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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from to

Commission file number 001-38198

BEST Inc.

(Exact name of Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

2nd Floor, Block A, Huaxing Modern Industry Park
No. 18 Tangmiao Road, Xihu District, Hangzhou
Zhejiang Province 310013
People's Republic of China

(Address of principal executive offices)

Ms. Gloria Fan, Chief Financial Officer
Telephone: +86-571-88995656
Email: ir@best-inc.com
2nd Floor, Block A, Huaxing Modern Industry Park
No. 18 Tangmiao Road, Xihu District, Hangzhou
Zhejiang Province 310013
People's Republic of China

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A ordinary shares, par value $0.01 per share* American Depositary Shares, each representing one Class A ordinary share	BEST	New York Stock Exchange, Inc.

* Not for trading, but only in connection with the registration of American Depositary Shares representing such Class A ordinary shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act. **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

250,648,452 Class A ordinary shares were outstanding as of December 31, 2020 (including 6,565,542 Class A ordinary shares issued to the depositary bank of the Issuer and reserved for future issuances of ADSs upon exercise or vesting of awards granted under the Issuer's share incentive plans)
94,075,249 Class B ordinary shares were outstanding as of December 31, 2020
47,790,698 Class C ordinary shares were outstanding as of December 31, 2020

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☐ No

BEST INC.

FORM 20-F ANNUAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2020

Conventions that Apply to this Annual Report on Form 20-F

In this annual report, unless otherwise indicated:

- "2008 equity and performance incentive plan" are to our equity and performance incentive plan adopted in 2008, as amended;
- "2017 equity incentive plan" are to BEST Inc. 2017 Equity Incentive Plan adopted in September 2017;
- "2024 Convertible Notes" are to the 1.75% convertible senior notes due 2024 in an aggregate principal amount of US$200 million that we offered and sold in September 2019 in the United States to qualified institutional buyers pursuant to Rule 144A and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act of 1933;
- "2025 Convertible Notes" are to the 4.50% convertible senior notes due 2025 in an aggregate principal amount of US$150 million that we issued and sold in June 2020 to Alibaba.com Hong Kong Limited, an entity affiliated with Alibaba;
- "ADRs" are to the American depositary receipts, which, if issued, evidence our ADSs;
- "ADSs" are to our American depositary shares, each of which represents one Class A ordinary share;
- "AGVs" are to automated guided vehicles;
- "Alibaba" are to Alibaba Group Holding Limited and its consolidated subsidiaries and affiliated consolidated entities, two of which (Alibaba Investment Limited and Cainiao Smart Logistics Investment Limited) are record shareholders of us;
- "B2B" are to business-to-business, or commercial transactions between businesses;
- "B2C" are to business-to-consumers, or commercial transactions between businesses and consumers;
- "Cainiao Network" are to Cainiao Smart Logistics Network Limited, in which Alibaba Group Holding Limited owned an approximately 66% equity interest as of March 31, 2020 as disclosed in the annual report on Form 20-F filed with the SEC by Alibaba Group Holding Limited on July 9, 2020, and its consolidated subsidiaries and affiliated consolidated entities, one of which (Cainiao Smart Logistics Investment Limited) is a record shareholder of us;
- "China" and the "PRC" are to the People's Republic of China, excluding, for the purposes of this annual report only, Taiwan, the Hong Kong Special Administrative Region and the Macao Special Administrative Region;
- "Cloud OFC" or "OFC" are to our cloud-based order fulfillment centers through which we take full responsibility for the optimal allocation of our customers' inventory;
- "franchisee partners" are to our direct business partners that operate our Cloud OFCs for BEST Supply Chain Management or service stations on our supply chain service network for BEST Express and BEST Freight and provide related services under our brands;
- "freight" are to full-truckload and less-than-truckload road transportation services;
- "freight volume" in any given period are to the tonnage of freight cargo collected by us or our franchisee partners using our waybills in that period;
- "FTL" are to full-truckload freight services;
- "hubs" are to large logistics facilities located in major cities in the PRC that are connected by line-haul transportation to most of our other hubs;
- "LTL" are to less-than-truckload freight services;

- "New Retail" are to the seamless integration of online and offline retail to offer a consumer-centric, omni-channel and global shopping experience through digitization and just-in-time delivery;
- "orders fulfilled" in any given period are to the number of orders processed by our self-operated or franchised OFCs, as applicable, which were delivered to intended recipients in that period;
- "ordinary shares" are to, collectively, our Class A ordinary shares, Class B ordinary shares and Class C ordinary shares, par value US$0.01 per share;
- "parcel volume" in any given period are to the number of parcels collected by us or our franchisee partners using our waybills in that period;
- "RMB" or "Renminbi" are to the legal currency of the PRC;
- "Smart Supply Chain" are to a supply chain built upon a technology infrastructure that is designed to analyze massive amounts of data to provide the customization, productivity and efficiency needed in the New Retail era, which can be defined by characteristics including data and information visibility to all participants, timely predictions and real-time responses, flexibility, efficiency and integration of supply chain services;
- "SMEs" are to small and medium enterprises;
- "sortation centers" are to generally smaller-scale logistics facilities compared to hubs, primarily connected to nearby hubs and other sortation centers by feeder services;
- "swap bodies" are to standard freight containers that can be conveniently mounted on tractors for road transportation;
- "US$," "U.S. dollars," or "dollars" are to the legal currency of the United States;
- "U.S. GAAP" are to accounting principles generally accepted in the United States;
- "variable interest entities" or "VIEs" are to Hangzhou BEST Network Technologies Co., Ltd., or Hangzhou BEST Network, Hangzhou BEST Information Technology Services Co., Ltd. (formerly known as Hangzhou Baisheng Investment Management Co., Ltd.), or Hangzhou BEST IT, and Hangzhou Baijia Business Management Consulting Co., Ltd., or Hangzhou Baijia, which are PRC entities owned by PRC legal persons, and are consolidated into our consolidated financial statements in accordance with U.S. GAAP as if they were our wholly-owned subsidiaries;
- "we," "us," "our company," "our" and "BEST" are to BEST Inc., our Cayman Islands holding company, and its subsidiaries and variable interest entities, as the context requires; and
- "WOWO" are to Sichuan Wowo Supermarket Chain Co., Ltd., which we acquired in May 2017.

This annual report includes our audited consolidated financial statements for the years ended December 31, 2018, 2019 and 2020, and as of December 31, 2019 and 2020.

Our ADSs are listed on the New York Stock Exchange under the symbol "BEST." Before February 19, 2019, our ADSs were listed on the same stock exchange under the symbol "BSTI."

By the end of 2020, we had wound down our BEST Store^{+} business and since then we have started to reflect BEST Store^{+}'s historical financial results for the periods prior to the wind-down in our consolidated financial statements as discontinued operations. Unless otherwise stated, the results presented in this annual report do not include the results of BEST Store^{+}.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The selected consolidated financial data shown below should be read in conjunction with "Item 5. Operating and Financial Review and Prospects," and the financial statements and the notes to those statements included elsewhere in this annual report. The selected consolidated statements of comprehensive loss data for the years ended December 31, 2018, 2019 and 2020 and the selected consolidated balance sheet data as of December 31, 2019 and 2020 have been derived from our audited consolidated financial statements, which are included elsewhere in this annual report. The selected consolidated statements of comprehensive loss data for the years ended December 31, 2016 and 2017 and the selected balance sheet data as of December 31, 2016, 2017 and 2018 have been derived from our audited financial statements not included in this annual report. The historical results are not necessarily indicative of results to be expected in any future period.

By the end of 2020, we had wound down our BEST Store^{+} business and since then we have started to reflect BEST Store^{+}'s historical financial results for the periods prior to the wind-down in our consolidated financial statements as discontinued operations. According to applicable accounting standards, assets and liabilities related to BEST Store^{+}, including comparatives, are reclassified as assets/liabilities held for sale, while results of operations related to BEST Store^{+}, including comparatives, are reported as income or loss from discontinued operations.

	For the year ended December 31,					
	2016	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousands, except number of shares and per share data)					
Selected Consolidated Statements of Comprehensive Loss Data						
Revenue[1]	**8,283,911**	**17,763,528**	**25,115,977**	**32,358,687**	**29,995,029**	**4,596,938**
Cost of revenue	**(8,807,010)**	**(17,431,099)**	**(23,929,959)**	**(30,721,360)**	**(29,756,889)**	**(4,560,443)**
Gross (loss)/profit	**(523,099)**	**332,429**	**1,186,018**	**1,637,327**	**238,140**	**36,495**
Selling expenses	(252,548)	(267,251)	(370,987)	(432,939)	(477,902)	(73,242)
General and administrative expenses	(483,390)	(828,496)	(886,638)	(932,718)	(1,262,232)	(193,446)
Research and development expenses	(80,326)	(139,009)	(184,581)	(204,234)	(191,417)	(29,336)
Other operating income	104,047	—	—	—	—	—
Total operating expenses	**(712,217)**	**(1,234,756)**	**(1,442,206)**	**(1,569,891)**	**(1,931,551)**	**(296,024)**
(Loss)/Income from operations	**(1,235,316)**	**(902,327)**	**(256,188)**	**67,436**	**(1,693,411)**	**(259,529)**
Interest income	24,386	75,056	102,821	95,440	74,727	11,452
Interest expense	(21,379)	(47,154)	(75,060)	(79,486)	(174,607)	(26,760)
Foreign exchange loss	(1,864)	(5,674)	(7,624)	(4,375)	(8,243)	(1,263)
Other income	43,774	54,052	168,363	145,853	165,346	25,340
Other expense	(8,405)	(17,780)	(28,602)	(31,784)	(24,576)	(3,766)
(Loss)/Income before income tax and share of net (loss)/income of equity investees	**(1,198,804)**	**(843,827)**	**(96,290)**	**193,084**	**(1,660,764)**	**(254,526)**
Income tax expense	(570)	(1,919)	(10,500)	(20,027)	(22,124)	(3,391)
(Loss)/Income before share of net (loss)/income of equity investees	**(1,199,374)**	**(845,746)**	**(106,790)**	**173,057**	**(1,682,888)**	**(257,917)**
Share of net income/ (loss) of equity investees	43	(816)	(456)	(355)	(180)	(28)
Net (loss)/ income from continuing operations	**(1,199,331)**	**(846,562)**	**(107,246)**	**172,702**	**(1,683,068)**	**(257,945)**
Net loss from discontinued operations	(164,149)	(381,498)	(401,145)	(391,770)	(368,156)	(56,422)
Net loss	**(1,363,480)**	**(1,228,060)**	**(508,391)**	**(219,068)**	**(2,051,224)**	**(314,367)**
Net loss attributable to non-controlling interests	—	(167)	(403)	(16,652)	(25,716)	(3,941)
Net loss attributable to BEST Inc.	**(1,363,480)**	**(1,227,893)**	**(507,988)**	**(202,416)**	**(2,025,508)**	**(310,426)**
Including:						
Net (loss)/income from continuing operations attributable to BEST Inc.	(1,199,331)	(846,562)	(106,843)	189,354	(1,657,352)	(254,004)
Net loss from discontinued operations attributable to BEST Inc.	(164,149)	(381,331)	(401,145)	(391,770)	(368,156)	(56,422)
Accretion to redemption value of redeemable convertible preferred shares	(3,661,975)	—	—	—	—	—
Deemed dividend-repurchase of redeemable convertible preferred shares	(160,891)	—	—	—	—	—
Deemed dividend-modification of redeemable convertible preferred shares	(423,979)	—	—	—	—	—
Deemed dividend-extinguishment loss of Series D redeemable convertible preferred	—	—	—	—	—	—
Net loss attributable to ordinary shareholders	**(5,610,325)**	**(1,227,893)**	**(507,988)**	**(202,416)**	**(2,025,508)**	**(310,426)**
Net (loss)/earnings per Class A, Class B and Class C ordinary share:						
Basic						
Continuing operations	(90.77)	(5.71)	(0.28)	0.49	(4.28)	(0.66)
Discontinued operations	(2.74)	(2.57)	(1.04)	(1.01)	(0.95)	(0.14)
Diluted						
Continuing operations	(90.77)	(5.71)	(0.28)	0.48	(4.28)	(0.66)
Discontinued operations	(2.74)	(2.57)	(1.04)	(1.01)	(0.95)	(0.14)
Basic net loss per share attributable to Class A, Class B and Class C ordinary shareholders	(93.51)	(8.28)	(1.32)	(0.52)	(5.23)	(0.80)
Diluted net loss per share attributable to Class A, Class B and Class C ordinary shareholders	(93.51)	(8.28)	(1.32)	(0.52)	(5.23)	(0.80)
Shares used in net loss per share computation:						
Ordinary shares:						
Basic	60,000,000	—	—	—	—	
Diluted	60,000,000	—	—	—	—	
Class A ordinary shares:						
Basic	—	73,900,022	242,542,728	246,614,615	245,626,959	
Diluted	—	148,237,982	384,408,675	388,480,562	387,492,906	
Class B ordinary shares:						
Basic	—	26,547,262	94,075,249	94,075,249	94,075,249	
Diluted	—	26,547,262	94,075,249	94,075,249	94,075,249	
Class C ordinary shares:						
Basic	—	47,790,698	47,790,698	47,790,698	47,790,698	
Diluted	—	47,790,698	47,790,698	47,790,698	47,790,698	

Note:

(1) On January 1, 2018, we adopted ASC 606, *Revenues from Contracts with Customers* ("ASC 606") and elected to apply the modified retrospective approach to contracts that had not been completed as of this date. The cumulative effect of initially applying ASC 606 resulted in an increase to opening accumulated deficit of RMB25.0 million, which has been recognized on the day of initial application and prior periods were not retrospectively adjusted. Our consolidated statement of comprehensive loss data for the years ended December 31, 2018, 2019 and 2020 presented above have been prepared in accordance with ASC 606, while our consolidated statements of comprehensive loss for the years ended December 31, 2016 and 2017 presented above have been prepared in accordance with ASC Topic 605, *Revenue Recognition* ("ASC 605").

	As of December 31,					
	2016	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousands)					
Selected Consolidated Balance Sheet Data						
Cash and cash equivalents	2,927,581	1,231,631	1,616,785	1,985,413	1,383,317	212,003
Restricted cash (current portion)	374,363	1,652,653	1,278,326	1,786,832	2,102,426	322,211
Short-term investments	62,000	2,353,663	1,007,329	1,057,598	268,647	41,172
Lease rental receivables (current portion)	23,292	193,703	613,439	483,363	497,127	76,188
Assets held for sale (current portion)	—	89,984	91,091	64,195	509,395	78,068
Operating lease right-of-use assets[(1)]	—	—	—	4,209,015	3,863,375	592,088
Property and equipment, net	947,505	1,288,450	2,047,213	2,924,404	4,079,235	625,170
Intangible assets, net	13,516	41,029	35,659	20,408	12,198	1,869
Long-term investments	24,081	37,167	214,339	230,855	221,426	33,935
Goodwill	247,203	267,408	267,408	289,318	295,758	45,327
Restricted cash (non-current portion)	78,588	89,745	90,638	175,700	709,848	108,789
Lease rental receivables (non-current portion)	87,551	749,243	1,431,441	993,260	647,678	99,261
Other non-current assets	87,395	62,314	45,531	346,645	543,949	83,364
Assets held for sale (non-current portion)	—	317,723	334,052	496,173	—	—
Total assets	**6,295,853**	**10,878,529**	**12,366,282**	**19,492,856**	**19,870,823**	**3,045,334**
Short-term bank loans	458,000	1,216,384	1,782,900	2,510,500	3,082,537	472,419
Operating lease liabilities (current portion)[(1)]	—	—	—	975,475	1,032,461	158,232
Liabilities held for sale (current portion)	—	73,065	68,872	74,242	193,432	29,645
Convertible senior notes held by related parties	—	—	—	680,104	1,617,846	247,946
Convertible senior notes held by third parties	—	—	—	680,104	642,121	98,409
Operating lease liabilities (non-current portion)[(1)]	—	—	—	3,388,908	2,995,173	459,030
Liabilities held for sale (non-current portion)	—	28,843	26,715	118,704	—	—
Total liabilities	**3,961,748**	**6,486,034**	**8,226,124**	**15,577,572**	**18,146,219**	**2,781,026**
Total mezzanine equity	**15,842,210**	**—**	**—**	**—**	**—**	**—**
Total shareholders' (deficit)/equity	**(13,508,105)**	**4,392,495**	**4,140,158**	**3,915,284**	**1,724,604**	**264,308**
Total liabilities, mezzanine equity and shareholders' (deficit)/equity	**6,295,853**	**10,878,529**	**12,366,282**	**19,492,856**	**19,870,823**	**3,045,334**

Note:

(1) We adopted Accounting Standards Update ("ASU") No.2016-02: *Leases* on January 1, 2019 using the modified retrospective transition method. Operating lease right-of-use assets and lease liabilities (including current and non-current) for operating leases are presented on the consolidated balance sheets as of December 31, 2019 and 2020, while the consolidated balance sheet data as of December 31, 2016, 2017 and 2018 have been prepared in accordance with ASC topic 840 ("ASC 840"), *Accounting for Leases*.

Non-GAAP Measures

We use EBITDA and adjusted EBITDA, non-GAAP financial measures, in the evaluation of our operating results and in our financial and operational decision-making. We believe that EBITDA and adjusted EBITDA help us to identify underlying trends in our business that could otherwise be distorted by the effect of certain expenses and income that we include in net loss. We believe that EBITDA and adjusted EBITDA provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects, and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

EBITDA and adjusted EBITDA should not be considered in isolation or construed as an alternative to net loss or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to review the historical non-GAAP financial measures to the most directly comparable GAAP measures. EBITDA and adjusted EBITDA presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

EBITDA represents net loss *plus* depreciation, amortization, interest expense and income tax expense and *minus* interest income.

Adjusted EBITDA represents EBITDA before share-based compensation expenses and fair value change of equity investments, if any.

The table below sets forth a reconciliation of our net loss to EBITDA and adjusted EBITDA for the periods indicated:

	For the year ended December 31,					
	2016	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousands)					
Net (loss)/income from continuing operations	(1,199,331)	(846,562)	(107,246)	172,702	(1,683,068)	(257,945)
Add:						
Depreciation and amortization	245,875	352,107	441,314	476,101	515,002	78,928
Interest expense	21,379	47,154	75,060	79,486	174,607	26,760
Income tax expense	570	1,919	10,500	20,027	22,124	3,391
Subtract:						
Interest income	(24,386)	(75,056)	(102,821)	(95,440)	(74,727)	(11,452)
EBITDA from continuing operations	(955,893)	(520,438)	316,807	652,876	(1,046,062)	(160,318)
Add						
Share-based compensation expenses	—	284,548	104,136	91,693	129,651	19,870
Subtract:						
Fair value change of equity investments	—	—	(64,628)	(14,155)	(18,688)	(2,864)
Adjusted EBITDA from continuing operations	(955,893)	(235,890)	356,315	730,414	(935,099)	(143,312)

Selected Operating Data

The table below sets forth the selected operating data for the periods indicated:

	For the year ended December 31,				
	2016	2017	2018	2019	2020
BEST Supply Chain Management					
Number of orders fulfilled by self-operated Cloud OFCs (in thousands)[(1)]	88,063	132,245	164,441	198,914	218,554
Number of orders fulfilled by franchised Cloud OFCs (in thousands)	32,602	48,232	82,276	157,990	214,670
BEST Express					
Parcel volume (in thousands)[(1)]	2,165,521	3,769,385	5,470,092	7,576,204	8,535,133
BEST Freight					
Freight volume (tonnage in thousands)[(1)]	2,982	4,316	5,430	6,980	8,392

Note:

(1) Includes services performed for external customers both directly and indirectly through our other segments. For discussion of our total segment revenue, which includes both external revenue and intersegment revenue, please see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Segment Financial Information."

Currency Translation and Exchange Rate

We have translated certain Renminbi, or RMB, amounts included in this annual report into U.S. dollars for the convenience of the readers. The rate we used for the translations was RMB6.5250 = US$1.00, which was the noon buying rate on December 31, 2020 in New York for cable transfers in Renminbi as set forth in the H.10 weekly statistical release of the Federal Reserve Board. The translation does not mean that RMB could actually be converted into U.S. dollars at that rate.

B. Capitalization and Indebtedness

Not required.

C. Reasons for the Offer and Use of Proceeds

Not required.

D. Risk Factors

Risks Relating to Our Business and Industry

We are highly reliant on our proprietary technology infrastructure in our business operations, and failure to continue to improve and effectively utilize our technology infrastructure or successfully develop new technologies could harm our business operations, reputation and prospects.

Technology is critical to our integrated solutions, connecting our systems with those of our ecosystem participants. While we have continuously enhanced our proprietary technology infrastructure, we may not be able to continue to improve our technology infrastructure and develop new technologies to meet the future needs of our business. If we are unable to maintain, improve and effectively utilize our technology infrastructure or to realize the expected results from our technology investments, our business, financial condition, results of operations and prospects, as well as our reputation, could be materially and adversely affected. Any problem with the functionality and effectiveness of our software or platforms could also result in unanticipated system disruptions, slower response times, impaired user experiences, delays in reporting accurate operating and financial information and inefficient management of our systems. In addition, enhancing our technology infrastructure requires significant investments of time and financial and managerial resources, including recruiting and training new technology personnel, adding new hardware and updating software and strengthening research and development. If our technology investments are unsuccessful, our business could suffer and we may be unable to recover the resources we commit to such initiatives.

We may not be able to maintain and enhance our ecosystem, which could negatively affect our business and prospects.

Our ability to maintain a healthy and rich ecosystem that creates strong network effects among our ecosystem participants is critical to our success. While our ecosystem provides synergies and economies of scale across service lines and among our ecosystem participants, the extent to which we are able to maintain and strengthen the attractiveness of our ecosystem depends on our ability to offer a mutually beneficial platform for all participants, maintain the quality of our services and solutions, develop attractive services and solutions that meet the evolving needs of our ecosystem participants, reinforce the scope and scale of our ecosystem, and retain our participants. We must also provide sufficient geographic coverage to cement the effectiveness of our service network, continue to utilize data to improve service quality and operational efficiency of all ecosystem participants and maintain and improve our technology infrastructure as part of our single interoperable system to ensure seamless operations.

In addition, our ecosystem participants may compete with one another, which may complicate the management of our ecosystem. Further, changes made to enhance our ecosystem or balance the interests of participants may be viewed positively by one participant but may have negative effects upon another. If we fail to balance the interests of all participants in our ecosystem, we may fail to further attract and retain additional ecosystem participants, which could adversely impact our business and financial condition.

If we are unable to continue to innovate, meet evolving market trends, adapt to changing customer demands and maintain our culture of innovation, our ability to sustain and grow our business may suffer.

The ongoing success of our business depends on our ability to continue to introduce innovative solutions and services to meet evolving market trends and satisfy changing customer demands. We must continue to adapt by continuing innovation, improving our services and modifying our strategies, which could cause us to incur substantial costs. We may not be able to continue to innovate or adapt to changing market and customer needs in a timely and cost-effective manner, if at all. This could adversely impact our ability to embrace the changes brought by the New Retail era, expand our ecosystem and grow our business. Failure to develop new services to meet evolving market demands through innovation could cause us to lose current and potential customers and harm our operating results and financial condition.

In addition, we may not be able to maintain our culture of innovation, which has been critical to our success and has helped us create value for our shareholders, succeed as a leader in our industry and attract, retain and motivate employees and other ecosystem participants. Among other challenges, we may not be able to identify and promote people in leadership positions who share our culture and can always focus on technology and innovation. Competitive pressure may also cause us to move in directions that may divert us from our mission, vision and values. If we cannot maintain our culture of innovation, our long-term business prospects could be materially and adversely affected.

We operate in a competitive industry, and if we fail to compete effectively, our business could suffer.

We compete with total supply chain solution providers. As our operations encompass a broad range of areas, certain service lines may also face competition from other service providers in China, including supply chain management service providers, express delivery and freight service providers, SaaS software service providers and logistics brokers. As we continue to expand our local express delivery and other services in certain Southeast Asian countries, we also face intense competition from both international and local service providers. In addition to established players, we face competition from new market entrants. Increased competition may lead to a loss of market share, increasing difficulty in launching new service offerings, reduction in revenue or increase in loss, any one of which could harm our business, financial condition and results of operations.

Our competitors may have a broader service or network coverage, more advanced technology infrastructure, stronger brand recognition and greater capital resources than we do. In addition, our competitors may reduce their rates to gain business, especially during times of reduced economic growth, and such reductions may limit our ability to maintain or increase our rates, maintain our operating margins or achieve growth in our business. For example, due to intense competition in rates for express services, average revenue per parcel for BEST Express decreased by 11.1% from RMB3.24 in 2018 to RMB2.88 in 2019. In 2020, average revenue per parcel for BEST Express dropped further down to RMB2.28 primarily due to competitive market dynamics and a passing-through of a temporary government waiver of highway toll fees to our customers through downward price adjustments in the first half of 2020 amidst the COVID-19 pandemic. There historically have been and continue to be declines in fee rates for express services across our industry, and we continue to experience a decline in average revenue per parcel for BEST Express. We expect that this trend of intense competition and declining fee rates is likely to continue in the foreseeable future, and there can be no assurance that we will be able to maintain, or prevent further decreases, in these rates going forward. To the extent positive effects of economies of scale, network optimization, as well as increased operational efficiency are unable to offset further decreases in rates for express services, even if we continue to grow our parcel volume, BEST Express may not be able to achieve desired growth in revenue, or maintain its operating margins, and our results of operations and business may be materially and adversely affected.

The establishment by our competitors of cooperative relationships or competing networks to increase their ability to address the needs of our customers and other ecosystem participants could also negatively impact us. We may not be able to successfully compete against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

Our business and growth are significantly affected by the emergence of New Retail, the continued development of e-commerce in China and elsewhere and related demand for integrated supply chain solutions.

We serve merchants that conduct business in the retail industry in China, and these merchants rely on our services to fulfill orders placed by consumers. As we focus on providing integrated supply chain solutions for the New Retail era, our future business opportunities depend upon the continued integration of online and offline retail channels and the adoption of the New Retail paradigm by an increasing number of merchants in China and elsewhere, both in terms of large platforms and brands as well as small and medium enterprises, or SMEs, and micro-merchants.

The future development and landscape of the retail industry in China and elsewhere are affected by a number of factors, many of which are beyond our control. These factors include the consumption power and disposable income of consumers, as well as changes in demographics and consumer preferences. The development of the retail industry is also subject to the selection, price and popularity of products offered through online and offline retail channels of original brand manufacturers and changes in the availability, reliability and security of such channels. Further, the emergence of alternative channels or business models that better suit the needs of consumers and the development of online-to-offline supply chain integration by retailers can also affect the development of the retail industry. Another important factor is the development of fulfillment, payment and other ancillary services associated with the retail industry. Macroeconomic conditions, particularly as retail spending tends to decline during recessions and other economic factors affecting consumer confidence, including inflation and deflation, fluctuation of currency exchange rates, volatility of stock and property markets, interest rates, tax rates and changes in unemployment rates, can also impact the development of the retail industry in China and elsewhere. Finally, other factors, such as changes in government policies, laws and regulations, in particular those that govern the retail industry, as well as changes in domestic and international politics, including military conflicts, economic disputes, political turmoil and social instability, can also influence the development of the retail industry in China and elsewhere. It is difficult to predict how market forces, or China or U.S. government policy, in particular, the outbreak of a trade war between China and the U.S. and the imposition starting in 2018 of additional tariffs on bilateral imports, trade bans and trade restrictions, may continue to impact China's economy, the retail industry, e-commerce in China and the U.S., as well as related demand for integrated supply chain solutions going forward. If New Retail, the e-commerce industry in China and elsewhere and their respective demand for integrated supply chain solutions fail to develop as we expect, our business and growth could be harmed.

We have a history of net losses and negative cash flows from operating activities, which may continue or occur again in the future. While we believe we can continue our business as a going concern and have prepared our consolidated financial statements on that basis, we cannot assure you that we will be able to continue as a going concern in light of the adverse conditions we are facing.

We incurred net losses of RMB508.4 million, RMB219.1 million and RMB2,051.2 million (US$314.4 million) in 2018, 2019 and 2020, respectively, including net loss of RMB107.2 million, net income of RMB172.7 million and net loss of RMB1,683.1 million (US$258.0 million) from our continuing operations and RMB401.1 million, RMB391.8 million and RMB368.2 million (US$56.4 million) from our discontinued operations comprising the BEST Store^{+} business which we had wound down in late 2020. In addition, we do not have a stable history of positive cash flows from operating activities. Our net cash used in operating activities (including continuing and discontinued operations) was RMB623.4 million in 2016. Although we generated net cash from operating activities (including continuing and discontinued operations) in the amounts of RMB25.6 million, RMB637.2 million, RMB852.8 million in 2017, 2018 and 2019, respectively, we used net cash in operating activities (including continuing and discontinued operations) in the amount of RMB231.2 million (US$35.4 million) in 2020 primarily due to an increase of RMB1,832.2 million in net loss (including continuing and discontinued operations). The significant increase in net loss and pressure on our operating cash flow in 2020 was primarily due to the negative impact of COVID-19 in the first quarter of 2020 and intense market competition in the express and freight delivery services market in China which has resulted in significant downward pressure on the prices we can charge for our express and freight delivery services. These adverse conditions may indicate there is substantial doubt about our ability to continue as a going concern. Our management has developed the following plans to improve these conditions, including, to (i) implement various measures in our strategic refocusing plan which includes execution of the wind-down plan for BEST Store^{+} from late 2020 and suspension of the provision of certain fleet and equipment lease services under BEST Capital for the foreseeable future; (ii) realign our businesses to adapt to the evolving, competitive market conditions and execute additional measures to manage and reduce our costs and expenditures to better improve operating cash flows; and (iii) seek other strategic alternatives in certain business segments or raise additional financing in the near term. However, there is uncertainty as to whether, and there can be no assurance that our strategic refocusing plan and other aforesaid plans, even if they are successfully executed, will generate sufficient operating cash flow to remove the substantial doubt about our ability to continue as a going concern. Such uncertainty is due to, among other things, the unpredictability of the continued impact of the COVID-19 outbreak on the PRC and global economy, as well as the duration of the current price war that has negatively affected and continues to negatively affect our express delivery services segment. Although we have achieved encouraging initial results from the execution of our strategic refocusing plan and reduced our costs and expenditures in the first quarter of 2021 for certain business segments, if we are unsuccessful in our efforts or are unable to seek other strategic alternatives or raise additional financing in the near term, we may be required to further reduce or scale back our operations significantly, in addition to the winding down of BEST Store^{+} in late 2020 and the suspension of certain lease services under BEST Capital described above. For more details about our liquidity and cash position, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources." The consolidated financial statements included elsewhere in this annual report have been prepared assuming that we will continue to operate as a going concern. However, in light of the aforesaid adverse conditions, and despite our plans to address or improve these conditions, there can be no assurance that we will be able to continue as a going concern.

In addition, we expect our costs and expenses to increase in absolute amounts due to (i) the continued expansion of our operations in China and overseas markets, particularly in the Southeast Asian countries in which we have rolled out local express delivery services, which will cause us to incur increased costs and expenses associated with third-party transportation, labor, leasing property for the operation of our hubs and sortation centers; and (ii) the continued investment in our technology infrastructure and network, each of which may affect our profitability and liquidity.

Our ability to achieve and maintain profitability also depends on our ability to enhance our market position, maintain competitive pricing, leverage technology and business model innovation to expand and enhance our service offerings, and increase our operational efficiency. Our ability to achieve and maintain profitability are also affected by many factors which may be beyond our control, such as the overall demand for supply chain services and general economic conditions, including levels of consumption, as well as global pandemics such as COVID-19 that started in late 2019. If we are unable to achieve profitability, we may have to cut down the scale of our operation, which may impact our business growth and adversely affect our financial condition and results of operations.

Our historical growth rates may not be indicative of our future growth, and if we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

We have experienced significant growth in recent years. Our total revenue from continuing operations increased from RMB25,116.0 million in 2018 to RMB32,358.7 million in 2019. However, our past growth rates may not be indicative of future growth and our planned growth initiatives may not be successful. For example, our total revenue from continuing operations decreased from RMB32,358.7 million in 2019 to RMB29,995.0 million (US$4,596.9 million) in 2020.

Our rapid growth has placed, and will continue to place significant demands on our management and our technology infrastructure, as well as our administrative, operational and financial systems. We intend to achieve growth by continuing innovation, expanding market share, growing our service lines, broadening value-added services, expanding global reach, enhancing operational efficiency and quality, as well as growing through mergers, acquisitions and strategic alliances. There can be no assurance that we will be able to effectively manage our growth. If our growth initiatives fail, our businesses and prospects may be materially and adversely affected.

We are affected by seasonality experienced in the consumer retail and logistics and supply chain industries.

Our businesses are affected by seasonality experienced in the consumer retail and logistics and supply chain industries. We typically experience a seasonal surge in sales, especially in our express operations, during the fourth quarter of each year as a result of stronger sales in connection with the Singles' Day and December 12 promotions, which may impose challenging resource and capacity demands on our business operations. Activity levels across our business lines are typically lower around Chinese national holidays, including Chinese New Year in the first quarter of each year, as consumer spending levels and shipment levels tend to be weaker.

Seasonality also makes it challenging to forecast demand for our services, as the express, freight, supply chain management and store sales volumes can vary significantly and unexpectedly. We make planning and spending decisions, including capacity expansion, procurement commitments, personnel needs and other resource requirements based on our estimates of demand. Failure to meet demand associated with the seasonality in a timely manner may adversely affect our financial condition and results of operations.

Our success depends to a substantial degree upon our senior management, including Mr. Shao-Ning Johnny Chou and other key personnel, and our business operations would be negatively affected if we fail to attract and retain highly competent senior management.

We depend to a significant degree on the continued service of Mr. Shao-Ning Johnny Chou, our founder, chairman and chief executive officer, our experienced senior management and other key personnel. If members of our senior management team or other key personnel resign, join a competitor or form a competing company, it could negatively impact our business operations and create uncertainty as we search for and integrate a replacement and could have an adverse effect on our financial condition and results of operations.

We have entered into employment and confidentiality agreements with our senior management and other key personnel. However, these employment and confidentiality agreements do not ensure the continued service of these senior management and key personnel, and we may not be able to enforce these agreements. In addition, we do not maintain key man life insurance for any of the senior members of our management team or other key personnel.

We utilize franchisee partners to conduct certain aspects of our business, and face risks associated with these relationships, their employees and other personnel.

We utilize franchisee partners to conduct certain aspects of our business. As of December 31, 2020, we had approximately 9, 888 franchisee partners in China. We also have franchisee partners in certain Southeast Asian countries where we operate local express delivery networks, such as Thailand, Vietnam, Singapore and Cambodia. Many of our franchisee partners sub-contract part of their businesses to sub-franchisees. Our control over franchisee partners and their sub-franchisees may not be as effective as if we had directly owned these partners' businesses, which could potentially make it difficult for us to manage them. Particularly, as we do not enter into agreements with sub-franchisees of our franchisee partners, we are unable to exert a significant degree of influence over them.

Our franchisee partners, sub-franchisees and their employees directly interact with merchants and consumers in our ecosystem, and their performance directly affects our reputation and brand image. If our service personnel or those of our franchisee partners or sub-franchisees fail to satisfy the needs of our ecosystem participants, respond effectively to their complaints, which we have received from time to time, or provide services in a reliable, safe and secure manner, our reputation and the loyalty of our ecosystem participants could be negatively affected. As a result, we may lose ecosystem participants or experience a decrease in our business volume, which could have a material adverse effect on our business, financial condition and results of operations. We do not directly supervise the services provided by our franchisee partners and may not be able to successfully maintain and improve the quality of their services. Our franchisee partners may also fail to implement sufficient control over the pick-up and delivery personnel who work at the service stations in connection with their conduct, such as proper collection and handling of the items we transport and delivery service fees, adherence to privacy standards and timely delivery. As a result, we may suffer financial losses, incur liabilities and suffer reputational damages in the event of theft or late delivery of the items we ship, embezzlement of delivery service fees or mishandling of private information. In addition, while violation of laws and regulations by franchisee partners had not led to any material claim against us in the past, we cannot assure you that such claim will not arise in the future which may harm our brand or reputation or have other adverse impacts.

