.78
Special funds for commercial and trade development	56,150.70	4,620.14
Guiding funds for service industry development	2,304,928.44	3,501.20
System construction project of urban and rural efficient delivery service	1,450,123.69	776,966.67
Construction and renovation project of urban and rural trade and logistics facilities	51,513.59	4,154.29
Modern logistics industry support funds	335,491.25	199,557.50
Financial return	56,901,023.85	90,322,863.22
Industry subsidies and incentives	26,218,498.73	36,053,316.42
Employment and internship allowance	13,316,057.72	77,168,309.15
Employee vocational training subsidy	34,166,405.00	14,548,234.68
Enterprise development incentive fund	14,795,062.23	6,615,244.80
Other grants and subsidies	4,890,754.54	7,221,355.78
Tax deduction	190,666,830.92	141,590,733.65
Logistics and supporting link upgrade and renovation project	1,287,660.70	
Declaration of market regulation item—X-ray machine purchase	40,000.00	
Support fund for software and IC industry	430,698.50	
Special funds for postal services	91,107.19	
Provincial fund for promoting development of circulation industry and municipal special fund for order management	32,280.61	
Warehouse and distribution integration construction project	64,492.24	
Shenzhen emerging industry support project	971,312.54	
Construction project for commercial, trade and logistic infrastructures	244,773.14	
Special fund project for development of software and integrated circuit industry	2,961,627.54	
High-quality Development Project for Aviation Economy in Shuangliu District, Chengdu City	480,363.16	
Informatization construction project	114,501.20	
Tonnage subsidy	7,865.05	
Special fund from Shenzhen Post Administration	3,560.61	
New Base Project of Hefei Deppon Station	32,741.01	
Project on research, development and application of common key technologies for modern service industry	23,337.46	
New transport capacity project	69,654.78	
Award for business scale development and infrastructure investment project of enterprise	31,216.31	
Project with special fund under Counterpart Support, Cooperation and Exchange Program with Shanghai	205,666.73	
Total	<u>402,573,314.64</u>	<u>400,097,499.74</u>

Other notes:

All other income items are included in non-recurring profit or loss.

68. Investment income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Investment income from long-term equity investments using equity method	3,346,319.42	2,031,508.78
Investment income from disposal of long-term equity investments	2,299,355.35	
Investment income from trading financial assets during the holding period	13,177,614.09	31,937,144.98
Dividend income from other equity instrument investments during the holding period	450,000.00	25,656,891.00
Investment income from other non-current financial assets during the holding period	14,398,274.62	
Others	<u>-41,649.75</u>	<u>-21,328.49</u>
Total	<u><u>33,629,913.73</u></u>	<u><u>59,604,216.27</u></u>

Other notes:

None

69. Net exposure hedge income

Applicable Not applicable

70. Gain from fair value changes

Applicable Not applicable

Unit: Yuan Currency: RMB

Sources of gain from fair value changes	Amount for the current period	Amount for the previous period
Trading financial assets Including: gains from fair value changes arising from derivative financial instruments		
Trading financial liabilities		
Investment properties measured at fair value		
Gains or losses on fair value changes of wealth management products		<u>-10,000,000.00</u>
Total		<u><u>-10,000,000.00</u></u>

Other notes:

None

71. Impairment losses under expected credit loss model

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Losses on bad debts from notes receivable	2,813.52	-2,813.52
Losses on bad debts from accounts receivable	-16,453,772.78	-47,679,600.48
Bad debt losses on other receivables	-267,103.10	-8,315,131.57
Impairment losses on the factoring receivable	-4,539,108.61	-4,245,857.32
Total	<u>-21,257,170.97</u>	<u>-60,243,402.89</u>

Other notes:

None

72. Asset impairment losses

Applicable Not applicable

73. Gains on disposal of assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Gains on disposal of fixed assets	27,524,036.94	15,624,674.23
Gains or losses from disposal of right-of-use assets	-116,638.05	
Total	<u>27,407,398.89</u>	<u>15,624,674.23</u>

Other notes:

None

74. Non-operating income

Non-operating income

 Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period	Amount of non-recurring gain or loss included in the current period
Gains from inventory profit	402,114.97	355,829.85	402,114.97
Income from indemnity and liquidated damages	7,828,854.41	4,621,011.55	7,828,854.41
Income from the sale of scraps	6,514,714.22	5,177,346.26	6,514,714.22
Others	58,147,935.06	49,569,261.45	58,147,935.06
Total	<u>72,893,618.66</u>	<u>59,723,449.11</u>	<u>72,893,618.66</u>

Note: All non-operating income items are included in non-recurring profit or loss.

Government grants included in profit or loss for the current period

 Applicable Not applicable

Other notes:

 Applicable Not applicable**75. Non-operating expenses** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period	Amount of non-recurring gain or loss included in the current period
Donations	268,509.15	1,094,863.00	268,509.15
Liquidated damages, indemnity	15,034,969.18	6,558,511.19	15,034,969.18
Traffic violation and other fines and late payment fees	28,986,923.04	16,424,949.97	28,986,923.04
Others	30,821,848.01	12,710,134.75	30,821,848.01
Total	<u>75,112,249.38</u>	<u>36,788,458.91</u>	<u>75,112,249.38</u>

Other notes:

All non-operating expense items are included in non-recurring profit or loss.

76. Income tax expense**(1). Table of income tax expense**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Current income tax expense	54,745,042.08	74,950,096.81
Deferred income tax expense	-25,874,364.71	96,089,193.10
Total	<u>28,870,677.37</u>	<u>171,039,289.91</u>

(2). Accounting profit and income tax expense adjustment process

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period
Total profit	171,223,408.73
Income tax expenses calculated based on the statutory (or applicable) tax rates	42,805,852.18
Impact of different tax rates applied to subsidiaries	1,911,676.05
Impact of adjusting income tax in previous periods	-9,631,956.07
Impact of non-taxable income	-1,480,783.14
Impact of non-deductible costs, expenses, and losses	5,821,298.04
Research and development expenses plus of deductions	-6,749,547.36
Others	-3,805,862.33
Income tax expenses	<u>28,870,677.37</u>

Other notes:

Applicable Not applicable

77. Other comprehensive income

Applicable Not applicable

For details, please refer to Note VII. 57

78. Cash flow statement**(1). Cash received relating to other operating activities**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Current payment received	326,566,025.16	116,357,583.34
Government grants and non-operating income received	260,646,706.34	343,588,656.31
Interest on deposits received	21,929,941.97	20,653,580.66
Total	<u>609,142,673.47</u>	<u>480,599,820.31</u>

Description of other cash received in connection with business activities:

None

(2). Cash payments relating to other operating activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Payment for sales, general and administrative expenses, etc.	860,816,022.40	763,714,654.95
Net amount of payment for collection and payment on behalf of others	4,646,154.81	25,529,337.83
Current payment	346,615,734.32	135,257,326.97
Payment of non-operating expenses	58,675,561.07	36,788,458.91
Payment of bank charges, etc.	61,601,536.07	56,274,264.97
Total	<u>1,332,355,008.67</u>	<u>1,017,564,043.63</u>

Description of other cash paid in connection with business activities:

None

(3). Cash received relating to other investing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Redemption of short-term wealth management products	8,427,000,000.00	19,085,489,868.00
Term deposits	177,280,881.96	452,500,000.00
Amount recovered from the purchase of factoring receivables from the original shareholders by the subsidiaries in a business combination under common control	118,347,171.35	84,584,126.19
Total	8,722,628,053.31	19,622,573,994.19

Description of other cash received in connection with investment activities:

None

(4). Cash payments relating to other investing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Purchase of short-term wealth management products	8,362,000,000.00	19,005,489,868.00
Term deposits	177,280,881.96	272,500,000.00
Total	<u>8,539,280,881.96</u>	<u>19,277,989,868.00</u>

Description of other cash paid in connection with investment activities:

None

(5). Cash received relating to other financing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Recovery of loans and bill deposits	26,624,532.30	60,273,569.88
Recovery of profit distribution deposit and refund of handling fee	3,032,235.47	2,000,120.74
Total	<u>29,656,767.77</u>	<u>62,273,690.62</u>

Description of other cash received in connection with fund-raising activities:

None

(6). Cash payments relating to other financing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Payment of loans and bill deposits	79,786,513.80	37,818,299.49
Payment of cash dividend deposit	2,998,425.78	2,000,000.00
Payment of cash dividend handling fee	33,966.22	6,563.38
Payments for share repurchases	68,210,824.64	15,733,184.21
Payment of the principal of the lease liability	1,622,720,160.19	
Total	<u>1,773,749,890.63</u>	<u>55,558,047.08</u>

Description of other cash paid in connection with financing activities:

None

79. Supplementary information of cash flow statement

(1). Supplementary information of cash flow statement

Applicable Not applicable

Unit: Yuan Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	142,352,731.36	565,137,241.72
Add: Provisions for asset impairment		
Impairment losses under expected credit loss model	21,257,170.97	60,243,402.89
Depreciation of fixed assets, depreciation of oil and gas assets, and depreciation of productive biological assets	1,014,916,166.27	937,785,899.60
Amortization of right-of-use assets	1,528,233,532.11	
Amortization of intangible assets	42,236,404.84	18,081,171.63
Amortization of long-term deferred expenses	177,426,329.67	185,897,536.27
Loss from disposal of fixed assets, intangible assets, and other long-term assets (gain is indicated with “-”)	-27,407,398.89	-15,624,674.23
Loss from scrapping of fixed assets (gain is indicated with “-”)		
Loss from fair value changes (gain is indicated with “-”)		10,000,000.00
Finance expenses (gain is indicated with “-”)	125,828,753.75	62,007,824.92
Investment loss (gain is indicated with “-”)	-33,629,913.73	-59,604,216.27
Decrease in deferred tax assets (increase is indicated with “-”)	29,043,012.27	72,407,394.20
Increase in deferred tax liabilities (decrease is indicated with “-”)	-54,917,376.98	23,681,798.90
Decrease in inventories (increase is indicated with “-”)	-2,339,509.66	2,153,527.80
Decrease in operating receivables (increase is indicated with “-”)	-130,078,030.87	-266,888,482.07
Increase in operating payables (decrease is indicated with “-”)	-444,687,477.46	164,195,041.79
Others	14,084,463.68	13,059,691.24
Net cash flows from operating activities	2,402,318,857.33	1,772,533,158.39
2. Significant investment and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	1,140,314,357.65	1,368,872,947.92
Less: opening balance of cash	1,368,872,947.92	1,276,729,866.57
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	-228,558,590.27	92,143,081.35

(2). Net cash paid for acquisitions of subsidiaries for the period

Applicable Not applicable

(3). Net cash received from disposal of subsidiaries for the period

Applicable Not applicable

(4). Composition of cash and cash equivalents

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Cash		
Including: cash on hand		
Bank deposits that are readily available for payment	823,432,226.21	911,855,494.78
Other monetary funds readily available for payment	316,882,131.44	457,017,453.14
II. Cash equivalents		
Including: bond investment maturing within three months		
III. Cash and cash equivalents balance at the end of the reporting period	1,140,314,357.65	1,368,872,947.92
Including: restricted cash and cash equivalents used by the parent company or subsidiaries within the Group		

Other notes:

Applicable Not applicable

80. Notes to statement of changes in equity

Explanation on “others” adjusted for closing balance of the previous year and adjusted amount thereof:

Applicable Not applicable

81. Assets with restricted ownership or use rights

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing book value	Reason of restriction
Monetary funds	21,405,885.55	Frozen by court
Other current assets	70,816,711.11	Term deposits and notes deposits
Intangible assets	56,134,894.92	Collateral for long-term borrowings
Total	<u>148,357,491.58</u>	/

Other notes:

None

82. Monetary items denominated in foreign currencies**(1). Monetary items denominated in foreign currencies**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance of foreign currency	Exchange rate	Closing balance converted into RMB
Monetary funds			
Including: USD	2,978,521.72	6.3757	18,990,160.93
HKD	917,098.65	0.8176	749,819.86
AUD	52.46	4.6220	242.47
Other receivables			
Including: HKD	2,419,127.80	0.8176	1,977,878.89

Other notes:

None

(2). Description of overseas business entities, for material overseas business entities, disclose their major business places overseas, functional currency and the selection criterion thereof; should there be any change in the functional currency, disclose the reason for such change

Applicable Not applicable

83. Hedging

Applicable Not applicable

84. Government grants**(1). Overview of government grants**

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Amount	Presented items	Amount included in current profit and loss
Government grants related to assets	36,631,252.26	Deferred revenues	24,087,374.76
Government grants related to income		Deferred revenues	33,227,464.89
Government grants related to income	345,258,474.99	Other income	345,258,474.99

(2). Return of government grants

Applicable Not applicable

Other notes:

None

85. Others

Applicable Not applicable

VIII. Changes in the Consolidation Scope**1. Business combination not under common control**

Applicable Not applicable

2. Business combination under common control

Applicable Not applicable

3. Reversed purchase

Applicable Not applicable

4. Disposal of subsidiaries

Whether there is a loss of control in a single disposal of investments in subsidiaries

Applicable Not applicable Other notes:

Applicable Not applicable

5. Changes in the consolidation scope due to other reasons

Describe the changes in the consolidation scope due to other reasons (e.g. incorporating a new subsidiary and liquidating a subsidiary) and its details:

Applicable Not applicable

(1) New subsidiaries

Company name	Date of inception	Place of registration	Registered capital (RMB0'000)	Currency	Equity ratio	Acquisition method
嘉興宣德供應鏈管理有限公司	January 11, 2021	Jiaxing City	100.00	RMB	100.00%	New establishment
天津德易馳行網絡科技有限公司	March 29, 2021	Tianjin City	1,000.00	RMB	100.00%	New establishment
長沙市德隆倉儲有限公司	June 22, 2021	Changsha City	7,000.00	RMB	100.00%	New establishment
鄭州德熙倉儲有限公司	September 29, 2021	Zhengzhou City	12,000.00	RMB	100.00%	New establishment
蘇州德韓供應鏈管理有限公司	October 28, 2021	Suzhou City	3,000.00	RMB	100.00%	New establishment
武漢德成供應鏈管理有限公司	November 9, 2021	Wuhan City	3,000.00	RMB	100.00%	New establishment
德邦供應鏈（香港）有限公司	November 9, 2021	Hong Kong	600.00	RMB	100.00%	New establishment
Deppon Supply Chain(Singapore) Pte. Ltd.	December 20, 2021	Singapore	21.00	SGD	100.00%	New establishment
DEPPON SUPPLY CHAIN (MALAYSIA) SDN. BHD.	December 30, 2021	Malaysia	0.0001	MYR	100.00%	New establishment

(2) Liquidating a subsidiary

Deyi Commercial Factoring (Shenzhen) Co., Ltd., a subsidiary of the Company, is cancelled during the current period and are no longer included in the scope of merger.

(3) Others

Ningbo Denian Enterprise Management Partnership (Limited Partnership) lost the control of business (limited partnership) due to capital increase by minority shareholders.

6. Others

Applicable Not applicable

IX. Equity in Other Entities**1. Equity in subsidiaries****(1). Composition of Group**

Applicable Not applicable

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
常熟德邦物流有限公司	Changshu	Changshu	Integrated logistics	100		Method 1
福州星光德邦物流有限公司	Fuzhou	Fuzhou	Integrated logistics	100		Method 1
貴陽全程德邦物流有限公司	Guiyang	Guiyang	Integrated logistics	100		Method 1
合肥德邦貨運代理有限公司	Hefei	Hefei	Integrated logistics	100		Method 1
吉林省德邦貨運代理有限公司	Changchun	Changchun	Integrated logistics	100		Method 1
蘭州全程德邦物流有限公司	Lanzhou	Lanzhou	Integrated logistics	100		Method 1
南昌德邦物流有限公司	Nanchang	Nanchang	Integrated logistics	100		Method 1
上海精准德邦物流有限公司	Shanghai	Shanghai	Integrated logistics	100		Method 1
上海德啟信息科技有限公司	Shanghai	Shanghai	Software development and sales	100		Method 1
香港德邦物流有限公司	Hong Kong	Hong Kong	Integrated logistics	100		Method 1
德邦（上海）運輸有限公司	Shanghai	Shanghai	Integrated logistics	100		Method 1
嘉興德邦物流有限公司	Jiaxing	Jiaxing	Integrated logistics	100		Method 1
內蒙古德邦物流有限公司	Hohhot	Hohhot	Integrated logistics	100		Method 1
山東德邦物流有限公司	Weifang	Weifang	Integrated logistics	100		Method 1

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
青海德邦物流有限公司	Qinghai	Qinghai	Integrated logistics	100		Method 1
寧波德邦基業投資管理有限公司 . . .	Ningbo	Ningbo	Investment management, investment consulting	100		Method 1
烏魯木齊精準德邦物流有限公司 . . .	Urumqi	Urumqi	Integrated logistics	100		Method 1
浙江德邦物流有限公司	Zhoushan	Zhoushan	Integrated logistics	100		Method 1
寧夏志成德邦快遞有限公司	Yinchuan	Yinchuan	Integrated logistics	100		Method 1
廣東德邦物流有限公司	Guangzhou	Guangzhou	Integrated logistics	100		Method 1
德邦（廣東）運輸有限公司	Guangzhou	Guangzhou	Integrated logistics	100		Method 1
精準德邦（上海）運輸有限公司 . . .	Shanghai	Shanghai	Integrated logistics	100		Method 1
寧波誠佑投資管理有限公司	Ningbo	Ningbo	Investment management, investment consulting	100		Method 1
德邦（湖北）運輸有限公司	Hubei	Hubei	Transportation	100		Method 1
湖北德邦物流有限公司	Hubei	Hubei	Integrated logistics	100		Method 1
福建德邦物流有限公司	Fujian	Fujian	Integrated logistics	100		Method 1
福建精準運輸有限公司	Fujian	Fujian	Integrated logistics	100		Method 1
河北德邦物流有限公司	Hebei	Hebei	Integrated logistics	100		Method 1
河北精準運輸有限公司	Hebei	Hebei	Transportation	100		Method 1
德邦（海南）運輸有限公司	Hainan	Hainan	Integrated logistics	100		Method 1
拉薩市德邦物流有限公司	Tibet	Tibet	Domestic express	100		Method 1
德邦（遼寧）運輸有限公司	Liaoning	Liaoning	Integrated logistics	100		Method 1
德邦（蕪湖）運輸有限公司	Wuhu	Wuhu	Integrated logistics	100		Method 1
北京德啟運輸有限公司	Beijing	Beijing	Integrated logistics	100		Method 1
江西精準物流有限公司	Ganzhou	Ganzhou	Integrated logistics	100		Method 1
吉林精準運輸有限公司	Jilin	Jilin	Integrated logistics	100		Method 1
長沙市德邦物流有限公司	Changsha	Changsha	Integrated logistics	100		Method 2
西安志成德邦物流有限公司	Xi'an	Xi'an	Integrated logistics	100		Method 2

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
汕頭市德邦物流有限公司	Shantou	Shantou	Integrated logistics		100	Method 2
青島德邦物流有限公司	Qingdao	Qingdao	Integrated logistics	100		Method 2
濟南德邦物流有限公司	Ji'nan	Ji'nan	Integrated logistics	100		Method 2
南京德邦物流有限公司	Nanjing	Nanjing	Integrated logistics	100		Method 2
無錫德邦物流有限公司	Wuxi	Wuxi	Integrated logistics	100		Method 2
廈門全程德邦物流有限公司	Xiamen	Xiamen	Integrated logistics	100		Method 2
重慶德邦物流有限公司	Chongqing	Chongqing	Integrated logistics	100		Method 2
成都全程德邦物流有限公司	Chengdu	Chengdu	Integrated logistics	100		Method 2
昆明德邦物流有限公司	Kunming	Kunming	Integrated logistics	100		Method 2
東莞市德邦貨運有限公司	Dongguan	Dongguan	Integrated logistics		100	Method 2
杭州德邦貨運代理有限公司	Hangzhou	Hangzhou	Integrated logistics	100		Method 2
寧波志成德邦物流有限公司	Ningbo	Ningbo	Integrated logistics	100		Method 2
溫州德邦物流有限公司	Wenzhou	Wenzhou	Integrated logistics	100		Method 2
上海德邦物流有限公司	Shanghai	Shanghai	Integrated logistics	100		Method 2
鄭州德邦物流有限公司	Zhengzhou	Zhengzhou	Integrated logistics	100		Method 2
哈爾濱德邦貨物運輸有限公司	Harbin	Harbin	Integrated logistics	100		Method 2
天津全程德邦物流有限公司	Tianjin	Tianjin	Integrated logistics	100		Method 2
石家莊德邦物流有限公司	Shijiazhuang	Shijiazhuang	Integrated logistics	100		Method 2
江門市德邦物流有限公司	Jiangmen	Jiangmen	Integrated logistics		100	Method 2
中山市德邦物流有限公司	Zhongshan	Zhongshan	Integrated logistics		100	Method 2
廣東精准德邦物流有限公司	Foshan	Foshan	Integrated logistics	100		Method 2
惠州市德邦物流有限公司	Huizhou	Huizhou	Integrated logistics		100	Method 2
廣西德邦物流有限公司	Nanning	Nanning	Integrated logistics	100		Method 2
瀋陽全程德邦物流有限公司	Shenyang	Shenyang	Integrated logistics	100		Method 2
武漢市德邦物流有限公司	Wuhan	Wuhan	Integrated logistics	100		Method 2