Further, suspension or termination of a franchisee partner's services in a particular geographic area may cause interruption to or failure in our services in the corresponding geographic area. A franchisee partner may suspend or terminate its services voluntarily or involuntarily due to various reasons, including disagreement or dispute with us, failure to make a profit, failure to maintain requisite approvals, licenses or permits or to comply with other governmental regulations, and events beyond our or its control, such as inclement weather, natural disasters, epidemics, transportation interruptions or labor unrest or shortage. Due to the intense competition in the logistics and supply chain industry in China and Southeast Asian countries, our existing franchisee partners may also choose to discontinue their cooperation with us and work with our competitors instead. We may not be able to promptly replace our franchisee partners or find alternative ways to provide services in a timely, reliable and cost-effective manner, or at all. As a result of any service disruptions associated with our franchisee partners, satisfaction, brand, reputation, operations and financial performance of our ecosystem participants may be materially and adversely affected.

Our BEST UCargo and BEST Global service lines have limited operating histories.

We have a limited history in providing BEST UCargo and BEST Global services, which were launched or significantly expanded in the last few years. While these service lines have experienced rapid expansion, we cannot assure you that we will be able to continue their expansion or successfully address any future problems or issues, nor can we assure you that they will ultimately become profitable. To reduce cash outflows and reallocate resources to our core businesses, by the end of 2020, we had wound down our BEST Store^{+} business and have since then started to account for BEST Store^{+} as discontinued operations. We expect to continue to adjust our existing operating model and explore new operating models for these service lines which may subject us to further uncertainties and negative effects on our overall business and results of operations. As we intend to grow the scale of these service lines, we may incur significant ramp-up costs to support such growth, which may negatively affect our profitability, particularly if we are unable to achieve economies of scale. We may not be able to recoup all or any of our investments made in these businesses. In addition to organically growing these service lines, we may seek to expand them through strategic acquisitions, which would subject us to additional risks. See "—Any difficulties in identifying, consummating and integrating acquisitions, investments or alliances may expose us to potential risks and have an adverse effect on our business, results of operations or financial condition."

Macroeconomic and other factors that reduce demand for supply chain services, in China or globally, could have a material adverse impact on our business.

The global logistics and supply chain industry has historically experienced cyclical fluctuations in financial performance due to economic recessions, reductions in per capita disposable income and levels of consumer spending, downturns in the business cycles of customers, interest rate fluctuations and economic factors beyond our control. During economic downturns, whether in China or globally, reduced overall demand for supply chain services will likely reduce demand for our services and solutions and exert downward pressures on our rates and margins. As we focus on providing integrated supply chain solutions in the New Retail era, if the online and offline retail channel integration trend or any other trend required for the emergence of New Retail does not develop as we expect, our business prospect may be adversely affected. In periods of strong economic growth, demand for limited transportation resources can also result in increased network congestion and operating inefficiencies. In addition, any deterioration in the economic environment subjects our business to various risks that may have a material impact on our operating results and future prospects. For instance, some of our customers may face economic difficulties due to events such as COVID-19 outbreak and may not be able to pay us, and some may go out of business. These customers may not complete their payments as quickly as they have in the past, causing our working capital needs to increase.

In an economic downturn, we may not be able to appropriately adjust our expenses to changing market demands and it may be more difficult to match our staffing levels to our business needs. In addition, we have certain significant fixed expenses and other variable expenses that are fixed for a period of time, which we may not be able to adequately adjust in a period of rapid change in market demand.

We have started to recognize a substantial amount of share-based compensation expense upon the completion of our initial public offering, which will have a significant impact on our results of operations.

We adopted our 2008 equity and performance incentive plan in June 2008 pursuant to which we may grant options to purchase up to 20,934,684 of our ordinary shares, and our 2017 equity incentive plan in September 2017 pursuant to which we may grant equity-based awards representing initially 10,000,000 Class A ordinary shares, which number automatically increases by a maximum of 2% of our total outstanding shares at the end of preceding calendar year on January 1, 2019 and on every January 1 thereafter for eight years (subject to certain limitations). As of February 28, 2021, we had in aggregate outstanding options with respect to 3,214,505 ordinary shares and outstanding restricted share units with respect to 8,548,965 ordinary shares that have been granted to our employees, directors and consultants under the 2008 equity and performance incentive plan and the 2017 equity incentive plan. We are required to account for share options and restricted share units granted to our employees, directors and consultants in accordance with Codification of Accounting Standards, or ASC 718, "*Compensation—Stock Compensation*" and ASC 505-50, "*Equity, Equity-Based Payments to Non-Employees*" prior to 2018 and we early adopted ASU 2018-07: *Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* in fiscal 2018. We classify share options and restricted share units granted to our employees, directors and consultants as equity awards and recognize share-based compensation expense based on the fair value of such share options and restricted share units, with the share-based compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity award. Because the exercisability of the share options granted by us before our initial public offering was conditional upon completion of our initial public offering or, in case we had waived such restriction, our obligation to issue ordinary shares pursuant to any exercise of the options was conditional upon the completion of our initial public offering, we did not recognize any share-based compensation expense relating to these share options granted by us before the completion of our initial public offering. Upon the completion of our initial public offering in September 2017, we immediately recognized a substantial amount of share-based compensation expense associated with vested option awards.

To better incentivize contribution to the growth our BEST Global business, in December 2020, BEST Asia Inc., our wholly-owned Cayman Islands subsidiary that holds our Southeast Asian business, adopted the 2020 Equity Incentive Plan, or the BEST Asia Plan, pursuant to which BEST Asia Inc. may issue a certain maximum number of ordinary shares pursuant to awards granted thereunder. As of February 28, 2021, we had issued options to purchase ordinary shares of BEST Asia Inc. to certain employees under the BEST Asia Plan.

We will incur additional share-based compensation expenses in the future as we continue to grant share-based awards to our employees, directors and consultants. We believe the granting of share-based awards is important for us to attract and retain talented employees, directors and consultants. As a result, our expense associated with share-based compensation may increase, which may have an adverse effect on our results of operations. For further information on our share incentive plans and information on our recognition of related expenses, please see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Components of Results of Operations—Share—Based Compensation" and "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans."

We have been deriving a significant portion of our revenue from consumer activity on a limited number of prominent e-commerce platforms, and a reduction of demand from these platforms may negatively affect our business.

A significant portion of our revenue has been derived from a number of major e-commerce platforms in China, such as Taobao Marketplace and Tmall. If these platforms are to suffer a decline in their usage or if our relationships with them are to be harmed, it could materially and negatively impact our business and operating results and financial condition. We generally do not have long-term contractual relationships with e-commerce platforms, and instead individual merchants on such platforms select us as their shipping and other supply chain service provider. If we are unable to remain a preferred service provider for the merchants on these e-commerce platforms, our business volume may decrease significantly, which could adversely affect our business and results of operations.

If our customers are able to reduce their logistics and supply chain costs or increase utilization of their internal solutions, our business and operating results may be materially and adversely affected.

A major driver for merchants and other customers to use third-party logistics and supply chain service providers is the high cost and degree of difficulty associated with developing in-house logistics and supply chain expertise and operational efficiencies. If, however, our customers are able to develop their own logistics and supply chain solutions, increase utilization of their in-house supply chain, reduce their logistics spending, or otherwise choose to terminate our services, our logistics and supply chain management business and operating results may be materially and adversely affected. In addition, certain of our major e-commerce platform partners may develop their own logistics capabilities, which could reduce the scope of services we provide to users on their platforms.

Decreased availability or increased costs of key logistics and supply chain inputs, including third-party transportation, equipment and materials could impact our cost of operations and our profitability across business lines.

We depend on reliable access to third-party transportation, supplies of equipment, including vehicles and the sorting machines, conveyor systems and Automated Guided Vehicles, or AGVs, used at our Cloud OFCs and other network facilities, replacement parts and materials such as packing. The supplier base providing logistics equipment is relatively consolidated, which has resulted in a limited number of suppliers for certain types of equipment and supplies. Conversely, the market for third-party transportation services is fragmented with a large number of service providers, and it can be difficult to find reliable partners whose performance and reliability meet our standards at the scale our operations require. Any significant reduction in availability or increase in cost of any logistics and supply chain inputs could adversely affect our operations and increase our costs, which could adversely affect our operating results and cash flows.

Overall tightening of the labor market, increases in labor costs or any labor unrest, including strikes, may affect our business as we operate in a labor-intensive industry.

Our business requires a substantial number of personnel. Labor costs comprised 12.2%, 10.8% and 11.5% of our total cost of revenue from continuing operations in 2018, 2019 and 2020, respectively. Any failure to retain stable and dedicated labor by us, our franchisee partners or service providers may lead to disruptions to or delays in our services. We, our franchisee partners and service providers often hire additional or temporary workers to handle the significant increase in express and freight volumes during peak periods of e-commerce activities. We have observed an overall tightening labor market. We have experienced, and expect to continue to experience, increases in labor costs due to increases in salaries, social benefits and employee headcounts and we may also face seasonal labor shortages. We, our franchisee partners and service providers compete with other companies for labor, and we may not be able to offer competitive salaries and benefits compared to them.

We, our franchisee partners and service providers have been subject to labor disputes from time to time in the ordinary course of business, although none of them, individually or in the aggregate, has had a material adverse impact on us. We expect to continue to be subject to various legal or administrative proceedings related to labor disputes in the ordinary course of our business, due to the magnitude of the labor force involved in our service network. Any labor unrest or strikes directed against us, our franchisee partners or service providers could directly or indirectly prevent or hinder our normal operating activities, and if not resolved in a timely manner, lead to delays in fulfilling our customer orders. We, our franchisee partners and service providers are not able to predict or control any labor unrest, especially those involving labor not directly employed by us. Further, labor unrest may affect general labor market conditions or result in changes to labor laws, which in turn could materially and adversely affect our business, financial condition and results of operations.

We engage outsourcing firms to provide outsourced personnel for our operations and have limited control over these personnel and may be liable for violations of applicable PRC labor laws and regulations.

We engage outsourcing firms who send large numbers of their employees to work at our network facilities. As of December 31, 2020, over 37,900 outsourced personnel were active in our operations. We enter into agreements with the outsourcing firms only and do not have any contractual relationship with these outsourced workers. Since these outsourced personnel are not directly employed by us, our control over them is more limited as compared to our own employees. If any outsourced personnel fail to operate in accordance with our instructions, policies and business guidelines, our market reputation, brand image and results of operations could be materially and adversely affected.

Our agreements with the outsourcing firms provide that we are not liable to the outsourced personnel if the outsourcing firms fail to fulfill their duties to these personnel. However, if the outsourcing firms violate any relevant requirements under the applicable PRC labor laws, regulations or their employment agreements with the personnel, such personnel may claim compensation from us as they provide their services at our network facilities. As a result, we may incur legal liability, and our market reputation, brand image as well as our business, financial condition and results of operations could be materially and adversely affected.

Our business depends on our reputation and brand image, and any damage to them or any failure to effectively adjust our branding strategy in our international expansion could adversely impact our business.

Our brand name in Chinese, “百世,” means hundreds of generations. We believe that our BEST brand name and our other brands stand for long-term commitment, comprehensive and high-quality service, reliability and efficiency, and are part of our most important and valuable assets. We have registered our major trademarks critical to our business in Chinese with the relevant PRC authorities, including “百世” (BEST), “百世物流” (BEST Logistics), “百世供应链” (BEST Supply Chain), “百世快递” (BEST Express), “百世快运” (BEST Freight), “百世国际” (BEST Global), “百世金融” (BEST Capital), “百世优货” (BEST UCargo) and “店” (Store). We have also used and registered our various trademarks in other jurisdictions. Our brands and reputation are significant sales and marketing tools, and we devote substantial resources to promoting and protecting them. Adverse publicity (whether or not justified) such as accidents, customer service mishaps or noncompliance with laws relating to activities by our franchisee partners, service providers, contractors or agents, could tarnish our reputation and reduce the value of our brand. With the increased use of social media outlets, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for us to effectively respond.

As we continue our international expansion, we may need to adjust our branding strategy in new countries and regions that we enter into. For example, our existing brands may be viewed as similar to brands used by existing players in the local markets that provide similar services. As such, we may need to adopt a new brand name in these markets and our efforts in establishing the reputation of the new brand in a new market may not be successful and could lead to brand disruption and harm our operations in these markets. Existing players in the local markets may also claim that our brands are similar to theirs and thereby bring claims against us for infringement upon their brand names or trademark rights, which may cause harm to our reputation and disrupt our branding strategy in the relevant local market. In addition, we may experience difficulty or prolonged delay in registering our trademarks in local countries due to regulatory uncertainties and malicious third-party trademark registrations. Damage to our reputation and loss of brand equity could reduce demand for our services and thus have an adverse effect on our financial condition, liquidity and results of operations, as well as require additional resources to rebuild our reputation and restore the value of our brand.

We may not be able to attract and retain the qualified and skilled employees needed to support our business.

We believe our success depends on the efforts, effectiveness and talent of our employees, including research and development, supply chain management, operations, engineering, risk management, and sales and marketing personnel. Our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees. Competition for highly skilled personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment.

In addition, we invest significant time and resources in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements, and the quality of our services and our ability to serve our customers could diminish, resulting in a material adverse effect to our business.

A significant system disruption could adversely affect the operations of us and our ecosystem participants, which could severely impact our business and prospects.

We rely on our technology infrastructure to process, transmit and store digital information, and to manage or support a variety of business processes and activities. In addition, the provision of service to our customers and the operation of our service network infrastructure involves the storage and transmission of proprietary information and sensitive or confidential data, including business and personal information of our ecosystem participants, who are reliant on the use of our technology infrastructure to manage their business processes and activities. Our technology infrastructures and those of our customers and our franchisee partners are connected through various interfaces. Some of these infrastructures are managed by third parties and are susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, malicious insiders, telecommunication failures, user errors or other catastrophic events. Hackers, acting individually or in coordinated groups, may also launch distributed denial of service attacks or other coordinated attacks that may cause service outages or other interruptions in our business.

The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently, may be difficult to detect and often are not recognized until launched against a target. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures. If our systems were to suffer an operational failure, it could harm our reputation and have a material adverse effect on our business and prospects.

Our business generates and processes a large quantity of data, and improper handling of or unauthorized access to such data may adversely affect our business.

We face risks related to complying with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information, as well as any requests from regulatory and government authorities relating to such data.

The PRC regulatory and enforcement regime with regard to data security and data protection has continued to evolve. There are uncertainties on how certain laws and regulations will be implemented in practice. PRC regulators have been increasingly focused on regulating data security and data protection. We expect that these areas will receive greater attention from regulators, as well as attract public scrutiny and attention going forward. This greater attention, scrutiny and enforcement, including more frequent inspections, could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, our reputation and results of operations could be materially and adversely affected. For further details please see “Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Regulations Relating to Internet Security.”

We also grant limited access to specified data on our technology platform to certain other ecosystem participants. These third parties face the same challenges and risks inherent in handling and protecting large volumes of data. Any system failure or security breach or lapse on our part or on the part of any of such third parties that results in the release of user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability.

In addition, we are subject to additional laws in other jurisdictions in which we operate and where our ecosystem participants are located. The laws, rules and regulations of other jurisdictions, such as the U.S., Europe and Southeast Asian countries, may impose more stringent or conflicting requirements and penalties than those in China, compliance with which could require significant resources and costs. Our policies and practices concerning the collection, use and disclosure of user data are posted on our websites. Any failure, or perceived failure, by us to comply with any regulatory requirements or privacy protection-related laws, rules and regulations could result in proceedings or actions against us by governmental entities or others. These proceedings or actions could subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and severely disrupt our business.

We face risks associated with the items we deliver and the contents of shipments and inventories handled through our service network.

We handle a large volume of shipments and inventories across our service network, and face challenges with respect to the protection and control of these items. Shipments and inventories in our service network may be stolen, damaged or lost for various reasons, and we, our franchisee partners and service providers may be perceived or found to be liable for such incidents. In addition, we may fail to screen shipments and inventories and detect unsafe or prohibited/restricted items. Unsafe items, such as flammables and explosives, toxic or corrosive items and radioactive materials, may damage other items or facilities in our service network, injure recipients and harm our personnel and assets or those of our franchisee partners and service providers. Furthermore, if we fail to prevent prohibited or restricted items from entering into our service network and if we participate in the transport and delivery of such items, we may be subject to administrative or even criminal penalties, and if any personal injury or property damage is concurrently caused, we may be further liable for civil compensation.

Our delivery operations also involve inherent risks. We constantly have a large number of vehicles and personnel in transportation and a large number of items in storage facilities that we rent, and are therefore subject to risks associated with storage and transportation safety. The insurance maintained by us may not fully cover the damages caused by transportation-related injuries or loss. From time to time, our vehicles and personnel may be involved in accidents, and the items they transport may be lost or damaged. In addition, frictions or disputes may occasionally arise from the personal interactions between our pick-up and delivery personnel and senders or recipients and those of our franchisees partners and service providers. Personal injury or property damage may occur in connection with such incidents.

Any of the foregoing could disrupt our services, cause us to incur substantial expenses and divert the time and attention of our management. We, our franchisee partners and service providers may face claims and incur significant liabilities if found liable or partially liable for any injuries, damages or losses. Claims against us may exceed the amount of our insurance coverage, or may not be covered by insurance at all. Governmental authorities may also impose significant fines on us or require us to adopt costly preventive measures. Furthermore, if our services are perceived to be insecure or unsafe by our ecosystem participants, our business volume may be significantly reduced, and our business, financial condition and results of operations may be materially and adversely affected.

We have limited ability to protect our intellectual property rights, including our brand and our proprietary information technology platform, and unauthorized parties may infringe upon or misappropriate our intellectual property.

Our success depends in part upon our proprietary technology infrastructure, including certain methodologies, practices, tools and technical expertise we utilize in designing, developing, implementing and maintaining applications and processes used in providing our services. We rely on a combination of patent, copyright, trademark, trade secrets and other intellectual property protections, confidentiality agreements with our key personnel, customers and other relevant persons and other measures to protect our intellectual property, including our brand and our proprietary technology infrastructure. Nevertheless, it may be possible for third parties to obtain and use our intellectual property without authorization. The unauthorized use of intellectual property is common in China and certain Southeast Asian countries and enforcement of intellectual property rights by regulatory agencies may not be as consistent as in more developed countries. As a result, litigation may be necessary to enforce our intellectual property rights. Litigation could result in substantial costs and diversion of our management's attention and resources, and could disrupt our business, as well as have a material adverse effect on our financial condition and results of operations. There is no guarantee that we would be able to halt any unauthorized use of our intellectual property through litigation.

We may be accused of infringing the intellectual property rights of others.

Our success depends in part on the use of our proprietary intellectual property and the intellectual property of other ecosystem participants, including technology, software products, business policies, plans, and trade secrets. Many of our contracts with third parties require us not to engage in the unauthorized use of such intellectual property or information, and to indemnify such third parties for any resulting loss. The steps taken by us in this regard may not be adequate to safeguard such intellectual property and confidential information. Moreover, most of our contracts do not include any limitation on our liability with respect to our infringement or breach of our obligation to keep confidential the intellectual property or confidential information. In addition, we may not always be aware of intellectual property registrations or applications relating to trademarks, source codes, software products or other intellectual property of such third parties, whether in China or other jurisdictions. As a result, if the proprietary rights of our ecosystem participants or other third parties are misappropriated by us or our employees, we may be liable for damages or other compensation.

Assertions of infringement of intellectual property or misappropriation of confidential information against us, if successful, could have a material adverse effect on our business, financial condition and results of operations. Protracted litigation could divert our management's attention and our resources and also result in existing or potential customers deferring or limiting their procurement or use of our services until the resolution of such litigation. Even if such assertions against us are unsuccessful, they may cause us to lose existing and future business and incur reputational harm and substantial legal fees.

Any difficulties in identifying, consummating and integrating acquisitions, investments or alliances may expose us to potential risks and have an adverse effect on our business, results of operations or financial condition.

We have in the past made and may in the future seek to make acquisitions and investments and enter into strategic alliances to further expand our business. We acquired a local express delivery company in Vietnam in July 2019 and a local express delivery company in Malaysia in April 2020. If we are presented with appropriate opportunities, we may acquire additional businesses, services, resources, or assets, including supply chain service providers and transport solution providers that are accretive to our core business. We cannot assure you that we will always be able to complete such acquisitions successfully or on terms acceptable to us. Integration of entities or assets we acquire into our business may not be successful and may prevent us from expanding into new services, customer segments or operating locations. This could significantly affect the expected benefits of these acquisitions. Moreover, the integration of any acquired entities or assets into our operations could require significant attention from our management. The diversion of our management's attention and any difficulties encountered in any integration process could have an adverse effect on our ability to manage our business.

Our possible future acquisitions, investments or strategic alliances may also expose us to other potential risks, including risks associated with unforeseen or hidden liabilities, the diversion of resources from our existing businesses and technologies, our inability to generate sufficient revenue to offset the costs, expenses of acquisitions and potential loss of, or harm to, relationships with employees and customers as a result of our integration of new businesses. In addition, we may recognize impairment losses on goodwill arising from our acquisitions. The occurrence of any of these events could have a material and adverse effect on our ability to manage our business, our financial condition and our results of operations.

Our international expansion exposes us to significant risks.

We provide inbound and outbound cross-border supply chain management services and plan to continue to expand our footprint internationally as part of our growth strategy. In addition to China, we currently operate Cloud OFCs in the U.S. and Thailand, and have coverage in Japan, the United Kingdom, France, Korea, Malaysia, Hong Kong, Italy, India, Vietnam, New Zealand, Laos, Russia, Cambodia and Singapore through partners, and expect to open additional foreign facilities and hire employees to work at these offices in order to reach new customers and expand the reach of our service network. We started to provide local express delivery services in Thailand in late 2018, Vietnam in July 2019, Malaysia in April 2020, and Singapore and Cambodia in July 2020. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks in addition to those we already face in China. Because of our limited experience with international operations as well as developing and managing operations in international markets, our international expansion efforts may not produce the results we expect.

In addition, we will face risks in doing business internationally that could adversely affect our business. For instance, we face difficulties managing and staffing international operations and the increased operating, travel, infrastructure and legal compliance costs associated with international business. We must comply with laws and regulations in foreign jurisdictions, particularly in the areas of data privacy and customs. We must also comply with technical and environmental standards in these jurisdictions. In addition, we must offer customer service in various languages, cater to local cultures, adapt and localize our service offerings for specific countries, appropriately price our products and services and work with overseas merchants, partners and other third parties, such as local transportation service providers. We are also subject to general risks inherent in international operations, such as fluctuations in exchange rates, changes in trade policies, tariff regulations, embargoes and customer clearances, or other trade restrictions, as well political or social unrest or economic instability in regions in which we operate.

Our failure to manage any of these risks successfully could harm our international operations, and adversely affect our business, results of operations and financial condition.

We may not be able to obtain sufficient capital to fund our business expansion.

Our business expansion requires a substantial amount of capital. In 2018, 2019 and 2020, we incurred capital expenditures for our continuing operations of RMB1,062.0 million, RMB1,497.7 million and RMB1,585.4 million (US$243.0 million), respectively, representing purchases of property and equipment. We have incurred substantial costs to launch and ramp-up new service offerings as well as to expand geographically and we may only be able to recover such costs over the long term. The continued improvement and upgrade of our supply chain service network may also require a substantial amount of capital investments, such as purchasing equipment, funding leasehold improvements at our hubs, sortation centers and Cloud OFCs. Further, we may encounter development delays and excess development costs.

We have historically funded our operations by issuance of equity or equity-linked securities (including convertible senior notes), redeemable convertible preferred shares, asset-backed securities and short-term bank borrowings. There can be no assurance that we will be able to generate sufficient cash from our operations to fund our capital requirements or raise additional funds through equity or debt financings on satisfactory terms or at all, in which case we may be required to prioritize projects or curtail capital expenditures, and our results of operations could be adversely affected. On the other hand, if we raise funds through debt financings, we may also become subject to restrictive covenants that could limit our future capital raising activities and other financial and operational matters. If we raise funds through further issuances of equity or equity-linked securities, our existing shareholders could suffer significant dilution in their percentage ownership of our company.

We may not have the ability to raise the funds necessary to repurchase our convertible senior notes on the repurchase date or upon the occurrence of a fundamental change, and our future debt may contain limitations on our ability to pay cash upon required repurchase or redemption of the notes.

Holders of our 2024 Convertible Notes and the 2025 Convertible Notes will have the right to require us to repurchase their notes on September 30, 2022 and within 90 days after June 3, 2023, respectively, and upon the occurrence of a fundamental change, in each case at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor or redeem the notes. In addition, our ability to repurchase or redeem the notes may be limited by law, by regulatory authority or by agreements governing our current or future indebtedness. Our failure to repurchase notes or pay the tax redemption price at a time when the repurchase or such payment is required by the indenture governing the 2024 Convertible Notes or the convertible note instrument governing the 2025 Convertible Notes would constitute a default under these respective note instruments. A default under the note instruments or the fundamental change itself would also lead to a default under agreements governing our existing indebtedness and could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase or redeem the notes.

Failure of us or our franchisee partners to obtain, maintain or update necessary licenses and permits may have a material adverse effect on our business, financial condition and results of operations.

We and our franchisee partners are required to hold a number of licenses and permits in connection with our business operation including, but not limited to, with respect to our China businesses, the courier service operation permit, road transportation operation permit and the value-added telecommunication service license concerning Internet information service, or the ICP license.

Under PRC laws, an enterprise that operates and provides express delivery services must obtain a courier service operation permit listing out all the regions it and its branches are allowed to operate in. Such enterprise needs to make a filing with the relevant postal authority to update its courier service operation permit to include any additional regions it plans to expand into. All of our PRC subsidiaries, our VIEs and their subsidiaries engaging in express delivery services have obtained courier service operation permits required for our operations. However, some local branches of our VIEs and their subsidiaries have not made timely filings with the relevant postal authority to update their courier service operation permits. While we have not received any government order or penalty resulting from such failure, we cannot assure you that we will not be subject to orders to rectify, fines of up to RMB50,000 or business suspension of such branches.

In addition, an enterprise engaging in road freight transportation is required to obtain a road transportation operation permit from the relevant county-level road transportation administrative bureau, unless such enterprise is engaging in general cargo transportation with a general cargo vehicle weighing 4,500 kilograms or less. If an enterprise engaging in road freight transportation intends to establish a branch, it is required to make a filing with the local road transportation administrative bureau where the branch is to be established. While all of our PRC subsidiaries, the VIEs and their subsidiaries engaging in road freight transportation have obtained their road transportation operation permits, we are in the process of renewing the filings for some of the branches, and if we cannot complete the renewal in a timely manner, these branches may be subject to business suspension and other penalties.

Our franchisee partners also need to obtain necessary licenses and permits and make necessary filings to provide express delivery services. Some of our franchisee partners providing express delivery services do not currently possess all necessary licenses and permits. While we have urged them to obtain such licenses and permits, we can provide no assurance that all of our franchisee partners will be able to obtain all of the licenses and permits and make all of the filings necessary for their business. Failure to obtain such licenses and permits and make such filings may result in suspension of operation, fines or other penalties on our franchisee partners by government authorities. In addition, if any of our franchisee partners providing express delivery services fails to obtain required licenses and permits, we may also be subject to an order to rectify and a fine ranging from RMB5,000 to RMB30,000 for each such failure.

New laws and regulations that are enforced from time to time may require additional licenses and permits other than those we and our franchisee partners currently have. If the PRC government or the government of any country in which we operate a franchised logistics network considers us or our franchisee partners to be operating without the proper approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses, it has the authority, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC or other government may have a material and adverse effect on our results of operations.

Failure to comply with PRC laws and regulations by us or our franchisee partners may materially and adversely impact our business, financial condition and results of operations.

Our business is subject to governmental supervision and regulation by the relevant PRC governmental authorities, including but not limited to the State Post Bureau and the Ministry of Transport. Together, these governmental authorities promulgate and enforce regulations that cover many aspects of our day-to-day operations, and we may fail to fully comply with these regulations. For example, the PRC Postal Law, promulgated by the Standing Committee of the National People's Congress of China, which became effective on October 1, 2009 and was amended in 2015, indicates that express delivery companies cannot engage in "posting and mail delivery business exclusively operated by postal enterprises." However, PRC laws do not provide a definition for "posting and mail delivery business exclusively operated by postal enterprises." If the authorities define such term in the future and if the items that we or our franchisee partners deliver fall into the defined category, we may be considered in violation of such regulation, and as a result, it might have an adverse impact on our results of operations.

According to the Administrative Measures for Express Delivery Market, or the Express Delivery Regulations, promulgated by the Ministry of Transport on January 11, 2013, when engaging in express delivery business through franchising arrangements, a franchisor is required to execute written agreements with its franchisees to set forth their respective rights and obligations with respect to their franchising arrangement and clearly delineate their respective liabilities to consumers in case of any infringement of their lawful rights. Failure to enter into such a written agreement with any franchisee may subject a franchisor to an order to rectify and a fine ranging from RMB5,000 to RMB30,000. While it is not clearly provided in the Express Delivery Regulations, national government authorities have imposed that certain specific forms be used in connection with the execution of the written agreements required under the Express Delivery Regulations. While the majority of our agreements with franchisee partners for express delivery service have satisfied such form requirements, our other agreements with such franchisee partners may be found non-compliant by relevant authorities. Although we have proactively taken measures to ensure that our agreements with franchisee partners will comply with such requirements, we cannot assure you that we will not be subject to fines and penalties due to any past or future non-compliances.

Pursuant to the Administrative Regulations on Commercial Franchising Operation promulgated by the State Council in February 2007 and Provisions on Administration of the Record Filing of Commercial Franchises issued by MOFCOM in December 2011, or collectively the Regulations and Provisions on Commercial Franchising, commercial franchising refers to the business activities where an enterprise that possesses the registered trademarks, enterprise logos, patents, proprietary technology or any other business resources allows such business resources to be used by another business operator through a contract and the business operator follows the uniform business model to conduct business operations and pay franchising fees according to the contract. Therefore, if the relationship between us and our franchisee partners and other ecosystem participants constitute such regulated commercial franchising, we will be subject to these regulations and will be required to file such franchising arrangements with MOFCOM or its local counterparts and update the filings when there are changes to relevant information. While we had completed such filings with respect to our BEST Express, BEST Freight and Cloud OFC services as of December 31, 2020, we cannot assure you that we can update such filings in a timely manner or our relationships with other existing and future ecosystem participants will not be found to constitute such regulated commercial franchising in the future. As of December 31, 2020, we had not received any request from any governmental authorities to make any of such filings. If relevant authorities determine that we failed to make any filing with respect to any regulated commercial franchising activity in the future, we may be subject to an order to rectify or fines ranging from RMB10,000 to RMB50,000, and if we fail to rectify within the rectification period determined by competent government authorities, we may be subject to an additional fine ranging from RMB50,000 and RMB100,000 as well as public reprimand.

In addition, our franchisee partners have full discretion over their daily operations and make localized decisions with respect to their facilities, vehicles and hiring and pricing strategies. Their operations are regulated by various PRC laws and regulations, including local administrative rulings, orders and policies that are pertinent to their localized freight, express delivery business and retail business. For example, local regulations may specify the models or types of vehicles to be used in pickup and delivery services or require the franchisee partners to implement heightened safety screening procedures, which could materially drive up the operating costs and impact the delivery efficiency of the pickup and delivery outlets.

We are also subject to a number of retail industry regulations including, but not limited to, regulations relating to pricing, consumer protection, product quality, food safety and public safety. Local regulatory authorities conduct periodic inspections, examinations and inquiries in respect of our compliance with relevant regulatory requirements. If we fail to comply with these laws and regulations, we may be exposed to penalties, fines, the suspension or revocation of our licenses or permits to conduct business, administrative proceedings and litigation.

New laws and regulations may be enforced from time to time and substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to our businesses. If the PRC government promulgates new laws and regulations that impose additional restrictions on our daily operations, it has the authority, among other things, to levy fines, confiscate income, revoke business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material and adverse effect on our results of operations. If our franchisee partners are found to be in violation of any applicable law or regulation then in effect, such franchisee partners may be subject to similar penalties or administrative orders and may not be able to continue to deliver satisfactory services or at all. As a result, our business, reputation, financial condition and results of operations may be materially and adversely affected.

We face risks related to the termination and renewal of leases on which we rely for our operations.

Substantially all of our Cloud OFCs, hubs and sortation centers are located in properties for which we have entered into long-term operating leases. In some instances, we may negotiate an option to renew the lease according to the terms and conditions under the relevant lease agreements. However, upon the expiration of such leases, we may not be able to renew these leases on commercially reasonable terms, if at all. Under certain lease agreements, the lessor may terminate the agreement by giving prior notice and paying default penalties to us. Such default penalties nonetheless may not be sufficient to cover our losses. Even though the lessors for most of our Cloud OFCs, hubs and sortation centers do not have the right of unilateral early termination unless they provide the required notice, the lease may nonetheless be terminated early if we are in material breach of the lease agreements. We may assert claims for compensation against the landlords if they elect to terminate a lease agreement early and without due cause. If the leases for our Cloud OFCs, hubs or sortation centers were terminated prior to their expiration dates, notwithstanding any compensation we may receive for early termination of such leases, or if we are not able to renew such leases, we may have to incur significant cost related to relocation.

Our use of certain leased properties could be challenged by third parties or governmental authorities, which may cause interruptions to our business operations.

As of December 31, 2020, lessors of approximately 3.3% of the total gross floor area of our leased properties in China have not provided us with their property ownership certificates or any other documentation proving their right to lease those properties to us. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors or permits from the relevant governmental authorities, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or other parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. Although we may seek damages from such lessors, such leases may be void and we may be forced to relocate. Any relocation would require us to locate and secure additional facilities, expenditures of additional funds in connection with the relocation and preparation of replacement facilities. This could affect our ability to provide uninterrupted services to our customers and harm our reputation. As of December 31, 2020, we had not incurred expenditures associated with the relocation and preparation of replacement facilities. In addition, a substantial portion of our leasehold interests in leased properties have not been registered with the relevant PRC governmental authorities as required by relevant PRC laws. The failure to register leasehold interests may expose us to potential warnings and penalties.

In addition, some of our leased properties in China may not have filed the fire-control registration as required by relevant PRC laws and as a result, our use of the leased property may be affected. In the event that our use of properties is successfully challenged by the regulators or due to fire incidents, we may be forced to relocate from the affected operations.

Our failure or alleged failure to comply with China's anti-corruption laws or the U.S. Foreign Corrupt Practices Act could result in penalties, which could harm our reputation and have an adverse effect on our business, results of operations and financial condition.

We are subject to PRC laws and regulations related to anti-corruption, which prohibit bribery to government agencies, state or government-owned or controlled enterprises or entities, to government officials or officials that work for state or government-owned enterprises or entities, as well as bribery to non-government entities or individuals. As a U.S. public company, we are also subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, which generally prohibits companies and any individuals or entities acting on their behalf from offering or making improper payments or providing benefits to foreign officials for the purpose of obtaining or keeping business, along with various other anti-corruption laws. Our existing policies prohibit any such conduct and we continually refine and update our policies and procedures to keep up with business and regulatory developments. We also provide ongoing training to our employees, franchisee partners and other third parties in order to ensure that we comply with PRC anti-corruption laws and regulations, the FCPA and other anti-corruption laws to which we are subject. There is, however, no assurance that such policies or procedures will work effectively all the time or protect us against liability under the FCPA or other anti-corruption laws. There is no assurance that our employees, franchisee partners and other third parties would always obey our policies and procedures. Further, there is uncertainty in connection with the implementation of PRC anti-corruption laws. We could be held liable for actions taken by our employees, franchisee partners and other third parties with respect to our business or any businesses that we may acquire. In addition to the PRC, we also operate Cloud OFCs in the U.S. and Thailand, and have coverage in Japan, the United Kingdom, France, Korea, Malaysia, Hong Kong, Italy, India, Vietnam, New Zealand, Laos, Russia, Cambodia and Singapore through partners. We also provide local express delivery services in Thailand, Vietnam, Malaysia, Singapore and Cambodia. This puts us in frequent contact with persons who may be considered "foreign officials" under the FCPA, resulting in an elevated risk of potential FCPA violations. If we are found not to be in compliance with PRC anti-corruption laws, the FCPA and other applicable anti-corruption laws, we may be subject to criminal, administrative, and civil penalties and other remedial measures, which could have an adverse impact on our business, results of operations and financial condition. Any investigation of any potential violations of the FCPA or other anti-corruption laws by the U.S. or foreign authorities, including Chinese authorities, could adversely impact our reputation, cause us to lose customer relationships and lead to other adverse impacts on our business, results of operations and financial condition.