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
江蘇德邦物流有限公司	Suzhou	Suzhou	Integrated logistics	100		Method 2
珠海市德邦物流有限公司	Zhuhai	Zhuhai	Integrated logistics		100	Method 2
廣州市德邦物流服務有限公司	Guangzhou	Guangzhou	Integrated logistics	100		Method 2
海口全程德邦物流有限公司	Haikou	Haikou	Integrated logistics	100		Method 2
深圳市德邦物流有限公司	Shenzhen	Shenzhen	Integrated logistics	100		Method 2
北京德邦貨運代理有限公司	Beijing	Beijing	Integrated logistics	100		Method 2
大連星光德邦物流有限公司	Dalian	Dalian	Integrated logistics	100		Method 2
太原德邦物流有限公司	Taiyuan	Taiyuan	Integrated logistics	100		Method 2
河南德邦運輸有限公司	Henan	Henan	Integrated logistics	100		Method 1
德歡（上海）運輸有限公司	Shanghai	Shanghai	Integrated logistics	100		Method 1
上海燕汐軟件信息科技有限公司 . . .	Shanghai	Shanghai	Software and IT services	100		Method 1
深圳市德邦電子商務有限公司	Shenzhen	Shenzhen	Wholesale and retail	100		Method 1
北京智邦運輸有限公司	Beijing	Beijing	Integrated logistics	100		Method 1
北京德益運輸有限公司	Beijing	Beijing	Integrated logistics	100		Method 1
北京德創運輸有限公司	Beijing	Beijing	Integrated logistics	100		Method 1
北京衛邦運輸有限公司	Beijing	Beijing	Integrated logistics	100		Method 1
北京宣德運輸有限公司	Beijing	Beijing	Integrated logistics	100		Method 1
寧波德昱企業管理有限公司	Ningbo	Ningbo	Management consulting	100		Method 1
北京德邦啟航貨運代理有限公司 . . .	Beijing	Beijing	Integrated logistics	100		Method 1
精準德邦（上海）物流管理有限公 司	Shanghai	Shanghai	Integrated logistics	100		Method 1
寧波宣德德邦供應鏈管理有限公司 .	Ningbo	Ningbo	Integrated logistics	95		Method 1
齊河縣德邦運輸有限公司	Qihe	Qihe	Integrated logistics	100		Method 1
寧波德軒企業管理有限公司	Ningbo	Ningbo	Management consulting	100		Method 1
南通德邦供應鏈管理有限公司	Nantong	Nantong	Integrated logistics	100		Method 1
合肥德燁供應鏈管理有限公司	Hefei	Hefei	Integrated logistics		100	Method 1

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
漯河德邦運輸有限公司	Luohe	Luohe	Integrated logistics	100		Method 1
淮安德宣供應鏈管理有限公司	Huaiian	Huaiian	Integrated logistics		100	Method 1
寧波德楚電子商務有限公司	Ningbo	Ningbo	Internet sales	100		Method 1
德創包裝科技（寧波）有限公司 . . .	Ningbo	Ningbo	Packaging service	100		Method 1
揭陽市星光德邦物流有限公司	Jieyang	Jieyang	Integrated logistics		100	Method 1
深圳市德邦道路運輸有限公司	Shenzhen	Shenzhen	Integrated logistics	100		Method 1
廣東省德邦供應鏈有限公司	Guangzhou	Guangzhou	Integrated logistics	100		Method 1
廣州德仁產業園開發管理有限公司 .	Guangzhou	Guangzhou	Logistics agency services, warehousing consulting services	100		Method 1
上海精準德邦貨運代理有限公司 . . .	Shanghai	Shanghai	Integrated logistics	100		Method 1
上海德唐供應鏈有限公司	Shanghai	Shanghai	Integrated logistics	100		Method 1
上海德夏供應鏈有限公司	Shanghai	Shanghai	Integrated logistics		100	Method 1
上海德蜀供應鏈有限公司	Shanghai	Shanghai	Integrated logistics		100	Method 1
上海德魏供應鏈有限公司	Shanghai	Shanghai	Integrated logistics		100	Method 1
上海德青物流有限公司	Shanghai	Shanghai	Integrated logistics	100		Method 1
上海德晉供應鏈有限公司	Shanghai	Shanghai	Integrated logistics		100	Method 1
上海德周供應鏈有限公司	Shanghai	Shanghai	Integrated logistics		100	Method 1
廈門德鹹供應鏈有限公司	Xiamen	Xiamen	Integrated logistics		100	Method 1
青島德邦貨運代理有限公司	Qingdao	Qingdao	Integrated logistics	100		Method 1
上海德順資產管理有限公司	Shanghai	Shanghai	Asset management, investment management		100	Method 3
青島德金供應鏈管理有限公司	Qingdao	Qingdao	Integrated logistics	100		Method 3
寧波德漢供應鏈管理有限公司	Ningbo	Ningbo	Integrated logistics		100	Method 3
寧波德楚供應鏈管理有限公司	Ningbo	Ningbo	Integrated logistics		100	Method 3
寧波德基供應鏈管理有限公司	Ningbo	Ningbo	Integrated logistics		100	Method 3

APPENDIX II
FINANCIAL INFORMATION OF THE DEPPON

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
泉州德基供應鏈管理有限公司	Quanzhou	Quanzhou	Integrated logistics		100	Method 3
西安德秦物流服務有限公司	Xi'an	Xi'an	Integrated logistics		100	Method 3
嘉興宣德供應鏈管理有限公司	Jiaxing	Jiaxing	Integrated logistics	100		Method 1
天津德易馳行網絡科技有限公司 . . .	Tianjin	Tianjin	Integrated logistics	100		Method 1
長沙市德隆倉儲有限公司	Changsha	Changsha	Integrated logistics	100		Method 1
鄭州德熙倉儲有限公司	Zhengzhou	Zhengzhou	Integrated logistics	100		Method 1
蘇州德韓供應鏈管理有限公司	Suzhou	Suzhou	Integrated logistics	100		Method 1
武漢德成供應鏈管理有限公司	Wuhan	Wuhan	Integrated logistics	100		Method 1
德邦供應鏈(香港)有限公司	Hong Kong	Hong Kong	Integrated logistics	100		Method 1
Deppon Supply Chain (Singapore) Pte. Ltd.	Singapore	Singapore	Integrated logistics	100		Method 1
DEPPON SUPPLY CHAIN (MALAYSIA) SDN. BHD. . . .	Malaysia	Malaysia	Integrated logistics	100		Method 1

Note: Method 1 represents establishment; method 2 represents business combination under common control; and method 3 represents non-business acquisition.

Explanation of the shareholding ratio in the subsidiary being different from the voting rights ratio:

None

Basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee:

Not applicable

For important structured entities included in the scope of consolidation, the basis of control:

Not applicable

Basis for determining whether a company is an agent or a principal:

Not applicable

Other notes:

None

(2). Key non-wholly owned subsidiaries

Applicable Not applicable

(3). Main financial information of key non-wholly owned subsidiaries

Applicable Not applicable

(4). Major restrictions on the use of assets and settlement of debts of the corporate group

Applicable Not applicable

(5). Financial support or other support provided for structured entity included in the scope of the consolidated financial statements

Applicable Not applicable

Other notes:

Applicable Not applicable

2. Transaction in which the share of owner's equity in the subsidiary changes while control over the subsidiary remains unchanged

Applicable Not applicable

(1). Explanations on changes in the share of owner's equity in the subsidiary

Applicable Not applicable

寧波宣德德邦供應鏈管理有限公司, a subsidiary of the Company, has diluted the Company's equity due to the capital increase of minority shareholders. The Company shall calculate its share in the book net assets of 寧波宣德德邦供應鏈管理有限公司 before the capital increase in proportion to its shareholding before the capital increase. The difference between this share and the Company's share of carrying amount of net assets after the capital increase was adjusted to capital reserves (share capital premium) of RMB841,749.03.

(2). Impact of the transaction on the non-controlling interests and the owner's equity attributable to the parent company

Applicable Not applicable

Unit: Yuan Currency: RMB

寧波宣德德邦供應鏈管理有限公司

Purchase cost/disposal consideration	6,050,000.00
— Cash	
— Fair value of non-cash assets	
Total purchase costs/disposal consideration	6,050,000.00
Less: subsidiary's net assets proportion calculated as per obtained/disposed equity ratio	-2,965,675.78
Difference	9,015,675.78
Including: adjustment of capital reserves	9,015,675.78
adjustment of surplus reserves	
adjustment of retained earnings	

Other notes

Applicable Not applicable

3. Interests in joint ventures or associates

Applicable Not applicable

(1). Important joint ventures or associates

Applicable Not applicable

(2). Key financial information on significant joint ventures

Applicable Not applicable

(3). Key financial information on significant associates

Applicable Not applicable

(4). Combined financial information of insignificant joint ventures and associates

Applicable Not applicable

Unit: Yuan Currency: RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Joint ventures:		
Total book value of investments		
Aggregate amount for the following items as calculated based on the percentage of shares		
— Net profit		
— Other comprehensive income		
— Total comprehensive income		
Associates:		
Total book value of investments	193,524,876.82	182,280,524.32
Aggregate amount for the following items as calculated based on the percentage of shares		
— Net profit	3,346,319.43	2,031,508.78
— Other comprehensive income		
— Total comprehensive income	3,346,319.43	2,031,508.78

Other notes

None

(5). Explanation of significant restrictions on the ability of joint ventures or associates to transfer funds to the Company

Applicable Not applicable

(6). Excess loss generated from joint ventures or associates

Applicable Not applicable

(7). Unrecognised commitment related to investments in joint ventures

Applicable Not applicable

(8). Contingent liabilities related to investments in joint ventures or associates

Applicable Not applicable

4. Significant joint operation

Applicable Not applicable

5. Interests in structured entities not included in the scope of consolidated financial statements

Descriptions of structured entities not included in the scope of consolidated financial statements:

Applicable Not applicable

6. Others

Applicable Not applicable

X. Risks Associated with Financial Instruments

Applicable Not applicable

The risks associated with the Company's financial instruments arise from the various types of financial assets and liabilities recognized in the course of the Company's operations, including: credit risk, liquidity risk and market risk.

The Company's management objectives and policies for each type of risk associated with financial instruments is the responsibility of the Company's management. The management is responsible for daily risk management through functional departments (e.g., the Company's Credit Management Department reviews credit transactions on a case-by-case basis). The Company's internal audit department monitors the implementation of the Company's policies and procedures for risk management on a daily basis and reports relevant findings to the Company's Audit Committee in a timely manner.

The overall objective of the Company's risk management is to establish risk management policies that minimize the risks associated with various types of financial instruments without unduly affecting the Company's competitiveness and resilience.

1. Credit risk

Credit risk is the risk that one party to a financial instrument fails to meet its obligations and thereby cause the other party to incur financial losses. The Company's credit risk arises mainly from monetary funds, notes receivable, accounts receivable, and other receivables. The credit risk of these financial assets arises from counter-party defaults, and the maximum exposure is equal to the carrying amount of these instruments.

The Company's monetary funds are mainly deposited in commercial banks and other financial institutions, which the Company considers to have high creditworthiness and asset position, with a low credit risk.

For notes receivable, accounts receivable, and other receivables, the Company evaluates the creditworthiness of the debtors based on the debtors' financial status, external ratings, the possibility of

obtaining guarantees from third parties, credit history and other factors such as current market conditions, and sets the appropriate amount and credit period for the debtors. The Company will regularly monitor the credit history of debtors. For debtors with poor credit history, the Company will use written reminders, shorten the credit period or cancel the credit period to ensure that the Company's overall credit risk is within manageable limits.

(1) Criteria for judging significant increase in credit risk

The Company assesses at each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Company considers reasonable and substantiated information available without undue additional cost or effort, including qualitative and quantitative analysis based on the Company's historical data, external credit risk ratings and forward-looking information. The Company uses a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics to determine the change in the risk of default over the expected life of the financial instrument by comparing the risk of default of the financial instrument at the balance sheet date with the risk of default at the initial recognition date.

The Company considers that a significant increase in the credit risk of a financial instrument occurs when one or more of the following quantitative and qualitative criteria are triggered: The quantitative criteria are mainly the increase in the probability of default for the remaining duration of the reporting date by more than a certain percentage compared with the initial recognition; the qualitative criteria are significant adverse changes in the operating or financial conditions of the major debtors, the list of early warning customers, etc.

(2) Definition of credit-impaired assets

For the purpose of determining whether credit impairment occurs, the definition criteria used by the Company are consistent with internal credit risk management objectives for the relevant financial instruments, while considering quantitative and qualitative indicators.

In assessing whether a debtor is credit-impaired, the Company considers the following factors: Significant financial difficulties of the issuer or debtor; breach of contract by the debtor, such as default or delinquency in interest or principal payments; creditors granting concessions to the debtor that would not otherwise be made because of economic or contractual considerations related to the debtor's financial difficulties; probable bankruptcy or other financial reorganization of the debtor; disappearance of an active market for the financial asset as a result of the issuer's or debtor's financial difficulties; purchase or origination of a financial asset at a significant discount that reflects the credit loss.

Credit impairment of financial assets may be the result of a combination of events and may not necessarily be the result of separately identifiable events.

(3) Parameters of expected credit loss measurement

Depending on whether there is a significant increase in credit risk and whether credit impairment occurs, the Company measures the provision for impairment for different assets using the expected credit losses over 12 months or the entire life of the asset, respectively. The key parameters of expected credit loss measurement include default probability, loss given default rate and exposure to default risk. The Company establishes default probability, loss given default rate and default risk exposure models by considering quantitative analysis of historical statistical data (such as counterparty ratings, types of guarantees and pledges, repayment methods, etc.) and forward-looking information.

The relevant definitions are as follows:

The default probability is the likelihood that the debtor will not be able to meet its payment obligations in the next 12 months or throughout its remaining life.

The loss given default rate is the Company's expectation of the extent to which losses will occur as a result of default risk exposure. The default loss rate varies depending on the type of counterparty, the method and priority of recourse, and the collateral. The loss given default rate is the percentage of loss of exposure at the time of default and is calculated for the next 12 months or the entire duration;

The exposure to default risk is the amount that would be reimbursed to the Company in the event of a default in the next 12 months or throughout the remaining life. Both the assessment of significant increases in credit risk of forward-looking information and the calculation of expected credit losses involve forward-looking information. The Company conducts historical data analysis to identify key economic indicators that affect credit risk and expected credit losses for each business type.

The highest credit risk exposed to the Company is limited to the carrying amount of each financial asset illustrated in the balance sheet. The Company has not provided any other guarantees that may expose the Company to credit risk.

Among the accounts receivable of the Company, the accounts receivable of the top five customers account for 12.46% (December 31, 2020: 11.63%) of the Company's total accounts receivable; and among the other receivables of the Company, the other receivables of the top five customers in terms of amount in arrears account for 13.44% (December 31, 2020: 10.61%) of the Company's total other receivables.

2. Liquidity risk

Liquidity risk refers to the risk of fund shortage when the Company satisfies the obligation of settlement by delivering cash or other financial assets.

In managing the liquidity risk, the Company maintains and monitors an adequate level of cash and cash equivalents as deemed by the management, to finance its operations and mitigate the effect of fluctuations in cash flows. The management of the Company monitors the use of bank loans and ensures that bank loans are used in accordance with loan agreements. At the same time, the Company obtains commitments from major financial institutions to secure sufficient reserve funds, to satisfy short and long-term capital needs.

3. Market risks

Market risk of financial instruments is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, including the interest rate risk and exchange rate risk.

(1) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the market interest rate. Interest rate risk arises from recognized interest-bearing financial instruments and unrecognized financial instruments (e.g. loan commitments).

The Company's interest rate risk arises mainly from long-term bank loans, bonds payables, and other long-term interest-bearing debts. Financial liabilities with floating interest rate expose the Company to the interest rate risk of cash flow, and financial liabilities with fixed interest rate expose the Company to the interest rate risk of fair value. The Company determines the relative proportion of contracts carrying fixed and floating rates according to prevailing market conditions. At the same time, the Company monitors and maintains combined financial instruments of fixed rates and floating rates on a regular basis.

All of the Company's interest-bearing debts are fixed-rate debts. Therefore, the Company's exposure to market risk from changes in interest rates is not material.

(2) Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the exchange rate. The Company's exchange rate risk mainly comes from financial instruments denominated in foreign currencies other than the functional currency.

The Company's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. As a result, the Company's exposure to market risk from foreign exchange movements is small.

For the presentation of the Company's financial assets and liabilities denominated in foreign currencies as at the end of the period, please refer to the description of other foreign currency monetary items in this note.

XI. Disclosure of Fair Value**1. Closing fair value of assets and liabilities measured at fair value**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Fair value at the end of the period			Total
	First-level fair value measurement	Second-level fair value measurement	Third-level fair value measurement	
I. Continuous fair value measurement				
(I) Trading financial assets		85,000,000.00		85,000,000.00
1. Financial assets at fair value through profit or loss		85,000,000.00		85,000,000.00
(1) Debt instrument investments				
(2) Equity instrument investments				
(3) Derivative financial assets				
2. Financial assets designated at fair value through profit or loss				
(1) Debt instrument investments				
(2) Equity instrument investments				
(II) Other debt investments				
(III) Other equity instrument investments	1,593,865,300.00		188,578,564.18	1,782,443,864.18
(IV) Investment properties				
1. Land use rights for rental purpose				
2. Leased buildings				
3. Land use rights held for transfer after appreciation				
(V) Biological assets				
1. Consumable biological assets				
2. Productive biological assets				
(III) Other non-current financial assets			38,555,839.13	38,555,839.13
Total assets measured at fair value on an ongoing basis	1,593,865,300.00	85,000,000.00	227,134,403.31	1,905,999,703.31
(VI) Trading financial liabilities				
1. Financial liabilities at fair value through profit or loss				
Including: Trading bonds issued				
Derivative financial liabilities				
Other				
2. Financial liabilities designated as at fair value through profit or loss				
Total liabilities measured at fair value on an ongoing basis				
II. Non-continuous fair value measurement				
(I) Held-for-sale assets				
Total assets measured at fair value on a non-recurring basis				
Total liabilities measured at fair value on a non-recurring basis				

2. Determination basis of the market price of the item measured using the first level of fair value measurement continuously and non-continuously

Applicable Not applicable

The Company uses the closing price of the stock exchange on the balance sheet date as the basis for determining the fair value of listed equity instruments.

3. Valuation techniques and qualitative and quantitative information on important parameters adopted for the second level of continuous and noncontinuous fair value measurement

Applicable Not applicable

For financial products, the Company determines the fair value at the net market value, if any.

For financial instruments traded in active markets, the Company determines their fair values using their quoted prices in active markets.

4. Valuation techniques and qualitative and quantitative information on important parameters adopted for the third level of continuous and noncontinuous fair value measurement

Applicable Not applicable

For financial products, if the net market value is not available, the Company determines the fair value by discounting the cash flows at the expected rate of return.

For financial instruments traded in active markets, the Company determines their fair values using their quoted prices in active markets.

For financial instruments that are not traded in an active market (equity investments held by the Company), the Company's equity in the investee is not practicable to be valued by the income method or market method because the Company's equity in the investee is low and has no significant influence, and there is no recent introduction of external investors or transfer of equity between shareholders that can be used as a reference basis to determine the fair value. In addition, the Company analyzed the relevant information available and did not find that the internal and external environment of the investee had changed significantly since the beginning of the year. Therefore, it was a "limited situation" in which the best estimate of fair value could be made at book cost, and therefore, the fair value at year-end was made at cost.

5. Ongoing level-3 fair value measurement items, reconciliation information between opening and closing book values and unobservable parameter sensitivity analysis

Applicable Not applicable

6. For the continuous fair value measurement items, if there is a conversion between all levels in the current period, the reason for the conversion and the for the policy determining the time point of the conversion

Applicable Not applicable

7. Changes in the valuation technology and the cause of the changes in the current period

Applicable Not applicable

8. Fair value of financial assets and financial liabilities that are not measured at fair value

Applicable Not applicable

9. Others

Applicable Not applicable

XII. Related Parties and Related Party Transactions**1. Information about the parent company of the Company**

Applicable Not applicable

Unit: ten thousand yuan Currency: RMB

Name of the parent company	Place of registration	Business nature	Registered capital	Percentage of shares held by the parent company in the Company (%)	Percentage of voting rights of the parent company in the Company (%)
寧波梅山保稅港區德邦投資控股股份有限公司	Ningbo	Industrial investment, investment management, investment consulting	9,422.4991	66.50	66.50

Description of the parent company of the Company

As of December 31, 2021, 寧波梅山保稅港區德邦投資控股股份有限公司 had 162 shareholders, of which Cui Weixing (崔維星) was the largest shareholder with 43.51% shareholding and indirectly held 28.93% of the Company's shares through the parent company, while Cui Weixing (崔維星) directly held 4.19% of the Company's shares, totaling 33.12% of the Company's shares and was the ultimate beneficial owner of the Company.

During the reporting period, the parent company reduced its registered capital by RMB775,009. After the change, the registered capital was RMB94,224,991.

The ultimate controller of the Company is Cui Weixing (崔維星)

Other notes:

During the reporting period, there was no change in the registered capital of the parent company.

2. Information about subsidiaries of the Company

For more information about the subsidiaries of the Company, please refer to Note IX "Equity in Other Entities".

Applicable Not applicable

3. Joint ventures and associates of the Company

For more information about important joint ventures or associates of the Company, please refer to Note IX "Equity in Other Entities".