We are subject to various claims and lawsuits in the ordinary course of business, and increases in the amount or severity of these claims and lawsuits could adversely affect us.

We are exposed to various claims and litigation related to commercial disputes, personal injury, property damage, labor disputes and other matters in the ordinary course of our business. Developments in regulatory, legislative or judicial standards, material changes to litigation trends, or a catastrophic accident or series of accidents, including accidents that affect our franchisee partners or service providers, involving any or all of commercial disputes, property damage, personal injury, and labor disputes could have a material adverse effect on our operating results, financial condition and reputation.

We may not have sufficient insurance coverage.

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased certain life insurance, such as group accident insurance; property loss insurance, such as cargo transportation insurance and all-risk property insurance; and liability insurance, such as non-motor vehicle liability insurance, public liability insurance and logistics liability insurance. Some of our insurance also covers fire or other damages. We also provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our full-time employees. We are not legally required to maintain insurance for the items we ship. We do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain key-man life insurance. We cannot assure you that our insurance coverage is sufficient to prevent us from any losses or that we will be able to successfully claim for losses under our current insurance policies on a timely basis, or at all. If we incur losses that are not covered by our insurance policies, or if the amount reimbursed is significantly less than our actual losses, our business, financial condition and results of operations could be materially and adversely affected.

Fluctuations in exchange rates could result in foreign currency exchange losses, which may adversely affect our financial condition, results of operations and cash flows.

We have in the past raised significant funds in U.S. dollars and have received net proceeds in U.S. dollars from our initial public offering and convertible senior notes issuances. We have historically incurred substantial short-term borrowings in Renminbi to fund our working capital requirement in the PRC while holding significant U.S. dollar balances. As such, any appreciation in the value of Renminbi against U.S. dollar and other currencies would have a negative impact on our financial position and results of operations. In addition, while we currently incur only a small portion of our expenses and generate only a small portion of our revenue in currencies other than Renminbi, we may incur more of such expenses and generate more of such revenues in the future as we continue our international expansion. As a result, we may be subject to increased foreign exchange rate risk in the future.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC and other governments. Specifically in the PRC, on July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. In 2016, the Renminbi depreciated approximately 6.7% against the U.S. dollar. In 2017, however, the RMB appreciated approximately 6.7% against the U.S. dollar. While the RMB depreciated approximately 5.7% and 1.5%, respectively, against the U.S. dollar in 2018 and 2019, the RMB appreciated approximately 6.3% against the U.S. dollar in 2020. It remains unclear what further fluctuations may occur or what impact this will have on our results of operations.

It is difficult to predict how market forces or PRC, U.S. or other government policies may impact the exchange rate between the Renminbi, U.S. dollar and other currencies in the future. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in greater fluctuation of the Renminbi against the U.S. dollar. Substantially all of our revenue and costs are currently denominated in Renminbi, and a large portion of our financial assets and a portion of our financial liabilities are denominated in U.S. dollars. To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into U.S. dollars for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount we would receive. We cannot predict the impact of foreign currency fluctuations, and foreign currency fluctuations in the future may adversely affect our financial condition, results of operations and cash flows.

We face risks related to natural disasters, extreme weather conditions, health epidemics and other catastrophic incidents, which could significantly disrupt our operations.

Significant natural disasters, including earthquakes, extreme weather conditions, as well as health scares related to epidemic or pandemic diseases, and any similar event in China and elsewhere could materially impact our business. For example, beginning in January 2020, the COVID-19 outbreak resulted in travel restrictions, lockdowns and quarantines in China and many other countries and negatively affected our operations in China and countries in which we operate our business. Specifically, in China, our primary market, the COVID-19 outbreak and related lockdowns resulted in temporary closures of our customers' and our businesses, causing lower productivity from late January to early March 2020. Our total revenue declined for the three months ended March 31, 2020 on a year-over-year basis, primarily due to disruptions in our business from the COVID-19 pandemic and the passing through of a temporary government waiver of highway tolls in China to our customers through downward price adjustments. By the end of March 2020, we had recovered our services across China, including all hubs and warehouses for express services, freight services and supply chain management services. However, after the government reinstated highway tolls in the second quarter of 2020, a pricing lag caused the gross margin of our freight services to decline for the three months ended September 30, 2020 on a year-over-year basis. As the COVID-19 outbreak has further spread outside China and it is uncertain as to whether the COVID-19 outbreak will continue to be contained in China, we are unable to quantify or predict the magnitude of COVID-19's impact on our operations and financial condition going forward. As a result of the on-going COVID-19 outbreak, our operations may again slow down or be suspended. Our business could be materially and adversely affected in the event that the slowdown or suspension continues for a prolonged period. COVID-19 may affect our results of operations in a manner that is presently unknown to us and/or cannot be reasonably anticipated by us. If any of our employees are suspected of having contracted a contagious disease, we may be required to apply quarantines or suspend our operations. Furthermore, any continuing outbreak may restrict economic activities in affected regions, resulting in reduced business volume, temporary closure of our business premises or otherwise disrupt our business operations and adversely affect our results of operations.

Our business could also be affected by other public health epidemics or pandemics, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus, Ebola virus or other diseases. If a disaster or other disruption were to occur in the future that affects the regions where we have or are developing Cloud OFCs or hubs and sortation centers, our operations could be materially and adversely affected due to loss of personnel and damages to property. Even if we are not directly affected, such a disaster or disruption could affect the operations or financial condition of our ecosystem participants, which could harm our results of operations.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.

As a U.S. public company, we are subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the New York Stock Exchange. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. As required by Section 404 of the Sarbanes-Oxley Act, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting in our Form 20-F filing for that year. In addition, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2020. In addition, our independent registered public accounting firm has issued an attestation report, which concluded that our internal control over financial reporting was effective in all material aspects as of December 31, 2020. See “Item 15. Controls and Procedures—Management’s Annual Report on Internal Control over Financial Reporting.”

However, our internal control over financial reporting may not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. This will require that we incur substantial additional professional fees and internal costs to expand our accounting and finance functions and that we expend significant management efforts. In addition, the trading price of our ADSs could decline and we could be subject to sanctions or investigations by the New York Stock Exchange, SEC or other regulatory authorities.

Risks Related to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating certain of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Under current PRC laws and regulations, foreign enterprises or individuals may not invest in or operate domestic mail delivery services and tobacco retail business and foreign ownership of Internet information services is subject to restrictions. According to the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2020 Version), or the Negative List 2020, which was promulgated jointly by the MOFCOM and the NDRC on June 23, 2020 and became effective on July 23, 2020, foreign investment is prohibited in the establishment of any postal enterprise and in domestic express delivery of mail. Postal enterprises refer to the China Post Group and its wholly-owned enterprises or controlled enterprises providing postal services, as well as other services including but not limited to mail delivery, postal remittances, savings and issuance of stamps and production and sale of philatelic products. In addition, according to the Interim Measures for the Operation and Administration of Road Freight Transport based on Internet Platforms promulgated by the Ministry of Transport and the State Taxation Administration in 2019, enterprises that operate an internet platform for road freight transport, such as our entities that operate our BEST UCargo business, must satisfy legal requirements regarding operational internet information service such as obtaining their own ICP licenses. Foreign investors are generally not permitted to own more than 50% of the equity interests in a value-added telecommunication service provider (other than business of e-commerce, domestic multiparty communication, store-and-forward business and call center). Any such foreign investor must also have experience and a good track record in providing value-added telecommunications services overseas. Also, foreign investors are forbidden to invest in wholesale or retail business of tobacco leaves, cigarettes, redried tobacco leaves or other tobacco products.

We are a Cayman Islands company and our PRC subsidiaries wholly owned by us are considered wholly-foreign owned enterprises. Accordingly, none of these subsidiaries are eligible to operate domestic mail delivery services, value-added telecommunications business and tobacco retail business in China, including operation of an internet platform for road freight transport in connection with our BEST UCargo business. It is also practically and economically not possible to separate the delivery of mail from the delivery of non-mail items in our day-to-day services. To ensure compliance with the PRC laws and regulations, we conduct such domestic mail delivery services and value-added telecommunications business (other than those in connection with BEST UCargo) through Hangzhou BEST Network Technologies Ltd., our VIE, and its subsidiaries, our BEST UCargo business through Hangzhou BEST Information Technology Services Co., Ltd., also our VIE, and its subsidiaries and our tobacco retail business through a subsidiary (WOWO) of Hangzhou Baijia Business Management Consulting Co., Ltd., also our VIE. Our company and Zhejiang BEST Technology Co., Ltd., or Zhejiang BEST, our wholly-owned subsidiary in China, have entered into a series of contractual arrangements with Hangzhou BEST Network Technologies Ltd. and its shareholders, and our company and BEST Logistics Technology (China) Co., Ltd., or BEST Logistics China, our wholly-owned subsidiary in China, have entered into a series of contractual arrangements with Hangzhou BEST Information Technology Services Co., Ltd. and its shareholders, and our company and BEST Store Network (Hangzhou) Co., Ltd., or BEST Store Network, our wholly-owned subsidiary in China, have entered into a series of contractual arrangements with Hangzhou Baijia Business Management Consulting Co., Ltd. and its shareholders, which enable us to (i) exercise effective control over the VIEs, (ii) receive substantially all of the economic benefits of the VIEs and are also obligated to absorb the expected losses of the VIEs, and (iii) have an exclusive option to purchase all or part of the equity interests and assets in the VIEs when and to the extent permitted by PRC law. As a result of these contractual arrangements, we have control over and are the primary beneficiary of the VIEs and hence consolidate their financial results as our VIEs under U.S. GAAP.

If the PRC government finds that our contractual arrangements do not comply with its restrictions on foreign investment in domestic express delivery services of mail, value-added telecommunications business or tobacco retail business, or if the PRC government otherwise finds that we, our VIEs, or any of its subsidiaries are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, would have broad discretion in dealing with such violations or failures, including, without limitation: (i) revoking the business licenses and/or operating licenses of these entities; (ii) discontinuing or placing restrictions or onerous conditions on our operation through any transactions between our PRC subsidiaries and VIEs; (iii) imposing fines, confiscating the income from our PRC subsidiaries or VIEs, or imposing other requirements with which such entities may not be able to comply; (iv) requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with our VIEs and deregistering the equity pledges of our VIEs, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our VIEs; or (v) restricting or prohibiting our use of the proceeds of our initial public offering and convertible senior notes issuances to finance our business and operations in China.

Any of these actions would cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and contractual arrangements. If any of these occurrences results in our inability to direct the activities of our VIEs that most significantly impact their economic performance, and/or our failure to receive the economic benefits from our VIEs, we may not be able to consolidate the entities in our consolidated financial statements in accordance with U.S. GAAP.

Our contractual arrangements with our VIEs may result in adverse tax consequences to us.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that our contractual arrangements with our VIEs were not made on an arm’s length basis and adjust our income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could adversely affect us by (i) increasing the tax liabilities of our VIEs without reducing the tax liability of our PRC subsidiaries, which could further result in late payment fees and other penalties to our VIEs for underpaid taxes; or (ii) limiting the ability of our VIEs to obtain or maintain preferential tax treatments and other financial incentives.

We rely on contractual arrangements with our VIEs and their shareholders for our China operations, which may not be as effective as direct ownership in providing operational control and otherwise have a material adverse effect as to our business.

We rely on contractual arrangements with our VIEs and their shareholders to operate our business in China. For a description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Variable Interest Entity Contractual Arrangements." In 2018, 2019 and 2020, 71%, 69% and 73% of our total revenue from continuing operations, respectively, was attributed to our VIEs. These contractual arrangements may not be as effective as direct ownership in providing us with control over our VIEs. If our VIEs or their shareholders fail to perform their respective obligations under these contractual arrangements, we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies under PRC law as we will only have indirect recourse to the assets held by our VIEs. These remedies may not always be effective, particularly in light of uncertainties in the PRC legal system. Furthermore, in connection with litigation, arbitration or other judicial or dispute resolution proceedings, assets under the name of any of the record holders of equity interest in our VIEs, including such equity interest, may be put under court custody. As a consequence, we cannot be certain that the equity interest will be disposed of pursuant to the contractual arrangements or ownership by the record holder of the equity interest.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through litigation in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions, such as the U.S. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing these contractual arrangements, it would be very difficult to exert effective control over our VIEs, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected. See "—Risks Related to Doing Business in the People's Republic of China—There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations."

The shareholders of our VIEs may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.

In connection with our operations in China, we rely on the shareholders of our VIEs to abide by the obligations under such contractual arrangements. Hangzhou BEST Network, one of our VIEs, is 36.285% owned by Wei Chen, a PRC individual who is a relative of Mr. Shao-Ning Johnny Chou, 36.285% owned by Lili He, another PRC individual who is a relative of Mr. Shao-Ning Johnny Chou and 27.43% owned by Hangzhou Ali Venture Capital Co., Ltd., a PRC domestic company and a consolidated entity of Alibaba. Hangzhou BEST IT and Hangzhou Baijia, the other two VIEs of ours, is each 50% owned by Wei Chen and 50% owned by Lili He. The interests of Wei Chen, Lili He and Hangzhou Ali Venture Capital Co., Ltd. in their own capacities as the shareholders of our VIEs, as applicable, may differ from the interests of our company as a whole, as what is in the best interests of our VIEs, including matters such as whether to distribute dividends or to make other distributions to fund our offshore requirement, may not be in the best interests of our company. There can be no assurance that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our company, or that conflicts of interest will be resolved in our favor. In addition, these shareholders may breach or cause our VIEs to breach or refuse to renew the existing contractual arrangements with us.

We currently do not have arrangements to address potential conflicts of interest the shareholders of our VIEs may encounter. We believe that we can, at all times, exercise our option under the exclusive call option agreement to cause these shareholders of our VIEs to transfer all of their equity ownership in our VIEs to a PRC entity or individual designated by us as permitted by then applicable PRC laws.

In addition, if such conflicts of interest arise, we could also, in the capacity of attorney-in-fact of the then-existing shareholders of the VIEs as provided under the shareholder voting rights proxy agreement, directly appoint new directors of our VIEs. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of our VIEs, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by our VIEs, which could severely disrupt our business, render us unable to conduct some or all of our business operations and constrain our growth.

As part of our contractual arrangements with our VIEs, our VIEs and their subsidiaries hold certain assets, licenses and permits that are material to our business operations, including courier service operation permits, ICP licenses and road transportation operation permits. The contractual arrangements contain terms that specifically obligate VIE equity holders to ensure the valid existence of the VIEs and restrict the disposal of material assets of the VIEs. However, in the event the VIE equity holders breach the terms of these contractual arrangements and voluntarily liquidate our VIEs, or our VIEs declare bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to conduct some or all of our business operations or otherwise benefit from the assets held by the VIEs, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if our VIEs undergo a voluntary or involuntary liquidation proceeding, its equity holders or unrelated third-party creditors may claim rights to some or all of the assets of the VIEs, thereby hindering our ability to operate our business as well as constrain our growth.

Our corporate actions are significantly influenced by our principal shareholders, including our founder, chairman and chief executive officer, Mr. Shao-Ning Johnny Chou, and Alibaba (including Cainiao Network), which have the ability to exert significant influence over important corporate matters that require approval of shareholders, which may deprive you of an opportunity to receive a premium for your ADSs and materially reduce the value of your investment.

Our outstanding share capital consists of Class A ordinary shares, Class B ordinary shares and Class C ordinary shares. Each Class A ordinary share is entitled to one vote, each Class B ordinary share is entitled to 15 votes, and each Class C ordinary share is entitled to 30 votes at general meetings of our shareholders. As of February 28, 2021, Alibaba (including Cainiao Network) beneficially owned, in aggregate, 17.3% of our Class A ordinary shares and 100% of our Class B ordinary shares, representing approximately 46.7% of the aggregate voting power of our issued and outstanding share capital, and Mr. Shao-Ning Johnny Chou beneficially owned 100% of the Class C ordinary shares issued and outstanding, representing approximately 46.4% of the aggregate voting power of our issued and outstanding share capital. Our amended and restated memorandum and articles of association that are currently in effect also provide that all matters submitted to our shareholders for approval should be decided by a special resolution, which requires at least two-thirds of the votes cast by shareholders who are present in person or by proxy at a general meeting of our company, unless a greater majority is required. Therefore, our shareholders will not be able to pass any resolution without the affirmative votes of Mr. Shao-Ning Johnny Chou or Alibaba (including Cainiao Network) if one or more of them continue to hold more than one-third of the aggregate voting power of our issued and outstanding share capital. In addition, Mr. Shao-Ning Johnny Chou has nominated two directors to our board of directors; Alibaba (including Cainiao Network) has nominated two directors to our board of directors; and they generally have the right to appoint replacements of these directors unless they do not hold any of our shares.

This concentration of ownership and the protective provisions in our amended and restated memorandum and articles of association may discourage, delay or prevent a change in control of our company, which could have the dual effect of depriving our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and reducing the price of the ADSs. As a result of the foregoing, the value of your investment could be materially reduced.

If the custodians or authorized users of our controlling non-tangible assets, including chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations may be materially and adversely affected.

Under PRC law, legal documents for corporate transactions that our business relies on are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant local branch of the State Administration for Market Regulation.

The chops of our PRC subsidiaries and VIEs are generally held by the relevant entities so that documents can be executed locally. Although we usually utilize chops to execute contracts, the registered legal representatives of our PRC subsidiaries and VIEs have the apparent authority to enter into contracts on behalf of such entities without chops, unless such contracts set forth otherwise.

In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to the designated key employees of our legal, administrative or finance departments. Although we have approval procedures in place and monitor our key employees, including the designated legal representatives of our PRC subsidiaries and our VIEs, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our key employees or designated legal representatives could abuse their authority, for example, by binding our PRC subsidiaries and our VIEs with contracts against our interests, as we would be obligated to honor these contracts if the other contracting party acts in good faith in reliance on the apparent authority of our chops or signatures of our legal representatives. If any designated legal representative obtains control of the chop in an effort to obtain control over the relevant entity, we would need to have a shareholder or board resolution to designate a new legal representative and to take legal action to seek the return of the chop, apply for a new chop with the relevant authorities, or otherwise seek legal remedies for the legal representative's misconduct. If any of the designated legal representatives obtains and misuses or misappropriates our chops and seals or other controlling intangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations, and our business and operations may be materially and adversely affected.

Our current corporate structure and business operations may be affected by the newly enacted Foreign Investment Law.

On March 15, 2019, the National People's Congress of China approved the Foreign Investment Law, which took effect on January 1, 2020. Since it is relatively new, uncertainties exist with respect to its interpretation and implementation. The Foreign Investment Law does not specify whether VIEs that are controlled through contractual arrangements would be deemed as foreign-invested enterprises if they are ultimately "controlled" by foreign investors. However, it has a catch-all provision under its definition of "foreign investment" that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. As such, there is still leeway for future laws, administrative regulations or provisions of the State Council to classify contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our VIEs through contractual arrangements will not be deemed as foreign investment in the future.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either "restricted" or "prohibited" to foreign investment in a "negative list". On June 23, 2020, the MOFCOM and the NDRC jointly promulgated the Negative List 2020. If, in the future, our control over our VIEs through contractual arrangements were deemed as foreign investment, and if our VIEs are engaged in any business which is "restricted" or "prohibited" to foreign investment under the then-effective "negative list", we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements that allow us to have control over our VIEs may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operations.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Any failure on our part to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

We could be adversely affected by political tensions between the United States and China.

Political tensions between the U.S. and China have escalated in recent years due to, among other things, the trade war between the two countries since 2018, the COVID-19 outbreak, the PRC National People's Congress' passage of Hong Kong national security legislation, the imposition of U.S. sanctions on certain Chinese officials from China's central government and the Hong Kong Special Administrative Region by the U.S. government, the imposition of sanctions on certain individuals from the U.S. by the Chinese government, various executive orders issued by former U.S. President Donald J. Trump, such as the one issued in August 2020 that prohibits certain transactions with two major Chinese internet technology companies and their respective subsidiaries, the executive order issued in November 2020 that prohibits U.S. persons from transacting publicly traded securities of certain "Communist Chinese military companies" named in such executive order, and the executive order issued in January 2021 that prohibits such transactions as are identified by the U.S. Secretary of Commerce with certain "Chinese connected software applications," as well as the Rules on Counteracting Unjustified Extra-territorial Application of Foreign Legislation and Other Measures promulgated by China's Ministry of Commerce, or MOFCOM, on January 9, 2021, which will apply to Chinese individuals or entities that are purportedly barred by a foreign country's law from dealing with nationals or entities of a third country. Such rules provide, among others, that Chinese individuals or entities are required to report to MOFCOM within 30 days if they are prohibited or restricted from engaging in normal business activities with third-party countries or their nationals or entities due to foreign laws or measures; and MOFCOM may issue prohibition orders contravening such non-Chinese laws or measures after confirmed by a designated working mechanism. Disobedience with such prohibition orders may be subject to warning, order to rectify and fines. Rising political tensions between China and the U.S. could reduce levels of trade, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. The measures taken by the U.S. and Chinese governments may have the effect of restricting our ability to transact or otherwise do business with entities within or outside of China and may cause investors to lose confidence in Chinese companies and counterparties, including us. If we were unable to conduct our business as it is currently conducted as a result of such regulatory changes, our business, results of operations and financial condition would be materially and adversely affected.

Furthermore, there have been recent media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets, and delisting China-based companies from U.S. national securities exchanges. In January 2021, after reversing its own delisting decision, the NYSE ultimately resolved to delist three top telecommunications companies in China in compliance with the executive order issued in November 2020, after receiving additional guidance from the U.S. Department of Treasury and its Office of Foreign Assets Control. These delistings have introduced greater confusion and uncertainty about the status and prospects of Chinese companies listed on the U.S. stock exchanges. If any further such deliberations were to materialize, the resulting legislation may have a material and adverse impact on the stock performance of China-based issuers listed in the United States such as us, and we cannot assure you that we will be able to maintain the listing of our ADSs on a national stock exchange in the U.S., such as the NYSE or the NASDAQ Stock Market, or that you will be allowed to continue to trade our shares or ADSs.

Risks Related to Doing Business in the People's Republic of China

Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

Substantially all of our operations are conducted in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, our financial condition and results of operations are affected to a significant extent by economic, political and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. Our financial condition and results of operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, the PRC government has implemented in the past certain measures to control the pace of economic growth. These measures may cause decreased economic activity, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our businesses, financial condition and results of operations.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

Substantially all of our operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

Our business operations are extensively impacted by the policies and regulations of the PRC government. Any policy or regulatory change may cause us to incur significant compliance costs.

We are subject to extensive national, provincial and local governmental regulations, policies and controls. Central governmental authorities and provincial and local authorities and agencies regulate many aspects of Chinese industries, including, among others and in addition to specific industry-related regulations, the following aspects: (i) operation of logistics and supply chain services; (ii) traffic and transport-related services; (iii) provision of supply chain solutions, transport services, financial services, retail services and operation of high technology businesses; (iv) environmental laws and regulations; (v) security laws and regulations; (vi) establishment of or changes in shareholder of foreign investment enterprises; (vii) foreign exchange; (viii) taxes, duties and fees; (ix) customs; and (x) land planning and land use rights, including establishment of urban transformation initiatives.

The liabilities, costs, obligations and requirements associated with these laws and regulations may cause interruptions to our operations or impact our financial position and results of operations. Failure to comply with the relevant laws and regulations in our operations may result in various penalties, including, among others the suspension of our operations and thus adversely and materially affect our business, prospects, financial condition and results of operations. Additionally, there can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such laws or regulations may require us to incur material capital expenditures or other obligations or liabilities.

The successful operation of our business depends upon the performance and reliability of the Internet infrastructure in China and other countries in which we operate.

Our business depends on the performance and reliability of the Internet infrastructure in China and other countries in which we operate. Almost all access to the Internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. In addition, the national networks in China are connected to the Internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the Internet outside of China. We may not have access to alternative networks in the event of disruptions, failures or other problems with the Internet infrastructure in China or elsewhere. In addition, the Internet infrastructure in the countries in which we operate may not support the demands associated with continued growth in Internet usage.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites. We have no control over the costs of the services provided by the telecommunications operators. If the prices that we pay for telecommunications and Internet services rise significantly, our gross margins could be adversely affected. In addition, if Internet access fees or other charges to Internet users increase, activities in our ecosystem may decrease, which in turn may significantly decrease our revenue.

Certain PRC regulations establish more complex procedures for acquisitions conducted by foreign investors that could make it more difficult for us to grow through acquisitions.

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission, or the SASAC, the State Administration of Taxation, the State Administration for Industry and Commerce, the predecessor of the State Administration for Market Regulation, the CSRC, and the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which came into effect on September 8, 2006 and were amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities in a PRC company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

While the application of the M&A Rules remains unclear, we believe, based on the advice of our PRC counsel, King & Wood Mallesons, that the CSRC approval is not required in the context of our initial public offering because (i) our PRC subsidiaries were incorporated as foreign-invested enterprises by means of foreign direct investments at the time of their incorporation, and (ii) we did not acquire any equity interests or assets of a PRC company owned by its controlling shareholders or beneficial owners who are PRC companies or individuals, as such terms are defined under the M&A Rules. There can be no assurance that the relevant PRC government agencies, including the CSRC, would reach the same conclusion as our PRC counsel. If the CSRC or other PRC regulatory body subsequently determines that we need to obtain the CSRC's approval for our initial public offering or if the CSRC or any other PRC government authorities promulgates any interpretation or implements rules before our listing that would require us to obtain CSRC or other governmental approvals for our initial public offering, we may face adverse actions or sanctions by the CSRC or other PRC regulatory agencies. In any such event, these regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our initial public offering into the PRC or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects.

In addition, the Anti-Monopoly Law requires that the anti-trust governmental authority, such as Anti-monopoly Bureau of the SAMR, shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. The Anti-monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector on February 7, 2021, which specifically provides that concentration of undertakings involving VIEs shall be subject to anti-monopoly review. If a concentration of undertakings meets the criteria for declaration as stipulated by the State Council, the entity conducting the concentration shall report such concentration to the anti-monopoly law enforcement agency under the State Council in advance. Therefore, our previous or planned acquisitions of other entities (whether by ourselves, our subsidiaries or through our VIEs) that meet the criteria for declaration may be subject to reporting and approval requirements from the anti-monopoly law enforcement agency, and we may be subject to penalty including but not limited to fines if we fail to comply with such requirements.

The new regulations, such as Measures for the Security Review of Foreign Investment, also established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from the MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the new regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from the MOFCOM or Anti-trust Bureau of the SAMR, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. See "Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Regulations Relating to M&A Rules and Overseas Listing" and "Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Regulations Relating to Foreign Investment—Foreign Investment Security Review."

PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries' ability to increase their registered capital or distribute profits.

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material events. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by SAFE, qualified local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

We have notified our substantial beneficial owners who we know are PRC residents of their obligations of applications, filings and amendments as required under SAFE Circular 37 and other related rules. Nevertheless, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and there can be no assurance that all of our PRC-resident beneficial owners will comply with SAFE Circular 37, its implementation rules and other applicable foreign exchange rules, and there is no assurance that the registration under SAFE Circular 37 and any amendment will be completed in a timely manner, or will be completed at all. The failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37, its implementation rules and other applicable foreign exchange rules, or the failure of future beneficial owners of our company who are PRC residents to comply with these registration requirements, may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company, or we may be penalized by SAFE. These risks may have a material adverse effect on our business, financial condition and results of operations.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our initial public offering and convertible senior notes issuances to make loans to or make additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries, our VIEs and their subsidiaries. Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises, or FIEs, in China, capital contributions to our PRC subsidiaries are subject to the filing with the MOFCOM or its local branches and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with the State Administration of Foreign Exchange, or the SAFE, or its local branches, and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as approved. Any medium or long term loan to be provided by us to our VIEs must be filed with the National Development and Reform Commission, or the NDRC, and the SAFE or its local branches in advance. We may not obtain these governmental approvals or complete such registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to receive such approvals or complete such registrations, our ability to use the proceeds of our initial public offering and convertible senior notes issuances and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

In 2008, the SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142. SAFE Circular 142 regulates the conversion by FIEs of foreign currency into Renminbi by restricting the usage of converted Renminbi. SAFE Circular 142 provides that any Renminbi capital converted from registered capitals in foreign currency of FIEs may only be used for purposes within the business scopes approved by PRC governmental authority and such Renminbi capital may not be used for equity investments within China unless otherwise permitted by the PRC law. In addition, the SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from registered capital in foreign currency of FIEs. The use of such Renminbi capital may not be changed without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been utilized. As a result, we are required to apply Renminbi funds converted from the net proceeds we received from our initial public offering and convertible senior notes issuances within the business scopes of our PRC subsidiaries. On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19. SAFE Circular 19 took effect as of June 1, 2015 and superseded SAFE Circular 142 on the same date. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of FIEs and allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from using the Renminbi fund converted from their foreign exchange capitals for expenditure beyond their business scopes. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises.

Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our initial public offering and convertible senior notes issuances, to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in China the net proceeds from our initial public offering and convertible senior notes issuances, which may adversely affect our business, financial condition and results of operations. Additionally, the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or the SAFE Circular 28, was promulgated by the SAFE on October 23, 2019. SAFE Circular 28, among other things, allows FIEs to use Renminbi converted from foreign currency-denominated capital for equity investments in China so long as the equity investment complies with the then-effective Special Administrative Measures for Access of Foreign Investment (Negative List) and is genuine and legitimate. However, since the SAFE Circular 28 is newly promulgated, it remains uncertain how the SAFE and competent banks will implement this circular.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries or our VIEs. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we receive from our initial public offering and convertible senior notes issuances and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any failure to comply with PRC regulations regarding our employee share incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies due to their position as director, senior management or employees of the PRC subsidiaries of the overseas companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. Our directors, executive officers and other employees who are PRC residents or who are non-PRC residents residing in China for a continuous period of not less than one year, subject to limited exceptions, and who have been granted options may follow SAFE Circular 37 to apply for the foreign exchange registration before our company becomes an overseas listed company. As a U.S. public company, we and our directors, executive officers and other employees who are PRC residents and who have been granted options are subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, or SAFE Circular 7, issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC residents or who are non-PRC residents residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We are making efforts to comply with these requirements. However, there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit the ability to make payment under our share incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprises in China and limit our wholly-foreign owned enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional share incentive plans for our directors and employees under PRC law.

The enforcement of the PRC Labor Contract Law, and other labor-related regulations in the PRC may increase our labor costs and limit our flexibility to use labor. Our failure to comply with PRC labor-related laws may expose us to penalties.

On June 29, 2007, the Standing Committee of the National People's Congress of China enacted the PRC Labor Contract Law, which became effective on January 1, 2008 and was amended on December 28, 2012. The PRC Labor Contract Law introduces specific provisions related to fixed-term employment contracts, part-time employment, probation, consultation with labor unions and employee assemblies, employment without a written contract, dismissal of employees, severance, and collective bargaining, which together represent enhanced enforcement of labor laws and regulations. According to the PRC Labor Contract Law, an employer is obliged to sign an unfixed-term labor contract with any employee who has worked for the employer for 10 consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract must have an unfixed term, with certain exceptions. The employer must pay economic compensation to an employee where a labor contract is terminated or expires in accordance with the PRC Labor Contract Law, except for certain situations which are specifically regulated. As a result, our ability to terminate employees is significantly restricted. In addition, the government has issued various labor-related regulations to further protect the rights of employees. According to such laws and regulations, employees are entitled to annual leave ranging from five to 15 days and are able to be compensated for any untaken annual leave days in the amount of three times their daily salary, subject to certain exceptions. In the event that we decide to change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may also limit our ability to effect those changes in a manner that we believe to be cost-effective. In addition, as the interpretation and implementation of these new regulations are still evolving, our employment practices may not be at all times deemed in compliance with the new regulations. If we are subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and financial conditions may be adversely affected.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time. The requirement to maintain employee benefit plans has not been implemented consistently by local governments in China given the different levels of economic development in different locations. We did not pay, or were not able to pay, certain past social security and housing fund contributions in strict compliance with the relevant PRC regulations for and on behalf of our employees due to differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC and varying levels of acceptance of the housing fund system by our employees. We may be subject to fines and penalties for our failure to make payments in accordance with the applicable PRC laws and regulations. We may be required to make up the contributions for these plans as well as to pay late fees and fines. We have not made any accruals for the interest on underpayments and penalties that may be imposed by the relevant PRC government authorities in the financial statements. If we are subject to penalties, late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected.

We rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements. Any limitation on the ability of our operating subsidiaries to make payments to us could have a material and adverse impact on our ability to operate our business.

We are a holding company and rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries and on remittances from our VIEs, for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt and interest we may incur outside of China and pay our expenses. When our principal operating subsidiaries or our VIEs incur additional debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions or remittances to us. Furthermore, the laws, rules and regulations applicable to our PRC subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, each of our subsidiaries incorporated in China is required to set aside at least 10% of its net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. As a result of these laws, rules and regulations, our subsidiaries incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends, loans or advances.

In response to the persistent capital outflow in China and RMB's depreciation against U.S. dollar in the fourth quarter of 2016, the PBOC and the SAFE have implemented a series of capital control measures over recent months, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. For instance, on January 26, 2017, SAFE issued the Notice of State Administration of Foreign Exchange on Improving the Review of Authenticity and Compliance to Further Promote Foreign Exchange Control, or the SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put in place by SAFE for cross-border transactions falling under both the current account and the capital account. Limitations on the ability of VIEs to make remittances to wholly-foreign owned enterprises and on the ability of our subsidiaries to pay dividends to us could limit our ability to access cash generated by the operations of those entities, including to make investments or acquisitions that could be beneficial to our businesses, pay dividends to our shareholders, service debt and interest, or otherwise fund and conduct our business.

We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.

Under the PRC Enterprise Income Tax Law and its implementing rules, enterprises established under the laws of jurisdictions outside of China with "de facto management bodies" located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. "De facto management body" refers to a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or SAT Circular 82, on April 22, 2009. SAT Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in China. Although SAT Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in SAT Circular 82 may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the Enterprise Income Tax Law. We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body."

Dividends payable to our foreign investors and gains on the sale of our ADSs or Class A ordinary shares by our foreign investors may become subject to PRC tax.

Under the PRC Enterprise Income Tax Law and its implementing rules issued by the State Council, a 10% PRC withholding tax , subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions, is applicable to dividends payable to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Similarly, any gain realized on the transfer of ADSs or Class A ordinary shares by such investors is also subject to PRC tax at a current rate of 10%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends paid on our Class A ordinary shares or ADSs, and any gain realized from the transfer of our Class A ordinary shares or ADSs, would be treated as income derived from sources within the PRC and would as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer of ADSs or Class A ordinary shares by such investors may be subject to PRC tax at a current rate of 20%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions. If we or any of our subsidiaries established outside China are considered a PRC resident enterprise, it is unclear whether holders of our ADSs or Class A ordinary shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends payable to our non-PRC investors, or gains from the transfer of our ADSs or Class A ordinary shares by such investors, are deemed as income derived from sources within the PRC and thus are subject to PRC tax, the value of your investment in our ADSs or Class A ordinary shares may decline significantly.

We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises, assets attributed to a PRC establishment of a non-Chinese company, or real property located in China owned by non-Chinese companies.