Applicable Not applicable

Details of joint ventures or associates with related party transactions for the period and balances resulted from related party transactions in the previous period are as follows:

Applicable Not applicable

Name of joint venture or associate

上海能運物流有限公司
明通裝備科技集團股份有限公司
成都縱連展會物流有限公司
山東中一樂邦物流有限公司
上海木蟻機器人科技有限公司
廣州物通天下物流科技有限公司

Relationship with the Company

Associate of the Group
Associate of the Group
Associate of the Group
Associate of the Group
Associate of the Group
Associate of the Group

Other notes

Applicable Not applicable

4. Other related parties

Applicable Not applicable

Name of other related parties

Directors, Supervisors, General Manager and Deputy
General Manager, Secretary of the Board of Directors
重慶德基倉儲服務有限公司
大連德邦物流管理有限公司
Shenglu Services S.L.
Yunda Holding Co., Ltd.

Relationship between other related parties and the Company

Key management personnel
Company controlled by the Company's parent
Company controlled by the Company's parent
Director-controlled company
Holding more than 5% shares of the Company

Other notes

None

5. Related party transactions**(1). Related party transactions on purchase and sales of goods and rendering and receiving of services**

Statement of purchase of goods/acceptance of services

Applicable Not applicable

Related party	Particulars of related party transaction	Unit: Yuan Currency: RMB	
		Amount for the current period	Amount for the previous period
成都縱連展會物流有限公司	Service fees	1,349,713.62	1,113,576.81
廣州物通天下物流科技有限公司	External capacity procurement	22,420.00	
上海能運物流有限公司	External capacity procurement		1,164,196.00
明通重型物流集團股份有限公司	Receipt of labor services	353,224.97	3,274,658.45
明通重型物流集團股份有限公司	Purchase of goods	102,518.00	149,572.00
上海木蟻機器人科技有限公司	Purchase of goods	6,326,100.00	2,524,200.00
Yunda Holding Co., Ltd.	Receipt of labor services	653,230.59	
Shenglu Services S.L.	Consulting services	1,682,257.93	1,624,020.00

Statement of sales of goods/rendering of services

Applicable Not applicable

Related party	Particulars of related party transaction	Unit: Yuan	Currency: RMB
		Amount for the current period	Amount for the previous period
Key management personnel and their relatives	Provision of transportation	4,496.00	4,078.00
Other companies in which independent directors serve	Provision of transportation	46,694.00	160,340.00
成都縱連展會物流有限公司	Provision of transportation	48,803.00	31,567.80
上海木蟻機器人科技有限公司	Provision of transportation	10,593.00	35,307.00
上海能運物流有限公司	Provision of transportation	24,413.00	
明通重型物流集團股份有限公司	Warehousing and distribution services		687,403.61
重慶德基倉儲服務有限公司	Consulting services	284,720.00	
大連德邦物流管理有限公司	Consulting services	71,180.00	

Description of related party transactions on purchase and sales of goods and rendering and receiving of services

Applicable Not applicable

(2). Associated trusteeship/contracting and entrusted management/outsourcing

Statement of the trusteeship/contracting of the Company:

Applicable Not applicable

Trusteeship/contracting

Applicable Not applicable

Statement of the entrusted management/outsourcing of the Company

Applicable Not applicable

Related party management/outsourcing

Applicable Not applicable

(3). Leasing between related parties

The Company as the lessor:

Applicable Not applicable

Lessee's name	Types of leased assets	Unit: Yuan	Currency: RMB
		Lease income recognized for the period	Lease income recognized in the previous period
Yunda Holding Co., Ltd.	Site	7,600.00	

The Company as the lessee:

Applicable Not applicable

Unit: Yuan Currency: RMB

Lessor's name	Types of leased assets	Lease expenses recognized for the period	Lease expenses recognized in the previous period
山東中一樂邦物流有限公司	Housing	360,000.00	90,000.00
上海木蟻機器人科技有限公司	Equipment	584,613.00	882,000.00

Explanations on leasing between related parties

Applicable Not applicable

(4). Related party guarantees

The Company as the guarantor

Applicable Not applicable

The Company as the guaranteed party

Applicable Not applicable

Explanation of related party guarantees

Applicable Not applicable

(5). Borrowings with related parties

Applicable Not applicable

(6). Asset transfer and debt restructuring of related parties

Applicable Not applicable

(7). Key management's remuneration

Applicable Not applicable

Unit: ten thousand yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Key management's remuneration	1,410.35	1,047.16

(8). Other related party transactions

Applicable Not applicable

6. Amounts due to and due from related parties**(1). Accounts receivable**Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	上海木蟻機器人科技有限公司	3,696.00		3,876.00	
Accounts receivable	成都縱連展會物流有限公司			1,843.00	
Accounts receivable	重慶德基倉儲服務有限公司	284,720.00	2,847.20		
Accounts receivable	大連德邦物流管理有限公司	71,180.00	711.80		
Other receivables	成都縱連展會物流有限公司	353,000.00		321,500.00	
Other receivables	上海木蟻機器人科技有限公司	317,075.00		475,000.00	

(2). Accounts payableApplicable Not applicable

Unit: Yuan Currency: RMB

Item	Related party	Book balance at the end of the reporting period		Book balance at the beginning of the reporting period	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts payable	明通重型物流集團股份有限公司			1,316,788.50	
Accounts payable	成都縱連展會物流有限公司			229,624.49	
Accounts payable	山東中一樂邦物流有限公司			90,000.00	
Accounts payable	廣州物通天下物流科技有限公司		2,432.00		
Accounts payable	Yunda Holding Co., Ltd.		84,389.33		

7. Related party commitmentsApplicable Not applicable**8. Others**Applicable Not applicable

XIII. Share-based Payment**1. General information about share-based payment**

Applicable Not applicable

Unit: Share Currency: RMB

Total equity instruments granted in the current period by the Company	
Total equity instruments exercised in the current period by the Company	
Total equity instruments of the Company expired in the current period	439,500.00
Range of exercise price of share option of the Company outstanding and remaining term of contract as at the end of the period	
Range of exercise price of other equity instruments of the Company outstanding and remaining term of contract as at the end of the period	

Other notes

On June 8, 2020, the 2019 annual general meeting of the Company considered and approved the Proposal on the Second Phase Employee Stock Ownership Plan (Draft) of Deppon Logistics Co. Ltd. and its Summary (《關於<德邦物流股份有限公司第二期員工持股計劃(草案)>及其摘要的議案》), the Proposal on Administrative Measures for the Second Phase Employee Stock Ownership Plan of Deppon Logistics Co. Ltd.(《關於<德邦物流股份有限公司第二期員工持股計劃管理辦法>的議案》), and the Proposal to Request the Shareholders' Meeting to Authorize the Board of Directors to Handle Matters Relating to the Second Employee Stock Ownership Plan of Deppon Logistics Co., Ltd. (《關於提請股東大會授權董事會辦理德邦物流股份有限公司第二期員工持股計劃有關事項的議案》). On June 8, 2020, the grant date of the Share Incentive Plan, a total of 7,133,300 shares were granted to directors (excluding independent directors), senior management and core management personnel, totaling 31 persons, of the Company and its subsidiaries of the Company. The price at which the Company's repurchased shares were transferred to the Plan was RMB0 per share. The lock-up period of the Subject Shares granted under the Plan is 60 months from the announcement of the last transfer of the Subject Shares to the name of the Plan. The corresponding equity shares will be unlocked upon the expiration of the lock-up period and the passing of the vesting assessment period, and all the Subject Shares vested to the holders is available for sale.

2. Equity-settled share-based payment

Applicable Not applicable

Unit: Yuan Currency: RMB

Determination method for the fair value of an equity instrument on the grant date	
Basis for determining the number of excisable equity instruments	At each balance sheet date during the waiting period, the number of equity instruments expected to be unlocked is revised by making the best estimate based on subsequent information such as the latest available changes in the number of unlockable employees, the Company's performance conditions and the individual performance evaluation ratings of the incentive recipients. At the unlockable date, the final expected number of unlockable equity instruments is the same as the actual number of unlockable instruments.
Reasons for the significant difference of estimates between the current period and the previous period	None
Cumulative amount of equity-settled share-based payments recognized into capital reserves	29,960,942.27
Total recognized fees of equity-settled share-based payments in the current period	18,331,362.76

Other notes

None

3. Cash-settled share-based payment

Applicable Not applicable

4. Amendment and termination of share-based payment

Applicable Not applicable

5. Others

Applicable Not applicable

XIV. Commitment and Contingencies

1. Significant commitments

Applicable Not applicable

Significant external commitments existing at the balance sheet date, nature and amount

Operating lease commitments

Minimum lease payments for non-cancelable operating leases	December 31, 2021	December 31, 2020
First year after the balance sheet date	948,025,361.93	1,146,528,992.73
Second year after the balance sheet date	562,744,547.57	804,518,267.58
Third year after the balance sheet date	307,448,041.47	414,482,482.25
Subsequent years	175,769,126.58	290,214,039.07
Total	1,993,987,077.55	2,655,743,781.63

As of December 31, 2021, the Company had no other disclosable commitments.

2. Contingencies

(1). Significant contingencies as at the balance sheet date

Applicable Not applicable

As of December 31, 2021, bank loans between the Company and its subsidiaries were guaranteed:

Guarantor	Guaranteed company	Type of guarantee	Amount (RMB0'000)	Duration	Implemented or not
上海德邦	The Company	Guarantee	15,000.00	December 2, 2021 - January 19, 2022	No
上海德邦	The Company	Guarantee	20,000.00	February 2, 2021 - January 21, 2022	No
上海德邦	The Company	Guarantee	15,000.00	December 24, 2021 - December 23, 2022	No
德邦運輸	The Company	Guarantee	12,000.00	January 5, 2021 - January 5, 2022	No

Guarantor	Guaranteed company	Type of guarantee	Amount (RMB0'000)	Duration	Implemented or not
德邦運輸	The Company	Guarantee	15,000.00	September 20, 2021 - March 22, 2022	No
德邦運輸	The Company	Guarantee	10,000.00	October 20, 2021 - October 19, 2022	No
德邦運輸	The Company	Guarantee	20,000.00	October 20, 2021 - October 20, 2022	No
德邦運輸	The Company	Guarantee	22,000.00	June 4, 2021 - June 23, 2022	No
德邦運輸	The Company	Guarantee	3,000.00	July 5, 2021 - July 4, 2022	No
德邦運輸	The Company	Guarantee	5,000.00	July 21, 2021 - July 20, 2022	No
深圳德邦	The Company	Guarantee	12,000.00	August 23, 2021 - August 23, 2022	No
深圳德邦	The Company	Guarantee	15,000.00	November 22, 2021 - May 20, 2022	No
深圳德邦	The Company	Guarantee	20,000.00	November 24, 2021 - May 24, 2022	No
The Company	廈門德誠	Guarantee	70.00	December 2, 2021 - December 1, 2036	No

Note: Deppon Logistics Co., Ltd. is referred to as the “Company”, 上海德邦物流有限公司 as “上海德邦”, 德邦（上海）運輸有限公司 as “德邦運輸”, and 廈門德誠供應鏈有限公司 as “廈門德誠”.

(2). Where the Company has no significant contingencies to disclose, description is also required:

Applicable Not applicable

3. Others

Applicable Not applicable

XV. Events Subsequent to the Balance Sheet Date

1. Significant non-adjusting events

Applicable Not applicable

2. Profit distribution

Applicable Not applicable

Unit: Yuan Currency: RMB

Profits or dividends to be distributed	0
Profits or dividends announced to be distributed upon consideration and approval	0

According to the profit distribution proposal for the year 2021, which was considered and approved at the fifth meeting of the fifth session of the Board of Directors of the Company held on April 26, 2022,

no cash dividend will be paid, no bonus shares will be distributed and no share capital will be transferred from the capital reserves, and such profit distribution proposal is subject to the consideration and approval of the shareholders' meeting of the Company.

3. Sales Return

Applicable Not applicable

4. Other events subsequent to the balance sheet date

Applicable Not applicable

Receipt of tender offer

On March 11, 2022, Deppon Logistics Co., Ltd. (hereinafter referred to as “Deppon”, “Company” or “the Company” or “the Listed Company”) received a letter from Mr. Cui Weixing (崔維星), the ultimate beneficial owner of the Company (hereinafter collectively referred to as “the Founder”), the controlling shareholder 寧波梅山保税港區德邦投資控股股份有限公司 (hereinafter referred to as “Deppon Holdco” or “Target Company”), 宿遷京東卓風企業管理有限公司 (hereinafter referred to as “京東卓風” or the “Transferee”), Mr. Cui Weixing (崔維星) and his concerted action partner, Ms. Xue Xia (薛霞) (hereinafter collectively referred to as the “Founding Shareholders”), Deppon Holdco and/or the Company's directors, supervisors and senior management, namely Cui Weigang (崔維剛), Xu Enjun (徐恩俊), Pang Qingxiu (龐清秀), Huang Huabo (黃華波), Tang Xianbao (湯先保) and Zhang Huanran (張煥然) (hereinafter collectively referred to as the “Directors, Supervisors and Senior Management Transferors”), who indirectly hold the Company's shares through Deppon Holdco, and a total of 153 natural persons and institutional shareholders of Deppon Holdco other than the aforesaid Founding Shareholders, Directors, Supervisors and Senior Management Transferors (hereinafter collectively referred to as the “Minority Shareholders Transferors”), and the Founding Shareholders, the Directors, Supervisors and Senior Management Transferors (hereinafter collectively referred to as the “Transferors”) entered into the Share Transfer Agreement and other transaction documents with 京東卓風 respectively. The Transferee will, in aggregate, transfer 93,862,533 shares of the Target Company held by the Founding Shareholders, the Directors, Supervisors and Senior Management Transferors and the Minority Shareholders Transferors, representing 99.9870% of the total share capital of the Target Company, subject to the fulfillment of the conditions of delivery as stipulated in the Share Transfer Agreement and other transaction documents.

On March 11, 2022, the Company received from 京東卓風 the “Summary of the Tender Offer Report of Deppon Logistics Co., Ltd.” (hereinafter referred to as the “Summary of the Tender Offer Report”) in relation to the Tender Offer. The offer was made by 京東卓風 through the transfer of part of the shares of the Target Company and at the same time accepting the proxy of Mr. Cui Weixing (崔維星), and the Directors, Supervisors and Senior Management Transferors to obtain the voting rights corresponding to part of the shares of the Target Company, acquiring a total of 99.9870% of the voting rights of the shares of the Target Company and achieving the control of the Target Company, thus indirectly controlling 66.4965% of the shares of the Company held by the Target Company. The ultimate beneficial owner of the Company will change, Mr. Cui Weixing (崔維星) will no longer be the ultimate beneficial owner of the Company, and the Target Company will remain the controlling shareholder of the Company. 京東卓風 controlled by JD.com, Inc. will become the indirect controlling shareholder of the Company.

The transaction is subject to the declaration of operator concentration and approval by the Anti-Monopoly Bureau of the State Administration for Market Regulation. In addition, the transaction is subject to the consideration and approval of the shareholders' meeting of Jingdong Logistics, the indirect controlling shareholder of the transferee, and Jingdong Logistics Supply Chain (京東物流供應鏈), the sole shareholder of the transferee. If the transaction is subject to other relevant statutory procedures, such procedures shall be carried out in accordance with the relevant regulations. The transaction shall not be

implemented until all the agreed conditions precedent to the settlement are satisfied, and there is uncertainty as to whether the settlement will be completed and when the settlement will be completed.

XVI. Other Significant Matters

1. Correction of previous accounting errors

(1). Retrospective restatement method

Applicable Not applicable

(2). Prospective application method

Applicable Not applicable

2. Debt restructuring

Applicable Not applicable

3. Asset exchange

(1). Exchange of non-monetary assets

Applicable Not applicable

(2). Exchange of other assets

Applicable Not applicable

4. Annuity plan

Applicable Not applicable

5. Discontinuation of operation

Applicable Not applicable

6. Segment information

(1). Determination basis and accounting policy of reporting segments

Applicable Not applicable

(2). Financial information about reporting segments

Applicable Not applicable

(3). If the Company has no reporting segment or the total assets and total liabilities of the reporting segments cannot be disclosed, please explain the reason

Applicable Not applicable

(4). Other notes

Applicable Not applicable

7. Other significant transactions and matters that have an impact on investors' decision-making

Applicable Not applicable

8. Others

Applicable Not applicable

XVII. Notes to Major Items of Financial Statements of the Parent Company**1. Accounts receivable****(1). Disclosure by aging**

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Book balance at the end of the reporting period
Within 1 year	
Including: sub-item within one year	
0-3 months	58,685,870.98
4-6 months	177.00
7-12 months	24.00
Subtotal within 1 year	58,686,071.98
1 to 2 years	16.00
Over 2 years	188.75
Total	58,686,276.73

(2). Classified disclosure by provision for bad debt method

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Book balance		Closing balance Provision for bad debts		Book value	Book balance		Opening balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debt by individual										
Provision for bad debt by portfolio	58,686,276.73	100.00	587,069.11	1.00	58,099,207.62	37,884,133.21	100.00	382,819.45	1.01	37,501,313.76
Including: Portfolio 2 due from other customers	58,686,276.73	100.00	587,069.11	1.00	58,099,207.62	37,884,133.21	100.00	382,819.45	1.01	37,501,313.76
Total	58,686,276.73		/ 587,069.11		/ 58,099,207.62	37,884,133.21		/ 382,819.45		/ 37,501,313.76

Provision for bad debts by individual:

Applicable Not applicable

Provision for bad debts by portfolio:

Applicable Not applicable

Portfolio accruals: portfolio 2 due from other customers

Unit: Yuan Currency: RMB

Item	Accounts receivable	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within one year			
Including:			
0-3 months	58,685,870.98	586,858.71	1.00
4-6 months	177.00	8.85	5.00
7-12 months	24.00	4.80	20.00
Subtotal within 1 year	58,686,071.98	586,872.36	1.00
1 to 2 years	16.00	8.00	50.00
Over 2 years	188.75	188.75	100.00
Total	58,686,276.73	587,069.11	1.00

Recognition criteria and explanation on provision for bad debt by portfolio:

Applicable Not applicable

For accounts receivable classified as a portfolio, the Company prepares a table of aging of accounts receivable against the expected credit loss rate for the entire duration to calculate expected credit losses by referring to historical credit loss experience, taking into account current conditions and forecasts of future economy.

If the provision for bad debts is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

(3). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Provision	Changes in amount for the period			Closing balance
			Recovery or reverse	Resales or write-off	Other changes	
Provision for bad debts						
of accounts receivable	382,819.45	211,129.66		6,880.00		587,069.11
Total	382,819.45	211,129.66		6,880.00		587,069.11

Among them, the important amount of recovery or reverse of provision for bad debt for the period:

Applicable Not applicable

(4). The actual write-off of accounts receivable for the periodApplicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
Actual write-off of accounts receivable	6,880.00

The write-off of the important accounts receivable

Applicable Not applicable**(5). Top five customers with closing balance of accounts receivable collected by arrear party**Applicable Not applicable

The aggregate amount of the top five accounts receivable by party in arrears at the end of the reporting period was RMB10,567,804.44, accounting for 18.01% of the total closing balance of accounts receivable, and the corresponding total closing balance of provision for bad debts was RMB105,678.04.