On February 3, 2015, the State Administration of Taxation issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7, which was recently amended on December 29, 2017. Pursuant to this Bulletin, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, "PRC taxable assets" include assets attributed to an establishment or place of business in China, real properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a "reasonable commercial purpose" of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the foreign income tax liabilities arising from the indirect transfer of PRC taxable assets; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the real properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payor fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange. On October 17, 2017, the SAT issued the Bulletin on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or Bulletin 37, which, among others, repeals certain rules related to treatment of situations where a payor has failed to timely withhold tax as stipulated in Bulletin 7. In particular, Bulletin 37 provides that when a payor as the withholding agent fails to or is unable to perform its withholding duty, on the condition that the relevant non-PRC resident enterprise voluntarily makes payment before being ordered to do so in a timely manner or within a time limit prescribed by relevant tax authorities, the tax shall be deemed as having been timely paid. The Bulletin 37 further specifies and clarifies tax withholding methods applicable to income of non-PRC resident enterprises.

There is uncertainty as to the application of Bulletin 7. Especially as Bulletin 7 is lately promulgated, it is not clear how it will be implemented. Bulletin 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of our ordinary shares or preferred shares, or those of our offshore subsidiaries, where non-resident enterprises, being the transferors, were involved. We thereby may be subject to the tax filing and withholding or tax payment obligation, while our PRC subsidiaries may be requested to assist in the filing. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with Bulletin 7 or to establish that we and our non-resident enterprises should not be taxed under Bulletin 7, for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under Bulletin 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Bulletin 7, our income tax costs associated with such potential acquisitions or disposals could increase, which may have an adverse effect on our financial condition and results of operations.

Restrictions on currency exchange may limit our ability to utilize our cash effectively.

Substantially all of our revenue is denominated in Renminbi. The Renminbi is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and loans, including loans we may secure from or for our onshore subsidiaries or our VIEs. Currently, certain of our PRC subsidiaries may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. Since a significant amount of our future revenue will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize cash generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our shareholders, including holders of our ADSs, and may limit our ability to obtain foreign currency through debt or equity financing for our subsidiaries and our VIEs.

The audit report included in this annual report is prepared by an auditor who has not been inspected by the Public Company Accounting Oversight Board and, as such, our investors are deprived of the benefits of such inspection. In addition, the adoption of any rules, legislations or other efforts to increase U.S. regulatory access to audit information could cause uncertainty, and we could be delisted if we were unable to meet any PCAOB inspection requirement in time.

Our independent registered public accounting firm that issues the audit report included in this annual report, as auditors of companies that are traded publicly in the U.S. and a firm registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the U.S. to undergo regular inspections by the PCAOB to assess its compliance with the laws of the U.S. and professional standards. Because our auditors are located in the PRC, a jurisdiction where the PCAOB is currently unable to fully conduct inspections without the approval of the Chinese authorities, our auditors have not been inspected by the PCAOB. Furthermore, the PRC Securities Law, which became effective in March 2020, has in principle prohibited organizations or individuals from providing documents and materials relating to securities business activities to overseas parties, such as the PCAOB, without the consent of the competent PRC securities regulators and relevant authorities. According to Article 177 of the PRC Securities Law, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our consolidated financial statements.

On May 24, 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the United States and China. PCAOB continues to be in discussions with the CSRC and the Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects the U.S. regulators' heightened interest in this issue. In a statement issued on December 9, 2019, the SEC reiterated concerns over the inability of the PCAOB to conduct inspections of the audit firm work papers with respect to U.S.-listed companies that have operations in China, and emphasized the importance of audit quality in emerging markets, such as China. On April 21, 2020, the SEC and the PCAOB issued a new joint statement, reminding the investors that in investing in companies that are based in or have substantial operations in many emerging markets, including China, there is substantially greater risk that disclosures will be incomplete or misleading, and there is also a greater risk of fraud. In the event of investor harm, there is substantially less ability to bring and enforce SEC, DOJ and other U.S. regulatory actions, in comparison to U.S. domestic companies, and the joint statement reinforced past SEC and PCAOB statements on matters including the difficulty to inspect audit work papers in China and its potential harm to investors. On June 4, 2020, the U.S. President issued a memorandum ordering the President's Working Group on Financial Markets, or the PWG, to submit a report to the President within 60 days of the memorandum that includes recommendations for actions that can be taken by the executive branch and by the SEC or PCAOB on Chinese companies listed on the U.S. stock exchanges and their audit firms, in an effort to protect investors in the U.S. On August 6, 2020, the PWG released a report recommending that the SEC take steps to implement the five recommendations outlined in the report. In particular, to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfill its statutory mandate, or NCJs, the PWG recommends enhanced listing standards on U.S. stock exchanges. This would require, as a condition to initial and continued exchange listing, PCAOB access to work papers of the principal audit firm for the audit of the listed company. Companies unable to satisfy this standard as a result of governmental restrictions on access to audit work papers and practices in NCJs may satisfy this standard by providing a co-audit from an audit firm with comparable resources and experience where the PCAOB determines it has sufficient access to audit work papers and practices to conduct an appropriate inspection of the co-audit firm. There is currently no legal process under which such a co-audit may be performed in China. The report permits the new listing standards to provide for a transition period until January 1, 2022 for listed companies, but would apply immediately to new listings once the necessary rulemakings and/or standard-setting are effective. The measures in the report are expected to be subject to the standard SEC rulemaking process before becoming effective. On August 10, 2020, the SEC announced that SEC Chairman had directed the SEC staff to prepare proposals in response to the report, and that the SEC was soliciting public comments and information with respect to these proposals. If we fail to meet the new listing standards before the deadline specified thereunder due to factors beyond our control, we could face possible de-listing from the NYSE, deregistration from the SEC and/or other risks, which may materially and adversely affect, or effectively terminate, our ADS trading in the United States.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in December 2020, the United States enacted the Holding Foreign Companies Accountable Act, or the HFCA Act, which includes requirements for the SEC to identify issuers whose audit reports are prepared by auditors that the PCAOB is unable to inspect or investigate because of restrictions imposed by non-U.S. authorities in the auditor's local jurisdiction. The HFCA Act also requires public companies on this SEC list to certify that they are not owned or controlled by a foreign government and make certain additional disclosures on foreign ownership and control of such issuers in their SEC filings. On March 24, 2021, the SEC announced the adoption of interim final amendments to implement the foregoing certification and disclosure requirements and that it is seeking public comment on the requirements. Furthermore, the HFCA Act amends the Sarbanes-Oxley Act of 2002 to require the SEC to prohibit securities of any U.S. listed companies from being traded on any of the U.S. national securities exchanges, such as NYSE and NASDAQ Stock Market, or in the U.S. "over-the-counter" markets, if the auditor of the U.S. listed companies' financial statements is not subject to PCAOB inspections for three consecutive "non-inspection" years after the law becomes effective. The SEC has not yet identified a list of issuers whose auditors are not subject to PCAOB inspections. Enactment of the HFCA Act and other efforts to increase the U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of the ADSs could be adversely affected. We cannot assure you that we will not be identified by the SEC as an issuer whose audit report is prepared by auditors that the PCAOB is unable to inspect or investigate. We cannot assure you that, once we have a "non-inspection" year, we will be able to take remedial measures in a timely manner, and as a result, and we cannot assure you that we will be able to continue to maintain the listing of our ADSs on a national stock exchange in the U.S., such as the NYSE or the NASDAQ Stock Market, or that you will be allowed to continue to trade our shares or ADSs.

If additional remedial measures are imposed on the "big four" China-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging such firms' failure to meet specific criteria set by the SEC with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In December 2012, the SEC instituted proceedings under Rule 102(e)(1)(iii) of the SEC's Rules of Practice against five China-based accounting firms, including our independent registered public accounting firm, alleging that these firms had violated the U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' work papers related to their audits of certain China-based companies that are publicly traded in the U.S. Rule 102(e)(1)(iii) grants the SEC the authority to deny to any person, temporarily or permanently, the ability to practice before the SEC who is found by the SEC, after notice and opportunity for a hearing, to have willfully violated any such laws or rules and regulations. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of the five firms from practicing before the SEC for a period of six months. Four of these China-based accounting firms appealed to the SEC against this decision and, on February 6, 2015, each of the four China-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The firms' ability to continue to serve all their respective clients is not affected by the settlement. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the China Securities Regulatory Commission. If the firms do not follow these procedures, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings. The settlement did not require the firms to admit to any violation of law and preserves the firms' legal defenses in the event the administrative proceeding is restarted. Our audit committee is aware of the policy restriction and has regularly communicated with our independent auditor to ensure compliance. If additional remedial measures are imposed on the China-based "big four" accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, companies listed in the U.S. with major Chinese operations may find it difficult or impossible to retain auditors in respect of their operations in China, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, U.S.-listed companies and the trading price of our ADSs may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of the ADSs representing our Class A ordinary shares from the New York Stock Exchange or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the U.S.

Risks Related to Our ADSs

The trading price of our ADSs has been and may continue to be volatile, which could result in substantial losses to you.

The trading price of our ADSs has been and is likely to remain volatile and fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, such as global and China's economic and geopolitical conditions, as well as the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other listed companies based in China. The securities of some of the listed companies based in China have experienced significant volatility since their initial public offerings, including, in some cases, substantial declines in the trading prices of their securities. The trading performances of other Chinese companies' securities after their offerings, including Internet and e-commerce companies, may affect the attitudes of investors toward Chinese companies listed in the U.S., which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the U.S., China and other jurisdictions in late 2008, early 2009, the second half of 2011 and in 2015, which may have a material and adverse effect on the trading price of our ADSs.

In addition to the above factors, the price and trading volume of our ADSs may be highly volatile due to multiple factors, such as announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures, capital raisings or capital commitments, additions or departures by our senior management and by actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results. The trading price and volume of our ADSs may also be affected by studies and reports relating to the quality of our service offerings or those of our competitors and reports by securities research analysts. Other factors include regulatory developments affecting us or our industry, customers or suppliers, as well as changes in the market for our services and the economic performance or market valuations of other companies offering supply chain services may affect trading in our ADSs. Further, the trading price and volume of our ADSs may also be influenced by fluctuations of exchange rates between the RMB and the U.S. dollar, or restrictions on our outstanding shares or ADSs and sales or perceived potential sales of additional Class A ordinary shares or ADSs.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our ADSs or publishes inaccurate or unfavorable research about our business, the market price for our ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

Techniques employed by short sellers may drive down the market price of our ADSs.

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Public companies that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or SEC enforcement actions.

It is not clear what effect such negative publicity could have on us. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable state law or issues of commercial confidentiality. Such a situation could be costly and time-consuming, and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations and stockholders equity, and any investment in our ADSs could be greatly reduced or rendered worthless.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy and Distributions." Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

Substantial future sales or perceived potential sales of our ADSs in the public market could cause the price of our ADSs to decline.

Substantial sales of our ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline significantly. As of February 28, 2021, we had 392,514,399 ordinary shares outstanding, comprising 250,648,452 Class A ordinary shares (including 6,222,951 Class A ordinary shares issued to our depositary bank and reserved for future issuances of ADSs upon exercise or vesting of awards granted under our share incentive plans), 94,075,249 Class B ordinary shares and 47,790,698 Class C ordinary shares, including 172,248,195 Class A ordinary shares represented by ADSs (including 6,222,951 ADSs held by our depositary bank for our account and reserved for future issuances of ADSs upon exercise or vesting of awards granted under our share incentive plans). All ADSs representing our Class A ordinary shares are freely transferable by persons other than our "affiliates" without restriction or additional registration under the U.S. Securities Act of 1933, as amended, or the Securities Act. All of the other Class A ordinary shares outstanding are available for sale in the public market subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. In addition, as of the date of this annual report, our 2024 Convertible Notes are convertible into 28,368,800 ADSs representing a total of 28,368,800 Class A ordinary shares at any time at the option of the holders thereof, and our 2025 Convertible Notes are convertible into 24,715,957 representing a total of 24,715,957 Class A ordinary shares at any time at the option of the holders thereof. Subject to applicable Rule 144 restrictions or additional registration under the Securities Act, the ADSs converted from the convertible notes may be freely traded in the public market. The affiliate of Alibaba who is the current holder of the 2025 Convertible Notes has registration rights with respect to the ADSs or Class A ordinary shares convertible from the 2025 Convertible Notes in accordance with the terms of the 2025 Convertible Notes.

Certain major holders of our ordinary shares have the right to cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline significantly.

We have adopted share incentive plans under which we have the discretion to grant a broad range of equity-based awards to eligible participants. We have registered all ordinary shares that we may issue under these share incentive plans. Since these ordinary shares have been registered, they can be freely sold in the public market in the form of ADSs upon issuance, subject to volume limitations applicable to affiliates. If a large number of our ordinary shares or securities convertible into our ordinary shares are sold in the public market in the form of ADSs after they become eligible for sale, the sales could reduce the trading price of our ADSs and impede our ability to raise future capital. In addition, any ordinary shares that we issue under our share incentive plans would dilute the percentage ownership held by our investors.

Any conversion of our convertible senior notes will dilute the ownership interest of existing ordinary shareholders and holders of our ADSs, including holders who have previously converted their notes.

The conversion of some or all of the US$200 million aggregate principal amount of our 2024 Convertible Notes or of the US$150 million aggregate principal amount of our 2025 Convertible Notes will dilute the ownership interests of existing ordinary shareholders and holders of the ADSs. Any sales of the ADSs issuable upon such conversion could adversely affect prevailing trading prices of the ADSs. In addition, the anticipated conversion of the notes into ADSs could depress the trading price of the ADSs. With respect to our 2024 Convertible Notes, while we entered into the capped call transactions in order to reduce the potential dilution with respect to our ADSs upon the conversion of these notes, such strategy with respect to the capped call transactions is subject to risks. Furthermore, if the trading price per share of our ADSs, as measured under the terms of the capped call transactions, exceeds the cap price of the capped call transactions, there would nevertheless be dilution upon conversion of the 2024 Convertible Notes to the extent that such market price exceeds the cap price of the capped call transactions.

As a holder of ADSs, you have fewer rights than holders of our ordinary shares and must act through the depositary to exercise those rights.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of our ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights which attach to the underlying Class A ordinary shares represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Upon receipt of your voting instructions, the depositary will try, as far as is practicable, to vote the underlying Class A ordinary shares in accordance with your instructions. You will not be able to exercise directly any right to vote with respect to the underlying Class A ordinary shares unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. Under our ninth amended and restated articles of association currently in effect, the minimum notice period required to be given by our company to our registered shareholders to convene a general meeting will be 10 calendar days. When a general meeting is convened, you may not receive sufficient notice of the meeting to enable you to withdraw the Class A ordinary shares represented by your ADSs and become the registered holder of such shares to allow you to attend the general meeting or to cast your vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our ninth amended and restated articles of association currently in effect, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the underlying Class A ordinary shares represented by your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, we will make all reasonable efforts to cause the depositary to notify you of the upcoming vote and to deliver our voting materials to you in a timely manner, but there can be no assurance that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the Class A ordinary shares underlying your ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to direct how the underlying Class A ordinary shares represented by your ADSs are voted, and you may lack recourse if the underlying Class A ordinary shares represented by your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the U.S. unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depositary will not make rights available to you unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

You may not receive cash dividends if the depositary decides it is impractical to make them available to you.

The depositary will pay cash dividends on the ADSs only to the extent that we decide to distribute dividends on our ordinary shares or other deposited securities, and we do not have any present plan to pay any cash dividends in the foreseeable future. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy and Distributions." To the extent that our company pays any cash dividends or other distributions to our shareholders, we will pay such distributions which are payable in respect of our Class A ordinary shares (or other deposited securities) represented by ADSs to the depositary of our ADSs or the custodian (as the registered holder of such Class A ordinary shares or other deposited securities), and the depositary has agreed to pay the cash dividends or other distributions it or the custodian receives on our Class A ordinary shares or other deposited securities after deducting its fees and expenses, to the holders of the ADSs. You will receive these distributions in proportion to the number of Class A ordinary shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to you.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are an exempted company incorporated under the laws of the Cayman Islands. Substantially all of our assets are located outside the U.S. In addition, all of our directors and executive officers and the experts named in this annual report reside outside the U.S., and most of their assets are located outside the U.S. As a result, it may be difficult or impossible for you to bring an action against us or against them in the U.S. in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands, China or other relevant jurisdiction may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the U.S. In particular, the Cayman Islands has a less developed body of securities laws than the U.S. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the U.S.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (other than copies of our memorandum and articles of association, our register of mortgages and charges, and any special resolutions passed by our shareholders) or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our ninth amended and restated articles of association currently in effect to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder resolution or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the U.S.

Our articles of association contain anti-takeover provisions that could discourage a third party from acquiring us, which could limit our shareholders' opportunity to sell their shares, including Class A ordinary shares represented by our ADSs, at a premium. The fundamental change repurchase feature of our convertible senior notes may delay or prevent an otherwise beneficial takeover attempt of our company.

Our ninth amended and restated articles of association currently in effect contain provisions that limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction.

Furthermore, the indenture governing our 2024 Convertible Notes and the convertible note instrument governing our 2025 Convertible Notes require us to repurchase the notes for cash upon the occurrence of a fundamental change and, with respect to our 2024 Convertible Note only, in certain circumstances, to increase the conversion rate for a holder that converts its notes in connection with a make-whole fundamental change. A takeover of our company may trigger the requirement that we purchase the notes and/or increase the conversion rate, which could make it more costly for a potential acquirer to engage in a combinatory transaction with us. Such additional costs may have the effect of delaying or preventing a takeover of our company that would otherwise be beneficial to investors.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the U.S. that are applicable to U.S. domestic issuers, including: (i) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K; (ii) the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act; (iii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (iv) the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the New York Stock Exchange. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

As a foreign private issuer, we are permitted to adopt certain practices of our home country, the Cayman Islands, in relation to corporate governance matters that differ significantly from the New York Stock Exchange corporate governance listing standards; these practices afford less protection to shareholders than they would enjoy if we complied fully with the New York Stock Exchange corporate governance listing standards.

Our ADSs are listed on the New York Stock Exchange. The New York Stock Exchange Listed Company Manual permits a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the New York Stock Exchange corporate governance listing standards.

For instance, we are not required to: (i) have a majority of the board be independent; (ii) have a compensation committee or a corporate governance and nominating committee consisting entirely of independent directors; or (iii) have regularly scheduled executive sessions with only independent directors each year. We rely on some of these exemptions. As a result, you may not be provided with the benefits of certain corporate governance requirements of the New York Stock Exchange.

We may become a passive foreign investment company, or PFIC, which could result in adverse U.S. tax consequences to U.S. investors.

Based on the nature and composition of our income and assets, and the valuation of our assets, including goodwill, we do not believe we were a PFIC for our most recent taxable year. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the nature and composition of our income and assets from time to time. Specifically, for any taxable year, we will be classified as a PFIC for U.S. federal income tax purposes if either (i) 75% or more of our gross income in that taxable year is passive income or (ii) the average percentage of our assets (which includes cash) by value in that taxable year which produce, or are held for the production of, passive income is at least 50%. There is a risk that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition or in the valuation of our assets. In particular, the calculation of the value of our assets will be based, in part, on the quarterly market value of our ADSs, which is subject to change and has been volatile. Any decrease in the market value of our ADSs may result in our becoming a PFIC. See “Item 10. Additional Information—E. Taxation—Material U.S. Federal Income Tax Considerations—Passive Foreign Investment Company.”

In addition, there is uncertainty as to the treatment of our corporate structure and ownership of our VIEs for U.S. federal income tax purposes. For U.S. federal income tax purposes, we consider ourselves to own the stock of our VIEs. If it is determined, contrary to our view, that we do not own the stock of our VIEs for U.S. federal income tax purposes (for instance, because the relevant Chinese authorities do not respect these arrangements), we may be treated as a PFIC.

If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares, our PFIC status could result in adverse U.S. federal income tax consequences to you if you are a U.S. Holder, as defined under “Item 10. Additional Information—E. Taxation—Material U.S. Federal Income Tax Considerations.” For example, if we are or become a PFIC, you may become subject to increased tax liabilities under U.S. federal income tax laws and regulations, and will become subject to burdensome reporting requirements. See “Item 10. Additional Information—E. Taxation—Material U.S. Federal Income Tax Considerations—Passive Foreign Investment Company.” There can be no assurance that we will not be a PFIC for 2021 or any future taxable year.

We will continue to incur increased costs as a result of being a public company.

As a U.S. public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the New York Stock Exchange, impose various requirements on the corporate governance practices of public companies. These rules and regulations increase our legal and financial compliance costs and make some corporate activities more time-consuming and costly. We expect to continue to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we have increased the number of independent directors and adopted policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will continue to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company’s securities. If we were involved in a class action suit, it could divert a significant amount of our management’s attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our founder established Eight Hundred Logistics Technologies Corporation, or BEST BVI, a British Virgin Islands company, and its wholly owned subsidiary in Hong Kong, BEST Logistics Technologies Limited, or BEST HK, in May 2007. In March 2008, BEST Logistics Technologies Limited was established under the laws of the Cayman Islands, which became our current ultimate holding company. In June 2017, the name of BEST Logistics Technologies Limited was changed to BEST Inc. In December 2017, we established BEST Capital Inc., a Cayman Islands company, and its wholly owned subsidiaries, namely BEST Capital Holding Limited, a British Virgin Islands company, and BEST Capital Management Limited, a Hong Kong company. In March 2018, Xinyuan Financial Leasing (Zhejiang) Co., Ltd., which operates our BEST Capital business, was transferred from BEST Logistics Technologies Limited to BEST Capital Management Limited. We conduct our businesses mainly through our wholly-foreign owned enterprises and the VIEs in China. See "—C. Organizational Structure — Contractual Arrangements with Our Affiliated Consolidated Entities."

We have a track record of successful organic growth and strategic acquisitions, as evidenced by the following corporate milestones:

- In 2007, BEST was founded in Hangzhou;
- In 2008, we launched BEST Supply Chain Management;
- In 2010, we launched BEST Express through the acquisition of Huitong Express;
- In 2012, we launched BEST Freight through the acquisition of Quanjitong;
- In 2013, we launched BEST Capital;
- In 2015, we launched BEST Global and BEST Store^{+}; and
- In 2016, we launched BEST UCargo.

Each of these service lines serves to expand the scope and scale of our supply chain service network while harnessing our technology infrastructure and service network to provide integrated solutions.

On September 20, 2017, our ADSs began trading on the New York Stock Exchange under the ticker symbol "BSTI." Our ticker symbol on the New York Stock Exchange changed from "BSTI" to BEST" effective at the start of trading on February 19, 2019.

To reduce cash outflows and reallocate capital to our core businesses, by the end of 2020, we had wound down our BEST Store^{+} business and have since then started to account for BEST Store^{+} as discontinued operations.

In March 2021, as an initial step to the establishment of a strategic partnership with a third party, we sold RMB603.6 million worth of assets pertaining to the external B2C truck leasing business of BEST Capital to the third party.

Principal Offices

Our principal executive offices are located at 2nd Floor, Block A, Huaxing Modern Industry Park, No. 18 Tangmiao Road, Xihu District, Hangzhou, Zhejiang Province 310013, People's Republic of China. Our telephone number at this address is +86- 571-8899-5656. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., located at 801 2nd Avenue, Suite 403, New York, New York 10017.

Offering and Issuance of 2024 Convertible Notes

On September 17, 2019, we completed our offering of US$200 million aggregate principal amount of 1.75% convertible senior notes due 2024 (including full exercise of the initial purchasers' option to purchase additional notes) in the United States to qualified institutional buyers pursuant to Rule 144A and to non U.S. persons outside the United States in reliance on Regulation S under the Securities Act of 1933, raising US$194.5 million in net proceeds to us after deducting underwriting discounts and commissions and other offering expenses.

Private Placement and Issuance of 2025 Convertible Notes

On June 3, 2020, we completed the issuance and sale of US$150 million aggregate principal amount of 4.50% convertible senior notes due 2025 to Alibaba.com Hong Kong Limited, an entity affiliated with Alibaba, one of our principal shareholders, outside the United States in reliance on Regulation S under the Securities Act.

Share Repurchase Program

In November 2019, we announced the adoption of a share repurchase program in an aggregate amount of up to US$100 million worth of our outstanding ADSs from time to time over a period of 18 months, or the 2019 Share Repurchase Program. For details about the ADSs repurchased in 2020, see "Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers."

B. Business Overview

Overview

We are a leading integrated Smart Supply Chain service provider in China. Our multi-sided platform combines integrated logistics and supply chain services, last-mile services, value-added services and proprietary technology infrastructure. Our integrated logistics and supply chain services encompass B2B and B2C supply chain management, express and less-than-truckload delivery, cross-border supply chain management, Southeast Asia local delivery, and a real-time bidding platform to source truckload capacity. Our last-mile services include online merchandise sourcing and store management for convenience stores as well as B2C services. In addition, we provide value-added services to support our ecosystem participants and help them grow. BEST Cloud, our proprietary technology platform that seamlessly connects our systems with those of our ecosystem participants, is the backbone that powers our integrated services and solutions.

We believe we are well positioned to transform the logistics and supply chain industry in China and capture growth opportunities in the New Retail era, which is the seamless integration of online and offline retail to offer a consumer-centric, omni-channel and global shopping experience through digitization and just-in-time delivery.

By the end of 2020, we had wound down our BEST Store^{+} business and since then we have started to reflect BEST Store^{+}'s historical financial results for the periods prior to the wind-down in our consolidated financial statements as discontinued operations. Unless otherwise stated, the results presented in this annual report do not include the results of BEST Store^{+}.

Our Integrated Logistics and Supply Chain Services and Solutions

BEST Express: We have one of the most extensive express service networks covering 100% of China's provinces and cities, and 100% of China's districts and counties as of December 31, 2020. All service stations in our express service networks are franchised while all critical nodes in our network including 100% of hubs and sorting centers are self-operated.

BEST Freight: We achieved a 58% CAGR in freight volume between 2012 and 2020. Our nationwide freight network covers 100% of China's provinces and 99.7% of China's cities as of December 31, 2020.

BEST Supply Chain Management: We offer integrated services and solutions across the supply chain, including warehouse management, order fulfillment, express delivery, freight and other services. As of December 31, 2020, we served over 908 corporate customers, including multinationals and large Chinese corporates such as 3M, Li Ning, Hotwind and Cainiao Network, and numerous small and medium enterprises, or SMEs.

BEST Global: We offer door-to-door integrated cross-border supply chain services to and from China, including international express, LTL, fulfillment and freight forwarding through our own network and global transportation and warehouse partners. We operate Cloud OFCs in the U.S. and Thailand, and have coverage in Japan, the United Kingdom, France, Korea, Malaysia, Hong Kong, Italy, India, Vietnam, New Zealand, Laos, Russia, Cambodia and Singapore through partners. We also provide local express delivery services in Thailand, Vietnam, Malaysia, Singapore and Cambodia.

BEST UCargo: We have built a real-time bidding platform to source truckload capacity from independent transportation service providers and agents. As of December 31, 2020, the BEST UCargo platform had over 322,000 registered drivers over 29 provinces in China.

BEST Capital: We utilize data insights and close relationships with our ecosystem participants to provide various customized financial services, such as fleet and equipment lease services, to support their operations and growth, and centralized sourcing of products and services, such as bulk procurement of trucks and accessories, to help them obtain group discounts and reduce costs.

Our Technology Infrastructure

BEST Cloud is our proprietary technology platform. It enables our ecosystem participants to operate their businesses effectively through a diverse range of SaaS-based applications. We utilize big data analytics, machine learning, artificial intelligence, or AI, and mobile technologies to efficiently design, manage and operate complex supply chain services and solutions for our ecosystem. We apply our technologies to a diverse range of applications, such as network and route optimization, swap bodies, sorting line automation, smart warehouses and store management to enhance operational efficiency and service quality.

Our Asset-Light Business Model

We operate an asset-light business model. We lease premises for our network facilities and outsource the majority of our transportation needs to third-party service providers. In addition, we franchise almost all of our service stations in our express and freight network and the majority of our Cloud OFCs. Our franchisee partners are responsible for investing in their own operations and have strong local expertise and proximity to customers, which allows us to expand our network rapidly while optimizing our level of capital investment. As of December 31, 2020, we had approximately 9,888 franchisee partners in China who operated over 67,200 service stations in our express and freight network and 358 franchised Cloud OFCs in China.

We have established a flat franchise network that minimizes the number of tiers of franchisees in order to maintain flexibility and control. We self-operate all critical nodes in our network including 100% of hubs and sortation centers. This model ensures consistent service quality and mitigates risk of service disruption. For BEST Supply Chain Management, we self-operate large-scale Cloud OFCs for key account customers in tier 1 and tier 2 cities, and franchise Cloud OFCs in lower-tier cities in China.

Our Ecosystem

Merchants, consumers, franchisee partners, transportation service providers and other suppliers are participants in our ecosystem, which is strategically designed to benefit from its inherent network effect. As our platform grows and our suite of solutions and services expands, our ecosystem will continue to attract new participants. The growing number of participants in our ecosystem enlarges our scale and extends our reach, which drives network density and improves its overall efficiency.

Our Technology Infrastructure

BEST Cloud, our proprietary technology platform, is the backbone that powers our integrated solutions. It seamlessly connects our systems with those of our ecosystem participants. We utilize big data analytics, machine learning, AI, and mobile technologies to efficiently design, manage and operate complex supply chain systems for our ecosystem. Our technology allows us to provide end-to-end support for our customers and enables our ecosystem participants to grow and prosper. We have also built a large and experienced technology team of over 790 professionals including software engineers and other technology specialists.

We believe BEST Cloud and our strong technology team are key advantages distinguishing us from our competitors.

Fundamental System Architecture

The system architecture of BEST Cloud differs from traditional information systems. While traditional information systems focus on monitoring, controlling and coordinating business processes individually, BEST Cloud focuses on connecting all endpoints in our ecosystem, including those of our own service lines, facilities, equipment and employees and those of our customers and business partners. We believe this offers the following advantages:

- We are able to weave together services from different networks to create new solutions for our customers.
- We are able to rapidly develop and launch new applications which can be deployed across the network.
- Our network users benefit from technology improvements instantly as they all have access to our centrally hosted systems.

Single Interoperable System

BEST Cloud connects all of our ecosystem participants by establishing millions of interlinkages among endpoints in our network. These endpoints include human interfaces, such as web portals and mobile apps, our customers' information systems and our own smart devices and logistics equipment.

We plan to continue to increase the scale of our endpoints through development of more software and application interfaces and expand the scope of our service offerings and attract more participants into our ecosystem. This will allow us to collect and analyze an increasing amount and variety of data to provide better, more innovative services.

Big Data Analytics

We view the data collected through BEST Cloud's millions of endpoints as one of our most valuable assets. Through our big data analytics engines, optimization engines and machine learning tools, we analyze this data to identify correlations and derive insights. These data insights enable us to develop and improve our services and solutions, improve operating efficiency and reduce operating costs for us and our ecosystem participants.

We help merchants manage inventory, optimize their procurement and select merchandise with our big data analytics. We also apply big data analytics to optimize operations of our express and freight service networks, including analysis of delayed deliveries and targeted service improvements, load rate, and sort operations. Our big data analytics systems also aid in the calculation of labor costs in our hubs and sortation centers based on processing volumes, which has been important in controlling our costs. Our hubs and sortation centers use this information in planning their daily operations. We expect to utilize big data analytics in the development of new value-added services and to manage our financial and operating risks. We have also internally developed XingNG, a data bus that can support billions of data exchanges between system components on a daily basis.

These technologies allow us to process data more rapidly to support our operations in real-time and facilitate the growth of our technology infrastructure in line with the growth of our service lines.

Machine Learning and Artificial Intelligence

We have deployed AI and machine learning technology to produce valuable insights using the massive amount of data collected by BEST Cloud. The following examples illustrate the role AI and machine learning play in our business:

- *Sorting operations.* Our internally developed, patented smart sorting technology is able to learn to recognize nonstandard addresses and maps express parcels to appropriate service stations at an accuracy rate of over 99.9% and at a rate of two milliseconds per address. Traditionally, mapping of these non-standard addresses required manual processing and extensive local knowledge.
- *Station monitoring.* Using machine learning technology, we are able to generate a station performance index for BEST Express and BEST Freight franchisee partners using operating data in our system. With this index, we are able to identify at-risk service stations, address related issues and maintain the stability and service quality of our network.

- *Inventory planning.* Based on predicted order volume and inventory operational cost, our AI technology calculates estimated replacement volumes of goods needed at our Cloud OFCs to increase operational efficiency.

- *Shipment planning.* Based on the dimensions, weights, destinations and shipping times entered into our system, AI-powered planning technology can automatically assign vehicles and routes to reduce delivery costs.

- *Performance tracking.* By applying machine learning technology to data from the thousands of routes in our network, we are able to evaluate driver performance and estimate vehicle arrival times to optimize transportation resource allocation.

Data and Service Integration

BEST Cloud weaves information collected through the millions of endpoints and from our application and technology layers with the capabilities available across our ecosystem to create smart solutions. For example, data collected from our Thunder (春雷) routing engine is used to optimize route planning for BEST Express and BEST Freight which allows them to provide on-time delivery while reducing costs. When transportation service providers operating on our BEST Express network complete their deliveries, they are able to use the BEST UCargo mobile application to bid on truckload jobs, which may be sourced from our BEST Freight franchisee partners, for the return route.

Red Sun (赤日), Big Dipper (北斗) and Thunder (春雷) are our proprietary big data analytics applications that respectively power our automated sorting, provide service station mapping and optimize routes on our service network. We have also developed a number of mobile applications for use by various ecosystem participants. For instance, Rulai Shenzhang (如来神掌) is an application used by BEST Express delivery workers for route navigation, parcel tracking and payment management. The Zhanggui (掌柜) application is used by BEST Freight service station management to provide instant dispatch monitoring, account settlement, reporting and customer relationship management.

Asset-Light Business Model

We are an asset-light company. We lease facilities used in our operations and outsource the majority of our transportation needs to third-party service providers. We have established a flat franchise network that minimizes the number of tiers of franchisees in order to maintain flexibility and control. For BEST Supply Chain Management, we operate large scale Cloud OFCs in tier 1 and tier 2 cities and franchise the rest. For BEST Express and BEST Freight, we directly operate all of the hubs and sortation centers at provincial, city and district levels, as well as certain strategic service stations at street levels and franchise the majority of service stations. As of December 31, 2020, our franchisee partners operated 81% of our Cloud OFCs, 100% of our service stations for BEST Express, and 99% of our service stations for BEST Freight.

Our asset-light business model allows us to optimize levels of self-operated and franchised operations to ensure the right balance of scalability and control, and helps us expand our network in a cost-effective manner. By directly operating the critical parts of the network and providing key services, we are able to achieve standardization, ensure technology integration and data visibility. Direct operation of the hubs and sortation centers also gives us the flexibility to dynamically reconfigure and optimize our network, including consolidating sortation centers and route optimization to improve operating efficiency and reduce costs. For instance, when volume generated by a service station reaches critical mass, we may route its feeder service directly to hubs and bypass sortation centers with which it was previously connected. We spent approximately RMB650 million from 2010 to 2016 to buy back the operational rights of 247 former franchisee partners in 191 cities in order to expand our network and achieve synergies. Our franchisee partners are responsible for investing in their own operations, thus allowing us to optimize the level of our capital investment. We train and provide our franchisee partners with best business practices. Through BEST Cloud, we connect their systems to ours for performance monitoring and data transparency. As a result, we can achieve scalability and growth while capitalizing on the franchisee partners' strong local expertise and proximity to customers. Our flat franchise network minimizes the number of tiers of franchisees, which ensures consistent service quality and mitigates risk of service disruption.

Relationship with Our Franchisee Partners

As of December 31, 2020, we had approximately 9,888 franchisee partners in China. We believe our relationships with franchisee partners are mutually beneficial. Our technology infrastructure and supply chain service network empower our franchisee partners to increase operating efficiency and improve their service quality. Our franchisee partners are also our marketing champions for customer acquisition, which significantly reduces the need for a large centralized sales force. The success of our franchisee partners in turn contributes to the success of our network, allowing us to provide a broader range of services, and attracts more participants to our ecosystem.