Other notes:

None

(6). Accounts receivable derecognized due to the transfer of financial assetsApplicable Not applicable**(7). The amount of assets and liabilities generated by transferring accounts receivable and continuing to be involved**Applicable Not applicable

Other notes:

Applicable Not applicable**2. Other receivables**

Presentation of items

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	5,448,416,599.26	3,459,888,325.78
Total	5,448,416,599.26	3,459,888,325.78

Other notes:

Applicable Not applicable

Interest receivable**(1). Classification of interest receivable**

Applicable Not applicable

(2). Major overdue interest

Applicable Not applicable

(3). Provision for bad debt

Applicable Not applicable

Other notes:

Applicable Not applicable

(4). Dividend receivable

Applicable Not applicable

(5). Major dividend receivable aged over one year

Applicable Not applicable

(6). Provision for bad debt

Applicable Not applicable

Other notes:

Applicable Not applicable

Other receivables**(1). Disclosure by aging**

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging**Book balance at the end of the reporting period**

Within one year

Including: sub-item within one year

Subtotal within 1 year

5,447,189,081.31

1 to 2 years

1,501,920.00

2 to 3 years

59,830.00

Total

5,448,750,831.31

(2). Classification by nature of payment

Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of payment	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Deposits and guarantees	6,244,709.15	3,503,209.15
Other receivables received	5,442,506,122.16	3,456,567,421.53
Total	5,448,750,831.31	3,460,070,630.68

(3). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Provision for bad debts	Stage I	Stage II	Stage III	Total
	The next 12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	
Balance as of January 1, 2021	182,304.90			182,304.90
Balance for the period as of January 1, 2021	—	—	—	—
— Transferred to Stage II	—	—	—	—
— Transferred to Stage III	—	—	—	—
— Reversed to Stage II	—	—	—	—
— Reversed to Stage I	—	—	—	—
Provision for the period	151,927.15			151,927.15
Reverse for the period	—	—	—	—
Resales for the period	—	—	—	—
Write-off for the period	—	—	—	—
Other changes	—	—	—	—
Balance as of December 31, 2021	334,232.05			334,232.05

Explanation on the significant changes in the book balance of other receivables that changed due to provision for impairment in the period:

Applicable Not applicable

The amount of provision for bad debts in the period and the basis for assessing whether the credit risk of financial instruments increased significantly:

Applicable Not applicable

(4). Provision for bad debtApplicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the period			Closing balance
		Provision	Recovery or reverse	Resales or write-off Other changes	
Other receivables	182,304.90	151,927.15			334,232.05
Total	182,304.90	151,927.15			334,232.05

Among them, the important amount of reverse or recovery of provision for bad debt for the period:

Applicable Not applicable**(5). The actual write-off of other receivables for the period**Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
The actual write-off of other receivables	0

Write-off of important other receivables:

Applicable Not applicable

Explanation on write-off of other receivables:

Applicable Not applicable**(6). Top five customers with closing balance of other receivables collected by arrear party**Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Nature of amount	Closing balance	Aging	Percentage of total of closing balance of other receivables (%)	Closing balance of provision for bad debt
德邦（上海）運輸有限公司	Current accounts	1,484,701,577.43	Within 1 year	27.25	
上海精准德邦物流有限公司	Current accounts	494,233,767.68	Within 1 year	9.07	
上海德唐供應鏈有限公司	Current accounts	327,941,125.66	Within 1 year	6.02	
上海德青物流有限公司	Current accounts	318,955,724.75	Within 1 year	5.85	
寧波德邦基業投資管理有限公司	Current accounts	264,305,367.25	Within 1 year	4.85	
Total	/	2,890,137,562.77	/	53.04	

(7). Accounts receivable related to government grantsApplicable Not applicable**(8). Other receivables derecognized due to the transfer of financial assets**Applicable Not applicable**(9). The amount of assets and liabilities generated by transferring other receivables and continuing to be involved**Applicable Not applicable

Other notes:

Applicable Not applicable**3. Long-term equity investment**Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Book value	Opening balance		Book value
	Book balance	Provision for impairment		Book balance	Provision for impairment	
Investments in subsidiaries	1,573,500,857.15	1,573,500,857.15	1,534,664,394.64		1,534,664,394.64	
Investments in associates and joint ventures	1,573,500,857.15	1,573,500,857.15	1,534,664,394.64		1,534,664,394.64	

(1). Investments in subsidiariesApplicable Not applicable

Unit: Yuan Currency: RMB

Name of investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment for the period	Closing balance of provision for impairment
北京德邦貨運代理有限公司	20,472.19	368,499.42		388,971.61		
北京德啟運輸有限公司	5,000,000.00			5,000,000.00		
常熟德邦物流有限公司	5,000,000.00			5,000,000.00		
成都全程德邦物流有限公司	19,000,000.00			19,000,000.00		
大連星光德邦物流有限公司	1,456,830.26			1,456,830.26		
德邦（廣東）運輸有限公司	50,000,000.00			50,000,000.00		
德邦（海南）運輸有限公司	3,000,000.00			3,000,000.00		

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment for the period	Closing balance of provision for impairment
德邦（湖北）運輸有限公司	1,000,000.00			1,000,000.00		
德邦（遼寧）運輸有限公司	5,000,000.00			5,000,000.00		
德邦（上海）運輸有限公司	30,102,360.95		102,360.95	30,000,000.00		
德邦（蕪湖）運輸有限公司	5,000,000.00			5,000,000.00		
福建德邦物流有限公司	45,000,000.00			45,000,000.00		
福建精准運輸有限公司	10,000,000.00			10,000,000.00		
福州星光德邦物流有限公司	1,000,000.00	35,000,000.00		36,000,000.00		
廣東德邦物流有限公司	50,000,000.00			50,000,000.00		
廣東精准德邦物流有限公司	12,824,693.69	245,666.28		13,070,359.97		
廣西德邦物流有限公司	17,282,695.09			17,282,695.09		
廣州市德邦物流服務有限公司	27,040,944.38			27,040,944.38		
貴陽全程德邦物流有限公司	11,000,000.00			11,000,000.00		
哈爾濱德邦貨物運輸有限公司						
海口全程德邦物流有限公司	12,702,940.79			12,702,940.79		
杭州德邦貨運代理有限公司	68,143,305.33	245,666.28		68,388,971.61		
合肥德邦貨運代理有限公司	1,000,000.00			1,000,000.00		
河北德邦物流有限公司	3,000,000.00			3,000,000.00		
河北精准運輸有限公司	3,000,000.00			3,000,000.00		
湖北德邦物流有限公司	1,000,000.00			1,000,000.00		
吉林精准運輸有限公司	5,000,000.00			5,000,000.00		
吉林省德邦貨運代理有限公司	2,000,000.00			2,000,000.00		
濟南德邦物流有限公司	52,921,013.64			52,921,013.64		
嘉興德邦物流有限公司	10,000,000.00			10,000,000.00		
江蘇德邦物流有限公司	336,000,000.00			336,000,000.00		
江西精准物流有限公司	3,000,000.00			3,000,000.00		
精准德邦（上海）運輸有限公司	5,000,000.00			5,000,000.00		
昆明德邦物流有限公司	6,362,592.32			6,362,592.32		
拉薩市德邦物流有限公司	5,000,000.00			5,000,000.00		
蘭州全程德邦物流有限公司	5,000,000.00			5,000,000.00		
南昌德邦物流有限公司	10,000,000.00			10,000,000.00		
南京德邦物流有限公司	18,000,000.00	40,000,000.00		58,000,000.00		
內蒙古德邦物流有限公司	1,000,000.00			1,000,000.00		
寧波誠佑投資管理有限公司	30,000,000.00			30,000,000.00		
寧波德邦基業投資管理有限公司	50,000,000.00			50,000,000.00		

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment for the period	Closing balance of provision for impairment
寧波志成德邦物流有限公司	22,399,770.40	245,666.28		22,645,436.68		
寧夏志成德邦快遞有限公司	1,000,000.00			1,000,000.00		
青島德邦物流有限公司	54,700,000.00	184,249.71		54,884,249.71		
青海德邦物流有限公司	1,000,000.00			1,000,000.00		
廈門全程德邦物流有限公司	9,308,849.26			9,308,849.26		
山東德邦物流有限公司	3,040,944.38			3,040,944.38		
上海德邦物流有限公司	859,831.98	982,665.12		1,842,497.10		
上海德啟信息科技有限公司						
上海精準德邦物流有限公司	15,286,610.65	491,332.56		15,777,943.21		
深圳市德邦物流有限公司	10,143,305.33	245,666.28		10,388,971.61		
瀋陽全程德邦物流有限公司	127,354,026.33	245,666.28		127,599,692.61		
石家莊德邦物流有限公司	2,000,000.00			2,000,000.00		
太原德邦物流有限公司	1,622,833.14	81,888.76		1,704,721.90		
天津全程德邦物流有限公司	664,705.65			664,705.65		
溫州德邦物流有限公司	148,862,036.57			148,862,036.57		
烏魯木齊精準德邦物流有限公司	40,075,495.05			40,075,495.05		
無錫德邦物流有限公司	1,000,000.00			1,000,000.00		
武漢市德邦物流有限公司	25,000,000.00	61,416.57		25,061,416.57		
西安志成德邦物流有限公司	695,465.88			695,465.88		
香港德邦物流有限公司	31,510,877.38			31,510,877.38		
長沙市德邦物流有限公司	9,041,804.53			9,041,804.53		
浙江德邦物流有限公司	10,000,000.00			10,000,000.00		
鄭州德邦物流有限公司	40,000,000.00			40,000,000.00		
重慶德邦物流有限公司	9,000,000.00			9,000,000.00		
河南德邦運輸有限公司	3,698,540.63			3,698,540.63		
德易商業保理(深圳)有限公司	39,541,448.84		39,541,448.84			
德歡(上海)運輸有限公司						
上海燕汐軟件信息科技有限公司						
深圳市德邦電子商務有限公司						
北京智邦運輸有限公司						
北京德益運輸有限公司						
北京德創運輸有限公司						
北京衛邦運輸有限公司						
北京宣德運輸有限公司						
寧波德昱企業管理有限公司						
北京德邦啟航貨運代理有限公司						

APPENDIX II

FINANCIAL INFORMATION OF THE DEPPON

Name of investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment for the period	Closing balance of provision for impairment
精准德邦（上海）物流管理有限公司						
寧波宣德德邦供應鏈管理有限公司		81,888.76		81,888.76		
齊河縣德邦運輸有限公司						
寧波德軒企業管理有限公司						
南通德邦供應鏈管理有限公司						
上海精准德邦貨運代理有限公司						
漯河德邦運輸有限公司						
深圳市德邦道路運輸有限公司						
上海德青物流有限公司						
青島德金供應鏈管理有限公司						
廣州德仁產業園開發管理有限公司						
廣東省德邦供應鏈有限公司						
青島德邦貨運代理有限公司						
寧波德楚電子商務有限公司						
德創包裝科技（寧波）有限公司						
天津德易馳行網絡科技有限公司						
上海德唐供應鏈有限公司						
Total	1,534,664,394.64	78,480,272.30	39,643,809.79	1,573,500,857.15		

Note: The subsidiaries, except 寧波宣德德邦供應鏈管理有限公司, are all wholly-owned subsidiaries and are accounted for under the cost method. There was no indication of impairment of investment in subsidiaries at the end of the reporting period and no provision for impairment was required.

(2). Investments in associates and joint ventures

Applicable Not applicable

Other notes:

None

4. Revenue and cost of revenue**(1) Revenue and cost of revenue**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	198,998,375.43	183,778,057.05	183,786,429.46	189,093,010.69
Other businesses	263,163,377.06		273,262,699.45	
Total	462,161,752.49	183,778,057.05	457,049,128.91	189,093,010.69

Note: Other revenue mainly represents the revenue from consulting expenses charged by the Company to its subsidiaries.

(2). Contract-generated revenue

Applicable Not applicable

(3). Description of performance obligations

Applicable Not applicable

(4). Description of the apportionment to the remaining performance obligation

Applicable Not applicable

Other notes:

None

5. Investment income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Investment income from long-term equity investments using the cost method	383,521,696.26	433,908,052.63
Investment income from disposal of long-term equity investments	10,458,551.16	
Investment income from trading financial assets during the holding period	12,949,189.47	29,056,050.02
Dividend income from other equity instrument investments during the holding period		25,656,891.00
Total	406,929,436.89	488,620,993.65

Other notes:

None

6. Others

Applicable Not applicable

XVIII. Supplementary Information**1. Breakdown of non-recurring gain or loss for the current period**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount
Gain or loss from disposal of non-current assets	27,407,398.89
Government subsidies charged to current profit or loss (except for government subsidies that are closely related to the business of the enterprise and are enjoyed in accordance with the national standard in a fixed or quantitative manner)	402,573,314.64
Gains or losses from entrusting others to invest or manage assets	27,575,888.71
Gains or losses from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except for effective hedging operations related to the Company's normal business operations	
Non-operating income and expenses other than those mentioned above	-2,289,353.32
Less: amount affected by income tax	103,629,216.55
Effect of non-controlling interests	914,056.19
Total	350,723,976.18

The reason should be specified for the Company defining items as non-recurring profit or loss items according to the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 — Non-recurring Profit or Loss (《公開發行證券的公司資訊披露解釋性公告第 1 號——非經常性損益》), and the reason for defining the non-recurring profit or loss items illustrated in the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 — Non-recurring Profit or Loss (《公開發行證券的公司資訊披露解釋性公告第 1 號——非經常性損益》) as recurring profit or loss items.

Applicable Not applicable

2. Return on net assets and earnings per share

Applicable Not applicable

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share Basic earnings per share	Diluted earnings per share
Net profits attributable to ordinary shareholders of the Company	2.55	0.13	
Net profits attributable to ordinary shareholders of the Company after deduction of non-recurring items	-3.75	-0.22	

3. Accounting data differences under domestic and foreign accounting standards

Applicable Not applicable

4. Others

Applicable Not applicable

Director: Cui Weixing
Date of approval by the Board: April 26, 2022

Revised information

Applicable Not applicable

A. Differences Between Accounting Policies Adopted by The Group and Deppon

As described in the section headed “Letter from the Board — Waiver from Strict Compliance with the Requirements under the Listing Rules” of this circular, the Company has applied to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for, and been granted, a waiver from the requirement to include in this circular an accountants’ report on the Target Group in accordance with Rule 14.67(6)(a)(i) and Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange.

Instead, the Appendix II contain a copy of the English translation of consolidated financial statements of Deppon for the three years ended December 31, 2019, 2020 and 2021, which were prepared in accordance with Accounting Standards for Business Enterprises (“**ASBEs**”) and audited by RSM China.

The financial information included in the Appendix II are referred hereinafter as “**Deppon Historical Financial Information**”. The Deppon Historical Financial Information covers the financial positions of Deppon as at December 31, 2019, 2020 and 2021 and the financial performance of Deppon for each of the three years ended December 31, 2019, 2020 and 2021 (the “**Relevant Periods**”).

The accounting policies adopted by Deppon in the preparation of the Deppon Historical Financial Information for the Relevant Periods are in accordance with ASBEs (the “**Deppon’s Accounting Policies**”), while accounting policies adopted by the Group for each of the Relevant Periods are in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (the “**Group’s Accounting Policies**”). A line-by-line reconciliation (the “**Reconciliation**”) of the consolidated statements of financial position of Deppon as at December 31, 2019, 2020 and 2021, and the consolidated statements of profit or loss and consolidated statements of comprehensive income of Deppon for each of the Relevant Periods to address the differences, in all material respects, on the Deppon Historical Financial Information had it been prepared in accordance with the Group’s Accounting Policies, as set out below in the section headed “D. Line-by-line Reconciliation”.

B. Basis of Preparation

The Reconciliation for the each of the Relevant Periods was prepared by restating the “Unadjusted Financial Information of Deppon” which are extracted from the Deppon Historical Financial Information, and quantified adjustments to financial information as if it had been prepared in accordance with the Group’s Accounting Policies which are in the compliance with IFRS.

C. Reconciliation Process

The Reconciliation has been prepared by the Directors by comparing the differences between the accounting policies adopted by Deppon for the preparation of Unadjusted Financial Information of Deppon for the Relevant Periods, and the accounting policies presently adopted by the Group which are in compliance with IFRS, and quantifying the relevant material financial effects of such differences, if any.

Your attention is drawn to the fact that the Reconciliation has not been subject to an independent audit. Accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of the Deppon’s financial positions as at December 31, 2019, 2020 and 2021, nor its financial performance for each of the Relevant Periods then ended under the accounting policies presently adopted by the Group which are in compliance with IFRS.

RSM HK was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” (“**HKSAE 3000 (Revised)**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) on the Reconciliation. The work consisted primarily of:

- (i) comparing the “Unadjusted Financial Information of Deppon” as set out in Reconciliation with the Deppon Historical Financial Information that has been included in the Appendix II of this circular, as appropriate;
- (ii) assessing the accounting treatments and classifications according to the Deppon’s Accounting Policies and the Group’s Accounting Policies and evaluating the different accounting treatments and classifications identified by the Directors;
- (ii) considering the adjustments and reclassifications made and evidence supporting them made in the Reconciliation in arriving at the “Adjusted Financial Information of Deppon under the Group’s Accounting Policies”; and
- (iii) checking the arithmetic accuracy of the computation of the Reconciliation.

RSM HK’s engagement did not involve independent examination of any of the Deppon Historical Financial Information. The work carried out in accordance with HKSAE 3000 (Revised) is different in scope from an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, RSM HK did not express an audit opinion nor a review conclusion on the Reconciliation.

RSM HK’s engagement was intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. Based on the work performed, RSM HK has concluded that:

- (i) the “Unadjusted Financial Information of Deppon” for the each of the Relevant Periods as set out in the Reconciliation is in agreement with the Deppon Historical Financial Information prepared in accordance with the Deppon’s Accounting Policies, as appropriate;
- (ii) the adjustments and reclassifications made in the Reconciliation reflect, in all material respects, the differences in accounting treatments and classifications between the Deppon’s Accounting Policies and the Group’s Accounting Policies; and
- (iii) the computation of the Reconciliation is arithmetically accurate.

D. Line-by-line Reconciliation

Consolidated Statement of Profit or Loss

	For the year ended December 31, 2021					Adjusted Financial Information of Deppon under the Group's Accounting Policies (Unaudited) RMB'000
	Unadjusted Financial Information of Deppon (Audited) RMB'000	GAAP difference adjustments (Unaudited) RMB'000 (Note 1)	Reclassification adjustments (Unaudited) RMB'000 (i)	Reclassification adjustments (Unaudited) RMB'000 (ii)	Reclassification adjustments (Unaudited) RMB'000 (iii)	
Revenue	31,359,068	18,173	-	-	(103,543)	31,359,068
Cost of revenue	(28,027,653)	18,173	-	-	(103,543)	(28,113,023)
Gross profit	3,331,415	18,173	-	-	(103,543)	3,246,045
Taxes and surcharges	(103,543)	132	-	-	103,543	-
Selling and marketing expenses	(488,412)	132	-	-	-	(488,280)
Research and development expenses	(59,996)	625	-	-	-	(59,996)
General and administrative expenses	(2,778,986)	625	-	-	-	(2,778,361)
Other income, gains/(losses), net	-	-	(63,546)	458,046	-	394,500
Finance income	(169,390)	(11,698)	21,930	-	-	21,930
Finance costs	402,573	-	41,616	-	-	(139,472)
Other income	33,630	-	(3,346)	-	-	-
Investment income	(21,257)	-	-	-	(402,573)	-
Impairment losses under expected credit loss model, net of reversal	27,407	-	-	-	(30,284)	(21,257)
Gain on disposal of property, plant and equipment	-	-	3,346	-	-	-
Share of results of associates and joint ventures	72,894	-	-	-	(27,407)	3,346
Non-operating income	(75,112)	-	-	-	(72,894)	-
Non-operating expenses	171,223	7,232	-	-	75,112	-
Profit before income tax	(28,870)	7,232	-	-	-	178,455
Income tax expense	142,353	7,232	-	-	-	(28,870)
Profit for the year	142,353	7,293	-	-	-	149,585
Profit for the year attributable to:						
Owners of the Company	142,852	7,293	-	-	-	150,145
Non-controlling interests	(499)	(61)	-	-	-	(560)
	142,353	7,232	-	-	-	149,585

Consolidated Statement of Comprehensive Income

	For the year ended December 31, 2021				Adjusted Financial Information of Deppon under the Group's Accounting Policies (Unaudited) RMB'000	
	Unadjusted Financial Information of Deppon (Audited) RMB'000	GAAP difference adjustments (Unaudited) RMB'000 (Note 1)	Reclassification adjustments (Unaudited) RMB'000 (i)	Reclassification adjustments (Unaudited) RMB'000 (ii)		Presentation adjustments (Unaudited) RMB'000 (iii)
Profit for the year	142,353	7,232	-	-	-	149,585
Other comprehensive income after tax:						
Items that will not be reclassified to profit or loss:						
Fair value change of financial assets at fair value through other comprehensive income	1,009,778	-	-	-	-	1,009,778
Other comprehensive income for the year	1,009,778	-	-	-	-	1,009,778
Total comprehensive income for the year	1,152,131	7,232	-	-	-	1,159,363
Total comprehensive income for the year attributable to:						
Owners of the Company	1,152,630	7,293	-	-	-	1,159,923
Non-controlling interests	(499)	(61)	-	-	-	(560)
	1,152,131	7,232	-	-	-	1,159,363

	For the year ended December 31, 2020				Adjusted Financial Information of Deppon under the Group's Accounting Policies (Unaudited) RMB'000		
	Unadjusted Financial Information of Deppon (Audited) RMB'000	GAAP difference adjustments (Unaudited) RMB'000 (Note 1)	Reclassification adjustments (Unaudited) RMB'000 (i)	Reclassification adjustments (Unaudited) RMB'000 (ii)		Reclassification adjustments (Unaudited) RMB'000 (iii)	Presentation adjustments (Unaudited) RMB'000 (Note 4)
Revenue	27,503,446	47,166	-	-	(81,346)	-	27,503,446
Cost of revenue	(24,295,989)	47,166	-	-	(81,346)	-	(24,330,169)
Gross profit	3,207,457	47,166	-	-	81,346	-	3,173,277
Taxes and surcharges	(81,346)	-	-	-	-	-	-
Selling and marketing expenses	(483,066)	162	-	-	-	-	(482,904)
Research and development expenses	(51,197)	-	-	-	-	-	(51,197)
General and administrative expenses	(2,186,062)	1,613	-	-	-	-	(2,184,449)
Other income, gains/(losses), net	-	-	(58,014)	-	-	486,230	428,216
Finance income	-	-	20,653	-	-	-	20,653
Finance costs	(97,629)	(77,795)	37,361	-	-	(400,097)	(138,063)
Other income	400,097	-	-	-	-	-	-
Investment income	59,604	-	(2,032)	-	-	(57,572)	-
Loss from fair value changes	(10,000)	-	-	-	-	10,000	-
Impairment losses under expected credit loss model, net of reversal	(60,243)	-	-	-	-	(15,625)	(60,243)
Gain on disposal of property, plant and equipment	15,625	-	2,032	-	-	-	-
Share of results of associates and joint ventures	-	-	-	-	-	-	-
Non-operating income	59,724	-	-	-	-	(59,724)	2,032
Non-operating expenses	(36,788)	-	-	-	-	36,788	-
Profit before income tax	736,176	(28,854)	-	-	-	-	707,322
Income tax expense	(171,039)	-	-	-	-	-	(171,039)
Profit for the year	565,137	(28,854)	-	-	-	-	536,283
Profit for the year attributable to:							
Owners of the Company	564,379	(28,810)	-	-	-	-	535,569
Non-controlling interests	758	(44)	-	-	-	-	714
	565,137	(28,854)	-	-	-	-	536,283

Consolidated Statement of Comprehensive Income

	For the year ended December 31, 2020				Adjusted Financial Information of Deppon under the Group's Accounting Policies (Unaudited) RMB'000
	Unadjusted Financial Information of Deppon (Audited) RMB'000	GAAP difference adjustments (Unaudited) RMB'000 (Note 1)	Reclassification adjustments (Unaudited) RMB'000 (i)	Reclassification adjustments (Unaudited) RMB'000 (ii)	Presentation adjustments (Unaudited) RMB'000 (Note 4)
Profit for the year	565,137	(28,854)			536,283
Other comprehensive income after tax:					
Items that will not be reclassified to profit or loss:					
Fair value change of financial assets at fair value through other comprehensive income	12,128				12,128
Other comprehensive income for the year	12,128	-	-	-	12,128
Total comprehensive income for the year	577,265	(28,854)	-	-	548,411
Total comprehensive income for the year attributable to:					
Owners of the Company	576,507	(28,810)			547,697
Non-controlling interests	758	(44)			714
	577,265	(28,854)	-	-	548,411

	For the year ended December 31, 2019					Adjusted Financial Information of Deppon under the Group's Accounting Policies (Unaudited) RMB'000
	Unadjusted Financial Information of Deppon (Audited) RMB'000	GAAP difference adjustments (Unaudited) RMB'000 (Note 1)	Reclassification adjustments (Unaudited) RMB'000 (i)	Reclassification adjustments (Unaudited) RMB'000 (ii)	Reclassification adjustments (Unaudited) RMB'000 (iii)	
Revenue	25,922,101					25,922,101
Cost of revenue	(23,348,702)	44,650			(77,761)	(23,381,813)
Gross profit	2,573,399	44,650	-	-	(77,761)	2,540,288
Taxes and surcharges	(77,761)				77,761	-
Selling and marketing expenses	(406,946)	187				(406,759)
Research and developments expenses	(101,060)					(101,060)
General and administrative expenses	(1,804,587)	1,307				(1,803,280)
Other income, gains/(losses), net	-			(70,987)		318,426
Finance income	-			14,183		14,183
Finance costs	(123,467)	(72,479)		56,804		(139,142)
Other income	299,110					-
Investment income	82,107		(6,554)			-
Gain from fair value changes	462					-
Impairment losses under expected credit loss model, net of reversal	(41,864)					(41,864)
Gain on disposal of property, plant and equipment	15,017					-
Share of results of associates and joint ventures	-		6,554			6,554
Non-operating income	45,347					-
Non-operating expenses	(46,076)					-
Profit before income tax	413,681	(26,335)	-	-	-	387,346
Income tax expense	(90,049)					(90,049)
Profit for the year	<u>323,632</u>	<u>(26,335)</u>	-	-	-	<u>297,297</u>
Profit for the year attributable to:						
Owners of the Company	323,632	(26,335)				297,297
Non-controlling interests	-					-
	<u>323,632</u>	<u>(26,335)</u>	-	-	-	<u>297,297</u>

Consolidated Statement of Comprehensive Income

	For the year ended December 31, 2019						
	Unadjusted Financial Information of Deppon (Audited) RMB'000	GAAP difference adjustments (Unaudited) RMB'000 (Note 1)	Reclassification adjustments (Unaudited) RMB'000 (i)	Reclassification adjustments (Unaudited) RMB'000 (ii)	Reclassification adjustments (Unaudited) RMB'000 (iii)	Presentation adjustments (Unaudited) RMB'000 (Note 4)	Adjusted Financial Information of Deppon under the Group's Accounting Policies (Unaudited) RMB'000
Profit for the year	323,632	(26,335)					297,297
Other comprehensive income after tax:							
<i>Items that will not be reclassified to profit or loss:</i>							
Fair value change of financial assets at fair value through other comprehensive income	(20,288)						(20,288)
Other comprehensive income for the year	(20,288)						(20,288)
Total comprehensive income for the year	303,344	(26,335)					277,009
Total comprehensive income for the year attributable to:							
Owners of the Company	303,344	(26,335)					277,009
Non-controlling interests	-						-
	303,344	(26,335)					277,009

	As at December 31, 2021				Adjusted Financial Information of Deppon under the Group's Accounting Policies (Unaudited) RMB'000
	Unadjusted Financial Information of Deppon (Audited) RMB'000	GAAP adjustments (Unaudited) RMB'000 (Note 1)	Reclassification adjustments (Unaudited) RMB'000 (v)	Presentation adjustments (Unaudited) RMB'000 (Note 4)	
ASSETS					
Non-current assets					
Property and equipment	4,660,988	-	237,865	196,673	5,095,526
Construction in progress	196,673	-	-	(196,673)	-
Right-of-use assets	2,143,994	(47,957)	380,008	(93,285)	2,476,045
Intangible assets	473,293	-	(380,008)	(18,969)	-
Research and development expenditures	18,969	-	-	112,254	-
Other intangible assets	-	-	-	-	112,254
Interest in associates	-	-	193,525	-	193,525
Long-term equity investments	193,525	-	(193,525)	-	-
Financial assets at fair value through other comprehensive income	-	-	-	1,782,444	1,782,444
Other equity instrument investments	1,782,444	-	-	(1,782,444)	-
Financial assets at fair value through profit or loss	-	-	-	38,556	38,556
Other non-current financial assets	38,556	-	-	(38,556)	-
Deferred tax assets	202,874	-	-	-	202,874
Prepayments, other receivables and other assets	-	-	(237,865)	305,690	305,690
Long-term deferred expenses	286,710	-	-	(48,845)	-
Other non-current assets	256,845	-	-	(256,845)	-
Total non-current assets	10,254,871	(47,957)	-	-	10,206,914
Current assets					
Inventories	21,536	-	-	-	21,536
Trade receivables	2,169,530	-	-	30,047	2,199,577
Note receivables	30,047	-	-	(30,047)	-
Prepayments, other receivables and other assets	-	-	-	1,877,666	1,877,666
Prepayments	233,798	-	-	(233,798)	-
Other receivables	292,778	-	-	(292,778)	-
Financial assets at fair value through profit or loss	-	-	-	85,000	85,000
Held for trading financial assets	85,000	-	-	(85,000)	-
Term deposits	-	-	-	-	70,817
Restricted cash	-	-	-	-	21,406
Cash and cash equivalents	-	-	-	-	21,406
Monetary funds	1,161,720	-	-	-	1,140,314
Other current assets	1,421,907	(1,161,720)	-	-	1,140,314
Total current assets	5,416,316	(47,957)	-	(1,351,090)	5,416,316
Total assets	15,671,187	(47,957)	-	-	15,623,230

	As at December 31, 2021						Adjusted Financial Information of Deppon under the Group's Accounting Policies (Unaudited) RMB'000
	Unadjusted Financial Information of Deppon (Audited) RMB'000	GAAP adjustments (Unaudited) (Note 1) RMB'000	Reclassification adjustments (Unaudited) RMB'000 (v)	(Unaudited) RMB'000 (vi)	(Unaudited) RMB'000 (vii)	Presentation adjustments (Unaudited) RMB'000 (Note 4)	
EQUITY AND LIABILITIES							
Equity							
Share capital	1,026,957	-	-	-	-	-	1,026,957
Capital reserves	894,123	-	-	-	-	(894,123)	-
Treasury stock	(153,350)	-	-	-	-	(984,338)	(153,350)
Other comprehensive income reserves	984,338	-	-	-	-	(425,990)	-
Surplus reserves	425,990	-	-	-	-	2,304,451	-
Reserves	-	(47,852)	-	-	-	-	2,304,451
Retained earnings	3,019,458	(47,852)	-	-	-	-	2,971,606
Equity attributable to the owners of the Company	6,197,516	(47,852)	-	-	-	-	6,149,664
Non-controlling interests	(1,639)	(105)	-	-	-	-	(1,744)
Total equity	6,195,877	(47,957)	-	-	-	-	6,147,920
Liabilities							
Non-current liabilities							
Borrowings	700	-	-	-	-	-	700
Lease liabilities	979,845	-	-	-	-	(20,660)	979,845
Payroll payables	20,660	-	-	-	-	(27,124)	-
Estimated liabilities	27,124	-	-	-	-	(32,550)	-
Deferred revenue	32,550	-	-	-	-	-	-
Deferred tax liabilities	618,707	-	-	-	-	80,334	618,707
Other non-current liabilities	-	-	-	-	-	-	80,334
Total non-current liabilities	1,679,586	-	-	-	-	-	1,679,586
Current liabilities							
Trade payables	2,650,892	-	-	-	-	156,538	2,807,430
Note payables	156,538	-	-	-	-	(156,538)	-
Contract liabilities	78,994	-	-	-	126,746	-	78,994
Accrued expenses and other payables	-	-	-	-	-	1,067,039	1,193,785
Advances from customers	4,517	-	-	-	-	-	4,517
Payroll payables	746,037	-	-	-	-	(746,037)	-
Other payables	316,054	-	-	-	-	(316,054)	-
Borrowings	2,443,362	-	-	-	-	-	2,443,362
Lease liabilities	-	-	-	-	301,759	-	301,759
Non-current liabilities due within one year	1,210,926	-	-	-	909,167	-	909,167
Tax liabilities	-	-	-	-	(1,210,926)	-	-
Taxes payable	183,456	-	-	-	56,710	-	56,710
Other current liabilities	4,948	-	-	-	(183,456)	-	-
Total current liabilities	7,795,724	-	-	-	(4,948)	-	7,795,724
Total liabilities	9,475,310	-	-	-	-	-	9,475,310
Total equity and liabilities	15,671,187	(47,957)	-	-	-	-	15,623,230

Consolidated Statement of Financial Position

As at December 31, 2020

	Unadjusted Financial Information of Deppon RMB'000	GAAP difference adjustments (Unaudited) RMB'000 (Note 1)	Reclassification adjustments (Note 3)			Presentation adjustments (Unaudited) RMB'000 (Note 4)	Adjusted Financial Information of Deppon under the Group's Accounting Policies (Unaudited) RMB'000
			(Unaudited) RMB'000 (iv)	(Unaudited) RMB'000 (v)	(Unaudited) RMB'000 (vi)		
ASSETS							
Non-current assets							
Property and equipment	3,374,001	-	193,421	-	16,616	3,584,038	
Construction in progress	16,616	-	-	-	(16,616)	-	
Right-of-use assets	-	2,251,624	97,903	-	(21,388)	2,349,527	
Intangible assets	119,291	-	(97,903)	-	(16,804)	-	
Research and development expenditures	16,804	-	-	-	38,192	38,192	
Other intangible assets	-	-	-	182,281	-	182,281	
Interest in associates	182,281	-	(182,281)	-	-	-	
Long-term equity investments	-	-	-	-	-	-	
Financial assets at fair value through other comprehensive income	-	-	-	-	391,346	391,346	
Other equity instrument investments	391,346	-	-	-	(391,346)	-	
Financial assets at fair value through profit or loss	-	-	-	-	102,614	102,614	
Other non-current financial assets	102,614	-	-	-	(102,614)	-	
Deferred tax assets	231,917	-	-	-	-	231,917	
Prepayments, other receivables and other assets	-	(115,775)	(193,421)	-	150,624	150,624	
Long-term deferred expenses	346,110	-	-	-	(36,914)	-	
Other non-current assets	113,710	-	-	-	(113,710)	-	
Total non-current assets	4,894,690	2,135,849	-	-	-	7,030,539	
Current assets							
Inventories	19,197	-	-	-	-	19,197	
Trade receivables	1,943,830	-	-	-	12,737	1,956,567	
Note receivables	12,737	-	-	-	(12,737)	-	
Factoring receivables	-	-	-	-	299,616	299,616	
Prepayments, other receivables and other assets	-	882	-	-	1,285,080	1,285,962	
Prepayments	379,018	(198,702)	-	-	(180,316)	-	
Other receivables	272,656	-	-	-	(272,656)	-	
Financial assets at fair value through profit or loss	-	-	-	-	150,000	150,000	
Held for trading financial assets	150,000	-	-	-	(150,000)	-	
Term deposits	-	-	-	-	-	-	
Restricted cash	-	17,655	-	-	-	17,655	
Cash and cash equivalents	-	1,368,873	-	-	-	1,368,873	
Monetary funds	1,387,410	(1,387,410)	-	-	-	-	
Other current assets	1,131,724	-	-	(299,616)	(832,108)	-	
Total current assets	5,296,572	(198,702)	-	-	-	5,097,870	
Total assets	10,191,262	1,937,147	-	-	-	12,128,409	

Consolidated Statement of Financial Position

As at December 31, 2020

	Unadjusted Financial Information of Deppon (Audited) RMB'000	GAAP difference adjustments (Unaudited) RMB'000 (Note 1)	Reclassification adjustments (Note 3)				Presentation adjustments (Unaudited) RMB'000 (Note 4)	Adjusted Financial Information of Deppon under the Group's Accounting Policies (Unaudited) RMB'000
			(Unaudited) RMB'000 (iv)	(Unaudited) RMB'000 (v)	(Unaudited) RMB'000 (vi)	(Unaudited) RMB'000 (vii)		
EQUITY AND LIABILITIES								
Equity								
Share capital	960,000						960,000	
Capital reserves	336,897					(336,897)	-	
Treasury stock	(85,139)						(85,139)	
Other comprehensive income reserves	(25,440)					25,440	-	
Surplus reserves	387,013					(387,013)	-	
General risk reserves	4,025					(4,025)	-	
Reserves	-					702,495	702,495	
Retained earnings	3,046,829	(55,145)					2,991,684	
Equity attributable to the owners of the Company	4,624,185	(55,145)					4,569,040	
Non-controlling interests	(366)	(44)					(410)	
Total equity	4,623,819	(55,189)					4,568,630	
Liabilities								
Non-current liabilities								
Lease liabilities	-	1,082,249					1,082,249	
Payroll payables	41,934					(41,934)	-	
Estimated liabilities	10,687					(10,687)	-	
Deferred revenue	53,234					(53,234)	-	
Deferred tax liabilities	337,031						337,031	
Other non-current liabilities	-					105,855	105,855	
Total non-current liabilities	442,886	1,082,249					1,525,135	
Current liabilities								
Trade payables	2,382,273						2,382,273	
Note payables	73,463						73,463	
Contract liabilities	71,841						71,841	
Accrued expenses and other payables	-						-	
Advances from customers	1,611						1,611	
Payroll payables	955,756						955,756	
Other payables	320,945						320,945	
Borrowings	1,169,254				99,505		1,268,759	
Lease liabilities	-						-	
Tax liabilities	144,406	910,087					1,054,493	
Taxes payables	-						-	
Other current liabilities	5,008						5,008	
Total current liabilities	5,124,557	910,087				(5,008)	6,034,644	
Total liabilities	5,567,443	1,992,336					7,559,779	
Total equity and liabilities	10,191,262	1,937,147					12,128,409	

Consolidated Statement of Financial Position

	As at December 31, 2019					
	Unadjusted Financial Information of Deppon RMB'000 (Audited)	GAAP difference adjustments (Unaudited) RMB'000 (Note 1)	Reclassification adjustments (Unaudited) RMB'000 (iv)	Reclassification adjustments (Unaudited) RMB'000 (v)	Presentation adjustments (Unaudited) RMB'000 (Note 4)	Adjusted Financial Information of Deppon under the Group's Accounting Policies (Unaudited) RMB'000
ASSETS						
Non-current assets						
Property and equipment	2,643,242	-	181,826	-	3,241	2,828,309
Construction in progress	3,241	-	-	-	(3,241)	-
Right-of-use assets	-	2,052,946	-	-	(34,283)	2,052,946
Intangible assets	34,283	-	-	-	34,283	-
Other intangible assets	-	-	-	148,549	-	34,283
Interest in associates	-	-	(148,549)	-	-	148,549
Long-term equity investments	148,549	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Other equity instrument investments	350,496	-	-	-	350,496	350,496
Financial assets at fair value through profit or loss	-	-	-	-	(350,496)	-
Other non-current financial assets	108,997	-	-	-	108,997	108,997
Deferred tax assets	304,324	-	-	-	(108,997)	-
Prepayments, other receivables and other assets	388,624	(166,865)	(181,826)	-	74,128	304,324
Long-term deferred expenses	34,195	-	-	-	(39,933)	74,128
Other non-current assets	-	-	-	-	(34,195)	-
Total non-current assets	4,015,951	1,886,081	-	-	-	5,902,032
Current assets						
Inventories	21,350	-	-	-	-	21,350
Trade receivables	1,649,077	-	-	-	19,700	1,668,777
Note receivables	19,700	-	-	-	(19,700)	-
Factoring receivables	437,370	-	-	-	-	437,370
Prepayments, other receivables and other assets	-	(246,461)	614	-	969,072	969,686
Prepayments	376,271	-	-	-	(129,810)	-
Other receivables	244,104	-	-	-	(244,104)	-
Financial assets at fair value through profit or loss	-	-	-	-	220,462	220,462
Held for trading financial assets	220,462	-	-	-	(220,462)	-
Term deposits	-	-	-	181,085	-	181,085
Restricted cash	-	-	-	40,110	-	40,110
Cash and cash equivalents	-	-	-	1,276,730	-	1,276,730
Monetary funds	1,317,454	-	-	(1,317,454)	-	-
Other current assets	776,243	-	(181,085)	-	(595,158)	-
Total current assets	5,062,031	(246,461)	-	-	-	4,815,570
Total assets	9,077,982	1,639,620	-	-	-	10,717,602

Consolidated Statement of Financial Position

	As at December 31, 2019							Adjusted Financial Information of Deppon under the Group's Accounting Policies (Unaudited) RMB'000
	Unadjusted Financial Information of Deppon (Audited) RMB'000	GAAP difference adjustments (Unaudited) RMB'000 (Note 1)	(Unaudited) RMB'000 (iv)	(Unaudited) RMB'000 (v)	Reclassification adjustments (Unaudited) RMB'000 (vi)	(Unaudited) RMB'000 (vii)	Presentation adjustments (Unaudited) RMB'000 (Note 4)	
EQUITY AND LIABILITIES								
Equity								
Share capital	960,000	-	-	-	-	-	960,000	
Capital reserves	317,117	-	-	-	-	-	(317,117)	
Treasury stock	(69,430)	-	-	-	-	-	(69,430)	
Other comprehensive income reserves	(37,568)	-	-	-	-	-	-	
Surplus reserves	339,746	-	-	-	-	-	37,568	
General risk reserves	4,025	-	-	-	-	-	(339,746)	
Reserves	-	(26,335)	-	-	-	-	(4,025)	
Retained earnings	2,541,782	(26,335)	-	-	-	-	623,320	
Equity attributable to the owners of the Company	4,055,672	(26,335)	-	-	-	-	2,515,447	
Non-controlling interests	-	-	-	-	-	-	4,029,337	
Total equity	4,055,672	(26,335)	-	-	-	-	4,029,337	
Liabilities								
Non-current liabilities								
Lease liabilities	-	856,002	-	-	-	-	856,002	
Payroll payables	19,941	-	-	-	-	-	(19,941)	
Estimated liabilities	12,357	-	-	-	-	-	(12,357)	
Deferred revenue	15,175	-	-	-	-	-	(15,175)	
Deferred tax liabilities	309,307	-	-	-	-	-	309,307	
Other non-current liabilities	-	-	-	-	-	-	47,473	
Total non-current liabilities	356,780	856,002	-	-	-	-	1,212,782	
Current liabilities								
Trade payables	1,934,403	-	-	-	-	-	2,065,158	
Note payables	130,755	-	-	-	-	-	(130,755)	
Contract liabilities	-	-	-	-	-	-	73,809	
Accrued expenses and other payables	-	73,809	-	-	-	-	1,298,624	
Advances from customers	-	4,429	-	-	-	-	4,690	
Payroll payables	82,928	(78,238)	-	-	-	-	-	
Other payables	890,858	-	-	-	-	-	(890,858)	
Borrowings	329,411	-	-	-	-	-	(329,411)	
Lease liabilities	1,161,852	-	-	-	-	-	1,161,852	
Tax liabilities	-	809,953	-	-	-	-	809,953	
Taxes payables	-	-	-	-	-	-	61,397	
Total current liabilities	135,323	809,953	-	-	-	73,926	(135,323)	
Total liabilities	4,665,530	809,953	-	-	-	-	5,475,483	
Total liabilities and liabilities	5,022,310	1,665,955	-	-	-	-	6,688,265	
Total equity and liabilities	9,077,982	1,639,620	-	-	-	-	10,717,602	

Notes:

1. Matters related to the application of IFRS 16 “Leases”

Pursuant to the Deppon Historical Financial Information for the Relevant Periods, Deppon adopted Accounting Standards for Business Enterprises No. 21 — Leases (“CAS 21”) for the first time on January 1, 2021. Under the Group’s Accounting Policies, the Group adopted IFRS 16 “Leases” (“IFRS 16”) for the first time on January 1, 2019. Accordingly, this adjustment presents the financial impacts on the Deppon Historical Financial Information from the adoption of IFRS 16 for the years ended December 31, 2019, 2020 and 2021, which primarily concerning:

- i. the recognition of right-of-use assets and lease liabilities for leases other than short-term leases and leases of low value assets;
- ii. the cease of recognition of rental expenses for leases other than short-term leases and leases of low value assets, on straight line basis;
- iii. the recognition of depreciation of right-of-use assets and interest expenses on lease liabilities; and
- iv. the reclassification of long-term deferred expenses in relation to one-off prepaid lease payments and prepayments paid upfront by Deppon in respect of leases to right-of-use assets.