We carefully evaluate potential franchisee partners before they are allowed to join our network. Once approved, we enter into agreements to govern our relationships with franchisee partners. Pursuant to these agreements:

- We grant franchisee partners the right to provide service under our brand name in a specific geographic region during the term of the agreements. We support franchisee partners with technology infrastructure, facilitating their integration into our broader ecosystem. Franchisee partners are not allowed to provide similar services under their own names or the brand names of other parties and are not allowed to assign their rights under the agreement to any third party without our consent.

- Franchisee partners are required to provide services that meet our quality standards as stipulated in our comprehensive operating manual which covers every aspect of their operations. We also regularly provide training to the franchisee partners' employees. We have the right to inspect their service quality, demand correction, impose fines on them, or unilaterally terminate the contract if their service quality cannot satisfy our standards within a remedial period.

- Our franchisee partners are required to pay a one-off fee as well as a performance deposit. The performance deposit may be forfeited if they breach the agreement such as when their service quality does not meet our standards. We also provide them with guidelines on the various fees they will pay us for use of our network.

As of December 31, 2020, we had a team of 306 local managers based across China, directly interacting with our franchisee partners on a daily basis to ensure that our quality standards are followed and to help our franchisee partners solve problems and improve and expand their services.

Our Service Offerings

Through our leading proprietary technology infrastructure and extensive supply chain service network, we offer comprehensive services and solutions that include the following major categories:

Service Line	Description
● BEST Express	Express delivery of parcels under 15 kg
● BEST Freight	Door-to-door, LTL and FTL freight services
● BEST Supply Chain Management	Integrated, customizable supply chain management services
● BEST Global	International supply chain, cross-border logistics services and local express delivery services in Thailand, Vietnam, Malaysia, Singapore and Cambodia
● BEST Capital	Financial services to support our ecosystem participants
● BEST UCargo	Real-time truckload capacity bidding platform with value-added services
● BEST Cloud	Proprietary technology powering our services and solutions

BEST Express

Our total parcel volume increased from 5,470.1 million pieces in 2018 to 8,535.1 million pieces in 2020, representing a CAGR of 24.9%. We have one of the most extensive express service networks, covering 100% of China's provinces and cities and 100% of China's districts and counties as of December 31, 2020. Our market share in China's express delivery market, as measured by parcel volume, increased from 10.8% in 2018 to 11.9% in 2019 but decreased to 10.2% in 2020 due to the impact of the COVID-19 pandemic and increasingly intense market competition. Our peak daily parcel volume, which has historically occurred during the Singles' Day promotion, was 50.0 million, 65.2 million and 54.0 million in 2018, 2019 and 2020, respectively.

BEST Express services

Through our network and together with our franchisee partners, we provide express delivery of parcels typically weighing less than 15 kg with expected delivery time generally ranging from 24 to 72 hours.

In addition, we offer customized delivery services such as COD facilitation, declared value insurance coverage, proof of delivery and rush delivery. The principal types of parcels transported by us include items ordered on e-commerce platforms, such as Taobao Marketplace and Tmall, and shipments by other merchants and consumers. We also provide packaging services specially designed for micro-merchants. BEST Express also provides express services that support BEST Supply Chain Management's fulfillment operations.

Express delivery service process

Senders either drop off parcels at our service stations or request pick up service. A waybill carrying a unique tracking number and corresponding barcode is assigned to each parcel, allowing us to track its status throughout the entire delivery process. The pickup service station may perform preliminary sorting of the parcels before sending them to our sortation centers and/or hubs covering its region. Service stations typically make deliveries to sortation centers on a daily basis. Upon receipt of parcels sent from service stations, the sortation center and/or hub further sorts, packs and dispatches the parcels to the destination sortation center and/or hub. The destination sortation center and/or hub unloads and sorts the parcels, which are then delivered to the recipients by our service stations performing the last-mile delivery. Once the recipient signs on the waybill to confirm receipt, a full cycle is completed.

Express delivery service pricing

When sending a package, senders make payment to the relevant pick-up service station. We set pricing guidelines, but our franchisee partners have flexibility on pricing to effectively respond to local competitive dynamics based on business volume and long-term prospects of each sender. We believe this model leverages our franchisee partners' entrepreneurship and their insights into the local market.

Fee structure

Our express delivery service revenue from franchisee partners is mainly generated from an integrated fee that is comprised of (i) a fixed-amount waybill fee for each parcel processed through our network, and (ii) a delivery service fee based on parcel weight, route and the scope of our services and responsibilities.

Prior to 2017, we were not responsible for last-mile delivery of parcels unless we directly operated the destination service stations and, therefore, pick-up service stations were directly liable to destination service stations for their delivery service charges. In the event of loss or damage, the pick-up service station was responsible for working with the delivery service station to resolve the issue. Starting in 2017, in order to enhance the parcel delivery experience and our control over service quality throughout our network, we revised our arrangements with franchisee partners and the scope of our service. As a result, we became the principal that is directly responsible for last-mile delivery of all parcels processed through our network, and we are liable to senders for damage to or loss of parcels in connection with last-mile delivery. In consideration of such expanded service scope and increased responsibilities, we increased the fee that we charge to pick-up franchised service stations. We provide the last-mile delivery service through franchised service stations under our supervision and are responsible for paying service fees to the destination franchised service stations for the provision of last-mile delivery services.

We determine and periodically evaluate and adjust our fee levels based on prevailing market conditions, our operating costs and service quality.

Express delivery service capacity

The maximum capacity of our express delivery service has been continuously increasing as we expand our network, increase line-haul connections within our network and utilize technology to optimize our operations and increase efficiency. Our network has been designed to ensure performance under extreme volumes and periodic fluctuations. During the Singles' Day promotion period in 2018, 2019 and 2020, our network processed 50.0 million, 65.2 million and 54.0 million parcels, respectively.

BEST Freight

Our total freight volume increased from 5,430 thousand tonnes in 2018 to 8,392 thousand tonnes in 2020, representing a CAGR of 24.3%. Our nationwide freight network covers 99.7% of China's cities as of December 31, 2020.

BEST Freight services

BEST Freight's core business involves LTL transportation. Through BEST Freight's comprehensive network across China spanning pick-up, distribution, transportation and delivery, we transport parcels and other goods generally weighing 15 kg or more.

BEST Freight provides door-to-door freight services for B2B and B2C shippers. Historically, the majority of items transported by BEST Freight were shipped by B2B sellers to other businesses. As online sales of large consumer products, such as home appliances and furniture, have significantly increased in recent years, shipments of these large consumer products directly to consumers from online and offline B2C sellers comprise a greater proportion of the items we ship. In addition, BEST Freight provides value-added services including pre-shipment inspection, cargo insurance, oversized item delivery, COD facilitation, evidence of delivery, and upstairs delivery services. BEST Freight also provides freight services that support BEST Supply Chain Management's fulfillment operations. We believe that consumption upgrade and increased sales of large items through e-commerce will accelerate the development of LTL market, which is currently the focus of development for BEST Freight.

BEST Freight started to offer FTL transportation services in 2017 by leveraging our BEST UCargo platform to better serve the needs of brands and large online and offline retailers.

Freight service process

The service process of BEST Freight is very similar to that of BEST Express. While the goods shipped through BEST Freight are larger and heavier and thereby require different equipment, facilities and vehicles to sort and deliver, the major steps in the transportation process are essentially the same. In addition, as we do not directly operate endpoint service stations for freight services, operations before the goods are sent to our sortation centers and/or hubs and after the goods have left the destination sortation centers and/or hubs are normally provided by our franchisee partners. However, BEST Freight also has certain direct merchant customers for which we directly provide door-to-door services that include first-mile pick-up and last-mile delivery.

Freight service pricing

Substantially all of our endpoint service stations for freight services are operated by franchisee partners and we derive the vast majority of our freight service revenue from franchisee partners that operate our service stations. The components of our freight service revenue are similar to that of our express service revenue. As with our express service revenue, starting in 2017, in order to enhance the freight delivery experience and our control over service quality throughout our network, we revised our arrangements with franchisee partners and the scope of our service. As a result, we became the principal that is directly responsible for last-mile delivery of all goods sent through our network, and we are liable to senders for damage to or loss of goods in connection with last-mile delivery. In consideration of such expanded service scope and increased responsibilities, we increased the fee that we charge to pick-up franchised service stations. We provide the last-mile delivery service mainly through destination franchised service stations under our supervision and are responsible for paying service fees to them for the provision of last-mile delivery services.

We determine and periodically evaluate and adjust our fee levels based on prevailing market conditions, our operating costs and service quality.

BEST Supply Chain Management

The table below sets forth information regarding the scale of our supply chain management services in China as of and for the periods indicated:

	As of and for the year ended December 31,		
	2018	2019	2020
Number of Cloud OFCs:			
Self-Operated	115	108	82
Franchised	237	293	358
Total	352	401	440
GFA of Cloud OFCs ('000 sq m)	2,809	3,253	3,546
Number of total orders fulfilled ('000)[(1)]	246,717	356,905	433,224
Number of orders fulfilled during Singles' Day promotion period ('000)[(1)]	21,488	28,524	29,929

Note:
(1) Includes orders fulfilled by franchised Cloud OFCs.

BEST Supply Chain Management services

BEST Supply Chain Management provides one-stop, customizable supply chain management services to both online and offline businesses. Leveraging our strong technology infrastructure and extensive supply chain service network, we provide comprehensive integrated solutions including warehouse management, in-warehouse processing, order fulfillment, transportation services and value-added services.

BEST Supply Chain Management services include the following categories:

- *Cloud OFCs.* We offer warehouse management, in-warehouse processing and order fulfillment services to our customers to optimize their inventory management and delivery process. We also provide and arrange transportation services and coordinate shipments from merchants to our Cloud OFCs and from our Cloud OFCs to customers or consumers or other locations designated by our customers as part of our order fulfillment services.

  We created the concept of "cloud-based order fulfillment centers," or Cloud OFCs, which differ from traditional warehouses in that they can support direct order fulfillment and dispatch operations in addition to storage functions. They are "cloud-based" because we take full responsibility for the optimal allocation of our customers' inventory into different Cloud OFCs and save our customers from the hassle of day-to-day operations, and therefore, from our customers' point of view, these Cloud OFCs are "in the cloud." We use big data analytics and advanced algorithms to set optimal inventory levels across our Cloud OFCs based on expected demands for our customers' products to lower overall supply chain costs and improve service quality.

  We directly operate some Cloud OFCs, and have allowed our franchisee partners to operate other Cloud OFCs for a volume-based service system usage fee. All the Cloud OFCs use our technology infrastructure and are connected to the various information systems across our platform. Therefore, we can allocate inventory of our customers effectively in our Cloud OFCs, leverage our franchisee partners' Cloud OFCs and coordinate our various services including subsequent transportation and delivery. Our franchised Cloud OFCs also provide significant cross-selling opportunities for our other services. We constantly monitor the service quality of our franchised Cloud OFCs to ensure the standardization of services across all the Cloud OFCs.

- *Transportation Services.* We provide and arrange transportation services and coordinate shipments to and from locations designated by our customers, such as their factories, warehouses, distributors, customers or consumers and our Cloud OFCs. Transportation from our Cloud OFCs is considered part of our order fulfillment services.

We offer end-to-end transportation services from factories to consumers that may include FTL, LTL, regional distribution, intra-city distribution, express delivery, freight forwarding and other transportation-related value-added services. We arrange and optimize transportation services for our customers by evaluating options available from not just BEST Express and BEST Freight but also from a variety of transportation service providers in the market to ensure the best quality and lowest cost. We believe this approach is important to attracting and retaining customers.

- *Value-Added Services.* We also offer a full suite of SaaS-based solutions such as OMS and ERP to allow our customers to improve their supply chain operations.

BEST Supply Chain Management's technology system is integrated into our customers' ERP systems to facilitate the management and satisfaction of their warehousing and transportation needs. In addition, we provide a client portal to allow customers to monitor these operations at any time, and track the status of individual orders throughout the delivery process.

We are also able to fully integrate online and offline channels to track, manage and deliver goods across our Cloud OFCs and our customers' retail stores. This allows consumers to place orders online or offline, have goods delivered to their homes from any store or Cloud OFC, and pick up and return goods at any store. We believe our ability to provide integrated supply chain management services across all sales channels has positioned us well in the New Retail era.

BEST Supply Chain Management Service Pricing

We serve customers of varying sizes and are able to tailor our services to accommodate their business needs.

- We are able to serve the entire supply chain of our customers, most of which are well-known brands, as a one-stop supply chain solutions provider. We normally enter into annual service contracts with these customers. Our contracts specify the details of our services based on our customers' expected sales volume and, when services are provided at our Cloud OFCs rather than on our customers' premises, the floor area of the Cloud OFCs to be used. Our contracts also typically specify the unit price for each service we provide and hence, the amount of revenue we generate depends on the unit price and the volume we fulfill in connection with various order fulfillment services, which may include in-warehouse processing, order fulfillment, express delivery, freight delivery and other value-added services.

- For franchised Cloud OFCs, we charge a service system usage fee for each order processed through our network for their usage of our technology infrastructure plus other fees such as for training. When franchised Cloud OFCs use our freight and express services, we charge them our normal rates for such services, and such revenue is recognized by BEST Freight and BEST Express.

- For small and medium customers, most of whom are online sellers, we offer a full range of standardized services, and we charge different prices for different services.

BEST Global

In order to meet the strong demand for cross-border e-commerce transactions, we provide inbound and outbound door-to-door integrated cross-border supply chain services, including international express, LTL, fulfillment and freight forwarding through our own network and global transportation and warehouse partners. We provide direct mail and bonded warehouses, customs clearance and fulfillment to overseas merchants offering goods into China. We also provide full supply chain services, including local fulfillment, as well as other market advisory services to Chinese merchants selling into overseas markets.

We operate Cloud OFCs in the U.S. and Thailand, occupying approximately 2,202,000 square feet of space. We also offer coverage through our partners in Japan, the United Kingdom, France, Korea, Malaysia, Hong Kong, Italy, India, Vietnam, New Zealand, Laos, Russia, Cambodia and Singapore. We also manage eight bonded Cloud OFCs in China, including one of the largest cross-border bonded warehouses that fulfills orders generated on Tmall Global. In addition, our Urumqi Frontier Cloud OFC facilitates shipments to destinations in Central Asia, Russia and other destinations using land transport links across Eurasia. We contract with third-party transportation service providers for transportation services, including transportation within China, international air and sea freight providers, and local fulfillment companies. In China, we may also provide transportation services through our other service lines, such as BEST Express and BEST Freight. Pricing of services is primarily determined by prevailing market rates.

To further expand our footprint and capture growth opportunities in Southeast Asia, BEST Global launched its express delivery services in Thailand's Greater Bangkok area in the fourth quarter of 2018. The service has been expanded nationwide to provide flexible, fast and high-quality delivery services across Thailand with operation centers in Bangkok, Khon Kaen, Phitsanulok and Suratthani. In July 2019, we started to operate a local express network in Vietnam after acquiring a local express delivery company. In April 2020, we further expanded our local express delivery services to Malaysia through a strategic acquisition of a local express delivery company. In July 2020, we officially launched our local express delivery services in Singapore and Cambodia.

As of December 31, 2020, BEST Global had four hubs and four sortation centers in Thailand, five hubs and two sortation centers in Vietnam, seven hubs in Malaysia, one hub in Singapore and one hub in Cambodia. We directly operate all of these hubs and sortation centers as they are critical to ensuring the service quality of our network.

BEST Capital

Through BEST Capital we provide certain financial services and support to participants in our ecosystem to help them grow their businesses, and improve the overall efficiency of our network.

We offer financing lease related services to help our franchisee partners and transportation service providers acquire trucks and other logistics equipment to grow their businesses and provide better services. As of December 31, 2020, we provided financing lease related services for the purchase of over 13,000 trucks through BEST Capital. We normally require installation of vehicle monitoring devices and truck management systems on these trucks to help us monitor and manage the fleets. BEST Capital also provides support to certain franchisee partners and transportation service providers to satisfy their short-term capital needs from time to time. We are able to take as collateral certain operating assets which we are able to monitor and repossess for rapid utilization and/or monetization in the event of a default. In addition, as most of the parties to which we provide financial services are our ecosystem participants, we have substantial knowledge about their business and operations and can monitor their financial position and their usage of collateralized assets.

BEST Capital also offers centralized sourcing of products and services used by our franchisee partners and transportation service providers such as bulk procurement of trucks and accessories to obtain group discounts and reduce costs.

BEST UCargo

BEST UCargo is a real-time bidding platform, powered by BEST Cloud, to source truckload capacity from independent transportation service providers and agents. As of December 31, 2020, over 322,000 drivers over 29 provinces in China were registered on the BEST UCargo platform. When we or our ecosystem participants have temporary or long-term truckload transportation needs, we post these jobs on the BEST UCargo platform. Registered transportation service providers that have corresponding transportation capacity will bid on these jobs. The transportation service providers for each posted job on the BEST UCargo platform are selected and assigned by us based on bid price and service quality.

Starting in 2016, when we source truckload capacity for our ecosystem participants, they pay us directly while we are responsible for payment to the transportation service providers and agents. We believe our ability to leverage our technology infrastructure, transportation services and handle payment flows increases the credibility of BEST UCargo as compared to other online platforms. The large amount of demand for transportation services from us and our ecosystem participants also distinguishes BEST UCargo from other online platforms and helps attract a large number of transportation service providers and agents.

Starting in 2017, UCargo has opened the platform to external clients for sourcing truckload capacity. We plan to further expand this service in order to attract more merchants and transportation service providers to the platform and increase transaction volume and revenue.

To leverage the increasing scale of our BEST UCargo platform, we intend to offer truck pooling and additional value-added services to transportation service providers and agents, such as bulk procurement of vehicle insurance, gasoline and electronic toll collection credits.

BEST Cloud

Our proprietary BEST Cloud service platform powers the technology solutions and applications for our ecosystem. Our franchisee partners use BEST Cloud to run their operations, including to manage franchised Cloud OFCs, BEST Express and BEST Freight operations. As of December 31, 2020, BEST Cloud had over 2.1 million users of its SaaS, OMS and ERP solutions and over 55 million subscribers on public accounts on popular online platforms. Our best-in-class technology and big data analytics capabilities drive operational excellence and enhance value creation across our ecosystem.

BEST Cloud offers integrated web and mobile portals, which we refer to as our network endpoints, for merchants, consumers, franchisee partners and employees, providing access to a wide range of applications and services, such as SMS, OMS, TMS, WMS, billing and payment settlement, CRM and customer data tracking and analytics. We refer to these applications and services as the application layer. Applications may be integrated with the data and systems of our customers, such as their ERP, messaging, payment gateway and business intelligence. The application layer is supported by the technology layer, which consists of a robust set of tools such as AI, big data analytics, geographic information system, address mapping, performance monitoring, mobile apps and others. In the data integration layer, we weave information collected through millions of endpoints and from the application and technology layers with the capabilities available across our ecosystem to create smart solutions.

Our Supply Chain Service Network

We have established a nationwide, integrated supply chain service network. The seamless integration of this network with our technology infrastructure has laid the foundation for our service offerings and our rich and growing ecosystem. We are asset-light as we lease facilities used in our operations and outsource the majority of our transportation needs to third-party service providers.

Network Facilities

Our network facilities include Cloud OFCs, hubs and sortation centers, service stations and convenience stores.

Order Fulfillment Centers (Cloud OFCs)

Cloud OFCs are warehouses with direct order fulfillment functions, which allow us to manage inventory for our customers and dispatch products from the Cloud OFCs directly to their customers whether consumers or businesses. As of December 31, 2020, we had 440 Cloud OFCs with an aggregate gross floor area of approximately 3.5 million square meters. Among these Cloud OFCs, 82 were directly operated by us and 358 were operated by our franchisee partners.

Hubs and Sortation Centers

All of our hubs and sortation centers can collect, sort and dispatch parcels or goods to hubs and sortation centers in other regions and cities.

Our hubs are generally large logistics facilities located in major cities in China. Each of our hubs is connected to most of our other hubs by line-haul transportation and therefore can dispatch parcels and goods directly to most other regions in China.

Our sortation centers are generally smaller-scale logistics facilities compared to hubs and each of them is primarily connected to nearby hubs and/or other sortation centers by feeder services. They can dispatch parcels and goods to other regions through nearby hub or directly to nearby cities and regions. When a sortation center reaches critical mass, we will connect it directly to hubs and sortation centers in other regions by line-haul transportation.

As of December 31, 2020, BEST Express had 55 hubs and 32 sortation centers, and BEST Freight had 56 hubs and 37 sortation centers. We directly operate all of these hubs and sortation centers as they are critical to ensuring the service quality of our network. Over 36% of BEST Freight hubs and sortation centers are adjacent to BEST Express hubs and sortation centers, allowing them to share resources between the two facilities, thus increasing operating efficiency and reducing costs.

We continue to optimize our hubs and sortation centers as our volume grows.

Service Stations

Service stations are responsible for developing relationships with senders within its coverage area and picking up parcels and other goods from senders for delivery through our network. They also handle last-mile delivery of parcels and other goods sent through our network to recipients located within their coverage areas.

As of December 31, 2020, we had over 67,200 service stations, of which over 49,800 were BEST Express service stations and over 17,400 were BEST Freight service stations. BEST Express service stations cover 100% of China's provinces and cities, and 100% of China's districts and counties. BEST Freight service stations cover 100% of China's provinces, 99.7% of China's cities and 97.2% of China's districts and counties. As of December 31, 2020, all of our BEST Express service stations and substantially all of our BEST Freight service stations were operated by franchisee partners.

Transportation Fleet

Line-Haul and Feeder Services

We generally use line-haul services for long-distance, cross-region transportation and feeder services for shorter-distance, inter-region transportation.

We are responsible for arranging all of the line-haul transportation in our network. As of December 31, 2020, our network had over 3,700 BEST Express line-haul routes and over 2,300 BEST Freight line-haul routes.

We are also responsible for arranging feeder services between our hubs and sortation centers as well as between our different sortation centers. We also arrange feeder services between our self-operated Cloud OFCs and our hubs or sortation centers. In addition, we also arrange feeder services between our directly-served customers and our self-operated Cloud OFCs, hubs and sortation centers.

Our franchisee partners are responsible for arranging feeder services from their service stations to our sortation centers or hubs. They also arrange transportation for their directly-served customers and franchised Cloud OFCs.

Fleet Management

We have historically relied on trucks and other vehicles owned and operated by independent transportation service providers.

We have taken various measures to enhance our control over the trucks used in our network and increase their utilization to reduce transportation costs across our network. For example,

- While we continue to rely on independent transportation service providers to provide trucks and drivers, we started to provide financing to them through BEST Capital for truck purchases, install data collection equipment and truck management system on these trucks, and hire these trucks together with their drivers for our use and management on a time charter basis.
- We use swap bodies, which are standard freight containers that can be conveniently mounted on tractors for road transportation. This allows us to increase the utilization rate of tractors and their drivers by reducing the waiting time during loading and unloading. This also allows us to better match swap bodies to freight volume and thereby minimize empty containers and save on fuel cost. We are also utilizing our technology infrastructure to optimize route planning and tractor-to-swap body ratio to further reduce our transportation costs.
- We shared some line haul trucks between express and freight network for some routes to save overall costs.
- In 2016, we also launched our real-time bidding platform, BEST UCargo, to source truckload capacity from independent transportation service providers and agents at more competitive costs.

Operating Efficiency and Capacity

We have continuously expanded the capacity and improved the operating efficiency of our Cloud OFCs, hubs, sortation centers and service stations through optimization of our operating processes as well as the increased adoption of automation and AI.

As of December 31, 2020, three of our Cloud OFCs used 45 AGVs, which have increased the order fulfillment capacity of these Cloud OFCs while increasing efficiency and accuracy and reducing labor costs. We are also able to support extreme volumes across our network, as illustrated by the fulfillment of over 28.9 million orders during the Singles' Day promotion period in 2020.

As of December 31, 2020, we had 149 automated sorting lines in our hubs and sortation centers. These automated sorting lines are able to achieve sorting accuracy of over 99.2% and our double-layer high speed automated sorting lines are able to sort over 46,000 items per hour, which is significantly higher than manual sorting.

We utilize big data analytics, AI and machine learning to optimize our network operations, route planning and line-haul routes to reduce costs. We also capitalize on synergies from our different services.

We continue to introduce technological enhancements to improve our capabilities and increase efficiency. BEST Cloud integrates convenience stores' POS and membership rewards program with Store and Supply Chain Management for full data visibility. It also integrates BEST Express and BEST Freight's dynamic routing calculation, which is expected to further reduce transportation costs. In addition, BEST Cloud has started a pilot simulation process in Cloud OFCs and BEST Express hubs to analyze and optimize personnel resources planning in order to increase labor utilization efficiency.

Our Ecosystem Participants

We have built a rich and growing ecosystem with various types of participants. Many of our ecosystem participants not only receive but also provide services to us and therefore are both our customers and suppliers. Our ecosystem participants also provide services to other ecosystem participants. Our technology infrastructure and supply chain service network enable us and our ecosystem participants to provide better services and improve operating efficiency, which ultimately benefit all participants in our ecosystem.

Merchants

Merchants in our ecosystem include (i) brands, (ii) distributors, (iii) large online and offline retailers, and (iv) other sellers on various e-commerce platforms, or online sellers, most of which are SMEs and individuals.

We provide BEST Supply Chain Management services to brands, large online and offline retailers and an increasing number of online sellers. We also offer BEST Cloud services and cross-sell BEST Express, BEST Freight and BEST Global services to them as part of our integrated solution. In such transactions, these merchants are our customers.

Merchants are our direct customers when they use BEST Express, BEST Freight and Cloud OFC services directly through us. Merchants are customers of our franchisee partners when they use BEST Express, BEST Freight and Cloud OFC services through our franchisee partners.

Our largest merchant customers include brands such as 3M, Li Ning, Hotwind and Cainiao Network and large online and offline retailers, but no single customer contributed more than 5% of our total revenue in 2018, 2019 or 2020. In addition, many of our merchant customers conduct their businesses on major e-commerce platforms in China. Our volume of express deliveries generated from merchants on major Alibaba platforms such as Taobao Marketplace and Tmall accounted for approximately 41% of our express deliveries in 2020.

Consumers

When individual consumers use BEST Express at our self-operated service stations, make a purchase at our self-operated convenience stores, or order goods from overseas through our platform, they are our direct customers. For most of our other services and solutions, we serve consumers indirectly through merchants and our franchisee partners.

Franchisee partners

Franchisee partners for our BEST Express, BEST Freight and Cloud OFCs are our customers. In addition, we have started to provide other services, such as an FTL freight real-time bidding platform under BEST UCargo and financial services under BEST Capital. We may also provide additional services, such as feeder services connecting franchised service stations and our hubs and sortation centers, to our franchisee partners in the future.

Prior to 2017, we were not responsible for last-mile delivery of parcels or freight items unless we directly operated the destination service stations, and therefore franchisee partners were directly liable to franchised service stations for their delivery service charges. Starting in 2017, all of our franchisee partners for BEST Express and BEST Freight also provide last-mile delivery services to us and therefore are our suppliers.

Other ecosystem participants

Other participants in our ecosystem include transportation service providers and other suppliers.

Transportation service providers have traditionally been our suppliers as we use them for line-haul transportation and feeder services that connect our network. They are also suppliers of our FTL freight real-time bidding platform under BEST UCargo as we use them to provide transportation services for franchisee partners and our other service lines. As we expand our BEST Capital service, they have increasingly become customers of our various financial services.

Given the variety of participants and transactions in our ecosystem, we rely on many other suppliers to provide products and services to us and our ecosystem participants. These include other capacity carriers such as airlines and shipping companies that provide cross-border transportation services, truck and logistics equipment manufacturers from which transportation service providers and our franchisee partners procure trucks and other equipment using our financial services, landlords from which we and our franchisee partners lease premises for our network facilities, insurance providers from which we procure insurance products for various ecosystem participants, and financial institutions from which we may obtain financing.

As we continue to grow our ecosystem and expand our service offerings, we expect to attract an increasing number and variety of participants into our ecosystem.

Marketing and Sales

We have established our brand awareness through continuous innovation and high service quality. While we have mainly relied on word-of-mouth referrals, we also utilize various advertising channels to increase our brand awareness among potential customers.

Marketing and sales of our supply chain solutions and transportation services was led by a team of 498 personnel as of December 31, 2020. Our senior management is also significantly involved in building relationships with customers, especially current and potential major partners. In addition, from time to time, we initiate promotions to expand our customer base and build familiarity with our brand. As we have multiple service lines, there are many opportunities for cross-selling across our platform as we seek to introduce customers to our other service offerings in addition to the service line with which they engage initially. We also believe our strong reputation is a factor in retaining and attracting customers.

In addition to our centralized marketing efforts, we empower our franchisee partners to promote BEST services. Successful initiatives will increase demand for services in their franchised areas across our entire network. Our marketing team assists franchisee partners in the identification of new marketing leads and coordination of new initiatives.

Customer Service

The quality of our service directly affects our customer loyalty and brand image. We directly operate the critical parts of our network and selectively franchise out services to franchisee partners. To maintain consistent standards within our network, we provide periodical training to our franchisee partners' employees and regularly inspect franchisee partners' service quality.

We have established a customer relationship management system, or CRM, that allows us to effectively manage service quality issues and promptly address customer inquiries. Customers can access the system by phone or online channels. We currently operate 14 call centers that are dedicated to customer service. Our call center representatives provide real-time assistance from 8:00 a.m. to 8:00 p.m., seven days a week. Our call system automatically forwards each incoming call to an available representative from one of the call centers. After the submission of each enquiry, we ask the customer to rate the quality of our customer service, and we follow up on instances where customers are not completely satisfied. For each complaint, we strive to provide an initial response within 24 hours, and to resolve the issue within three days.

Intellectual Property

We regard our trademarks, trade secrets, domain names, copyrights, patents, know-how, proprietary technologies and similar intellectual property as critical to our business. As of December 31, 2020, we had 575 trademark registrations in China, including those of "百世" and "百世物流" and were in the process of making 221 trademark applications in China. As of December 31, 2020, we had 54 trademark registrations outside China and were in the process of making 124 trademark applications outside China. We have also been granted 57 copyrights in China in respect of our proprietary information systems. We are the registered holder of 187 domain names, including best-inc.com. We have 89 issued patents and 55 publicly filed patents under application in China. We also rely on confidentiality and invention assignment provisions in the employment agreements that we enter into with key employees engaged in research and development. We have implemented a data security system which strictly controls access to our technology and information systems.

Security and Safety

We have integrated safety policies and procedures across our businesses. Our key safety measures include:

Operational security and Safety

We have enacted a full range of operational security measures to ensure the safety of our employees, customers and partners. We screen all items processed through our network for dangerous and prohibited materials, enforce handling procedures across hubs and sortation centers, service stations and at each level of our network and raise transportation safety awareness among our workers and others. Each worksite in our network is required to conduct a general safety assessment with regard to onsite activities, including maintenance as well as non-routine tasks. We train our employees as well as those of our franchisee partners and service providers and use periodic follow-up training to maintain skills and safety awareness. We have further improved our safety management system by setting up safety management teams at each worksite. These teams provide comprehensive onsite safety management training including operational safety, work health and safety, daily transportation safety, goods safety and security checks.

Technology

We and our partners operate trucks configured with GPS tracking as well as integrated safety features such as ESP body stability systems, VDS dynamic steering systems, EBS electronically controlled braking systems, hydraulic brakes, ramp-assist starters and ABS anti-lock braking systems. We are able to provide updates and alerts to drivers, warehouse employees and others involved in our operations as needed. In addition, we utilize advanced equipment at our facilities to reduce risks to workers involved in sorting and moving goods as well as loading and offloading items from vehicles. We also employ digital workforce management technology to monitor employee work hours to ensure compliance with regulations and reduce fatigue-related risks. Using BEST Cloud, we are able to monitor vehicles and goods as they move across our network and system and can leverage BEST Cloud's insights to identify risk areas and address them proactively.

Employees

As of December 31, 2018, 2019 and 2020, we had a total of 8,325, 8,423 and 6,927 employees, respectively, including those for our continuing and discontinued operations. We believe we have a good working relationship with our employees and have not experienced any significant labor disputes in the past. The majority of our employees are based in China, and we also have employees in certain other countries.The following table sets forth details of our employees as of December 31, 2020 by function:

Function	Number of Employees	% of Total
BEST Supply Chain Management	1,212	17.5 %
BEST Express	1,539	22.2 %
BEST Freight	1,234	17.8 %
BEST Global	453	6.5 %
BEST Capital	79	1.1 %
BEST UCargo	187	2.7 %
Technology	796	11.5 %
Management, Administration and Others(1)	1,427	20.6 %
Total	6,927	100.0 %

(1) Includes management and administration personnel at headquarters and local level and discontinued operations.

In addition to our own employees, we engage outsourcing firms that provide large numbers of their employees to work at our facilities. As of December 31, 2020, over 37,900 outsourced personnel were active in our operations, including approximately 37,490 for our continuing operations and approximately 470 for our discontinued operations. Our franchisee partners and service providers engage their own employees in connection with their operations.In order to maintain a high standard of performance, reliability and safety across our network, we conduct training for our employees as well as those of our franchisee partners and service providers. We provide these trainings through a variety of programs led by our internal BEST University initiative, which includes specialized programs for individuals of each job type and level of seniority. Many of our technology professionals have received training and certifications from globally-recognized technology service organizations.

As required by PRC regulations, we participate in various government statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan, a maternity insurance plan (which shall be consolidated into the medical insurance) and a housing provident fund. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local government from time to time.

Properties

As part of our asset-light strategy, we currently lease all of the facilities that we occupy from independent third parties. Our headquarters are located at 2nd Floor, Block A, Huaxing Modern Industrial Park, No. 18 Tangmiao Road, Xihu District, Hangzhou, Zhejiang Province 310013, People’s Republic of China. As of December 31, 2020, our headquarters had an aggregate gross area of approximately 14,273 square meters. In addition, we had leased an aggregate of 5.6 million square meters of industrial and warehouse space for the administration and operation of self-operated Cloud OFCs, hubs and sortation centers as of December 31, 2020.We believe that the facilities that we currently lease are adequate to meet the needs of our current operations, and that we will be able to obtain adequate facilities to accommodate our future expansion plans.

Insurance

We have in place insurance coverage up to a level which we consider to be reasonable and typical for companies in our industry in China. Our insurance broadly falls under the following categories: life insurance, such as group accident insurance; property loss insurance, such as cargo transportation insurance; all-risk property insurance; and liability insurance, such as non-motor vehicle liability insurance, public liability insurance and logistics liability insurance. We also provide benefits to our employees pursuant to local social insurance laws, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance (which shall be consolidated into the medical insurance) and medical insurance.

Competition

Our extensive supply chain solutions encompass a wide range of operational areas, and as a result we may compete with a broad range of companies, including supply chain management service providers, express and freight delivery service providers, B2B platforms for convenience stores, SaaS software service providers and logistics brokers.

We compete with total supply chain solution providers, such as JD Logistics and SF Holdings. Certain service lines may also face competition from other service providers, such as P.G. Logistics and Annto Logistics for supply chain management services; ZTO Express, YTO Express, STO Express, YUNDA and J&T Express for express services; DEPPON Logistics and ANE Logistics for freight services; Kerry Express and J&T Express for our BEST Global business. In addition, our other services may face competition from companies that provide similar or competing services.

Legal Proceedings

We may become subject to legal proceedings, investigations, claims and administrative fines incidental to the conduct of our business from time to time. We are not currently a party to, nor are we aware of, any legal proceeding, investigation or claim which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or results of operations.

Regulatory Matters

The following is a summary of the most significant rules and regulations that affect our business activities in China or our shareholders' rights to receive dividends and other distributions from us.

Regulations Relating to Foreign Investment

Industry Catalogue and Negative List Relating to Foreign Investment. Investment activities in China by foreign investors used to be principally governed by the Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, which was promulgated and is amended from time to time jointly by the Ministry of Commerce, or the MOFCOM, and the National Development and Reform Commission, or the NDRC. On June 28, 2017, the MOFCOM and the NDRC jointly promulgated the Guidance Catalogue of Industry for Foreign Investment (2017), or the 2017 Catalogue, which became effective on July 28, 2017. On June 28, 2018, the MOFCOM and the NDRC jointly promulgated the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2018 Version), or the Negative List 2018. The Negative List 2018 replaced the Special Administrative Measures for Access of Foreign Investment (the Negative List for Access of Foreign Investment) set forth under the 2017 Catalogue. The encouraged foreign investment industry catalogue set forth under the 2017 Catalogue was replaced by the Encouraged Foreign Investment Catalogue (2020 version), or the Encouraged Industry Catalogue, which was promulgated by the NDRC on December 27, 2020 and became effective on January 27, 2021.

Pursuant to the Encouraged Industry Catalogue and the Negative List 2020, foreign-invested projects are categorized as encouraged, restricted and prohibited. Industries that are not listed in either of the Negative List and Encouraged Industry Catalogue are permitted areas for foreign investments, and are generally open to foreign investment unless specifically restricted by other PRC regulations. Foreign investment activities in China are subject to the special administrative measures prescribed in the Negative List 2020.

Pursuant to the Negative List 2020, foreign investments in domestic express delivery services of mail and tobacco retail business are prohibited, and foreign investments in value-added telecommunications services (other than business of e-commerce, domestic multiparty communication, store-and-forward business and call center) are subject to special administrative measures including restriction on foreign shareholding. Therefore, in China we provide domestic express delivery services of mail through Hangzhou BEST Network, our VIE, and its subsidiaries in China, value-added telecommunications services (other than those in connection with our BEST UCargo business) through Hangzhou BEST Network, value-added telecommunications services in connection with our BEST UCargo business through Hangzhou BEST IT, also our VIE, and its subsidiaries in China, and tobacco retail business through a subsidiary (WOWO) of Hangzhou Baijia, also our VIE.

Our PRC subsidiaries also operate in certain industries which are industries listed in the Encouraged Industry Catalogue, such as road transportation and software development. Most of our PRC subsidiaries mainly engage in software development, technical services and consultations, which are industries listed in the Encouraged Industry Catalogue.

Under current PRC law, the establishment of a foreign-invested enterprise is no longer subject to the approval of the MOFCOM or its local counterparts. The foreign investors or foreign-invested enterprise shall report investment information to competent authority of commerce through enterprise registration system and Enterprise Credit Information Disclosure System.

Foreign Investment Law. On March 15, 2019, the National People's Congress of China approved the Foreign Investment Law, which took effect on January 1, 2020 and replace three existing laws on foreign investments in China, namely, the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Foreign Owned Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and legislative efforts to unify corporate legal requirements for both foreign and domestic invested enterprises in China. The Foreign Investment Law establishes a basic framework for the access to, and the promotion, protection and administration of foreign investments with a view to investment protection and fair competition.

According to the Foreign Investment Law, "foreign investment" refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or other organizations of a foreign country (collectively referred to as "foreign investors") within China, and such investment activities include the following situations: (i) a foreign investor, individually or collectively with other investors, establishes a foreign-invested enterprise within China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other similar rights and interests of an enterprise within China; (iii) a foreign investor, individually or collectively with other investors, invests in a new project within China; and (iv) investments in other means as provided by laws, administrative regulations, or the State Council. As such, there is still leeway for future laws, administrative regulations or provisions of the State Council to classify contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our VIEs through contractual arrangements will not be deemed as foreign investment in the future. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—Our current corporate structure and business operations may be affected by the newly enacted Foreign Investment Law."

In addition, according to the Foreign Investment Law, the State Council will publish, or approve to publish, a catalogue for special administrative measures, or the "negative list." The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list."

On December 26, 2019, the State Council promulgated the Implementation Rules to the Foreign Investment Law, which took effect on January 1, 2020. The implementation rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

As required by the State Council, MOFCOM, NDRC and the Ministry of Justice are leading the abolishment or revisions of other foreign investment related laws, which are inconsistent with the Foreign Investment Law. It may be anticipated that further revisions to regulations relating to foreign investment would be promulgated.

Foreign Investment Security Review. On December 19, 2020, the NDRC and MOFCOM jointly promulgated the Measures for the Security Review of Foreign Investment, which became effective on January 18, 2021. The NDRC and the MOFCOM will establish a working mechanism office in charge of conducting a security review of foreign investment. Any foreign investment that has or may have an impact on state security shall be subject to such security review. A foreign investor or a party concerned in China shall take the initiative to make a declaration to the working mechanism office prior to making the investment in certain key areas with bearing on national security, such as important cultural products and services, important information technology and internet services and products, key technologies and other important areas with bearing on national security which results in the acquisition of de facto control of investee companies.

Foreign Investment in Road Transportation Businesses. According to the Administrative Provisions for Foreign Investment in the Road Transportation Industry, promulgated in November 2014 by the Ministry of Transport and the MOFCOM, and its supplements and implementing rules, investment in a road transportation business (including, among other things, road freight transportation, and flitting, loading, unloading and storage of road cargo) by a foreign investor is subject to the approval of the relevant provincial counterparts of the Ministry of Transport, and the newly established foreign-invested enterprise must obtain a road transportation operation permit from the relevant provincial counterparts of the Ministry of Transport after the completion of other foreign investment registration procedures. The incorporation of any direct or indirect subsidiary of a foreign-invested enterprise that intends to engage in road transportation business is subject to the same approval procedure. The Administrative Provisions for Foreign Investment in the Road Transportation Industry were abolished by the Ministry of Transport and the MOFCOM on October 25, 2018 for the purpose of reducing regulation.

Foreign Investment in Telecommunication Businesses. Foreign direct investment in telecommunications companies in China is governed by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, which was promulgated by the State Council on December 11, 2001 and recently amended on February 6, 2016. The regulations provide that a foreign investor's beneficial equity ownership in an entity providing value-added telecommunications services in China is not permitted to exceed 50%. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating the value-added telecommunications business in China must demonstrate a good track record and experience in operating a value-added telecommunications business, provided such investor is a major one among the foreign investors investing in a value-added telecommunications enterprise in China. Moreover, foreign investors that meet these requirements must obtain approvals from the Ministry of Industry and Information Technology, or the MIIT, and the MOFCOM, or their authorized local counterparts, which retain considerable discretion in granting approvals, for its commencement of value-added telecommunications business in China.

The MIIT's Notice Regarding Strengthening Administration of Foreign Investment in Operating Value-Added Telecommunication Businesses, or the MIIT Notice, issued on July 13, 2006 prohibits holders of these services licenses from leasing, transferring or selling their licenses in any form, or providing any resources, sites or facilities, to any foreign investors intending to conduct such businesses in China.

Based on the Notice regarding the Strengthening of Ongoing and Post Administration of Foreign Investment Telecommunication Enterprises issued by MIIT on October 15, 2020, the MIIT will no longer issue Examination Letter for Foreign Investment in Telecommunication Business. Foreign invested enterprises will need to submit relevant foreign investment materials to MIIT for the establishment or change of telecommunication operating permits.

Regulations Relating to Express Delivery Services

The PRC Postal Law, which took effect in October 2009 with the latest amendment in 2015, sets out the fundamental rules on the establishment and operation of an express delivery company. Pursuant to the Postal Law, an enterprise that operates and provides express delivery services must obtain a courier service operation permit. In order to apply for a business permit for express delivery services, a company must meet all the requirements as a corporate legal person and satisfy certain prerequisites with respect to its service capacity and management system, and its registered capital must be no less than RMB500,000 to operate within a province, autonomous region, or municipality directly under the central government, no less than RMB1,000,000 in the case of cross-provincial operation, and no less than RMB2,000,000 to operate international express delivery services.

Pursuant to the Administrative Measures for Courier Service Market, or the Courier Market Measures, which was announced by the Ministry of Transport in 2013, and the Administrative Measures on Courier Service Operation Permits, which was revised by the Ministry of Transport on November 28, 2019, any entity engaging in express delivery services must obtain a courier service operation permit from the State Post Bureau or its local counterpart and is subject to their supervision and regulation. Entities applying for a permit to operate express delivery services in a certain province should apply to the provincial-level postal bureau, while entities applying for a permit to operate express delivery services across multiple provinces should apply to the State Post Bureau. The State Post Bureau and provincial-level postal bureaus may appoint their subordinate postal bureau to deal with permit applications. If an entity operates express delivery services without obtaining a courier service operation permit in accordance with the above measures, it may be compelled to make corrections, subject to the confiscation of its earnings generated from its unlicensed operation of express delivery services, imposed a fine ranging from RMB50,000 to RMB200,000, and/or ordered to suspend its business operation for rectification. If a permit-holder does not operate any express delivery services for over six months without due grounds after obtaining the courier service operation permit, or suspends its business for more than six months without authorization, the postal administrative departments have the authority to cancel the courier service operation permit of such holder. An entity engaging in express delivery services is also under annual reporting obligation regarding such courier service operation permit.

Filing with the postal administrative department is required where an express delivery company sets up branches. The requirements for the establishment of a branch of express delivery company are specified in the Courier Market Measures. The Courier Market Measures stipulate that where any express delivery company establishes its branches or business departments, it must register with the local industrial and commercial administrations where such branches or business departments are located by submitting its express delivery services operation permit and a list of its branches and, such branches or business departments must, within 20 days after they obtain their relevant business licenses, file with the local postal administrative department. If an express delivery company fails to complete the required registration and/or filing with the relevant governmental authority, it may be ordered to rectification and may also be imposed a fine of no more than RMB10,000 or where the circumstances are severe, a fine ranging from RMB10,000 to RMB50,000, compelled to make corrections, and/or ordered to suspend its business operation for rectification. Enterprises engaging in express delivery services other than postal enterprises may not engage in posting and mail delivery business exclusively operated by postal enterprises, and may not deliver any official documents of state organs. The express delivery business must be operated within the permitted scope and valid term of the courier service operation permit. The courier service operation permit is valid for 5 years upon its issuance and comes with an annual reporting obligation. The Circular on Implementing the Administrative Measures for the Courier Market and Strengthening the Administration of Courier Service Operations, which was issued by the State Post Bureau in 2013, further clarifies that the postal administrative department must examine whether an entity operates express delivery service within the permitted business scope and geographic scope of its courier service operation permit, and the geographic examination must be carried out down to the district-level within cities. Failure to conduct express delivery services within the permitted operation scopes would subject the express delivery company to a correction order by the postal administrative department and a fine from RMB5,000 to RMB30,000.

In accordance with the Decision of the State Council on Issues concerning Cancelling and Adjusting a Batch of Administrative Examination and Approval Items in February 2015, a company operating express delivery services must apply for and obtain the courier service operation permit prior to the application of its business license, and the obtaining of courier service operation permit is subject to industrial and commercial registration with prior examination.

In accordance with the Courier Market Measures, if any express delivery service is carried out through franchise, both the franchisees and franchisors must obtain the courier service operation permits and any franchisee must run its franchise business within its licensed scope; and the franchisees and franchisors must enter into written agreements providing the rights and obligations of both parties and the liabilities of both parties in case of any violation of the legal rights and interests of the users of express delivery services. Any franchisee or franchisor failing to obtain the courier service operation permit or any franchisee failing to run its franchise business within its licensed scope would be subject to a correction order by the relevant postal administrative authority and a fine ranging from RMB5,000 to RMB30,000.

Companies engaging in express delivery service must establish and implement a system for the examination of parcels or articles received for delivery. Pursuant to the PRC Postal Law and Measures for the Supervision and Administration of Security of the Postal Industry issued by the Ministry of Transport in 2011 and most recently amended in 2013, express delivery companies must examine the postal articles that would be in the presence of customers so as to inspect whether the postal articles are prohibited or restricted from express delivery. Express delivery companies must also examine whether the names, categories and quantity of the postal articles have been properly written down on delivery forms. Any failure to establish or implement such inspection system, or any unlawful acceptance or delivery of prohibited or restricted parcels/articles may result in the suspension of the company's business operation for rectification or even cancellation of its courier service operation permit. Measures for the Supervision and Administration of Security of the Postal Industry has been replaced by Measures for the Supervision and Administration of Security of the Posting and Delivery of Postal Industry, which has been announced on January 2, 2020 and entered into effect on February 15, 2020. The revisions are mainly related to changing of the name, improving certain specific mechanisms, adding matters related to eco-security during the posting and delivery process, providing details on specific mechanisms, specifying matters related to delegation of postal administrative penalties and optimizing administrative penalty measures. In addition, the State Post Bureau promulgated the Regulation on Implementing the Duties on Main Body of Safe Production of Postal Enterprises and Express Delivery Enterprises on September 4, 2019, which provides the detailed requirements on eight aspects relating to safe production, such as the general requirements, organization structure and responsibilities of posts, safety management system, investment on safe production, education and training, on-site management , management and control of safety risk and examination and governance of hidden danger as well as emergent management.

BEST Logistics Technologies (China) Co., Ltd., one of our PRC subsidiaries, Hangzhou BEST Network, our VIE, and eight of Hangzhou BEST Network's subsidiaries have obtained the courier service operation permits to operate express delivery services. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Failure of us or our franchisee partners to obtain, maintain or update necessary licenses and permits may have a material adverse effect on our business, financial condition and results of operations."

The Interim Regulation on Express Delivery has been revised on March 2, 2019. This regulation was made to promote healthy development of the industry, ensure safe delivery, protect the legal rights of users, and enhance supervision of the sector. For example, companies engaging in express delivery service and their branches may establish express delivery end-networks as needed and shall make a filing with the local postal management department within 20 days of establishment. Furthermore, companies engaging in express delivery service shall implement a management system regarding users' information and shall refrain from providing users' information illegally. Failure to comply with above provisions on security of users' information may result in penalties such as order to make corrections, confiscation of illegal income and a fine ranging from RMB10,000 to RMB50,000, or where the circumstances are severe, a fine ranging from RMB50,000 to RMB100,000, and suspension of the company's business operation for rectification or even cancellation of its courier service operation permit. There is uncertainty as to the application and the implementation of the Interim Regulation on Express Delivery because it is recently promulgated.

Additionally, the Administrative Measures for the Delivery Services of Smart Package Lockers was announced on June 20, 2019 and became effective on October 1, 2019. These measures supervise and manage the activities such as provision and utilization of smart package lockers. While our franchisee partners may utilize those smart package lockers in their daily operations, we do not own or operate such smart package lockers.

The State Post Bureau promulgated a notice on Risk Assessment and Reporting System regarding Material Operational and Administrative Matters of Headquarter of Express Delivery Enterprises in October 2020. The headquarters of express delivery enterprises is defined as the enterprise which owns the trademarks, brand names or waybills which are used by more than two express delivery enterprises for their express delivery operations in the PRC. Such notice provides detailed description on the applicable subjects, general requirements on risk assessment and reporting regarding material operational and administrative matters, types of decisions on material operational and administrative matters which shall undergo risk assessment, content and reporting requirement of risk assessment report, measures that might be taken by the State Postal Bureau and legal liabilities. Since such notice has just been recently promulgated, there is uncertainty as to its application and implementation. As of the date of this annual report, we are not aware of any notice, guidance or similar arrangements from the competent authority to specifically identify any of our PRC subsidiaries or variable interest entities as the headquarters of express delivery enterprises. However, we may still be subject to above-mentioned requirements and obligations if the competent authority has deemed any of our PRC subsidiaries or variable interest entities as the headquarters of express delivery enterprises.

Regulations Relating to Road Transportation

Pursuant to the Regulations on Road Transportation promulgated by the State Council in April 2004 and most recently amended in March 2019, and the Provisions on Administration of Road Freight Transportation and Stations (Sites) issued by the Ministry of Transport in June 2005 and most recently amended in June 2019, or the Road Freight Provisions, the business operations of road freight transportation refer to commercial road freight transportation activities that provide public services. The road freight transportation includes general road freight transportation, special road freight transportation, road transportation of large articles, and road transportation of dangerous cargos. Special road freight transportation refers to freight transportation using special vehicles such as vehicles with containers, refrigeration equipment, or tank containers. The Road Freight Provisions set forth detailed requirements with respect to vehicles and drivers.

Under the Road Freight Provisions, except those engaging in general cargo transportation with a general cargo vehicle weighing 4,500 kilograms or less, anyone engaging in the business of operating road freight transportation or stations (sites) must obtain a road transportation operation permit from the local county-level road transportation administrative bureau, and each vehicle used for road freight transportation must have a road transportation certificate from the same authority. The incorporation of a subsidiary of a road freight transportation operator that intends to engage in road transportation business is subject to the same approval procedure. If a road freight transportation operator intends to establish a branch, it should file with the local road transportation administrative bureau where the branch is to be established.

Although the road transportation operation permits have no limitation with respect to geographical scope, several provincial governments in China, including Shanghai and Beijing, promulgated local rules on administration of road transportation, stipulating that permitted operators of road freight transportation registered in other provinces should also make filing with the local road transportation administrative bureau where it carries out its business. The requirement to obtain operation permits with respect to operating road freight stations (sites) was abolished by the State Council on February 27, 2019.

Interim Measures for the Operation and Administration of Road Freight Transport based on Internet Platforms was promulgated by the Ministry of Transport and the State Taxation Administration on September 6, 2019 and came into effect on January 1, 2020. An operator of an internet platform for road freight transport is defined as entity which consolidates and allocates resources using an internet platform as its basis, undertakes responsibility of transportation for the whole course as carrier, and appoints the actual carrier and enters into a transport contract with it to undertake the road freight transport mission. Merely providing information intermediary or deal making services will not be deemed as internet freight transport. Such operator may apply for a road transportation certificate specifying the business scope as “internet freight transport”. Such entities shall comply with the ICP measures and other relevant laws and regulations regarding operational internet information service and be equipped with corresponding online service capabilities. The operator of such internet freight transport should set up corresponding mechanisms and undertake corresponding measures as required by the Safe Production Law of the People’s Republic of China, the E-commerce Law of the People’s Republic of China, the Law on the Administration of Tax Collection of the People’s Republic of China, the Network Security Law of the People’s Republic of China and certain other laws, regulations and standards.

BEST Logistics Technologies (China) Co., Ltd., one of our PRC subsidiaries, and Hangzhou BEST Network Technologies Ltd., one of our VIEs, have obtained road transportation operation permits to operate general road freight transportation while a subsidiary of another VIE of ours, Hangzhou BEST IT, has obtained a road transportation operation permit with internet freight transport as its specified business scope. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Failure of us or our franchisee partners to obtain, maintain or update necessary licenses and permits may have a material adverse effect on our business, financial condition and results of operations.”

Regulations on Cargo Vehicles

Pursuant to the Administrative Provisions concerning the Running of Cargo Vehicles with Out-of-Gauge Goods promulgated by the Ministry of Transport, which took effect on September 21, 2016, cargo vehicles running on public roads shall not carry cargo weighing more than the limits prescribed by this regulation and their dimensions shall not exceed those as set forth in the same regulation. Vehicle operators who violate this regulation may be subject to a fine of up to RMB30,000 for each violation. In the event of repeated violations, the regulatory authority may suspend the operating license of the vehicle operator and/or revoke the business operation registration of the relevant vehicle.

We rely on trucks and other vehicles owned and operated by third-party trucking companies, while the operation of our fleet is subject to this new regulation. We have an obligation to educate and manage vehicle operators as well as to urge them to comply with this regulation. We weigh each cargo truck as they enter and leave our hubs and sortation centers to ensure their compliance with this regulation in terms of cargo weight. If any truck is not in compliance with this regulation, we may be required to replace it with another vehicle that complies with this regulation. Otherwise, we may be subject to penalties under this regulation if we continue to operate those trucks that exceed the limits set forth in the regulation.

Regulations Relating to International Freight Forwarding Business

Regulations on Management of International Freight Forwarders promulgated by the Ministry of Foreign Trade and Economic Cooperation (now known as the MOFCOM) in 1995 and its detailed rules regulate the business of international freight forwarding. According to the provisions and its detailed rules, the minimum amount of registered capital must be RMB5 million for an international freight forwarder by sea, RMB3 million for an international freight forwarder by air and RMB2 million for an international freight forwarder by land or for an entity operating international express delivery services. Additionally, an international freight forwarder must, when applying for setting up its branches, increase its registered capital (or the excess amount over its minimum registered capital) by RMB500,000. Furthermore, under the Provisional Measures on Filing of International Freight Forwarders announced by the MOFCOM in March 2005 and most recently amended in August 2016, all international freight forwarders and their branches registered with the state industrial and commercial administration must be filed with the MOFCOM or its authorized agencies.

BEST Logistics Technologies (China) Co., Ltd., one of our PRC subsidiaries, is engaged in the international freight forwarding business and has made a filing with the relevant agency for carrying out such business.

Regulations Relating to Commercial Franchising

Pursuant to the Regulations on Commercial Franchising promulgated by the State Council in February 2007 and Provisions on Administration of the Record Filing of Commercial Franchises issued by MOFCOM in December 2011, collectively the Regulations and Provisions on Commercial Franchising, commercial franchising refers to the business activities where an enterprise that possesses the registered trademarks, enterprise logos, patents, proprietary technology or any other business resources allows such business resources to be used by another business operator through contract and the franchisee follows the uniform business model to conduct business operations and pays franchising fees according to the contract. We and our franchisee partners are therefore subject to regulations on commercial franchising. Under the Regulations and Provisions on Commercial Franchising, within 15 days of the first conclusion of franchising contract, the franchisor must carry out record-filing with MOFCOM or its local counterparts and must report the current status of its franchising contracts in the first quarter of each year after record-filing. MOFCOM announces the names of franchisors who have completed filing on the government website and makes prompt updates. If the franchisor fails to comply with these Regulations and Provisions on Commercial Franchising, the MOFCOM or its local counterparts have the discretion to take administrative measures against the franchisor, including fines and public announcements. The Regulations and Provisions on Commercial Franchising also set forth requirements on the contents of franchising contracts.

We have completed the requisite filings with respect to our BEST Express, BEST Freight and Cloud OFC services. We cannot assure you that we can update such filing in a timely manner or that our relationships with other existing and future ecosystem participants will not be found to constitute such regulated commercial franchising in the future. As of the date of this annual report, we have not received any order from any governmental authorities to make such filing. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Failure to comply with PRC laws and regulations by us or our franchisee partners may materially and adversely impact our business, financial condition and results of operations.”

Regulations Relating to Personal Information Security and Consumer Protection

The Administrative Provisions on the Security of Personal Information of Express Service Users, promulgated by the State Post Bureau in March 2014, provide for the protection of the personal information of users of express or express delivery services, and the supervision on the express operations of postal enterprises and express delivery companies. In accordance with these provisions, the state postal administrative department and its local counterparts are the supervising and administering authority responsible for the security of the personal information of users of express or express delivery services, and postal enterprises and express delivery companies must establish and refine systems and measures for the security of such information. Specifically, express delivery companies must enter into confidentiality agreements with their employees regarding the information of their clients or users to specify confidentiality obligations and liabilities for violation thereof. Where express delivery companies are entrusted by operators engaging in online shopping, TV shopping, mail-order and other businesses to provide express delivery services, such express delivery companies must enter into agreements with the said principals, which agreements shall contain provisions safeguarding the security of information of users of express delivery services. Courier companies operating through franchise are further required to formulate provisions on the security of information of users of express delivery services in franchising contracts and clarify the security responsibilities between franchisor and franchisee. A courier company and its employees causing damages to the users of express delivery services by divulging the users' information is expected to bear compensation liabilities. If a courier company is found to unlawfully furnish the information of users of express delivery services, the company and its employees are subject to administrative liabilities or even criminal penalties. A user of express delivery services may further seek remedies by following the Measures on Settling the Complaints of the Postal Users issued by the State Post Bureau, which took effect in October 2020. The postal administrative departments or their complaints settling center handles the complaints from users on the quality of the express delivery services under a regime of mediation. We are subject to the above provisions and measures with regard to the security of personal information and believe that we are currently in compliance with such provisions and measures in all material aspects.

Regulations Relating to Telecommunications and Internet Information Services

Regulations Relating to Telecommunication Businesses

Under the Telecommunications Regulations of the PRC, or the Telecommunications Regulations, promulgated by the State Council on September 25, 2000 and most recently amended on February 6, 2016, a telecommunication services provider in China must obtain an operating license from the MIIT or its provincial counterparts. The Telecommunications Regulations categorize all telecommunication services in China as either basic telecommunications services or value-added telecommunications services. Our online and mobile commerce businesses are classified as value-added telecommunications services. The Administrative Measures for Telecommunications Business Operating Licensing, which was promulgated by the MIIT and recently amended on July 3, 2017, further regulate the telecommunications business licensing.

In addition to restricting dealings with foreign investors, the MIIT Notice contains a number of detailed requirements applicable to holders of value-added telecommunications services licenses, including that license holders or their shareholders must directly own the domain names and trademarks used in their daily operations and each license holder must possess the necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license, including maintaining its network and providing Internet security in accordance with the relevant regulatory standards. The MIIT or its provincial counterpart has the power to require corrective actions after it discovers any non-compliance of the license holders, and where such license holders fail to take such steps, the MIIT or its provincial counterpart has the power to revoke the value-added telecommunications services licenses.

Regulations Relating to Internet Information Services

As a subsector of the telecommunications industry, Internet information services are regulated by the Administrative Measures on Internet Information Services, or the ICP Measures, promulgated on September 25, 2000 by the State Council and amended on January 8, 2011. "Internet information services" are defined as services that provide information to online users through the Internet. Internet information services providers, also called Internet content providers, or ICPs, that provide commercial services are required to obtain an operating license from the MIIT or its provincial counterpart.

To the extent the Internet information services provided relate to certain matters, including news, publication, education or medical and health care (including pharmaceutical products and medical equipment), approvals must also be obtained from the relevant industry regulators in accordance with the laws, rules and regulations governing those industries.

The PRC government has promulgated measures relating to Internet content through various ministries and agencies, including the MIIT, the News Office of the State Council, the Ministry of Culture and Tourism and the National Radio and Television Administration. In addition to various approval and license requirements, these measures specifically prohibit Internet activities that result in the dissemination of any content which is found to contain pornography, promote gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC or compromise state security or secrets. ICPs must monitor and control the information posted on their websites. If any prohibited content is found, they must remove such content immediately, keep a record of it and report to the relevant authorities. If an ICP violates these measures, the PRC government may impose fines and revoke any relevant business operation licenses.

In June 2020, the MIIT promulgated the Notice regarding Strengthening the Management of Call Center Business, which has strengthened management of the admittance, codes, accessing, operation activities and certain other aspects of call centers.

We conduct our value-added telecommunications business through our VIEs, Hangzhou BEST Network and Hangzhou Baijia, which has obtained the requisite licenses. Certain subsidiaries of our VIE, Hangzhou BEST IT, have obtained such requisite licenses as well.

Regulations Relating to Internet Security

The Criminal Law of the People's Republic of China, promulgated by the National People's Congress of China on July 6, 1979 and recently amended on December 26, 2020, imposes a number of Internet security requirements on Internet service providers. These requirements are mainly provided in the Ninth Amendment to the Criminal Law of the People's Republic of China, or the Ninth Amendment. According to the Ninth Amendment, an Internet service provider who does not perform its duties of security management on information network may be subject to criminal punishment, if such non-performance results in certain serious consequences.

The Decision in Relation to Protection of the Internet Security, enacted by the Standing Committee of the National People's Congress of China on December 28, 2000 and amended on August 27, 2009, provides that certain activities, including but not limited to the following, conducted through the Internet are subject to criminal punishment: (i) gaining improper entry into a computer or system of strategic importance; (ii) bringing out abnormal operation of Internet by cultivating or transmitting computer virus or interrupting network without authorization; (iii) disseminating politically disruptive information or obscenities; (iv) leaking State secrets; (v) spreading false commercial information; (vi) infringing intellectual property rights; (vii) providing information concerning pornography; or (viii) violating lawful rights of any other national person, legal person or other institution.

The Regulations of the People's Republic of China on the Security Protection of Computer Information System, promulgated by the State Council on February 18, 1994 and amended on January 8, 2011, require that no entity or individual may make use of computer information systems to engage in activities jeopardizing the interests of the state or collectives or the legitimate rights of the citizens, or endanger the security of computer information systems. A user of a computer information system shall establish and improve a security management system for its computer information system. A user of a computer information system is also required to take other security protection measures, such as reporting any incidents arising from the computer system to the public authority of the local government at or above the county level within 24 hours.

On December 28, 2012, the Standing Committee of the National People's Congress of China promulgated the Decision on Strengthening Network Information Protection to enhance the legal protection of information security and privacy on the Internet. On July 16, 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users to regulate the collection and use of users' personal information in the provision of telecommunication services and Internet information services in China. Personal information includes a user's name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user.

On July 1, 2015, the Standing Committee of the National People's Congress of China promulgated the New National Security Law which took effect on the same date and replaced the former National Security Law promulgated in 1993. According to the New National Security Law, the state shall ensure that the information system and data in important areas are secure and controllable. There are uncertainties on how the New National Security Law will be implemented in practice.

The Network Security Law of the People's Republic of China, which was promulgated by the Standing Committee of the National People's Congress of China on November 7, 2016 and became effective on June 1, 2017, provides that network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

On April 11, 2017, the Cyberspace Administration of China announced the Measures for the Security Assessment of Personal Information and Important Data to be Transmitted Abroad (consultation draft), or the Consultation Draft of Security Assessment Measures. The Consultation Draft of Security Assessment Measures requires network operators to conduct security assessments and obtain consents from owners of personal information prior to transmitting personal information and other important data abroad. Moreover, under the Consultation Draft of Security Assessment Measures, the network operators are required to apply to the relevant regulatory authorities for security assessments under several circumstances, including but not limited to: (i) if data to be transmitted abroad contains personal information of more than 500,000 users in aggregate; (ii) if the quantity of the data to be transmitted abroad is more than 1,000 gigabytes; (iii) if data to be transmitted abroad contains information regarding nuclear facilities, chemical biology, national defense or military projects, population and health, or relates to large-scale engineering activities, marine environment issues or sensitive geographic information; (iv) if data to be transmitted abroad contains network security information regarding system vulnerabilities or security protection of critical information infrastructure; (v) if key information infrastructure network operators transmit personal information and important data abroad; or (vi) if any other data to be transmitted abroad contains information that might affect national security or public interest and are required to be assessed as determined by the relevant regulatory authorities. On June 13, 2019, the Cyberspace Administration of China further announced the Measures for the Security Assessment of Personal Information to be Transmitted Abroad (consultation draft). Both drafts are still under consultation.

The Standing Committee of the National People's Congress published for public comment a draft Data Security Law on July 3, 2020, which provides that varying levels of data protection measures will be applied at the national level based on the level of importance of the data, and the collection and use of such data should not exceed the necessary limits as prescribed by relevant laws and regulations.

On March 12, 2021, the Cyberspace Administration of China, MIIT, the Ministry of Public Security and the State Administration for Market Regulation, or the SAMR, announced the Provisions on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications, which provide that the operators of mobile internet applications shall not deny the users who do not consent for the collection of unnecessary information from using basic functional services of such applications. Specifically, such provisions further provide that the basic functional service of mail and express delivery refers to "delivery service of items such as mails, packages and printed matters" and the necessary personal information for that category shall include identity information (i.e. name, type and number of ID cards) of the sender, the address and contact phone of the sender, the name and address and contact phone of the recipient as well as the name and nature and amount of the items for delivery. Violations could be reported to the competent authority and will be dealt with in accordance with PRC laws.

Regulations Relating to Finance Leasing

CBIRC issued the Interim Measures for Supervision and Administration of the Finance Leasing Companies, or the Interim Finance Leasing Measures, on May 26, 2020. Finance leasing companies may conduct businesses as prescribed in the Interim Finance Leasing Measure and shall not conduct businesses or activities prohibited therein. The Interim Finance Leasing Measures further provide certain regulatory indicators for finance leasing companies, including that the proportion of finance leasing and other leasing assets of finance leasing companies shall be no less than 60% of their total assets. Finance leasing companies established before the introduction of the Interim Finance Leasing Measures shall comply with prescribed requirements within a transition period as provided by the provincial financing regulators which shall be no longer than three years unless prolonged.

Xinyuan Financial Leasing (Zhejiang) Co., Ltd., one of our PRC subsidiaries, has obtained an approval to conduct financing lease business from the competent regulatory authority in the PRC. As of the date of this annual report, Xinyuan Financial Leasing (Zhejiang) Co., Ltd. is still in the process of transition.

Regulations Relating to Retail Industry

Regulations Relating to Consumer Protection

Under the Law on the Protection of the Rights and Interests of Consumers, which was promulgated by the Standing Committee of the National People's Congress on October 31, 1993, became effective on January 1, 1994 and was recently amended on October 25, 2013, a business operator providing a commodity or service to a consumer is subject to a number of requirements, including the following:

- to ensure that commodities and services meet with certain safety requirements;
- to disclose serious defects of a commodity or a service and adopt preventive measures against damage occurrence;
- to provide consumers with true information and to refrain from conducting false advertising;
- not to set unreasonable or unfair terms for consumers or alleviate or release itself from civil liability for harming the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices or other means; and
- not to insult or slander consumers or to search the person of, or articles carried by, a consumer or to infringe upon the personal freedom of a consumer.

Business operators may be subject to civil liabilities for failing to fulfill the obligations discussed above. These liabilities include restoring the consumer's reputation, eliminating the adverse effects suffered by the consumer, and offering an apology and compensation for any losses incurred. The following penalties may also be imposed upon business operators for the infraction of these obligations: issuance of a warning, confiscation of any illegal income, imposition of a fine, an order to cease business operations, revocation of its business license or imposition of criminal liabilities under circumstances that are specified in laws and statutory regulations.

Regulations Relating to Product Quality

Pursuant to the Product Quality Law of the PRC, or the Product Quality Law, which was promulgated by the Standing Committee of the National People's Congress on February 22, 1993, became effective on September 1, 1993, and was recently amended on December 29, 2018, business operators, including manufacturers and sellers, are required to assume certain obligations in respect of product quality. Violations of the Product Quality Law may result in the imposition of fines. In addition, a company in violation of the Product Quality Law may be ordered to suspend its operations and its business license may be revoked. Criminal liability may be incurred in serious cases. A consumer or other victim who suffers injury or property losses due to product defects may demand compensation from the manufacturer as well as from the seller. Where the responsibility lies with the manufacturer, the seller shall, after settling compensation with the consumer, have the right to recover such compensation from the manufacturer, and vice versa.

Regulations Relating to Pricing

In China, the prices of a very small number of products and services are guided or fixed by the government. According to the Pricing Law, which was promulgated by Standing Committee of the National People's Congress on December 29, 1997 and became effective on May 1, 1998, business operators must, as required by the government departments in charge of pricing, mark the prices explicitly and indicate the service items, charging standards and other related particulars clearly. Business operators may not charge any fees that are not explicitly indicated. Business operators must not commit unlawful pricing activities, such as colluding with others to manipulate the market price, using false or misleading prices to deceive consumers to transact, or conducting price discrimination against other business operators. Failure to comply with the Pricing Law may subject business operators to administrative sanctions such as warning, ceasing unlawful activities, compensation, confiscating illegal gains and fines. The business operators may be ordered to suspend business for rectification, or have their business licenses revoked if the circumstances are severe. We are subject to the Pricing Law as a service provider and believe that our pricing activities are currently in compliance with the law in all material aspects.

Regulations Relating to Leasing

We currently lease all of the facilities that we occupy from independent third parties. Pursuant to the Law on Administration of Urban Real Estate which took effect in January 1995 with the latest amendment in August 2019, lessors and lessees are required to enter into a written lease contract, containing such provisions as the term of the lease, the use of the premises, liability for rent and repair, and other rights and obligations of both parties. Both lessor and lessee are also required to register the lease with the real estate administration department. Pursuant to implementing rules stipulated by certain provinces or cities, such as Tianjin, if the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to warnings, rectifications and/or other penalties.