Had Deppon adopted the Group’s Accounting Policies, the impact of the adjustments on the Deppon’s consolidated statements of financial position as at December 31, 2019, 2020 and 2021, and the consolidated statements of profit or loss and consolidated statements of comprehensive income for the three years ended December 31, 2019, 2020 and 2021 are set out below. As Deppon has adopted CAS 21 on January 1, 2021, which is align with IFRS 16, the lease liabilities, one-off lease payments and prepayments paid upfront have been properly accounted for as at December 31, 2021.

Consolidated statements of financial position

	As at December 31,		
	2019	2020	2021
	RMB’000	RMB’000	RMB’000
	Unaudited	Unaudited	Unaudited
	Dr. / (Cr.)	Dr. / (Cr.)	Dr. / (Cr.)
Right-of-use assets	2,052,946	2,251,624	(47,957)
Long-term deferred expenses	(166,865)	(115,775)	-
Prepayments	(246,461)	(198,702)	-
Lease liabilities — non-current	(856,002)	(1,082,249)	-
Lease liabilities — current	(809,953)	(910,087)	-
Retained earnings	26,335	55,145	47,852
Non-controlling interests	-	44	105

Consolidated statements of profit or loss and consolidated statements of comprehensive income

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
	Unaudited Dr. / (Cr.)	Unaudited Dr. / (Cr.)	Unaudited Dr. / (Cr.)
Cost of revenue	(44,650)	(47,166)	(18,173)
Selling and marketing expenses	(187)	(162)	(132)
General and administrative expenses	(1,307)	(1,613)	(625)
Finance costs	72,479	77,795	11,698
Attributable to:			
Owners to the Company	26,335	28,810	(7,293)
Non-controlling interests	-	44	61

2. Matters related to the application of IFRS 15 “Revenue from Contracts with Customers”

Deppon adopted Accounting Standard for Business Enterprises No. 14 — Revenue (“CAS 14”) for the first time on January 1, 2020. Under the Group’s accounting policies, the Group adopted IFRS 15 “Revenue from Contracts with Customers” (“IFRS 15”) for the Relevant Periods. Accordingly, this adjustment presents the financial impacts on the Deppon Historical Financial Information from the adoption of IFRS 15 for the year ended December 31, 2019, which primarily concerning the reclassification of advances from customers to contract liabilities and accrued expenses and other payables which represented Deppon’s obligation to transfer goods or services for which Deppon received consideration including value-added taxes (or an amount of consideration was due) from customers.

In addition, in the view of the Directors except for certain presentation differences, the adoption of CAS 14 does not result in material differences to Deppon’s financial positions as at December 31, 2020 and 2021 and financial performance for the years ended December 31, 2020 and 2021, compared to the Group’s accounting policies which applied IFRS 15 instead.

Consolidated statements of financial position

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
	Unaudited Dr. / (Cr.)	Unaudited Dr. / (Cr.)	Unaudited Dr. / (Cr.)
Advances from customers	78,238	-	-
Contract liabilities	(73,809)	-	-
Accrued expenses and other payables	(4,429)	-	-

3. Classification adjustments

(i) Share of results of associates

Under Deppon's Accounting Policies, Deppon has presented the share of results of associates in "Investment income". According to IAS 1.82(c), an entity shall present the amount of share of result of an associate as a separate line item in the consolidated statements of profit or loss. Therefore, the share of results of associates have been reclassified to "Share of results of associates and joint ventures".

(ii) Finance costs, other finance charges and interest income

Under Deppon's Accounting Policies, Deppon has presented and net off bank charges, net foreign exchange losses and interest income in "Finance costs". According to IFRS 7.20, an entity shall present the amount of interest income from financial assets that are measured at amortised cost or measured at fair value through other comprehensive income in the statements of profit or loss or in the notes separately. In addition, bank charges and net foreign exchange losses do not fall into the scope of the definition of finance costs and shall be presented as an expense other than "Finance costs".

Had Deppon adopted the Group's Accounting Policies, interest income have been reclassified to "Finance income", and bank charges and net foreign exchange losses have been reclassified to "Other income, gains/(losses), net".

(iii) Taxes and surcharges

Under Deppon's Accounting Policies, Deppon has presented the taxes and surcharges as separate line item in the consolidated statements of profit or loss, while the Group presents the taxes and surcharges within "Cost of revenue". Therefore, the taxes and surcharges have been reclassified to "Cost of revenue".

(iv) Monetary funds and term deposits

Under Deppon's Accounting Policies, Deppon has presented restricted cash, interest receivables as well as cash and cash equivalents within "Monetary funds", and presented term deposits with maturity over three months in "Other current assets". According to IAS 1.55, an entity shall present additional line items in the consolidated statements of financial position when such presentation is relevant to an understanding of an entity's financial position. Since restricted cash, term deposits with maturity over three months and interest receivables did not fall in the scope of the definition of an item of cash and cash equivalent in accordance with IAS 7.7, the restricted cash, term deposits, and cash and cash equivalents have been presented separately in the consolidated statements of financial position, and the interest receivables have been reclassified to "Prepayments, other receivables and other assets".

(v) Land use rights and leasehold improvement

Under the Deppon's Accounting Policies, Deppon has presented land use rights in "Intangible assets" and leasehold improvement in "Long-term deferred expenses", respectively. According to IAS 16.6, tangible assets that are held for use in the production or supply of goods or services and are expected to be used during more than one period shall be presented as "Property and equipment", therefore, leasehold improvement has been reclassified from "Long-term deferred expenses" to "Property and equipment". Under the Group's Accounting Policies, the land use rights shall be presented in "Right-of-use assets", therefore such land use rights have been reclassified from "Intangible assets" to "Right-of-use assets".

(vi) Interest in associates

Under Deppon's Accounting Policies, Deppon has presented investments in associates in "Long-term equity investments". According to IAS 1.54(c), an entity shall present the investments accounted for using the equity method as a separate line item in the consolidated statements of financial position. Therefore, the investments in associates have been reclassified to "Interest in associates".

(vii) Income tax

Under Deppon's Accounting Policies, Deppon has presented current tax payable and other domestic tax payable or levies in "Taxes payables". According to IAS 12.5, current tax is the amount of income tax recoverable/payable in respect of the taxable profit for a period. Since other domestic tax payable or levies are not arisen from the taxable profit, such liabilities shall be presented in "Accrued expenses and other payables" under the Group's Accounting Policies and presentation. Therefore, the current tax payable and other domestic tax payable or levies in "Taxes payables" have been reclassified to "Tax liabilities" and "Accrued expenses and other payables", respectively.

(viii) Factoring receivables

Deppon has presented factoring receivables in "Other current assets" for the year ended December 31, 2020, but presented such factoring receivables as a separate line item in the consolidated statement of financial position for the year ended December 31, 2019. According to IAS 1.55, an entity shall present additional line items in the consolidated statement of financial position when such presentation is relevant to an understanding of an entity's financial position. Therefore, the factoring receivables have been reclassified to "Factoring receivables".

(ix) Non-current borrowings due within one year

Under Deppon's Accounting Policies, Deppon has presented current portion of non-current borrowings, such as short-term commercial paper and lease liabilities in "Non-current liabilities due within one year". According to IAS 1.55, an entity shall present additional line items in the consolidated statement of financial position when such presentation is relevant to an understanding of the entity's financial position. Therefore, the short-term commercial paper and the current portion leases liabilities have been reclassified to "Borrowings" and "Lease liabilities" under current liabilities, respectively.

4. Presentation adjustments

These adjustments for each of the Relevant Periods are presentation adjustments to bring in line the Deppon Historical Financial Information with the Group's consolidated financial statements presentation as if they are prepared under the Group's Accounting Policies.

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**(I) Basis of preparation**

The unaudited pro forma financial information presented below is prepared to illustrate the impact of the consolidated statement of assets and liabilities of JD Logistics, Inc. (the “**Company**”), its subsidiaries and consolidated affiliated entities (collectively referred to as the “**Group**”), Deppon Logistics Co., Ltd. and its subsidiaries (“**Deppon Group**”) and certain amount due from Founding Vendors (as defined in the section headed “Definitions” in this circular), bank borrowings, and tax obligation of Ningbo Meishan Baoshui Area Deppon Investment Holding Company Limited (“**Deppon Holdco**”) (together with the Group and Deppon Group collectively referred to as the “**Enlarged Group**”), as if the Group’s proposed acquisition of equity interest in Deppon Holdco upon the completion of (a) transfer of 4,587,420 and 762,755 Target Shares (as defined in the section headed “Definitions” in this circular) for consideration of RMB438,684,190.58 and RMB72,940,467.58, respectively, pursuant to the First Instalment (as defined in the section headed “Letter from the Board” in this circular) under the Founding Vendors Agreement (as defined in the section headed “Definitions” in this circular), (b) transfer of 1,452,974 Target Shares for consideration of RMB138,944,488 pursuant to the MVA First Instalment (as defined in the section headed “Letter from the Board” in this circular) under the Management Vendors Agreement (as defined in the section headed “Definitions” in this circular), and (c) transfer of 46,295,323 Target Shares for consideration of RMB4,427,112,908.38 pursuant to the Minority Vendors Agreements (as defined in the section headed “Definitions” in this circular) (the “**Proposed Transactions**”), had been completed on December 31, 2021 (the “**Completion**”). Upon the Completion, the Group would be able to control approximately 99.99% equity interest in Deppon Holdco (represents approximately 66.50% equity interest in Deppon Group) through the Agreements (as defined in the section headed “Definitions” in this circular), the Entrustment Agreement, the Second Instalment Pledge and the Third Instalment Pledge (as defined in the section headed “Letter from the Board” in this circular).

The unaudited pro forma financial information of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules and is for the purpose of illustrating the effect of the Proposed Transactions as if the Proposed Transactions had been completed on December 31, 2021.

The unaudited pro forma financial information of the Enlarged Group is prepared based on (i) the audited consolidated statement of financial position of the Group as of December 31, 2021 as extracted from the published annual report of the Group for the year ended December 31, 2021, and (ii) the audited consolidated statement of financial position of Deppon Group as of December 31, 2021 as extracted from the published annual report of Deppon Group for the year ended December 31, 2021, after making line-by-line reconciliations to address the differences in Deppon Group’s financial statement had it been prepared in accordance with the Group’s accounting policies under IFRS (as defined in the section headed “Definitions” in this circular) as set out in Appendix IIIA to this circular, after making pro forma adjustments relating to the Proposed Transactions that are (i) directly attributable to the Proposed Transactions and (ii) factually supportable, as if the Proposed Transactions had been completed on December 31, 2021.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated statement of assets and liabilities of the Enlarged Group as of December 31, 2021 or at any future date had the Proposed Transactions been completed.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the reconciliation statements of Deppon Group as set out in Appendix IIIA to this circular and the audited financial information of the Group contained in the published annual report of the Group for the year ended December 31, 2021.

Prior to the Business Disposal (as defined in the section headed “Definitions” in this circular), Deppon Holdco also owns the Excluded Business (as defined in the section headed “Definitions” in this circular). However, the Acquisition (as defined in the section headed “Definitions” in this circular) does not include the transfer of the Excluded Business, and pursuant to the Business Disposal Agreement (as defined in the section headed “Definitions” in this circular), all rights of income, dispositions, obligations, liabilities and losses under the Excluded Business to be divested shall be deemed to have been fully transferred to the Founding Vendors from the date of the Business Disposal Agreement, and all profits and losses arising therefrom shall be enjoyed and borne by the Founding Vendors. It was the intention of the Group and the Founding Vendors to dispose of the Excluded Business as soon as practicable, and after the Business Disposal, Deppon Holdco will be an investment holding company of Deppon Group only and will not be engaged in any other businesses.

For those subsidiaries under the Excluded Business, the Group considers that it has no power, no exposures, nor rights to variable returns from involvement of their business operations pursuant to the Business Disposal Agreement. Further, the Group also does not have any ability to affect the amount of the Group’s returns from the aforesaid subsidiaries. Therefore, the Group considers that the control of these subsidiaries will not be obtained through the Acquisition, thus the financial information of these subsidiaries under the Excluded Business will not be consolidated into the consolidated financial statements of the Enlarged Group after the Completion.

Further, the Group also considers that it has no control over and is not expected to enjoy the future benefits of the excluded assets remaining within Deppon Holdco from the date of the Business Disposal Agreement. However, for certain bank borrowings and tax obligations remained under Deppon Holdco, Deppon Holdco has no unconditional right to avoid delivering cash to settle the contractual or tax obligations if request has been raised by the creditors or based on tax regulations. These liabilities will be fully settled with the Founding Vendors as soon as practicable pursuant to the Business Disposal Agreement. Accordingly, a receivable amount due from Founding Vendors is recorded under “prepayments, other receivables and other assets”. Such bank borrowings, tax obligations and amount due from Founding Vendors were recorded as pro forma adjustment to the consolidated statement of assets and liabilities of the Enlarged Group.

(II) Unaudited Pro Forma Financial Information of the Enlarged Group

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as of December 31, 2021 is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (’000) except when otherwise indicated.

	The Group as of December 31, 2021 <i>(Audited)</i> RMB’000 Note 1	Deppon Group as of December 31, 2021 <i>(Unaudited)</i> RMB’000 Note 2	Adjusted financial information of Deppon Holdco RMB’000 Note 3	Security deposit in relation to the mandatory general offer RMB’000 Note 4	Subsequent settlement arrangement in relation to the transaction RMB’000 Note 5	Unaudited Pro forma adjustments Recognition of unaudited pro forma fair value adjustment as of December 31, 2021 RMB’000 Note 6	Elimination of intercompany balances between the Group and Deppon Group RMB’000 Note 7	Estimated costs and expenses in respect of the Proposed Transactions RMB’000 Note 8	The Enlarged Group as of December 31, 2021 <i>(Unaudited)</i> RMB’000 Note 9
ASSETS									
Non-current assets									
Property and equipment	8,875,146	5,095,526	-	-	-	-	-	-	13,970,672
Right-of-use assets	14,699,396	2,476,045	-	-	-	132,407	-	-	17,307,848
Goodwill	1,499,142	-	-	-	-	4,732,493	-	-	6,231,635
Other intangible assets	2,458,116	112,254	-	-	-	2,020,140	-	-	4,590,510
Interests in associates	140,445	193,525	-	-	-	-	-	-	333,970
Interests in joint ventures	15,266	-	-	-	-	-	-	-	15,266
Financial assets at fair value through profit or loss	1,527,296	38,556	-	-	-	-	-	-	1,565,852
Financial assets at fair value through other comprehensive income	-	1,782,444	-	-	-	-	-	-	1,782,444
Deferred tax assets	87,788	202,874	-	-	-	-	-	-	290,662
Prepayments, other receivables and other assets	2,091,606	305,690	-	728,800	-	-	-	-	3,126,096
Total non-current assets	31,394,201	10,206,914	-	728,800	-	6,885,040	-	-	49,214,955
Current assets									
Inventories	683,168	21,536	-	-	-	-	-	-	704,704
Trade receivables	12,164,028	2,199,577	-	-	-	-	(2,308)	-	14,361,297
Contract assets	113,685	-	-	-	-	-	-	-	113,685
Prepayments, other receivables and other assets	3,519,000	1,877,666	878,314	-	-	-	-	-	6,274,980
Financial assets at fair value through profit or loss	2,577,978	85,000	-	-	-	-	-	-	2,662,978
Term deposits	8,412,913	70,817	-	-	-	-	-	-	8,483,730
Restricted cash	7,316	21,406	-	-	-	-	-	-	28,722
Cash and cash equivalents	17,922,779	1,140,314	-	(728,800)	-	(4,877,682)	-	-	13,456,611
Total current assets	45,400,867	5,416,316	878,314	(728,800)	-	(4,877,682)	(2,308)	-	46,086,707
Total assets	76,795,068	15,623,230	878,314	—	—	2,007,358	(2,308)	—	95,301,662

APPENDIX IIIB

UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP

	The Group as of December 31, 2021 <i>(Audited)</i> RMB'000 Note 1	Deppon Group as of December 31, 2021 <i>(Unaudited)</i> RMB'000 Note 2	Adjusted financial information of Deppon Holdco RMB'000 Note 3	Security deposit in relation to the mandatory general offer RMB'000 Note 4	Subsequent settlement arrangement in relation to the transaction RMB'000 Note 5	Unaudited Pro forma adjustments Recognition of unaudited pro forma fair value adjustment as of December 31, 2021 RMB'000 Note 6	Elimination of intercompany balances between the Group and Deppon Group RMB'000 Note 7	Estimated costs and expenses in respect of the Proposed Transactions RMB'000 Note 8	The Enlarged Group as of December 31, 2021 <i>(Unaudited)</i> RMB'000 Note 9
LIABILITIES									
Non-current liabilities									
Borrowings	-	700	-	-	-	-	-	-	700
Lease liabilities	9,409,162	979,845	-	-	-	-	-	-	10,389,007
Equity instruments with preference rights	631,014	-	-	-	-	-	-	-	631,014
Deferred tax liabilities	720,178	618,707	-	-	-	538,137	-	-	1,877,022
Other non-current liabilities	1,100,000	80,334	-	-	527,995	444,617	-	-	2,152,946
Total non-current liabilities	11,860,354	1,679,586	-	-	527,995	982,754	-	-	15,050,689
Current liabilities									
Trade payables	6,772,692	2,807,430	-	-	-	-	(2,308)	-	9,577,814
Contract liabilities	125,638	78,994	-	-	-	-	-	-	204,632
Accrued expenses and other payables	11,044,538	1,193,785	7,182	-	-	3,653,554	-	14,896	15,913,955
Advances from customers	723,009	4,517	-	-	-	-	-	-	727,526
Borrowings	-	2,745,121	871,132	-	-	-	-	-	3,616,253
Lease liabilities	5,763,509	909,167	-	-	-	-	-	-	6,672,676
Payables to interest holders of consolidated investment funds	46,145	-	-	-	-	-	-	-	46,145
Tax liabilities	70,050	56,710	-	-	-	-	-	-	126,760
Total current liabilities	24,545,581	7,795,724	878,314	-	-	3,653,554	(2,308)	14,896	36,885,761
Total liabilities	36,405,935	9,475,310	878,314	-	527,995	4,636,308	(2,308)	14,896	51,936,450
Net assets	40,389,133	6,147,920	-	-	(527,995)	(2,628,950)	-	(14,896)	43,365,212

(III) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as set out in the published annual report of the Group for the year ended December 31, 2021.
2. The amounts are incorporated by reference to Appendix IIIA to the circular, which are extracted from the audited consolidated statement of financial position of Deppon Group as set out in the published annual report of Deppon Group for the year ended December 31, 2021, after making line-by-line reconciliations to address the differences in Deppon Group's financial statement had it been prepared in accordance with the Group's accounting policies under IFRS.
3. As stated in the basis of preparation, for bank borrowings of RMB871,132,000 and accrued expenses and other payables of RMB7,182,000 remained under Deppon Holdco, as Deppon Holdco has no unconditional right to avoid delivering cash to settle the contractual or tax obligations if request has been raised by the creditors or based on tax regulations, such borrowings of RMB871,132,000 and accrued expenses and other payables of RMB7,182,000 are recorded as pro forma adjustment to the consolidated statement of assets and liabilities of the Enlarged Group. These liabilities will be fully settled with the Founding Vendors as soon as practicable pursuant to the Business Disposal Agreement. Accordingly, a receivable amount due from Founding Vendors of RMB878,314,000 is recorded under "prepayments, other receivables and other assets".

The preparation of the unaudited pro forma financial information of the Enlarged Group is based on the assumption that there will be no contingent liabilities or other financial liabilities other than the above mentioned bank borrowings of RMB871,132,000 and accrued expenses and other payables of RMB7,182,000 under the Excluded Business.

4. This amount is a security deposit of RMB728,800,000 placed by the Group to the bank account designated by China Securities Depository and Clearing Corporation Limited. As Deppon Group is listed on the Shanghai Stock Exchange, subject to the satisfaction of the conditions set out in the Agreements and the Completion, the Group was required under the relevant rules of the PRC authorities to make a mandatory general offer for Deppon Offer Shares (as defined in the section headed "Definitions" in this circular) and place a security deposit of RMB728,800,000, which is expected to be utilised or recovered subsequently.
5. This adjustment represents the written put option over Deppon Shares (as defined in the section headed "Definitions" in this circular) of RMB527,995,000 which represents the present value of the amount payable to Mr. WX Cui in the event that he exercises his put rights over the 43,009,184 Deppon Shares to the Group pursuant to the Option Agreement (as defined in the section headed "Letter from the Board" in this circular).
6. Upon the Completion, the identifiable assets acquired and liabilities assumed of the Target Group (as defined in the section headed "Definitions" in this circular) will be accounted for at their fair value under the acquisition method of accounting in accordance with IFRS 3 (revised) *Business Combinations*.

For the purpose of the preparation of the unaudited pro forma consolidated statement of assets and liabilities, the adjustment represents the inclusion of unaudited pro forma fair value adjustments resulted from the allocation of the unaudited pro forma purchase price allocation to the Target Group's identifiable assets acquired and liabilities assumed ("PPA Valuation"), as if the Proposed Transactions had been taken place on December 31, 2021.

The unaudited pro forma purchase price allocation to the identifiable assets and liabilities of the Target Group has been determined based on a valuation carried out by the management with the

assistance from Kroll (HK) Limited, formerly known as D&P China (HK) Limited, an independent firm of professional valuers not connected with the Group or the Target Group, with respect to the fair value of assets to be acquired and liabilities to be assumed as if the Proposed Transactions had been taken place on December 31, 2021. For the purpose of preparing the unaudited pro forma consolidated statement of assets and liabilities, the directors of the Company assumed that apart from the assets and liabilities subject to the unaudited pro forma fair value adjustments stated in note ii and note iii below, the unaudited pro forma fair values of the remaining identifiable assets and liabilities of the Target Group are approximate to their respective carrying amounts as of December 31, 2021.

	<i>RMB'000</i>
Consideration ⁽ⁱ⁾	8,975,853
Carrying amount of net assets acquired before fair value adjustments	(6,149,664)
Unaudited pro forma fair value adjustments to land use rights ⁽ⁱⁱ⁾	(132,407)
Unaudited pro forma fair value adjustments to other intangible assets ⁽ⁱⁱⁱ⁾	(2,020,140)
Deferred tax liabilities arising from unaudited pro forma fair value adjustment to land use rights and other intangible assets ^(iv)	538,137
Non-controlling interests ^(v)	<u>3,520,714</u>
Goodwill arising from the Proposed Transactions ^(vi)	<u>4,732,493</u>

- (i) This amount represents total cash consideration for acquiring approximately 99.99% of the Target Shares (represents approximately 66.50% equity interest in Deppon Group), which includes cash consideration of RMB5,077,682,000 for acquiring approximately 56.56% of the Target Shares during the first instalment and cash consideration of RMB3,898,171,000 for acquiring approximately 43.43% of the Target Shares during the second and third instalments.

Pursuant to the Founding Vendors Agreement, the Group and the Founding Vendors agreed to withhold RMB200,000,000 from the consideration of the First Instalment at the First Instalment Completion (as defined in the section headed “Letter from the Board”) and use it as a security deposit to cover any liabilities and expenses arising from the Business Disposal and the Excluded Business. Accordingly, RMB200,000,000 of cash consideration payable is recorded under “other non-current liabilities” as of December 31, 2021 in preparation of the unaudited pro forma financial information of the Enlarged Group.

As of December 31, 2021, deferred consideration payment for acquisition of the Target Shares in the amount of RMB3,653,554,000 for the second instalment was recorded under “accrued expenses and other payables”, and RMB244,617,000 for the third instalment was recorded under “other non-current liabilities”.

- (ii) The unaudited pro forma fair value adjustment is to record the appreciation in the fair value of land use rights of RMB132,407,000 as of December 31, 2021.
- (iii) The unaudited pro forma fair value adjustments to other intangible assets mainly related to customer relationship, trademark and the associated technology, patents and application (“technology”).

By the end of 2021, Deppon Group had approximately 220 thousand contractual active customers, which accounted for approximately 68% of total revenue. The unaudited pro forma fair value of customer relationship of Deppon Group is estimated at RMB7,912,000 based on excess earnings method.

Deppon Group’s trademark is recognizable within the industry. Deppon Group has established a good brand image and reputation because it focuses on the importance of customer experience. The pro forma fair value is estimated at RMB1,420,959,000 based on relief-from royalty method.

The unaudited pro forma fair value of technology which supporting daily operation and business activities is estimated at RMB591,269,000 based on relief-from royalty method.

- (iv) Deferred tax liabilities are recognised at 25% arising from the future taxable temporary differences in relation to the increase in fair value and recognition of the Target Group’s right of use assets, and other intangible assets upon completion of Proposed Transactions.

- (v) Fair value method is elected by the Group in measuring the non-controlling interests on the acquisition date, which is calculated based on the closing price of Deppon Group's shares as of December 31, 2021 that were publicly traded as if the Proposed Transactions had been completed on that date.
- (vi) Goodwill is measured as the excess of the sum of the consideration transferred and the amount of non-controlling interests in the Target Group over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date, had the Proposed Transactions been completed on December 31, 2021.

In assessing impairment on goodwill arising from acquisition of the Target Group as of December 31, 2021, the Group has estimated the recoverable amount of the Target Group using the value-in-use calculation of the group of cash-generating units containing goodwill as of December 31, 2021, and have assessed that no impairment of goodwill is considered necessary as of December 31, 2021.

The estimation of the value-in-use calculation has been made based on future cash flows expected to arise from a group of cash-generating units and a suitable discount rate in order to calculate the present value. Due to the nature of the forecast and the subjectivity and uncertainty of certain assumptions and inputs adopted in the model, the value of the recoverable amounts may change subject to variation in these assumptions, for example, the revenue growth rate and discount rate. If actual future cash flows are less than expected, a material impairment loss may arise.

Since the fair value of the identifiable net assets of the Target Group at the date of the actual completion of the Proposed Transactions may be substantially different from current fair value adjustment estimated in the unaudited pro forma information of the Enlarged Group, the amounts of the fair value adjustments, corresponding deferred tax impact, fair value of the non-controlling interests and goodwill recognised at the actual completion date of the Proposed Transactions may be different from the amounts presented above.

7. The adjustment represents the elimination of intercompany balances arising from logistics services provided by Deppon Group to the Group as of December 31, 2021.
8. The adjustment represents the recognition of estimated transaction expenses, such as legal and professional fees, of approximately RMB14,896,000 incurred that directly attributable to the Proposed Transactions. The amount is expected to be remained as payable as of the Completion date, and is subject to change upon the actual completion of the Proposed Transactions.
9. Apart from the adjustments above, no other adjustments have been made to the unaudited pro forma financial information of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to December 31, 2021.

**B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO
FORMA FINANCIAL INFORMATION****To the Directors of JD Logistics, Inc.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of JD Logistics, Inc. (the “**Company**”), its subsidiaries and consolidated affiliated entities (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as of December 31, 2021 and related notes as set out on pages IIIB-1 to IIIB-7 of Appendix IIIB of the circular issued by the Company dated June 30, 2022 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IIIB-1 to IIIB-2 of Appendix IIIB of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of equity interest in the Ningbo Meishan Baoshui area Deppon Investment Holding Company Limited (the “**Proposed Transactions**”) on the Group’s financial position as of December 31, 2021 as if the Proposed Transactions had taken place at December 31, 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s consolidated financial statements for the year ended December 31, 2021, on which an auditor’s report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting

accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction on December 31, 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong,
June 30, 2022

MANAGEMENT DISCUSSION AND ANALYSIS OF THE DEPPON

Financial information (including the management discussion and analysis) of the Deppon for the financial years ended December 31, 2019, 2020 and 2021 is disclosed in the annual reports of the Deppon for the three years ended December 31, 2019, 2020 and 2021 which are available at the website of the Shanghai Stock Exchange (www.sse.com.cn).

The following discussion and analysis are prepared based on the information disclosed in the said annual reports of the Deppon and should be read in conjunction with the financial information of the Deppon for the years ended December 31, 2019, 2020 and 2021, as set out in Appendix II to this circular as extracted from the respective annual reports of the Deppon.

Business Overview

The Deppon Holdco is a company established under the laws of the PRC and is an investment holding company of Deppon. As at the date of the Agreements, it holds approximately 66.50% issued share capital of Deppon. Deppon is a company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 603056). Deppon is an integrated, customer-centered logistics company providing a wide range of solutions including Less-Than-Truckload (LTL) transportation, Full Truck Load (FTL) transportation, delivery services, and warehousing management. For further information of the Target Group, please refer to “Information of the Target Group” in this circular.

Liquidity, financial resources and capital structure

The following table sets forth a summary of the Deppon’s financial position as at the dates indicated below:

	December 31, 2019	December 31, 2020	December 31, 2021
	(audited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	4,015,951.34	4,894,690.05	10,254,871.95
Current assets	5,062,030.45	5,296,572.06	5,416,315.78
Total assets	9,077,981.78	10,191,262.11	15,671,187.73
Non-current liabilities	356,779.63	442,886.22	1,679,585.66
Current liabilities	4,665,529.99	5,124,557.00	7,795,724.53
Total liabilities	5,022,309.61	5,567,443.22	9,475,310.19

Asset position

At the end of 2019, 2020 and 2021, Deppon’s total assets amounted to RMB9,077,981,782.54, RMB10,191,262,107.34 and RMB15,671,187,730.83, respectively. In 2021, to better support its long-term business development, Deppon increased the capital investment in sorting equipment, transportation vehicles, transit sites, etc., resulting in the significant improvement of its total assets.

At the end of 2019, 2020 and 2021, the net assets of Deppon amounted to RMB4,055,672,170.27, RMB4,623,818,886.32 and RMB6,195,877,537.84, respectively. The net assets of the Deppon increased by 34.00% year-on-year in 2021, mainly because: (1) Deppon received the investment in cash from a specific investor, Yunda Holding (韻達控股股份有限公司), which increased the equity by RMB604 million; (2) Deppon held a 4.5% equity interest in Eastern Air Logistics (東方航空物流股份有限公司) for strategic purposes at a cost of RMB205 million, which was accounted for as an investment in other equity instruments at fair value through other comprehensive income in accordance with accounting standards, with a fair value of RMB1,563 million as of the end of the 2021, resulting in an after-tax other comprehensive income of RMB1,019 million. Deppon’s asset-liability ratio was 55.32%, 54.63% and 60.46%, respectively. Overall, Deppon had a reasonable and sound asset and liability structure, and strong solvency.

Total bank balances and cash

The carrying amount of the total bank balances and cash (including the pledged bank deposits) as at December 31, 2019, 2020 and 2021 was RMB1,498,538,666.57, RMB1,387,410,212.80 and RMB1,232,536,954.31 , respectively.

Bank and other borrowings

As at December 31, 2019, 2020 and 2021, the bank and other borrowings of the Deppon amounted to RMB1,161,851,548.42, RMB1,169,253,523.67 and RMB2,444,061,999.77, respectively; all bank and other borrowings of the Deppon were denominated in RMB. As at December 31, 2019 and 2020 and 2021, the bank and other borrowings due within one year were RMB1,161,851,548.42, RMB1,169,253,523.67 and RMB2,443,361,999.77, respectively (lease liability is presented separately).

Property and equipment

As at December 31, 2019, 2020 and 2021, the carrying amount of the property and equipment was RMB2,643,241,926.51, RMB3,374,000,819.27 and RMB4,660,987,742.25, respectively.

Gearing ratio

As at December 31, 2019, 2020 and 2021, the gearing ratio (calculated as a percentage of total bank and other borrowings to total equity) was 28.65%, 25.29% and 39.45%, respectively.

Current ratio

As at December 31, 2019, 2020 and 2021, the current ratio (calculated as a percentage of the current assets to current liabilities) was 108.50%, 103.36% and 69.48%, respectively.

Revenue

In 2019, 2020 and 2021, the revenue of Deppon is reported RMB25,922,101,314.82, RMB27,503,446,481.61 and RMB31,359,068,083.26, respectively. Deppon's revenue was in a stable growth trend. The breakdown of revenue is as follows:

	2019 RMB'000	2020 RMB'000	2021 RMB'000
Express delivery	14,667,092.43	16,662,387.92	19,733,274.22
Freight delivery	10,745,773.08	10,047,552.71	10,678,158.79
Other services	509,235.80	793,505.85	947,635.07

Cost of revenue

In 2019, 2020 and 2021, Deppon's cost of revenue was RMB23,348,702,448.46, RMB24,295,988,647.16 and RMB28,027,652,588.95, respectively. In 2021, the cost of revenue increased by 15.36% year-on-year. This was primarily because:

(1) Deppon carried out a round of extensive salary increases for basic operators at the end of 2020, and during the period, Deppon implemented changes to the end network and established a heavy cargo division to take over some functions of inefficient business department, and there were personnel redundancies and temporary low per capita efficiency of new heavy cargo couriers in the transformation process, and labor costs for the period increased significantly; (2) the transportation costs rose amid a

year-over-year average increase in oil prices of more than 20%; and (3) based on the long-term development strategy, Deppon continued to increase capital investments in sorting equipment, transportation vehicles, etc., which in turn increased the amount of depreciation and amortization for the period, but with the wider application of field automation technology equipment, the number of personnel can be reduced while the efficiency of field operators improved and labor costs reduced.

Expenses

In 2019, 2020 and 2021, Deppon's expenses, which included selling and marketing expenses, research and development expenses, and general and administrative expenses, amounted to RMB2,312,592,962.60, RMB2,720,324,893.53 and RMB3,327,394,534.01, respectively. In 2021, Deppon's expenses increased by 22.32% year-on-year, mainly because the logistics industry is a labor-intensive industry, and Deppon insisted on the self-operated-based business model, which is oriented to the middle and high-end customer groups, thus the strong control over each link is crucial. To give full play to the advantages of the control ability of the self-operated model and drive the front-end operation optimization through back-end management, Deppon increased the investment in back-end function resources since the second half of 2020. In addition to the salary increase of basic function personnel, Deppon formulated a training plan for high potentials, and guided middle and senior managers of functions with insufficient business experience to go to the front line for training. More comprehensive talents were cultivated through zigzag development, eliminating the gap between business and functional departments and enhancing the quality of talents. In the second half of 2021, with a solid talent base, Deppon has effectively controlled the increase in overhead expenses through organization and process optimization.

Net profit

The Deppon recorded profit before income tax of RMB413,680,900.34, RMB736,176,531.63 and RMB171,223,408.73 for the years ended December 31, 2019, 2020 and 2021, respectively. The Deppon recorded net profit of RMB323,632,050.21, RMB565,137,241.72 and RMB142,352,731.36 for the years ended December 31, 2019, 2020 and 2021, respectively.

The 74.81% year-over-year decline in net profit in 2021 was mainly due to the impact of the external environment and internal business strategy adjustments. In terms of the external environment, the overall macroeconomic environment faced downward pressure and competition in the field of bulky transportation intensified, slowing down the growth rate of Deppon's revenue. In addition, the high oil prices throughout the year had a negative impact on profits. In terms of internal strategy, Deppon continued to increase resources based on the long-term layout, and costs and expenses were under pressure in phases: the collection and delivery segment builds a new heavy cargo division with higher efficiency to gradually replace the traditional inefficient business department; the sorting segment continued to increase the proportion of automation in transit sites to expand the sorting capacity and the long-term development potential of the business; the transportation segment increased its capacity to ensure the transportation timeliness and improve the customer experience; in terms of back office functions, Deppon developed and implemented a series of talent training programs from the second half of 2020 to the first half of 2021 in order to promote the upgrade of organizational talents, during which general and administrative expenses increased.

With the orderly implementation of the above-mentioned initiatives, the effects have gradually emerged. At the last segment of the chain, the heavy cargo division with higher efficiency, lower cost and better service has begun to gradually replace some inefficient business outlets. At the transportation segment, measures such as upgrading own capacity have better hedged the impact of external factors such as rising oil prices, and the quality of time and efficiency management of the whole chain has steadily improved. Through process optimization and lean management, Deppon realized notable results on the control over other costs. In summary, in the fourth quarter of 2021, Deppon's comprehensive gross

margin improved. In terms of expenses, based on the substantial improvement in talent quality, Deppon began to gradually improve the management efficiency of back-office personnel through optimization of the organization and process in the second half of the year, and the general and administrative expense ratio showed a qualitative decrease.

Employment and remuneration policies

The Deppon had approximately 82,791, 79,298 and 71,773 employees as at December 31, 2019, 2020 and 2021, respectively. The Deppon remunerated their employees by reference to their qualifications, experiences, responsibilities and profitability of the Deppon.

Significant investments held and future plans for material investments

As at December 31, 2019, 2020 and 2021, the Deppon held a 4.5% equity interest in Eastern Air Logistics (東方航空物流股份有限公司) for strategic purposes at a cost of RMB205 million, which was accounted for as an investment in other equity instruments at fair value through other comprehensive income in accordance with accounting standards, with a fair value of RMB1,563 million as of the end of 2021, resulting in an after-tax other comprehensive income of RMB1,019 million.

Foreign exchange exposure

The Deppon has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB, the functional currency of the Deppon's group entities. The Deppon currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Deppon monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

Acquisitions and disposals

In September 2019, Deppon acquired 100% equity of 德易商業保理(深圳)有限公司 (Deyi Commercial Factoring (Shenzhen) Co., Ltd., "Deyi") with an initial investment cost of RMB36,402,000. Deyi is mainly engaged in factoring business. In March 2021, Deyi was de-registered based on the strategic plan of the Deppon. Deyi has not exerted significant influence on the overall operation and operating results of the Deppon.

Segment information

For the years ended December 31, 2019, 2020 and 2021, Deppon has only one reportable segment.

Charges on assets

As at December 31, 2019, 2020 and 2021, the carrying amount of assets pledged by the Deppon as security for bank and other borrowings amounted to RMB40,110,000.00, RMB17,654,729.61 and RMB56,134,894.92, respectively.

Contingent liabilities

As at December 31, 2019, 2020 and 2021, the Deppon did not have any material contingent liabilities.

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

To the best of the knowledge of the Directors, as at the Latest Practicable Date, the following Director had interests in the Shares (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) of the Company which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which he was taken or deemed to have under such provisions of the SFO); (ii) entered in the register referred to in section 352 of the SFO pursuant thereto; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as adopted by the Company:

Interest in the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate% of holding ⁽¹⁾
Yui Yu (余睿)	Beneficial owner ⁽²⁾	5,900,000(L)	0.09
Richard Qiangdong Liu (劉強東)	Beneficial owner ⁽²⁾ ; Interest in a controlled corporation ⁽³⁾	4,291,457,805(L)	65.06
Nora Gu Yi Wu (顧宜)	Beneficial owner ⁽⁴⁾	21,859(L)	0.00
Carol Yun Yau Li (李恩祐)	Beneficial owner ⁽⁴⁾	21,859(L)	0.00
Liming Wang (王利明)	Beneficial owner ⁽⁴⁾	20,056(L)	0.00

Notes:

- (1) The percentages are calculated on the basis of 6,596,381,772 Shares in issue as at the Latest Practicable Date.
- (2) The beneficial ownership of the Directors listed here is pursuant to the exercise of options granted to them under the Pre-IPO ESOP (as defined in the Prospectus), subject to the conditions (including vesting conditions) of those options.
- (3) Jingdong Technology Group Corporation, which holds 4,192,271,100 Shares, is wholly-owned by JD.com. As of the Latest Practicable Date, Mr. Richard Qiangdong Liu is interested in approximately 74.1% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings, further details of which are set out in the section headed “Relationship with our Controlling Shareholders” in the Prospectus.
- (4) The beneficial ownership of the Directors listed here is pursuant to the vesting of the award shares granted to them under the Post-IPO Share Award Scheme (as defined in the Prospectus), subject to the conditions (including vesting conditions) of those award shares.
- (5) (L) denotes a long position in the Shares.

Interest in the underlying shares of associated corporations of the Company

The Company has been granted (i) a certificate of exemption from strict compliance with Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO) to the directors or chief executives of

the Company who is/are also a director or chief executive of JD.com (the “**Common Directors/Chief Executives**”) with respect to their disclosure of interest, and short positions, in any shares in JD.com and associated corporations of the Company which are subsidiaries of JD.com (“**Associated Corporations**”), and (ii) a waiver from strict compliance with Practice Note 5 and paragraphs 41(4) and 45 of Part A of Appendix 1 to the Listing Rules such that the Common Directors/Chief Executives will not be required to disclose their interests and short positions in any shares or underlying shares in the Associated Corporations in accordance with Part XV of the SFO (collectively, the “**DI Waivers**”). Further details regarding the waiver and exemption in relation to disclosure of interests information (including the conditions of such waiver and exemption) are set out in the section headed “Waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance-Waiver and exemption in relation to disclosure of interests information” in the Prospectus.

Except as specifically noted, the following table sets forth the directors’ or chief executives’ beneficial ownership of JD.com’s Class A ordinary shares and Class B ordinary shares as of the Latest Practicable Date.

The calculations in the table below are based on 3,143,389,767 ordinary shares of JD.com outstanding as of the Latest Practicable Date.

Beneficial ownership is determined in accordance with the rules and regulations of the United States Securities and Exchange Commission (“**U.S. SEC**”). In computing the number of shares beneficially owned by a person and the percentage ownership and voting power percentage of that person, JD.com has included shares and associated votes that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares and associated votes, however, are not included in the computation of the percentage ownership of any other person. Ordinary shares held by a shareholder are determined in accordance with JD.com’s register of members.

Directors and Executive Officers	Ordinary Shares Beneficially Owned			% of Beneficial Ownership	% of Average Voting Power [#]
	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares		
Richard Qiangdong Liu (劉強東)	38,834,550 ⁽¹⁾	368,007,423 ⁽¹⁾	406,841,973 ⁽¹⁾	12.9 ⁽¹⁾	74.1 ^{(2) (3)}

Notes:

[#] For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of the Class A ordinary shares and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of the Class B ordinary shares is entitled to 20 votes per share on all matters submitted to them for a vote. JD.com’s Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of JD Shareholders and other matters as may otherwise be required by law. Each Class B ordinary share is convertible at any time by the holder thereof into one Class A ordinary share.