According to the PRC Civil Code which took effect in January 2021, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the lessor transfers the premises, the lease contract between the lessee and the lessor will still remain valid.

The PRC Civil Code further provides that if a mortgagor leases and occupies the mortgaged property before the mortgage contract is executed, the previously established leasehold interest will not be affected by the subsequent mortgage. The Supreme People's Court has revised a judicial interpretation regarding disputes over lease contracts on urban buildings, which took effect in January 2021, providing that if the ownership of the leased premises changes during the term of lessee's occupation in accordance with the lease contract, and the lessee requests the assignee of such premises to continue to perform the original lease contract, the PRC court shall support such request unless the mortgage right has been established before the leasing and the ownership changes due to the mortgagee's realization of the mortgage right.

Regulations Relating to Intellectual Property Rights

The PRC government has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

Copyright. Copyright in China, including copyrighted software, is principally protected under the Copyright Law and its implementation rules. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

Patent. The Patent Law provides for patentable inventions, utility models and designs, which must meet three conditions: novelty, inventiveness and practical applicability. The National Intellectual Property Administration is responsible for examining and approving patent applications. The duration of a patent right is either 10 years or 20 years from the date of application, depending on the type of patent right.

Trademark. The Trademark Law and its implementation rules protect registered trademarks. The PRC Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout China. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where registration is sought for a trademark that is identical or similar to another trademark which has already registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of such trademark may be rejected. Trademark registration is effective for a renewable ten-year period, unless otherwise revoked.

Domain Name. Domain names are protected under the Administrative Measures on the Internet Domain Names promulgated by the MIIT. The MIIT is the major regulatory body responsible for the administration of the PRC Internet domain names, under supervision of which the China Internet Network Information Center is responsible for the daily administration of ".cn" domain names and Chinese domain names. Domain name registration is handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

Regulations Relating to Employment

Pursuant to the Labor Law, which was promulgated by National People's Congress in January 1995 and amended in December 2018, and the Labor Contract Law, promulgated by Standing Committee of the National People's Congress in June 2007 and amended in December 2012, employers must execute written labor contracts with full-time employees. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the day following the lapse of one month after the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. All employers must comply with local minimum wage standards. Violation of the Labor Law and the Labor Contract Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violation.

In December 2012, the Labor Contract Law was amended to impose more stringent requirements on the use of employees of temp agencies, who are known in China as "dispatched workers." Dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions, and the number of dispatched workers may not exceed 10% of the total number of employees.

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan (which, as provided in Opinions of the General Office of the State Council on Comprehensively Advancing Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees which was promulgated on March 6, 2019, shall be consolidated into the medical insurance), and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the PRC Social Insurance Law, which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and became effective on July 1, 2011 and recently amended on December 29, 2018, an employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% or 0.2% per day, as the case may be. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. According to the Regulations on Management of Housing Fund, which was promulgated by the State Council on April 3, 1999 and recently amended on March 24, 2019, an enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in the People's Republic of China—The enforcement of the Labor Contract Law of the People's Republic of China, or the PRC Labor Contract Law, and other labor-related regulations in the PRC may increase our labor costs, impose limitations on our labor practices and adversely affect our business and our results of operations, and our failure to comply with PRC labor-related laws may expose us to penalties."

Regulations Relating to Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, most recently amended in August 2008. Payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can usually be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans.

On March 30, 2015, SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises, or SAFE Circular 19. Pursuant to SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises is subject to the discretional foreign exchange settlement, which means the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) may be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of international balance of payments. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

On January 26, 2017, SAFE issued the Notice of State Administration of Foreign Exchange on Improving the Review of Authenticity and Compliance to Further Promote Foreign Exchange Control, or SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

The Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or the SAFE Circular 28, was promulgated by the SAFE on October 23, 2019. SAFE Circular 28, among other things, allows FIEs to use Renminbi converted from foreign currency-denominated capital for equity investments in China so long as the equity investment complies with the then-effective Special Administrative Measures for Access of Foreign Investment (Negative List) and is genuine and legitimate. However, since the SAFE Circular 28 is newly promulgated, it remains uncertain how the SAFE and competent banks will implement this circular.

According to the Notice on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business, which was promulgated by the SAFE on April 10, 2020, the reform on facilitating the payments of incomes under the capital accounts shall be promoted nationwide. On the condition that the use of funds is authentic and complies with the regulatory provisions on use of income from capital account, enterprises which satisfy given criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, for domestic payment, without the need to provide proof materials for authenticity to the bank prior to each transaction.

Regulations Relating to Dividend Distribution

The principal laws, rules and regulations governing dividend distribution by foreign-invested enterprises in the PRC are the Company Law of the PRC, as amended, the Foreign Investment Law and its implementation regulations. Under these laws, rules and regulations, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. Both PRC domestic companies and wholly-foreign owned PRC enterprises are required to set aside as general reserves at least 10% of their after-tax profit each year, until the cumulative amount of such reserves reaches 50% of their registered capital. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations Relating to Offshore Financing

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material events. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

We have notified substantial beneficial owners of ordinary shares who we know are PRC residents of their obligations of applications, filings and amendments as required under SAFE Circular 37 and other related rules. Nevertheless, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and there can be no assurance that all of our PRC-resident beneficial owners will comply with SAFE Circular 37, its implementation rules and other applicable foreign exchange rules, and there is no assurance that the registration under SAFE Circular 37 and any amendment will be completed in a timely manner, or will be completed at all. The failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37, its implementation rules and other applicable foreign exchange rules, or the failure of future beneficial owners of our company who are PRC residents to comply with these registration requirements may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company, or we may be penalized by SAFE.

Regulations Relating to Employee Stock Incentive Plan of Overseas Publicly-Listed Company

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In addition, under the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies, or the Share Option Rules, issued by SAFE on February 15, 2012, PRC residents who are granted shares or share options by companies listed on overseas stock exchanges under share incentive plans are required to (i) register with SAFE or its local branches, (ii) retain a qualified PRC agent, which may be a PRC subsidiary of the overseas listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plans on behalf of the participants, and (iii) retain an overseas institution to handle matters in connection with their exercise of share options, purchase and sale of shares or interests and funds transfers. We are making efforts to comply with these requirements.

The State Administration of Taxation, or SAT, has issued certain circulars concerning employee share options or restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

Regulations Relating to Tax

Under the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008 and was recently amended on December 29, 2018, an enterprise established outside the PRC with its "de facto management body" within the PRC is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. The Implementing Rules of the Enterprise Income Tax Law further define the term "de facto management body" as the management body that exercises substantial and overall management and control over the business, personnel, accounts and properties of an enterprise. In 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or SAT Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Further to SAT Circular 82, in 2011, the SAT issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, to provide more guidance on the implementation of SAT Circular 82.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered a PRC resident enterprise by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (i) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board of directors and shareholders' meetings are located or kept in the PRC; and (iv) more than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC.

Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore-incorporated enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect the SAT's general position on how the term "de facto management body" could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

We do not believe that we meet all of the conditions under SAT Circular 82. We believe that BEST Inc. and our offshore subsidiaries should not be treated as a "resident enterprise" for PRC tax purposes if the criteria for "de facto management body" as set forth in SAT Circular 82 were deemed applicable to us. However, as the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities, we may be treated as a resident enterprise for PRC tax purposes under the EIT Law, and we may therefore be subject to PRC income tax on our global income. We are actively monitoring the possibility of "resident enterprise" treatment for the applicable tax years and are evaluating appropriate organizational changes to avoid this treatment, to the extent possible.

In the event that BEST Inc. or any of our offshore subsidiaries is considered to be a PRC resident enterprise: BEST Inc. or our offshore subsidiaries, as the case may be, may be subject to the PRC enterprise income tax at the rate of 25% on our worldwide taxable income; dividend income that BEST Inc. or our offshore subsidiaries, as the case may be, received from our PRC subsidiaries may be exempt from the PRC withholding tax; and dividends paid to our overseas shareholders or ADS holders who are non-PRC resident enterprises as well as gains realized by such shareholders or ADS holders from the transfer of our shares or ADSs may be regarded as PRC-sourced income and as a result be subject to PRC withholding tax at a rate of up to 10%, subject to any reduction or exemption set forth in relevant tax treaties, and similarly, dividends paid to our overseas shareholders or ADS holders who are non-PRC resident individuals, as well as gains realized by such shareholders or ADS holders from the transfer of our shares or ADSs, may be regarded as PRC-sourced income and as a result be subject to PRC withholding tax at a rate of 20%, subject to any reduction or exemption set forth in relevant tax treaties. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in the People's Republic of China—We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income" and "Item 3. Key Information—D. Risk Factors— Risks Related to Doing Business in the People's Republic of China—Dividends payable to our foreign investors and gains on the sale of our ADSs or Class A ordinary shares by our foreign investors may become subject to PRC tax."

On February 3, 2015, the SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7, which was recently amended on December 29, 2017. Pursuant to this Bulletin, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, "PRC taxable assets" include assets attributed to an establishment or place of business in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a "reasonable commercial purpose" of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the foreign income tax liabilities arising from the indirect transfer of PRC taxable assets; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payor fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange. On October 17, 2017, the SAT issued the Bulletin on Issues Concerning the Withholding of Nonresident Enterprise Income Tax at Source, or Bulletin 37, which, among others, repeals certain rules related to treatment of situations where a payor has failed to timely withhold tax as stipulated in Bulletin 7. In particular, Bulletin 37 provides that when a payor as the withholding agent fails to or is unable to perform its withholding duty, on the condition that the relevant non-PRC resident enterprise voluntarily makes payment before being ordered to do so in a timely manner or within a time limit prescribed by relevant tax authorities, the tax shall be deemed as having been timely paid. The Bulletin 37 further specifies and clarifies tax withholding methods applicable to income of non-PRC resident enterprises. There is uncertainty as to the application of Bulletin 7. Especially as Bulletin 7 is lately promulgated, it is not clear how it will be implemented. Bulletin 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of our ordinary shares or preferred shares, or those of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved.

Under the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax to Replace Business Tax, or Circular 36, which was promulgated by the Ministry of Finance and the SAT on March 23, 2016 and became effective on May 1, 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the territory of the PRC are required to pay value-added tax, or VAT, instead of business tax. According to the Circular 36, our PRC subsidiaries and VIEs are subject to VAT, at a rate of 6% to 17% (13% after April 1, 2019, pursuant to the Announcement on Policies for Deepening the VAT Reform promulgated by the Ministry of Finance, the SAT and the General Administration of Customs on March 20, 2019) on proceeds received from customers, and are entitled to a refund for VAT already paid or borne on the goods purchased by it and utilized in the production of goods or provisions of services that have generated the gross sales proceeds.

Regulations Relating to M&A Rules and Overseas Listing

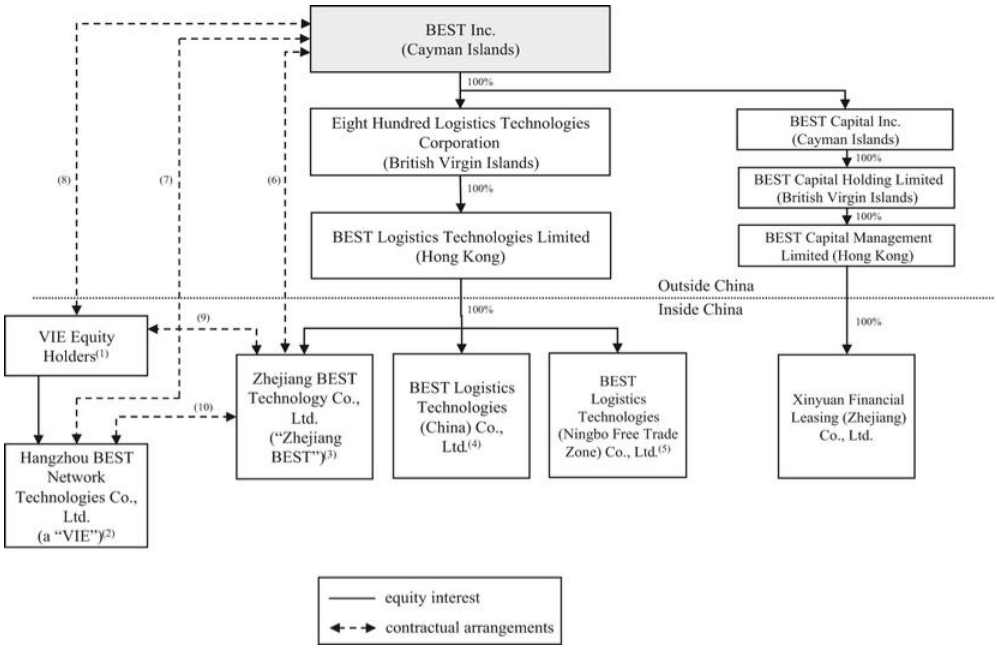
The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, issued by six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, on August 8, 2006 and amended on June 22, 2009, require that an SPV formed for listing purposes and controlled directly or indirectly by PRC companies or individuals must obtain the approval of the CSRC in the event that the SPV acquires equity interests in the PRC companies in exchange for the shares of offshore companies.

The application of the M&A Rules remains unclear. Our PRC counsel, King & Wood Mallesons, has advised us that, under current PRC laws, rules and regulations and the M&A Rules, prior approval from the CSRC is not required under the M&A Rules for our initial public offering because (i) our PRC subsidiaries were incorporated as foreign-invested enterprises by means of foreign direct investments at the time of their incorporation, and (ii) we did not acquire any equity interests or assets of a PRC company owned by its controlling shareholders or beneficial owners who are PRC companies or individuals, as such terms are defined under the M&A Rules. However, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how these rules will be implemented in practice. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in the People's Republic of China—Certain PRC regulations establish more complex procedures for acquisitions conducted by foreign investors that could make it more difficult for us to grow through acquisitions."

C. Organizational Structure

Our Corporate Structure

The following diagram illustrates our corporate structure as of the date of this annual report. It omits certain entities that are immaterial to our results of operations, business and financial condition. Unless otherwise indicated, equity interests depicted in this diagram are held as to 100%. The relationship between us and Hangzhou BEST Network, one of our VIEs, as illustrated in this diagram is governed by contractual arrangements and does not constitute equity ownership.



(1) Two PRC individuals, Wei Chen and Lili He, who are relatives of Mr. Shao-Ning Johnny Chou, and Hangzhou Ali Venture Capital Co., Ltd., a PRC domestic company and consolidated entity of Alibaba, hold 36.285%, 36.285% and 27.43%, respectively, equity interest in the VIE.
(2) Primarily involved in the provision of BEST Express services.
(3) Primarily involved in the provision of BEST Cloud services.
(4) Primarily involved in the provision of BEST Supply Chain Management and BEST Freight.
(5) Primarily involved in the provision of BEST Supply Chain Management services.
(6) Shareholders' Voting Rights Proxy Agreement; Exclusive Call Option Agreement.
(7) Shareholders' Voting Rights Proxy Agreement; Exclusive Call Option Agreement.
(8) Shareholders' Voting Rights Proxy Agreement; Exclusive Call Option Agreement.
(9) Loan Agreements; Exclusive Call Option Agreement; Shareholders' Voting Rights Proxy Agreement; Equity Pledge Agreement.

(10) Exclusive Technical Services Agreement; Exclusive Call Option Agreement; Shareholders' Voting Rights Proxy Agreement; Equity Pledge Agreement.

Variable Interest Entity Contractual Arrangements

Due to PRC legal restrictions on foreign ownership and investment in, among other areas, domestic mail delivery services, value-added telecommunication business as well as tobacco retail business, we, similar to all other entities with foreign-incorporated holding company structures operating in our industry in the PRC, provide the services that may be subject to such restrictions in the PRC through Hangzhou BEST Network Technologies Co., Ltd., or Hangzhou BEST Network, Hangzhou BEST IT Information Technology Services Co., Ltd., or Hangzhou BEST IT, and Hangzhou Baijia Business Management Consulting Co., Ltd., or Hangzhou Baijia, our VIEs, all of which are incorporated in the PRC and 100% owned by PRC legal persons. Hangzhou BEST Network holds a courier service operation permit that allows it to provide domestic mail delivery services in addition to parcel delivery services and an ICP license that allows it to provide value-added telecommunication services, all of which may constitute part of our comprehensive service offerings. Certain subsidiaries of Hangzhou BEST IT have obtained ICP licenses that would allow them to provide value-added telecommunication services in connection with our BEST UCargo business. WOWO, a subsidiary of Hangzhou Baijia, has obtained the tobacco monopoly retail license that would allow it to conduct tobacco retail business in connection with BEST Store^{+} business. Two PRC individuals, Wei Chen and Lili He, who are relatives of Mr. Shao-Ning Johnny Chou and Hangzhou Ali Venture Capital Co., Ltd., a domestic PRC company and consolidated entity of Alibaba, hold 36.285%, 36.285% and 27.43%, respectively, equity interest in Hangzhou BEST Network. Wei Chen and Lili He each holds 50% equity interest in each of Hangzhou BEST IT and Hangzhou Baijia.

We generated 73% of our revenue from continuing operations through our VIEs for the year ended December 31, 2020. We have entered into certain contractual arrangements which collectively enable us to exercise effective control over the VIEs and receive substantially all of the economic risks and benefits generated from the operations of the VIEs and their subsidiaries. As a result, we include the financial results of the VIEs and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP as if they were our wholly-owned subsidiaries. The following is a summary of the contractual arrangements that provide us with effective control of Hangzhou BEST Network and its subsidiaries and that enable us to receive substantially all of the economic benefits from their operations. We have entered into substantially similar contractual arrangements with respect to each of Hangzhou BEST IT and Hangzhou Baijia that provide us with effective control of these entities and their respective subsidiaries and that enable us to receive substantially all of the economic benefits from their operations and absorb all of the expected losses of Hangzhou BEST IT, Hangzhou Baijia and their respective subsidiaries.

Contracts that give us effective control of Hangzhou BEST Network

Loan Agreements

Zhejiang BEST entered into loan agreements with Wei Chen and Lili He in 2011 and with Hangzhou Ali Venture Capital Co., Ltd. in 2015, respectively. Pursuant to these loan agreements, Zhejiang BEST has granted an interest-free loan to each of Hangzhou BEST Network's equity holders, which may only be used for the purpose of a capital contribution to Hangzhou BEST Network. Zhejiang BEST agreed not to ask the Hangzhou BEST Network's equity holders to repay the loans unless the relevant equity holder violates its undertakings provided in the loan agreements. Hangzhou BEST Network's equity holders undertook, among others, not to transfer any of its equity interests in Hangzhou BEST Network to any third party. The loans are repayable by such equity holders through a transfer of their equity interests in Hangzhou BEST Network to Zhejiang BEST or its designated party, in proportion to the amount of the loans to be repaid. The loan agreements remain effective until the relevant loans are repaid in full or Zhejiang BEST relinquishes its rights under the relevant loan agreements.

Amended and Restated Exclusive Call Option Agreement

Pursuant to the amended and restated exclusive call option agreement among us, Zhejiang BEST, Hangzhou BEST Network and its equity holders, dated June 21, 2017, Hangzhou BEST Network's equity holders have granted Zhejiang BEST and us, or a party designated by us or Zhejiang BEST, the exclusive and irrevocable call option rights to purchase part or all of their equity interests in Hangzhou BEST Network at an exercise price equal to the minimum price as permitted by applicable Chinese laws. Hangzhou BEST Network has further granted Zhejiang BEST and us, or a party designated by us or Zhejiang BEST, an exclusive call option to purchase part or all of its assets also at an exercise price equal to the minimum price as permitted by applicable PRC laws. At our sole discretion, we have the right to decide whether the option and other rights granted under the agreement will be exercised by us, Zhejiang BEST or a party designated by us. Each of Hangzhou BEST Network's equity holders may not, among other things, transfer any part of their equity interests to any party other than to us or Zhejiang BEST, or a party designated by us or Zhejiang BEST, pledge or create or permit any security interest or similar encumbrance to be created on all or any part of its equity interests, increase or decrease the registered capital of Hangzhou BEST Network, terminate or cause to terminate any material contracts of Hangzhou BEST Network, or cause Hangzhou BEST Network to declare or distribute profits, bonuses or dividends. We are obligated, to the extent permitted by PRC laws, to provide financing support to Hangzhou BEST Network in order to meet the cash flow requirements of its ordinary operations and to offset any loss from such operations. We and Zhejiang BEST are not entitled to request repayment if Hangzhou BEST Network or its equity holders are unable to repay such financial support. The amended and restated exclusive call option agreement remains in effect until all the equity interests or assets that are the subject of the agreement are transferred to us or Zhejiang BEST, or a party designated by us or Zhejiang BEST, or if we or Zhejiang BEST unilaterally terminate the agreement with 30 days' prior written notice. Unless otherwise provided by law, Hangzhou BEST Network and its equity holders are not entitled to unilaterally terminate this agreement under any circumstances.

Amended and Restated Shareholders' Voting Rights Proxy Agreement

Pursuant to the amended and restated shareholders' voting rights proxy agreement among us, Zhejiang BEST, Hangzhou BEST Network and its equity holders, dated June 21, 2017, each of Hangzhou BEST Network's equity holders has irrevocably authorized any person designated by Zhejiang BEST, with our consent, to exercise its rights as an equity holder of Hangzhou BEST Network in a manner approved by us, including but not limited to the rights to attend and vote at equity holders' meetings and appoint directors and senior management. The amended and restated proxy agreement remains effective until such time as the relevant equity holder no longer holds any equity interest in Hangzhou BEST Network.

Amended and Restated Equity Pledge Agreement

Pursuant to the amended and restated equity pledge agreement among Zhejiang BEST, Hangzhou BEST Network and its equity holders, dated June 21, 2017, the relevant equity holders of Hangzhou BEST Network have pledged all of their equity interests in Hangzhou BEST Network as a continuing first priority security interest in favor of Zhejiang BEST to secure the outstanding amounts advanced under the relevant loan agreements described above and to secure the performance of obligations by Hangzhou BEST Network and/or its equity holders under the other contractual arrangements. Zhejiang BEST is entitled to exercise its right to dispose of the pledged interests held by Hangzhou BEST Network's equity holders in the equity of Hangzhou BEST Network and has priority in receiving payment by the application of proceeds from the auction or sale of such pledged interests, in the event of any breach or default under the loan agreements or other contractual arrangements, if applicable. All of the equity pledges have been registered with the relevant office of the Administration for Market Regulation in China. The amended and restated equity pledge agreement will expire when all obligations under this amended and restated equity pledge agreement or under the aforementioned loan agreements, amended and restated exclusive call option agreement, amended and restated shareholders' voting rights proxy agreement and amended and restated exclusive technical services agreement have been satisfied.

Contract that enables us to receive substantially all of the economic benefits from Hangzhou BEST Network

Amended and Restated Exclusive Technical Services Agreement

On June 21, 2017, Hangzhou BEST Network entered into an amended and restated exclusive technical services agreement with Zhejiang BEST, pursuant to which Zhejiang BEST provides exclusive technical services to Hangzhou BEST Network. In exchange, Hangzhou BEST Network pays a service fee to Zhejiang BEST that is based on a predetermined formula based on the financial performance of Hangzhou BEST Network. During the term of this agreement, Zhejiang BEST is entitled to adjust the service fee at its sole discretion without the consent of Hangzhou BEST Network. Zhejiang BEST will exclusively own any intellectual property arising from the performance of this agreement. This amended and restated exclusive technical services agreement has an initial contract term of 20 years and may be automatically renewed for another 20 years unless Zhejiang BEST notifies Hangzhou BEST Network of its intent not to renew with at least three months' prior notice. Zhejiang BEST is entitled to terminate the agreement unilaterally with 30 days' prior written notice, while Hangzhou BEST Network is not entitled to unilaterally terminate this agreement under any circumstances.

We have been advised by our PRC legal counsel that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our domestic mail delivery services, Internet related value-added business and tobacco retail business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure."

Subsidiaries of BEST Inc.

An exhibit containing a list of our significant subsidiaries has been filed with this annual report.

D. Property, Plants and Equipment

Please refer to "B. Business Overview—Properties" for a discussion of our property, plants and equipment.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Unless otherwise stated, the discussion and analysis of our financial condition and results of operation in this section apply to our financial information as prepared according to U.S. GAAP. You should read the following discussion and analysis of our financial condition and operating results in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. The following discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information—D. Risk Factors."

By the end of 2020, we had wound down our BEST Store^{+} business and since then we have started to reflect BEST Store^{+}'s historical financial results for the periods prior to the wind-down in our consolidated financial statements as discontinued operations. Unless otherwise stated, the results presented in this annual report do not include the results of BEST Store^{+}.

A. Operating Results

Overview

Our Chairman and Chief Executive Officer, Mr. Shao-Ning Johnny Chou, founded BEST in 2007, in the belief that technology and business model innovation can disrupt and transform the inefficient logistics and supply chain industry in China. We are focused on maximizing long-term value propositions to businesses and consumers in our ecosystem through comprehensive integrated services and enhanced experiences driven by technology and service quality. Our multi-sided platform combines technology, integrated logistics and supply chain services, last-mile services and value-added services. We believe we are well positioned to transform the logistics and supply chain industry in China and capture growth opportunities in the New Retail era.

Our total revenue from continuing operations increased by 28.8% from RMB25,116.0 million in 2018 to RMB32,358.7 million in 2019. Our total revenue from continuing operations decreased from RMB32,358.7 million in 2019 to RMB29,995.0 million (US$4,596.9 million) in 2020. We had net losses from continuing operations of RMB107.2 million and RMB1,683.1 million (US$257.9 million) in 2018 and 2020, respectively, and had net income of RMB172.7 million in 2019. Our gross margin for continuing operations improved from 4.7% in 2018 to 5.1% in 2019, as a result of operating leverage and improved operating efficiency. Our gross margin for continuing operations decreased from 5.1% in 2019 to 0.8% in 2020.

Our Business Philosophy

Our brand name in Chinese, “百世”means hundreds of generations. Our business philosophy is to build and invest for the long-term. Since inception, we have focused on building a platform to meet evolving market demands with Smart Supply Chain solutions. We are committed to continuing investment in and enhancement of our platform, which we believe will generate long-term benefits.

Platform Infrastructure. We have invested in and established our proprietary technology infrastructure, which is the backbone of the integrated solutions we offer, as well as our integrated supply chain service network, which has significant scale and density. With the platform infrastructure in place, we expect to continue to reap the benefits of our investments.

Comprehensive Solutions. Leveraging our platform, we have successfully launched multiple services, which allow customers to enjoy comprehensive solutions from a single source. We believe this gives us a strong competitive advantage, especially over monoline service providers. Our platform also allows us to introduce additional innovative solutions and services, capture more cross-selling opportunities and generate strong network effects, driving further growth.

Operating Leverage. Our business enjoys significant operating leverage, and as our business continues to expand, we expect to enjoy greater economies of scale. In addition, we will leverage our technology and synergies across our different services to increase operational efficiency.

Asset-Light Business Model. Our business model allows us to scale quickly while optimizing our levels of capital investment and enables us to maintain effective control over our network and service quality that will cultivate customer stickiness. See also “Business—Our Competitive Strengths—Flexible asset-light business model for control and scale” and “Business—Asset-Light Business Model.”

Guided by our business philosophy, we believe our platform will enable us to continue driving growth, increasing operating leverage and generating long-term value to our ecosystem participants and our shareholders.

Our Scale and Growth

We have achieved significant scale and growth in our business. The following table illustrates the growth in key operating metrics of our major service lines:

	For the three months ended											
	Mar. 31, 2018	Jun. 30, 2018	Sep. 30, 2018	Dec. 31, 2018	Mar. 31, 2019	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020	Sep. 30, 2020	Dec. 31, 2020
BEST Supply Chain Management												
Number of orders fulfilled by self-operated Cloud OFCs (in thousands) [1]	31,431	40,645	37,530	54,834	39,462	50,014	45,848	63,590	43,159	57,677	48,686	69,031
Number of orders fulfilled by franchised Cloud OFCs (in thousands)	13,913	20,532	19,041	28,789	22,502	36,648	40,523	58,317	40,436	53,654	53,485	67,095
BEST Express												
Parcel volume (in thousands) [1]	950,498	1,280,050	1,371,055	1,868,489	1,340,540	1,906,863	1,890,842	2,437,959	1,315,525	2,274,585	2,359,773	2,585,249
BEST Freight												
Freight volume (tonnage in thousands) [1]	985	1,366	1,474	1,605	1,268	1,730	1,885	2,097	1,074	2,230	2,464	2,623

Note:

(1) Includes services performed for external customers both directly and indirectly through our other segments. For discussion of our total segment revenue, which includes both external revenue and intersegment revenue, please see "—Segment Financial Information."

Key Factors Affecting Our Results of Operations

We believe that our results of operations are directly affected by the following key factors.

Macroeconomic Trends and Consumption in Our Markets

Our results of operations and financial condition are affected by the general factors driving the economies, the retail industries, and logistics and supply chain markets of China and other countries and regions in which we operate our business. These factors include levels of per capita disposable income, levels of consumer spending, rate of Internet and mobile penetration, and other general economic conditions in China and our other markets that affect consumption and business activities in general. Our results of operations are also affected by seasonal patterns. For example, the fourth quarter has historically been our strongest quarter by volume, led by the Singles' Day and December 12 promotion periods. As our customers reduce activity in connection with Chinese holidays, such as Chinese New Year, the first quarter historically has been a low volume quarter.

In particular, we anticipate additional growth from the trend toward a New Retail paradigm, which is the seamless integration of online and offline retail enabled by Smart Supply Chain. The emergence of New Retail and transformation of the logistics and supply chain industry affect the demand for our services and our business opportunities.

Competitive Landscape

We are able to provide comprehensive, integrated supply chain solutions leveraging our technology infrastructure and supply chain service network, which differentiates us from monoline service providers. Our ability to strengthen our market position as a leading comprehensive supply chain solution provider and offer innovative services in the New Retail era will continue to affect our results of operations.

Each of our service lines is also subject to trends specific to such services, including market demand and competitive landscape. Therefore, we also compete with companies providing similar services, especially with respect to more standard services such as express and freight services. This will affect the pricing of our services, our ability to acquire customers for such services and our results of operation.

Service Offerings

We provide a variety of services to meet the needs of our customers. We plan to continue leveraging technology and business model innovation to expand and enhance our service offerings.

Each of our service offerings may have different revenue sources, cost structures and customer bases and may face different market conditions. Therefore, the ability to adjust our service offerings to adapt to changing market conditions may impact our results of operations.

Our consolidated results of operations may also be affected by the timing of the launch of new service offerings. We may incur start-up costs in the early stages. A certain amount of time may be needed to ramp up operations. The timing and trend in revenue growth and profitability of new services may vary over time.

Our ability to cross-sell various service offerings to existing and new customers will also affect our results of operations.

Operating Leverage and Efficiency

Our ability to control costs, increase operating efficiencies and scale our business effectively may affect our results of operations.

Costs to operate our businesses, including transportation, labor, lease and other costs are subject to factors such as fluctuations in fuel prices, increases in wage rates and leasing costs, among other things. These factors will affect our ability to control costs.

Our results of operations are also affected by our ability to (i) utilize latest technology to improve efficiencies across our business and data insights to drive optimization in our services, and (ii) take full advantage of our asset-light business model to expand our business operations in a cost-effective manner, leverage the resources and operating capabilities of our franchisee partners and transportation service providers, and dynamically adjust our network design and capacity.

The growth of our business and expansion of our market share will impact our ability to benefit from economies of scale, including optimization of our supply chain service network, reduction of unit costs and the strengthening of our bargaining power with suppliers and service providers.

Technology and Talent

We have made investments in developing our proprietary technology infrastructure. We believe the further enhancement of our technology infrastructure is important to our future performance. We expect to continue to make investments for development and implementation of new technologies. We will continue to hire, train and retain our talent to reinforce our culture of innovation. We have in the past granted and will in the future grant share-based awards to incentivize and retain talent.

Strategic Acquisitions and Investments

We may selectively pursue acquisitions, investments, joint ventures and partnerships that we believe are strategic and complementary to our operations and technology. These acquisitions, investments, joint ventures and partnerships may affect our results of operations.

Critical Accounting Policies and Significant Judgments and Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in our financial statements include, but are not limited to, allowance for doubtful accounts, fair value measurements of equity instruments with no readily determinable fair value, incremental borrowing rates for operating lease liabilities, standalone selling prices related to lease and non-lease commitments in the lease arrangements, useful lives of long-lived assets, the purchase price allocation with respect to business combinations, impairment of long-lived assets and goodwill, realization of deferred tax assets, uncertain tax positions, and share-based compensation. We base our estimates on historical experience and various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Our actual results could materially differ from those estimates.

Revenue recognition

Revenue is recognized when control of promised goods or services is transferred to our customers in an amount of consideration to which an entity expects to be entitled to in exchange for those goods or services. We present value-added taxes as a reduction from revenues. We do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which it has the right to invoice for services performed.

Our revenue recognition policies are as follows:

Express delivery services

We provide express services that comprise sorting, line-haul and feeder transportation services to our franchisee service stations, which are also our customers, when parcels (under 15 kg) are dropped off by our franchisee service station customers at our first hub or sortation center.

We offer an integrated service to the franchised service stations that includes last-mile delivery service to end recipients and we act as the principal that is directly responsible for all parcels sent through our network, from the point when customers drop off the parcels at our first hub or sortation center all the way through to the point when the parcels are delivered to end recipients.

Customers are required to prepay for express delivery services and we record such amounts as “customer advances and deposits and deferred revenue” in the balance sheet. The transaction price we earn from our customers are based on the parcel’s weight and route to the end recipient’s destination. In addition, we provide certain discounts, incentives and rebates based on explicitly agreed upon terms with our customers that can decrease the transaction price and estimates variable consideration based on the most likely amount to be provided. The amount of variable consideration included in the transaction price is limited to the amount that will not result in a significant revenue reversal. We review the estimate of variable consideration and updates the transaction price at the end of each reporting period as necessary. Uncertainties related to the variable consideration for transactions are resolved in a short time frame. Adjustments to variable consideration are recognized in the period the adjustments are identified and were insignificant for the periods presented.

Our express delivery services contracts with customers include only one performance obligation. Performance obligations are generally short-term in nature and with transit days being a week or less for each parcel. We recognize revenue over time as customers receive the benefit of our services as the goods are delivered from one location to another. As such, express delivery services revenue is recognized proportionally as a parcel moves from origin to destination and the related costs are recognized as incurred. We use an output method of progress based on time-in-transit as it best depicts the transfer of control to the customer.

A minor percentage of our express delivery services are performed by our self-operated service stations for direct customers (“direct customers express delivery services”) who are the senders of the parcels. We are directly responsible for the parcel from the point it is received from the senders all the way through the point when the parcels are delivered to end recipients. Direct customer express delivery services revenue is recognized proportionally as parcels are transported to end recipients and the related costs are recognized as incurred.

Express delivery services revenue also includes initial non-refundable franchise fees. The initial non-refundable franchise fees are recognized over the franchise period due to the franchisees' rights to access our logos and brand names which are considered symbolic intellectual properties. The initial non-refundable franchise fees are negotiated under a separate agreement and represent a very small percentage of revenue for all periods presented.

Freight delivery services

Similar to express delivery services, we provide freight services that comprise sorting, line-haul and feeder transportation services mainly to our franchisees, which are also our customers.

We offer an integrated service to our franchisee service stations that includes last-mile delivery service to end recipients and we act as the principal that is directly responsible for all shipments sent through our network, from the point when customers drop off the shipments at our first hub or sortation center all the way through to the point when the shipments are delivered to end recipients.

Customers are required to prepay for freight delivery services and we record such amounts as "customer advances and deposits and deferred revenue" in the balance sheet. The transaction price we earn from our customers are based on the shipment's weight and route to the end recipient's destination.

Our freight delivery services contracts with customers include only one performance obligation. Performance obligations are generally short-term in nature with transit days being a week or less for each shipment. We recognize revenue over time as customers receive the benefit of our services as the goods are shipped from one location to another. As such, freight delivery services revenue is recognized proportionally as a shipment moves from origin to destination and the related costs are recognized as incurred. We use an output method of progress based on time-in-transit as it best depicts the transfer of control to the customer.