Beneficial ownership information disclosed herein represents direct and indirect holdings of entities owned, controlled or otherwise affiliated with the applicable holder as determined in accordance with the rules and regulations of the U.S. SEC.

(1) Represents (i) 38,834,550 Class A ordinary shares directly held by Max Smart Limited and (ii) 368,007,423 Class B ordinary shares directly held by Max Smart Limited. Max Smart Limited is a British Virgin Islands company beneficially owned by Mr. Richard Qiangdong Liu through a trust and of which Mr. Richard Qiangdong Liu is the sole director. The ordinary shares beneficially owned by Mr. Richard Qiangdong Liu do not include 19,091,634 Class B ordinary shares held by Fortune Rising Holdings Limited, a British Virgin Islands company, as described in footnote (2) below.

- (2) The aggregate voting power includes the voting power with respect to the 19,091,634 Class B ordinary shares held by Fortune Rising Holdings Limited. Mr. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited and he may be deemed to beneficially own the voting power with respect to all of the ordinary shares held by Fortune Rising Holdings Limited in accordance with the rules and regulations of the U.S. SEC, notwithstanding the facts described in note (3) below.
- (3) Fortune Rising Holdings Limited holds the 19,091,634 Class B ordinary shares for the purpose of transferring such shares to the plan participants under JD.com's share incentive plan, and administers the awards and acts according to JD.com's instruction. Fortune Rising Holdings Limited exercises the voting power with respect to these shares according to JD.com's instruction. Fortune Rising Holdings Limited is a company incorporated in the British Virgin Islands. Mr. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited.

The following table lists out the interests of Directors or chief executives (who are not entitled to the DI Waivers) in JD.com, JD Health International Inc. (“**JD Health**”), an associated corporation of the Company that is also a subsidiary of JD.com (i.e. a fellow subsidiary), and China Logistics Property Holdings Co., Ltd. (“**CNLP**”), an associated corporation of the Company that is also a subsidiary of JD.com (i.e. a fellow subsidiary), as of the Latest Practicable Date:

Name of Director	Associated corporation	Nature of Interest	Number of shares / underlying shares	% of interest in associated corporation
Yui Yu (余睿)	JD.com	Beneficial owner	1,107,772(L) ⁽¹⁾	0.04
Xiande Zhao (趙先德)	JD.com	Beneficial owner	661(L)	0.00
Richard Qiangdong Liu (劉強東)	JD Health	Interest in controlled corporation;	2,193,455,829(L) ⁽²⁾	69.01
	CNLP	Beneficial owner Interest in controlled corporation	4,023,202,734(L) ⁽³⁾	115.80 ⁽⁴⁾

Notes:

- (1) These interests comprise of Mr. Yui Yu's entitlement to receive shares in JD.com pursuant to restricted share units under the share incentive plan of JD.com.
- (2) These interests comprise of (i) 2,149,253,732 shares of JD Health directly held by JD Jiankang Limited which is wholly-owned by JD.com, and (ii) 44,202,097 underlying shares of JD Health in respect of the options granted to Mr. Richard Qiangdong Liu. As of the Latest Practicable Date, Mr. Richard Qiangdong Liu is interested in approximately 74.1% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings — further details of which are set out in the section headed “Relationship with our Controlling Shareholders” in the Prospectus.
- (3) These interests comprise of (i) 3,418,044,158 shares of CNLP and (ii) 605,158,576 shares underlying CNLP's convertible bonds listed on the Stock Exchange in long position directly held by JD Property Group Corporation which is owned as to 77.53% by JD.com, all such convertible bonds remain outstanding as at the Latest Practicable Date. As of the Latest Practicable Date, Mr. Richard Qiangdong Liu is interested in approximately 74.1% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings, further details of which are set out in the section headed “Relationship with our Controlling Shareholders” in the Prospectus.
- (4) The above calculation is based on the total number of issued shares of CNLP of 3,474,283,058 as at the Latest Practicable Date.
- (5) (L) denotes a long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

Save for the foregoing, as at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of SFO.

Mr. Richard Qiangdong Liu serves as chairman of the board of JD.com, Inc.. Apart from the foregoing, no director or proposed director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO.

III. DIRECTORS' INTERESTS

(a) Interest in service contracts

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group (excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation)).

(b) Interest in competing business

As at the Latest Practicable Date, none of the Directors or their respective close associate is or was interested in any business apart from the Group's business, that competes or is likely to compete, either directly or indirectly, with the Group's business.

(c) Interest in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since December 31, 2021, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(d) Interests in contract or arrangement

As at the Latest Practicable Date, there is no contract or arrangement subsisting in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

IV. LITIGATION

As at the Latest Practicable Date, no member of the Group was or is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatened by or against any members of the Group.

V. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since December 31, 2021, the date to which the latest published audited financial statements of the Company were made up.

VI. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group and the Target Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) an exclusive business cooperation agreement entered into between Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司) and Xi'an Jingdong Xincheng Information Technology Co., Ltd. (西安京東信成信息技術有限公司) dated January 25, 2021, pursuant to which Xi'an Jingdong Xincheng Information Technology Co., Ltd. (西安京東信成信息技術有限公司) agreed to engage Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司) as its exclusive provider of business support, technical and consulting services in return Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司) shall receive service fees equal to all of the net profit of the Xi'an Jingdong Xincheng Information Technology Co., Ltd. (西安京東信成信息技術有限公司) and its subsidiaries subject to Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司)'s adjustment;
- (b) an exclusive option agreement entered into among Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司), Xi'an Jingdong Xincheng Information Technology Co., Ltd. (西安京東信成信息技術有限公司) and Richard Qiangdong Liu (劉強東), Pang Zhang (張雱) and Yayun Li (李姪雲), dated January 25, 2021, pursuant to which Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司) (for itself or its designated party) is granted an irrevocable and exclusive option to purchase all or part of the equity interest in and assets of Xi'an Jingdong Xincheng Information Technology Co., Ltd. (西安京東信成信息技術有限公司) for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request;
- (c) a loan agreement entered into among Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司) and each of Richard Qiangdong Liu (劉強東), Pang Zhang (張雱) and Yayun Li (李姪雲), dated January 25, 2021, pursuant to which Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司) agreed to provide loans in an aggregate amount of RMB1,000,000 to Richard Qiangdong Liu (劉強東), Pang Zhang (張雱) and Yayun Li (李姪雲), of which RMB450,000 to Richard Qiangdong Liu (劉強東), RMB250,000 to Pang Zhang (張雱) and RMB300,000 to Yayun Li (李姪雲), to be used exclusively to contribute to the registered capital of Xi'an Jingdong Xincheng Information Technology Co., Ltd. (西安京東信成信息技術有限公司);
- (d) a share pledge agreement entered into among Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司), Richard Qiangdong Liu (劉強東), Pang Zhang (張雱) and Yayun Li (李姪雲) and Xi'an Jingdong Xincheng Information Technology Co., Ltd. (西安京東信成信息技術有限公司) dated January 25, 2021, pursuant to which Richard Qiangdong Liu (劉強東), Pang Zhang (張雱) and Yayun Li (李姪雲) agreed to pledge all of their respective equity interests in Xi'an Jingdong Xincheng Information Technology Co., Ltd. (西安京東信成信息技術有限公司) to Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司) as a first priority charge;
- (e) a shareholder's rights entrustment agreement entered into among Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司), Xi'an Jingdong Xincheng Information Technology Co., Ltd. (西安京東信成信息技術有限公司) and Richard Qiangdong Liu (劉強東), Pang Zhang (張雱) and Yayun Li (李姪雲) on January 25, 2021, and an exclusive and irrevocable power of attorney executed by each of Richard Qiangdong Liu (劉強東), Pang Zhang (張雱) and Yayun Li (李姪雲) dated January 25, 2021, whereby Richard Qiangdong Liu (劉強東), Pang Zhang (張雱) and Yayun Li (李姪雲) will appoint Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司) or its designated persons (including director(s) nominated by the board of directors of its offshore holding company, a liquidator or other successor exercising the rights of such director(s)) to exercise all of the rights as the registered shareholders of Xi'an Jingdong Xincheng Information Technology Co., Ltd. (西安京東信成信息技術有限公司);

- (f) an exclusive business cooperation agreement entered into between Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) and Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) dated January 25, 2021, pursuant to which Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) agreed to engage Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) as its exclusive provider of business support, technical and consulting services in return Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) shall receive service fees equal to all of the net profit of Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) and its subsidiaries subject to Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司)'s adjustment;
- (g) an exclusive option agreement entered into among Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司), Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司), Jian Cui (崔建) and Dingkai Yu (禹定凱), dated January 25, 2021, pursuant to which Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) (for itself or its designated party) is granted an irrevocable and exclusive option to purchase all or part of the equity interest in and assets of Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request;
- (h) a loan agreement entered into among Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) and each of Jian Cui (崔建) and Dingkai Yu (禹定凱), dated January 25, 2021, pursuant to which Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) agreed to provide loans in an aggregate amount of RMB5,000,000 to Jian Cui (崔建) and Dingkai Yu (禹定凱), of which RMB2,500,000 to Jian Cui (崔建) and RMB2,500,000 to Dingkai Yu (禹定凱), to be used exclusively to contribute to the registered capital of Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司);
- (i) a share pledge agreement entered into among Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司), each of Jian Cui (崔建) and Dingkai Yu (禹定凱) and Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) dated January 25, 2021, pursuant to which Jian Cui (崔建) and Dingkai Yu (禹定凱) agreed to pledge all of their respective equity interests in Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) to Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) as a first priority charge;
- (j) a shareholder's rights entrustment agreement entered into among Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司), Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) and each of Jian Cui (崔建) and Dingkai Yu (禹定凱) on January 25, 2021, and an exclusive and irrevocable power of attorney executed by each of Jian Cui (崔建) and Dingkai Yu (禹定凱) dated January 25, 2021, whereby Jian Cui (崔建) and Dingkai Yu (禹定凱) will appoint Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) or its designated persons (including director(s) nominated by the board of directors of its offshore holding company, a liquidator or other successor exercising the rights of such director(s)) to exercise all of the rights as the registered shareholders of Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司);
- (k) the Hong Kong Underwriting Agreement (as defined in the Prospectus);
- (l) a cornerstone investment agreement dated May 13, 2021 entered into between the Company, SVF II Cortex Subco (DE) LLC, Softbank Vision Fund II-2 L.P., Merrill Lynch (Asia Pacific) Limited, Goldman Sachs (Asia) L.L.C., Haitong International Capital Limited and Haitong International Securities Company Limited pursuant to which SVF II Cortex Subco (DE) LLC agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$600,000,000;
- (m) a cornerstone investment agreement dated May 13, 2021 entered into between the Company, Evans Investments Pte. Ltd., Merrill Lynch (Asia Pacific) Limited, Goldman Sachs (Asia) L.L.C. and Haitong International Capital Limited pursuant to which Evans Investments Pte. Ltd. agreed to subscribe for Shares at the Offer Price in the amount of HK\$1,046,250,000;

- (n) a cornerstone investment agreement dated May 13, 2021 entered into between the Company, Aranda Investments Pte. Ltd., Merrill Lynch (Asia Pacific) Limited, Goldman Sachs (Asia) L.L.C. and Haitong International Capital Limited pursuant to which Aranda Investments Pte. Ltd. agreed to subscribe for Shares at the Offer Price in the amount of HK\$658,750,000;
- (o) a cornerstone investment agreement dated May 13, 2021 entered into between the Company, Internet Fund IIIA Pte Ltd., Merrill Lynch (Asia Pacific) Limited, Goldman Sachs (Asia) L.L.C. and Haitong International Capital Limited pursuant to which Internet Fund IIIA Pte Ltd. agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$200,000,000;
- (p) a cornerstone investment agreement dated May 13, 2021 entered into between the Company, China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司), UBS AG Hong Kong Branch, Merrill Lynch (Asia Pacific) Limited, Goldman Sachs (Asia) L.L.C. and Haitong International Capital Limited pursuant to which China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$100,000,000;
- (q) a cornerstone investment agreement dated May 13, 2021 entered into between the Company, China Chengtong Investment Company Limited, UBS AG Hong Kong Branch, Merrill Lynch (Asia Pacific) Limited, Goldman Sachs (Asia) L.L.C. and Haitong International Capital Limited pursuant to which China Chengtong Investment Company Limited agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$60,000,000;
- (r) a cornerstone investment agreement dated May 13, 2021 entered into between the Company, BSOF Parallel Master Fund L.P., Merrill Lynch (Asia Pacific) Limited, Goldman Sachs (Asia) L.L.C., Haitong International Capital Limited and Haitong International Securities Company Limited pursuant to which BSOF Parallel Master Fund L.P. agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$150,000,000;
- (s) a cornerstone investment agreement dated May 13, 2021 entered into between the Company, Matthews International Capital Management, LLC (for its own account and as agent for and on behalf of each investor listed in Schedule 2 thereto), Merrill Lynch (Asia Pacific) Limited, Goldman Sachs (Asia) L.L.C., Haitong International Capital Limited and Haitong International Securities Company Limited pursuant to which Matthews International Capital Management, LLC (for its own account and as agent for and on behalf of each investor listed in Schedule 2 thereto) agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$100,000,000;
- (t) a cornerstone investment agreement dated May 13, 2021 entered into between the Company, Oaktree Capital Management, L.P. (as the investment manager for and on behalf of the investors listed in Schedule 3 thereto), UBS AG Hong Kong Branch, Merrill Lynch (Asia Pacific) Limited, Goldman Sachs (Asia) L.L.C. and Haitong International Capital Limited pursuant to which Oaktree Capital Management, L.P. (as the investment manager for and on behalf of the investors listed in Schedule 3 thereto) agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$100,000,000;
- (u) a placing agreement dated March 25, 2022 entered into between the Company as seller and the placing agents as named therein in relation to the placing of 150,500,000 Shares at the placing price of HK\$20.71 per share the net proceed of which amount to approximately HK\$3,102 million, or approximately RMB2,523 million, details of which are set out in the announcement of the Company dated March 25, 2022; and
- (v) a subscription agreement dated March 25, 2022 entered into between the Company and Jingdong Technology Group Corporation in relation to the subscription of 261,400,000 Shares by Jingdong Technology Group Corporation at the subscription price of HK\$20.71 (equivalent to approximately US\$2.65) for each share, equivalent to a total subscription amount of approximately US\$692 million or approximately RMB4,411 million, details of which are set out in the announcement of the Company dated March 25, 2022.

VII. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu (“ Deloitte ”)	Certified Public Accountant
RSM Hong Kong (“ RSM HK ”)	Certified Public Accountant

Each of RSM HK and Deloitte has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of RSM HK and Deloitte (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and the Target Group; and (b) was not interested, directly or indirectly, in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Group and the Target Group since December 31, 2021, being the date to which the latest published audited accounts of the Company were made up.

VIII. DOCUMENTS ON DISPLAY

Copies of the below documents will be available on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://ir.jdl.com>) from the date of this circular up to 14 days thereafter:

- (a) the financial report on the Deppon, the text of which is set out in Appendix II to this circular;
- (b) Reconciliation and the assurance report on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IIIA and IIIB to this circular;
- (c) the letter of consent from Deloitte referred to in the above paragraph headed “Expert and Consent” of this appendix;
- (d) the letter of consent from RSM HK referred to in the above paragraph headed “Expert and Consent” of this appendix;
- (e) the Founding Vendors Agreement;
- (f) the Management Vendors Agreement;
- (g) the Minority Vendors Agreements;
- (h) the Business Disposal Agreement;
- (i) the Transitional Loan Agreement;
- (j) the Entrustment Agreement;
- (k) the Second Instalment Pledge;
- (l) the Third Instalment Pledge;

- (m) the Deppon Share Pledge;
- (n) the Option Agreement; and
- (o) this circular.

Note:

As certain personal information (being identification numbers, residential addresses, telephone numbers, email addresses and banking details) of the Founding Vendors, the Management Vendors and the Minority Vendors (the “**Personal Information**”) contained in the Founding Vendors Agreement, the Management Vendors Agreement, the Minority Vendors Agreements, the Business Disposal Agreement, the Transitional Loan Agreement, the Entrustment Agreement, the Second instalment Pledge, the Third Instalment Pledge, the Deppon Share Pledge and the Option Agreement (the “**DOD Agreements**”) is considered to be personal data as defined under the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) (the “**PDPO**”), the public disclosure of the Personal Information on the websites of the Company and the Stock Exchange may constitute a possible breach of the PDPO.

In addition, the Personal Information is not public information, and the Company considers that the Personal Information is not material information relating to the DOD Agreements and the transactions contemplated thereunder, the omission of which would not affect the Shareholders’ assessment of the commercial terms and hence the merits of the DOD Agreements and the transactions contemplated thereunder and would not mislead Shareholders for the purpose of making their voting decisions at the EGM.

In light of the above, the Company has applied to the Stock Exchange and the Stock Exchange has granted a waiver from strict compliance with Rule 14.66(10) of and paragraph 43(2)(c) of Appendix 1B to the Listing Rules by redacting the Personal Information in the DOD Agreements to be published on the websites of the Company and the Stock Exchange.

IX. GENERAL

- (a) The address of the registered office of the Company is the offices of PO Box 309, Uglan House, Grand Cayman KY1-1104, Cayman Islands.
- (b) The address of the principal place of business in Hong Kong of the Company is Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.
- (c) The Company’s Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Mr. Ming King Chiu. He is a fellow of The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute.

NOTICE OF EXTRAORDINARY GENERAL MEETING



JD Logistics, Inc.
京东物流股份有限公司

(A company incorporated in the Cayman Islands with limited liability)
(Stock Code: 2618)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of JD Logistics Inc. (the “**Company**”) will be held at 10:00 a.m. on Thursday, July 21, 2022 at Building A, No. 18 Kechuang 11 Street, Yizhuang Economic and Technological Development Zone, Daxing District, Beijing, the People’s Republic of China, for the purposes of considering and, if thought fit, passing (with or without amendments) the following ordinary resolutions:

ORDINARY RESOLUTIONS

“THAT

1. (a) the equity transfer agreement (the “**Founding Vendors Agreement**”) dated March 11, 2022 entered into by Suqian Jingdong Zhuofeng Enterprise Management Co., Ltd. (the “**Purchaser**”) and Mr. Cui Weixing and Ms. Xue Xia (the “**Founding Vendors**”) in relation to the acquisition of an aggregate of 41,755,308 shares of Ningbo Meishan Baoshui Area Deppon Investment Holding Company Limited (“**Deppon Holdco**”) held by the Founding Vendors (representing approximately 44.48% of the equity interest of the Deppon Holdco as at the date of the Founding Vendors Agreement), (b) the equity transfer agreement (the “**Management Vendors Agreement**”) dated March 11, 2022 entered into by the Purchaser and the six individual vendors, who are or were directors, supervisors or senior management of members of the Deppon Holdco and/or Deppon Logistics Co., Ltd. (a company listed on The Shanghai Stock Exchange, stock code: 603056) and its subsidiaries, including Mr. Cui Weigang and Mr. Xu Enjun (the “**Management Vendors**”) in relation to the acquisition of an aggregate of 5,811,902 shares of the Deppon Holdco held by the Management Vendors (representing approximately 6.19% of the equity interest of the Deppon Holdco as at the date of the Management Vendors Agreement), and (c) all of the equity transfer agreements (the “**Minority Vendors Agreements**”, together with the Founding Vendors Agreement and the Management Vendors Agreement, “**the Agreements**”) dated March 11, 2022 entered into by the Purchaser and a total of 153 minority shareholders of the Deppon Holdco (the “**Minority Vendors**”) in relation to the acquisition of an aggregate of 46,295,323 shares of the Deppon Holdco held by the Minority Vendors (representing approximately 49.32% of the equity interest of the Deppon Holdco as at the date of the Minority Vendors Agreements) and the proposed transactions and other matters contemplated under the Agreements including but not limited to the mandatory general offer (the “**Offer**”) for all the issued, unrestricted and tradable shares in the issued share capital of Deppon (the “**Deppon Shares**”) other than the issued and unrestricted Deppon Shares held by the Deppon Holdco to be made by the Company pursuant to the laws and regulations of the PRC and the option agreement dated March 11, 2022 entered into by Mr. Cui Weixing and the Purchaser entered into an option agreement in relation to the 43,009,184 Deppon Shares pledged to the Purchaser and the proposed transaction contemplated thereunder, be and are hereby confirmed, approved and ratified; and
2. any one of the directors of the Company be and is hereby authorized to do all such acts and things incidental to the Agreements and the relevant ancillary agreements as he/she considers necessary, desirable, or expedient in connection with the implementation of or giving effect to the Agreements, the relevant ancillary agreements and the transactions contemplated thereunder (including but not limited to the Offer).

For and on behalf of the Board
JD Logistics, Inc.
Mr. Yui Yu
Executive Director

Hong Kong, June 30, 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Headquarters:

10th Floor, Building B
No. 18 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District, Beijing
People's Republic of China

Room 302, 3rd Floor
Zhiheng Building,
E-Commerce Industrial Park,
Suyu District, Suqian,
People's Republic of China

Principal place of business in Hong Kong:

Room 1901, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay,
Hong Kong

Notes:

- (1) All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Articles of Association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (2) Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint any number of proxies (who must be individuals) to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
- (3) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the Register of Members in respect of the relevant joint holding.
- (4) In order to be valid, the proxy form together with a power of attorney or other authority, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the meeting or the adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Monday, July 18, 2022 to Thursday, July 21, 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, July 15, 2022.