Freight delivery services revenue also includes initial non-refundable franchise fees. The initial non-refundable franchise fees are recognized over the franchise period due to the franchisees' rights to access our logos and brand names which are considered symbolic intellectual properties. The initial non-refundable franchise fees are negotiated under a separate agreement and represent a very small percentage of revenue for all periods presented.

Supply chain management services

We provide warehouse management, order fulfillment services and transportation services to our offline and online enterprise customers ("enterprise customers"). We enter into supply chain warehouse management service agreements with these customers to provide warehouse management and order fulfillment services through our self-operated order fulfillment centers and transportation services agreements for transportation services. The majority of the contracts have an effective term of one year. Order fulfillment service revenue is generated from various service fees charged on a volume basis in connection with various order fulfillment services, which may include in-warehouse processing, order fulfillment, express delivery, freight delivery and other value-added services. Pursuant to the warehouse management service agreements and transportation services agreements, enterprise customers have the right to terminate the contracts by providing one month's advance notice. Therefore, even though the contract term for the majority of the contracts is one year, due to the termination rights provided to enterprise customers, warehouse management service agreements and transportation services agreements are considered month-to-month service contracts. Enterprise customers are billed on a monthly basis and make payments according to their granted credit terms which ranges from 5 to 120 days.

Under some situations, enterprise customers may request to add a transportation route or increase the warehouse rental space by entering into a separate contract with us. The additional services are considered distinct and the service fees are priced at their standalone selling prices, i.e. they cannot be purchased at a significant or incremental discount. Therefore, we account for this type of contract modification as a separate contract and the revenue recognized to date on the original contract is not adjusted.

The warehouse management service agreements comprise various service offerings that can be purchased at the option of the customer. Although the service options are interrelated, none of the services modify the other services and they are not integrated to provide a combined output. Each of the service options is substantive and the enterprise customers cannot purchase each additional service at a significant and incremental discount. Therefore, each service is accounted for as a separate performance obligation. We are the primary obligor and do not outsource any portion of the order fulfillment services to supply chain franchisee partners. We recognize warehouse management and order fulfillment services revenue upon completion of the services as that is when we transfer control of the services and have right to payment.

For transportation services, we provide the service of arranging transportation and coordinating shipments to and from locations designated by our enterprise customers. Each transportation order for delivery of goods from origin to destination is considered a performance obligation. Performance obligations are generally short-term in nature with transit days being a week or less for each shipment. We recognize transportation services revenue over time as customers receive the benefit of our services as the goods are shipped from origin to destination. As such, transportation service revenue is recognized proportionally as a shipment moves from origin to destination and the related costs are recognized as incurred. We use an output method of progress based on time-in-transit as it best depicts the transfer of control to the customer.

A small percentage of revenue is also earned from supply chain franchisee partners that can access our supply chain network. These franchisee partners pay an initial non-refundable fee for a comprehensive operating manual and orientation training, as well as an agreed system usage fee for each order processed through our supply chain network. The initial non-refundable fees and system usage fees were insignificant for all periods presented.

Store^{+} services (now disclosed as discontinued operations)

We recognize revenue upon the delivery of the consumer goods to our convenience store membership customers. Starting in May 2017, we also generate and recognize revenue upon the sales of merchandise to end consumers by our self-operated convenience stores. We are the principal to the transaction for the sales of customer goods and merchandise and revenue from these transactions are recognized on a gross basis. Transfer of control occurs at a point in time once delivery has been completed as we have transferred control of the promised goods to the customer. Generally, customers are billed upon delivery of the consumer goods while convenience store customers make payment upon checkout of merchandise.

Global logistics services

We provide international logistics services in multiple countries and regions across North America, Europe and Asia, such as cross-border logistic coordination service and express delivery services. Revenue for our global logistics services is recognized proportionally as a shipment moves from origin to destination using an output method of progress based on time-in-transit while the related costs are recognized as incurred.

Capital services

We serve as a financing platform to provide tailored financing solutions to our ecosystem participants, such as fleet and equipment financing lease service and factoring services. Revenue generated from provision of capital services primarily consists of interest income on lease rental and other financing receivables, which is recognized as revenue using the effective interest rate method.

UCargo services

We serve as a truckload capacity brokerage platform to provide truckload capacity sourcing solutions via real-time bidding to transportation service providers and customers. We are the principal to the transaction for these services and revenue from these transactions is recognized on a gross basis. Revenue is recognized proportionally as a shipment moves from origin to destination using an output method of progress based on time-in-transit while the related costs are recognized as incurred.

Contract assets and liabilities

We enter into contracts with its customers, which may give rise to contract liabilities (deferred revenue) and contract assets (unbilled revenue). The payment terms and conditions within our contracts vary by the type of service and customers. When the timing of revenue recognition differs from the timing of payments made by customers, we recognize either unbilled revenue (its performance precedes the billing date) or deferred revenue (customer payment is received in advance of performance).

Contract assets represent unbilled amounts resulting from provision of transportation services as we have an unconditional right to payment only once all delivered goods reach their destination. Contract assets are classified as current and the full balance is reclassified to accounts receivables when the right to payment becomes unconditional.

Contract liabilities are included in “customer advances and deposits and deferred revenue” in the accompanying consolidated balance sheets. Contract liabilities represent the amount of consideration received upfront from customers related to in-transit shipments that has not yet been recognized as revenue based on our selected measure of progress and non-refundable franchise fees which are recognized over the franchise period. We classify contract liabilities as current based on the timing of when we expect to recognize revenue, which typically occurs within a week after period-end.

Leases

On January 1, 2019, we adopted ASU 2016-02, *Leases (Topic 842)*, using the modified retrospective transition method and elected the transition option to use an effective date of January 1, 2019 as the date of initial application. As a result, the comparative periods were not restated.

We elected the package of practical expedients permitted which allows we not to reassess the following at adoption date: (i) whether any expired or existing contracts are or contains a lease, (ii) the lease classification for any expired or existing leases, and (iii) initial direct costs for any expired or existing leases (i.e. whether those costs qualify for capitalization under ASU 2016-02). We also elected the short-term lease exemption for certain classes of underlying assets including office space, warehouses and hub and sortation center facilities and equipment, with a lease term of 12 months or less.

We determine whether an arrangement is or contains a lease at inception. Our accounting policy effective on the adoption date of ASU 2016-02 is as follows:

Sales-type, direct financing and operating leases as Lessor

We classify a lease as a sales-type lease when the lease meets any one of the following criteria at lease commencement:

a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
c. The lease term is for a major part of the remaining economic life of the underlying asset.
d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.
e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the Company at the end of the lease term.

For sales-type leases, when collectability is probable at lease commencement, we derecognize the underlying asset and recognize the net investment in the lease which is the sum of the lease receivable. Initial direct costs are expensed, at the commencement date, if the fair value of the underlying asset is different from its carrying amount. Interest income is recognized in financing income over the lease term using the interest method.

When none of the criteria above are met, we classify a lease as either a direct financing lease or an operating lease. We will classify the lease as a direct financing lease if (i) the present value of the sum of lease payments and any residual value guaranteed by the lessee and any other third party unrelated to us equals or exceeds substantially all the fair value of the underlying asset; and (ii) it is probable that we will collect the lease payments plus any amount necessary to satisfy a residual value guarantee. If both of the criteria above are not met, we will classify the lease as an operating lease.

The new standard requires lessors within the scope of *ASC 942, Financial Services – Depository and Lending*, to classify principal payments received from sales-type and direct financing leases in investing activities in the statement of cash flows. We continue to present cash receipts from sales-type and direct financing leases as an investing cash inflow.

Sale-leaseback transactions as Lessor

When we enter into sale-leaseback transactions as lessor, we assess whether a contract exists and whether the seller-lessee satisfies a performance obligation by transferring control of an asset when determining whether the transfer of an asset shall be accounted for as a sale of the asset. If the seller-lessee transfers the control of the leased asset to us, it accounts for the purchase of the leased asset in accordance with ASC360. The subsequent leaseback of the asset is accounted for in accordance with ASC842 in the same manner as any other lease. If the seller-lessee does not transfer the control of the leased asset to us, it is a failed sales-leaseback transaction which is accounted for as a financing. We do not recognize the transferred asset and record the amounts paid as other financing receivables for which the current portion is included in "Prepayments and other current assets" and the non-current portion is included in "Other non-current assets" in our consolidated balance sheets.

Financing lease and operating lease as Lessee

We classify a lease as a financing lease when the lease meets any one of the criteria specified as (a) to (e) in the "Sales-type, direct financing and operating leases as Lessor" policy at lease commencement. When none of the criteria are met, we classify a lease as an operating lease.

For both operating and financing leases, we record a lease liability and corresponding right-of-use (ROU) asset at lease commencement. Lease terms are based on the non-cancellable term of the lease and may contain options to extend the lease when it is reasonably certain that we will exercise the option. Lease liabilities represent the present value of the lease payments not yet paid, discounted using the discount rate for the lease at lease commencement.

We estimate its incremental borrowing rate for its leases at the commencement date to determine the present value of future lease payments when the implicit rate is not readily determinable in the lease. In estimating its incremental borrowing rate, we consider its credit rating and publicly available data of borrowing rates for loans of similar amount, currency and term as the lease.

Operating leases are presented as "Operating lease ROU assets" and "Operating lease liabilities". Lease liabilities that become due within one year of the balance sheet date are classified as current liabilities. At lease commencement, operating lease ROU assets represent the right to use underlying assets for their respective lease terms and are recognized at amounts equal to the lease liabilities adjusted for any lease payments made prior to the lease commencement date, less any lease incentives received and any initial direct costs incurred by us.

After lease commencement, operating lease liabilities are measured at the present value of the remaining lease payments using the discount rate determined at lease commencement. Operating lease ROU assets are measured at the amount of the lease liabilities and further adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs and impairment of the ROU assets, if any. Operating lease expense is recognized as a single cost on a straight-line basis over the lease term.

Financing lease ROU assets are included in "Property and equipment" and "Financing lease liabilities" on the consolidated balance sheet. Lease liabilities that become due within one year of the balance sheet date are classified as current liabilities. Financing lease ROU assets are amortized on a straight-line basis from the lease commencement date. After initial measurement, the carrying value of financing lease liabilities are increased to reflect interest at a constant rate and reduced to reflect any lease payments made during the period.

Leases that have a term of 12 months or less at the commencement date ("short-term leases") are not included in operating lease ROU assets and operating lease liabilities. Lease expense for the short-term leases are recognized on a straight-line basis over the lease term.

Sale-leaseback transactions as Lessee

When we enter into sale-leaseback transactions as a seller-lessee, it applies the requirements in ASC 606 by assessing whether a contract exists and whether it satisfies a performance obligation by transferring control of an asset when determining whether the transfer of an asset shall be accounted for as a sale of the asset. If we transfer the control of an asset to the buyer-lessor, it accounts for the transfer of the asset as a sale and recognizes a corresponding gain or loss on disposal. The subsequent leaseback of the asset is accounted for in accordance with ASC842 in the same manner as any other lease. If we do not transfer the control of an asset

to the buyer-lessor, the failed sale-leaseback transaction is accounted for as a financing. We do not derecognize the transferred asset and accounts for proceeds received as borrowings for which the current portion is included in "Accrued expenses and other liabilities" and the non-current portion is included in "Other non-current liabilities" in the consolidated balance sheets.

Share-based compensation

Awards granted to employees and non-employees

We determined whether an award should be classified and accounted for as a liability award or equity award. All of our share-based awards to employees and non-employees were classified as equity awards and are recognized in the consolidated financial statements based on their grant date fair values. For awards only with service conditions, we have elected to recognize compensation expense using the straight-line method for all awards granted with graded vesting based on service conditions provided that the amount of compensation cost recognized at any date is at least equal to the portion of the grant date value of the options that are vested at that date. For awards with performance and service conditions, we use the accelerated method for all awards granted with graded vesting. We account for forfeitures as they occur.

With the assistance of an independent third party valuation firm, we determined the fair value of the stock options granted to employees. The binomial option pricing model was applied in determining the estimated fair value of the options granted to employees.

Modification of awards

A change in any of the terms or conditions of the awards is accounted for as a modification of the award. Incremental compensation cost is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the fair value of the awards and other pertinent factors at the modification date. For vested awards, we recognize incremental compensation cost in the period the modification occurs. For unvested awards, we recognize over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date. If the fair value of the modified award is lower than the fair value of the original award immediately before modification, the minimum compensation cost we recognize is the cost of the original award.

Assets held for sale

A long-lived asset (or disposal group) to be disposed of by sale (including an asset group considered a component of an entity) is considered held for sale when all of the following criteria for a qualifying plan of sale are met:

- Management, having the authority to approve the action, commits to a plan to sell the asset or disposal group;
- The asset or disposal group is available for immediate sale (i.e., a seller currently has the intent and ability to transfer the asset (group) to a buyer) in its present condition, subject only to conditions that are usual and customary for sales of such assets or disposal groups;
- An active program to locate a buyer and other actions required to complete the plan to sell have been initiated;
- The sale of the asset or disposal group is probable (i.e., likely to occur) and the transfer is expected to qualify for recognition as a completed sale within one year;
- The long-lived asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- Actions necessary to complete the plan indicate that it is unlikely significant changes to the plan will be made or that the plan will be withdrawn.

We initially measure the assets and liabilities of a business or asset group that are held for sale at the lower of their carrying amount or fair value less costs to sell. A loss is recognized for any initial adjustment of the disposal group's carrying amount to its fair value less costs to sell in the period the held for sale criteria are met. Long-lived assets are not depreciated/amortized while they are classified as held for sale. We continue to accrue interest and other expenses attributable to the liabilities of a disposal group classified as held for sale.

The fair value less costs to sell of the asset or disposal group is assessed each reporting period it remains classified as held for sale and subsequent changes in fair value less costs to sell (increases or decreases) are reported as an adjustment to its carrying amount, except that the adjusted carrying amount should not exceed the carrying amount of the asset or disposal group at the time it was initially classified as held for sale.

We present assets and liabilities as held for sale in the period that a disposal group meets the held for sale criteria and for all prior periods presented.

Discontinued operations

We classify the results of a component (or group of components) to be disposed ("disposal group") as a discontinued operation when the disposal group meets the held-for-sale criteria, is disposed of by sale or is disposed of other than by sale (e.g. abandonment) and when the disposal group represents a strategic shift that has, or will have, a major effect on our operations and our financial results.

We report the operating results and cash flows related to the disposal group as discontinued operations for all periods presented in our consolidated statements of comprehensive loss and consolidated statements of cash flows, respectively.

Liquidity and going concern

As reflected in our financial statements, for the year ended December 31, 2020, we incurred net losses from continuing operations of RMB1,638,068 (US$257,945) and generated positive cash flows from continuing operating activities of RMB11,188 (US$1,715), which was much lower than the positive cash flows generated from continuing operating activities for the year ended December 31, 2019, due to the negative impact of COVID-19 in the first quarter of 2020 and intense market competition in the express and freight delivery services market in China which has resulted in significant downward pressure on the prices we can charge for our express and freight delivery services. As of December 31, 2020, we had a total cash position of RMB3,754.4 million (US$575.4 million) which included cash and cash equivalents, current restricted cash and short-term investments, a working capital deficiency of RMB3,266.5 million (US$500.6 million) and an accumulated deficit of RMB17,711.0 million (US$2,714 million) which included accumulated losses from operations of RMB8,217.2 million and accumulated accretion to redemption value and deemed dividend in relation to redeemable convertible preferred shares issued and outstanding prior to our initial public offering of RMB9,493.8 million.

These adverse conditions indicate there is substantial doubt about our ability to continue as a going concern. Our management has developed the following plans to improve these conditions: (i) implement various measures in our strategic refocusing plan which includes execution of the wind-down plan for the Store+ segment from late 2020 and suspension of the provision of certain fleet and equipment lease services under BEST Capital for the foreseeable future; (ii) realign our businesses to adapt to the evolving, competitive market conditions and execute additional measures to manage and reduce our costs and expenditures to better improve operating cash flows; and (iii) seek other strategic alternatives in certain business segments or raise additional financing in the near term. There is uncertainty as to whether our strategic refocusing plan and other aforesaid plans, even if they are successfully executed, will generate sufficient operating cash flow to remove the substantial doubt about our ability to continue as a going concern. Such uncertainty is due to, among other things, the unpredictability of the continued impact of the COVID-19 outbreak on the PRC and global economy as well as the duration of the current price war that has negatively affected and continues to negatively affect our express delivery services segment. Further, after December 31, 2020, we secured borrowings of RMB466 million through the securitization of certain financing receivables pertaining to our BEST Capital business and over RMB0.5 billion of short-term bank loans maturing in one year, which allows us to reinforce our strategic refocusing plan and enhance liquidity. Although we have achieved encouraging initial results from the execution of our strategic refocusing plan and reduced our costs and expenditures in the first quarter of 2021 for certain business segments, if we are unsuccessful in our efforts or is unable to seek other strategic alternatives or raise additional financing in the near term, we may be required to further reduce or scale back our operations significantly, in addition to the winding down of BEST Store+ in late 2020 and the suspension of certain lease services under BEST Capital described above. The consolidated financial statements included elsewhere in this annual report have been prepared assuming we will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classifications of liabilities that may be necessary should we be unable to continue as a going concern.

Consolidation of variable interest entities

Due to PRC legal restrictions on foreign ownership and investment in, among other areas, domestic mail delivery services, value-added telecommunication business as well as tobacco retail business, we provide the services that may be subject to such restrictions in the PRC through our VIEs.

Despite the lack of technical majority ownership, our wholly owned subsidiaries, Zhejiang BEST, BEST Logistics China and BEST Store Network, have effective control of Hangzhou BEST Network, Hangzhou BEST IT and Hangzhou Baijia, respectively, through a series of contractual arrangements, or the Contractual Agreements, and a parent-subsidiary relationship exists between Zhejiang BEST and Hangzhou BEST Network, between BEST Logistics China and Hangzhou BEST IT and between BEST Store Network and Hangzhou Baijia. The equity interests of the VIEs are legally held by Chinese individuals, or the respective nominee shareholders. Through the Contractual Agreements, the respective nominee shareholders of the VIEs effectively assign all of their voting rights underlying their equity interests in the VIEs to Zhejiang BEST, BEST Logistics China and BEST Store Network, as applicable. In addition, through the terms of the Contractual Agreements, Zhejiang BEST, BEST Logistics China and BEST Store Network demonstrate their abilities and intention to continue to exercise the ability to absorb substantially all of the profits and all of the expected losses of Hangzhou BEST Network, Hangzhou BEST IT and Hangzhou Baijia, as applicable. As a result of the Contractual Agreements, we have the power to direct the activities of the VIEs that most significantly impact their economic performances and, is entitled to substantially all of the economic benefits from the VIEs through Zhejiang BEST, BEST Logistics China and BEST Store Network, respectively. Therefore, we consolidate the VIEs in accordance with SEC Regulation SX-3A-02 and Accounting Standards Codification, or ASC, topic 810-10, *Consolidation: Overall*.

With respect to Hangzhou BEST Network, in June 2017, the power and the rights pursuant to the Proxy Agreement were effectively reassigned from Zhejiang BEST to BEST Inc., resulting in BEST Inc. having the power to direct the activities of Hangzhou BEST Network that most significantly impact Hangzhou BEST Network's economic performance. In addition, BEST Inc. is obligated to absorb the expected losses of Hangzhou BEST Network through the financial support provided pursuant to the amended and restated Equity Option Agreement. Therefore, we determined BEST Inc. to be most closely associated with Hangzhou BEST Network within the group of related parties, and BEST Inc. has replaced Zhejiang BEST as the primary beneficiary of Hangzhou BEST Network since June 2017. As Hangzhou BEST Network was subject to indirect control by us through Zhejiang BEST immediately before and direct control immediately after the Contractual Agreements were supplemented, we accounted for the change in primary beneficiary of Hangzhou BEST Network as a common control transaction based on the carrying amount of the net assets transferred. With respect to the Contractual Agreements concerning Hangzhou BEST IT, which were executed in October 2019 (with the loan agreement updated in April 2020), as BEST Inc. is a party to the Proxy Agreement and the Equity Option Agreement, we determined that BEST Inc. is the primary beneficiary of Hangzhou BEST IT commencing on the date of execution of such Contractual Agreements as BEST Inc. has obtained the power to direct the activities of Hangzhou BEST IT that most significantly impact its economic performance, is entitled to substantially all of the economic benefits from, and is also obligated to absorb the expected losses of, Hangzhou BEST IT through BEST Logistics China. At the same time, BEST Logistics China transferred its equity interests in BEST UCargo and its subsidiaries to Hangzhou BEST IT. As the restructuring transaction to transfer the assets and liabilities relating to the UCargo transportation services business described above are between entities under common control and do not change the control at the ultimate parent level, the transaction was accounted for as a common control transaction based on the carrying amount of the net assets transferred. With respect to Hangzhou Baijia, as BEST Inc. is a party to the Proxy Agreement and the Equity Option Agreement which were executed in May 2020, we determined that BEST Inc. is the primary beneficiary of Hangzhou Baijia commencing on the date of execution of such Contractual Agreements as BEST Inc. has obtained the power to direct the activities of Hangzhou Baijia that most significantly impact its economic performance, is entitled to substantially all of the economic benefits from, and is also obligated to absorb the expected losses of, Hangzhou Baijia through BEST Store Network. At the same time, Hangzhou BEST Network transferred its equity interests in WOWO to Hangzhou Baijia. As the restructuring transaction to transfer the assets and liabilities relating to the WOWO business described above are between entities under common control and do not change the control at the ultimate parent level, the transaction was accounted for as a common control transaction based on the carrying amount of the net assets transferred.

For more information on consolidation of the variable interest entities, see Note 1 to our audited consolidated financial statements appearing elsewhere in this annual report.

Goodwill

We assess goodwill for impairment in accordance with ASC 350-20, *Intangibles—Goodwill and Other: Goodwill* ("ASC 350-20"), which requires that goodwill be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events.

We have determined that we have six reporting units (that also represent operating segments) in 2020, which exclude the former Store$^+$ reporting unit which is reported as discontinued operations in our consolidated statements of comprehensive loss. The corresponding goodwill allocated to the Store$^+$ reporting unit is classified as assets held for sale on the consolidated balance sheets. Goodwill was allocated to four reporting units, including the Store$^+$ reporting unit as of December 31, 2019 while the goodwill is allocated to three reporting units as of December 31, 2020. We have the option to assess qualitative factors first to determine whether it is necessary to perform the quantitative test in accordance with ASC 350-20. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. If we believe, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the quantitative impairment test described above is required. Otherwise, no further testing is required.

We adopted ASU 2017-04, *Simplifying the Test for Goodwill Impairment ("ASU 2017-04")*, which simplifies the accounting for goodwill impairment by eliminating step two from the goodwill impairment test from January 1, 2020. The adoption of this standard does not have an impact on our consolidated financial statements.

Prior to the adoption of ASU 2017-04, we perform two-step quantitative impairment test. In performing the two-step quantitative impairment test, the first step compares the carrying amount of the reporting unit to the fair value of the reporting unit based on estimated fair value using a combination of the income approach and the market approach. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. The fair value of the reporting unit is allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. If the carrying amount of the goodwill is greater than its implied fair value, the excess is recognized as an impairment loss in general and administrative expenses. Subsequent to the adoption of the ASU 2017-04, the quantitative impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess.

Impairment of long-lived assets held for use other than goodwill

We evaluate our long-lived assets, including fixed assets and intangible assets with finite lives, for impairment whenever events or changes in circumstances, such as a significant adverse change to market conditions that will impact the future use of the assets, indicate that the carrying amount of an asset may not be fully recoverable. When these events occur, we evaluate the recoverability of long-lived assets by comparing the carrying amount of the assets to the future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, we recognize an impairment loss based on the excess of the carrying amount of the assets over their fair value. Impairment losses are included in general and administrative expenses.

Components of Results of Operations

Revenue

The following table sets forth our revenue from different service lines and as a percentage of our total revenue for the periods indicated:

	For the year ended December 31,						
	2018		2019		2020		
	RMB	% of Revenue	RMB	% of Revenue	RMB	US$	% of Revenue
	(in thousands)						
Revenue:							
Express	17,714,524	70.5 %	21,822,442	67.5 %	19,417,559	2,975,871	64.7 %
Freight	4,102,610	16.3 %	5,224,355	16.1 %	5,156,551	790,276	17.2 %
Supply chain management	2,076,822	8.3 %	2,195,759	6.8 %	1,912,323	293,076	6.4 %
Global	162,012	0.6 %	336,874	1.0 %	777,656	119,181	2.6 %
UCargo	891,710	3.6 %	2,574,054	8.0 %	2,519,919	386,194	8.4 %
Capital	168,299	0.7 %	205,203	0.6 %	211,021	32,340	0.7 %
Total revenue	25,115,977	100.0 %	32,358,687	100.0 %	29,995,029	4,596,938	100.0 %

Note: Revenue in the table above represents revenue from external customers.

Express

As most of the service stations in our express delivery network are operated by our franchisee partners, we derive the vast majority of our express service revenue from franchisee partners. We generate a small portion of our express service revenue from direct customers that use our express service.

Our express service revenue from franchisee partners is mainly generated from an integrated fee comprised of (i) a fixed-amount waybill fee for each parcel processed through our network, and (ii) a delivery service fee based on parcel weight, route and the scope of our services and responsibilities.

Prior to 2017, we were not responsible for last-mile delivery of the parcels unless we directly operated the destination service stations and, therefore, pick-up service stations were directly liable to destination service stations for their delivery service charges. Starting in 2017, in order to enhance the parcel delivery experience and our control over service quality throughout our network, we revised our arrangements with franchisee partners and the scope of our service. As a result, we became the principal that is directly responsible for last-mile delivery of all parcels processed through our network, and we are liable to senders for damage to or loss of parcels in connection with last-mile delivery. Therefore, in consideration of such expanded scope of services and increased responsibilities, we increased the fee that we charge to pick-up service stations. We provide the last-mile delivery service through either destination franchised service stations under our supervision or our self-operated service stations and are responsible for paying service fees to such destination franchised service stations for the provision of last-mile delivery services, which are recorded in our cost of revenue.

Our express service revenue also includes handling fees and service charges for certain value-added services, such as cash on delivery, or COD, facilitation. In addition, we generate revenue from sales to franchisee partners of ancillary items, such as BEST-branded packing materials.

Our express service revenue is primarily driven by our parcel volume and the fees we collect from our franchisee partners and direct customers for each parcel processed through our network. We determine and periodically evaluate and adjust our fee levels based on prevailing market conditions, our operating costs and service quality.

Freight

We have historically derived most of our freight service revenue from franchisee partners which operate substantially all of the service stations in our freight network, with a small amount derived from our direct customers for whom we provide door-to-door freight services.

The components of our freight service revenue are similar to that of our express service revenue. See "—Components of Results of Operations—Revenue—Express" above. As with our express service revenue, starting in 2017, in order to enhance the freight delivery experience and our control over service quality throughout our network, we revised our arrangements with franchisee partners and the scope of our service. As a result, we became the principal that is directly responsible for last-mile delivery of all goods processed through our network, and we are liable to senders for damage to or loss of goods in connection with last-mile delivery. Therefore, in consideration of such expanded scope of services and increased responsibilities, we increased the fee that we charge to pick-up service stations. We provide the last-mile delivery service through destination franchised service stations under our supervision and are responsible for paying service fees to such destination franchised service stations for the provision of last-mile delivery services, which are recorded in our cost of revenue. We also generate freight service revenue from value-added services such as pre-shipment inspection, cargo insurance, COD facilitation, evidence of delivery, upstairs delivery and installation services.

Our freight service revenue is primarily driven by our freight volume and the fees we collect from our franchisee partners. We determine and periodically evaluate and adjust our fee levels based on prevailing market conditions, our operating costs and service quality.

Supply Chain Management

We generate supply chain management service revenue primarily from order fulfillment services and transportation services. Our order fulfillment service revenue is mainly generated from service fees paid by our customers for order fulfillment services offered through our self-operated Cloud OFCs. We also generate a small amount of order fulfillment service revenue from service system usage fee for each order processed through our network and other fees charged to franchisee partners operating Cloud OFCs.

Order fulfillment service revenue of our self-operated Cloud OFCs is generated from various service fees charged on a volume basis in connection with various order fulfillment services, which include warehouse management, in-warehouse processing, order fulfillment, transportation services and value-added services. Transportation from our self-operated Cloud OFCs is included in order fulfillment service revenue.

Transportation service revenue is generated from transportation of goods to and from locations designated by our customers, such as their factories, warehouses, distributors, stores, end-customers or consumers, including to our Cloud OFCs.

Our supply chain management service revenue is primarily driven by the number of orders fulfilled, the volume of the goods we process and the fees we negotiate with our customers. The fees we charge primarily depend on the scope of services they require, their size and scale, and the estimated amount of business volume.

Global

We generate BEST Global revenue primarily from international logistics services provided in multiple countries and regions across North America, Europe and Asia, such as cross-border logistic coordination service and local express delivery services similar to those we provide in China.

UCargo

We generate BEST UCargo revenue primarily from operating our truckload capacity brokerage platform, which provides truckload capacity sourcing solutions via real-time bidding to transportation service providers and customers. The revenue is primarily comprised of transportation fee collected from customers according to the distance and weight for their shipment needs from origin to destination.

Capital

We generate BEST Capital revenue primarily from providing tailored financing solutions to our ecosystem participants, such as fleet and equipment financing lease service and factoring service. The fee we charge our customers is based on the financing amount and interest rate in the respective financing periods.

Cost of Revenue

Our cost of revenue primarily consists of costs of transportation, labor, lease and materials, operating costs for hubs and sortation centers, depreciation and other costs. The following table presents our costs of revenue by service lines for the periods indicated:

	For the year ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US$
		(in thousands)		
Cost of revenue				
Express	16,921,826	20,793,370	19,470,937	2,984,052
Freight	3,946,032	4,934,937	5,063,236	775,975
Supply chain management	1,970,109	2,052,006	1,846,901	283,050
Global	167,053	371,404	875,733	134,212
UCargo	877,172	2,517,642	2,473,857	379,135
Capital	47,767	52,001	26,225	4,019
Total cost of revenue	23,929,959	30,721,360	29,756,889	4,560,443

Express

Cost of revenue for our express services mainly consists of (i) transportation costs paid to third-party service providers operating the routes in our network mainly connecting our hubs and sortation centers, (ii) labor costs for our hub and sortation center operations, including costs paid to outsourced workers, (iii) lease costs for our hubs and sortation centers and self-operated service stations, and (iv) starting from January 1, 2017, costs related to last-mile delivery services. Starting in 2017, in order to enhance the parcel delivery experience and our control over service quality throughout our network, we revised our arrangements with franchisee partners and the scope of our service to provide that we are directly responsible for last-mile delivery services. Other cost of revenue for express services includes costs for materials, depreciation of property and equipment, and utility and maintenance payments related to our operations.

Cost of revenue for our express services is comprised of fixed costs, such as lease costs, other facility costs and equipment costs, as well as variable costs, such as outsourced labor costs and materials used in our operations. As operational scale increases over time, we will generally be able to reduce unit fixed costs. Transportation costs are variable in nature but we are able to enjoy scale benefits by increasing capacity utilization of fleet for our core routes connecting our hubs and sortation centers and by employing larger vehicles to satisfy greater delivery volumes to drive lower unit transportation costs.

Freight

Cost of revenue for our freight services generally corresponds to the cost components of our express delivery services.

Supply Chain Management

Cost of revenue for our supply chain management services primarily consists of costs associated with our self-operated Cloud OFCs and transportation costs paid to transportation service providers. Costs associated with our self-operated Cloud OFCs primarily include labor costs, lease costs, equipment depreciation, costs of materials, such as for labeling and packing, utility and maintenance payments.

Some of these costs are relatively fixed in nature, such as lease and equipment costs. Other costs are more variable in nature, such as transportation, outsourced labor and materials costs. The launch of new self-operated Cloud OFCs or new projects will generally incur start-up costs in the early stages and requires time to ramp-up business volume. As operational scale increases over time, we will generally be able to reduce unit fixed costs.

Global

Cost of revenue for our BEST Global services generally corresponds to the cost components of our express delivery services when we provide express service in Southeast Asia. For the cross-border logistic coordination service, cost of revenue mainly consists of the transportation cost paid to third-party service providers.

UCargo

Cost of revenue for our BEST UCargo services primarily includes transportation cost paid to third-party service providers.

Capital

Cost of revenue for our BEST Capital services primarily includes interest expense incurred in providing financing service to customers.

Operating Expenses

Our operating expenses consist of selling expenses, general and administrative expenses, and research and development expenses. The following table sets forth a breakdown of our operating expenses for the periods indicated:

	For the year ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US$
	(in thousands)			
Selling expenses	370,987	432,939	477,902	73,242
General and administrative expenses	886,638	932,718	1,262,232	193,446
Research and development expenses	184,581	204,234	191,417	29,336
Total operating expenses	1,442,206	1,569,891	1,931,551	296,024

Selling Expenses

Our selling expenses primarily consist of (i) salaries and benefit expenses for our network management personnel responsible for managing relationships with our franchisee partners, our customer service personnel and other sales and marketing personnel, and (ii) travel, marketing and advertising expenses. As our business grows, our selling expenses are expected to increase.

General and Administrative Expenses

Our general and administrative expenses consist primarily of salaries and benefit expenses for management and administrative personnel, depreciation and amortization expenses, office expenses, travel expenses, legal, accounting and other professional fees, accrued provision on certain trade receivables and losses on disposal of fixed assets. We expect general and administrative expenses to increase as we continue to hire additional staff and increase office space in connection with business growth.

Research and Development Expenses

Research and development expenses consist primarily of salaries and benefits for our research and development personnel and depreciation of property and equipment. We expect research and development expenses to increase in the future along with continued development of and investment in our technology infrastructure.

Share-Based Compensation

We account for share options granted to our employees, directors and consultants in accordance with ASC 718 prior to 2018 and *ASU 2018-07: "Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting"* starting in 2018. We are required to classify share options and restricted share units granted to our employees, directors and consultants as equity awards and recognize share-based compensation expense based on the fair value of such equity awards with the share-based compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity awards.

See "—Critical Accounting Policies and Significant Judgments and Estimates—Share-based Compensation" in this section for a description of how we account for the compensation expenses from share-based payment transactions. You may find additional information on our share incentive plans as well as our options granted as of the date of this annual report in the section entitled "Management—Share Incentive Plans."

Results of Operations

The following table sets forth our consolidated statements of comprehensive loss data for the years indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results you may expect for future periods.

	For the year ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US$
	(in thousands)			
Revenue				
Express	17,714,524	21,822,442	19,417,559	2,975,871
Freight	4,102,610	5,224,355	5,156,551	790,276
Supply chain management	2,076,822	2,195,759	1,912,323	293,076
Global	162,012	336,874	777,656	119,181
UCargo	891,710	2,574,054	2,519,919	386,194
Capital	168,299	205,203	211,021	32,340
Total revenue	**25,115,977**	**32,358,687**	**29,995,029**	**4,596,938**
Cost of revenue				
Express	(16,921,826)	(20,793,370)	(19,470,937)	(2,984,052)
Freight	(3,946,032)	(4,934,937)	(5,063,236)	(775,975)
Supply chain management	(1,970,109)	(2,052,006)	(1,846,901)	(283,050)
Global	(167,053)	(371,404)	(875,733)	(134,212)
UCargo	(877,172)	(2,517,642)	(2,473,857)	(379,135)
Capital	(47,767)	(52,001)	(26,225)	(4,019)
Total cost of revenue	**(23,929,959)**	**(30,721,360)**	**(29,756,889)**	**(4,560,443)**
Gross profit	**1,186,018**	**1,637,327**	**238,140**	**36,495**
Selling expenses	(370,987)	(432,939)	(477,902)	(73,242)
General and administrative expenses	(886,638)	(932,718)	(1,262,232)	(193,446)
Research and development expenses	(184,581)	(204,234)	(191,417)	(29,336)
Total operating expenses	**(1,442,206)**	**(1,569,891)**	**(1,931,551)**	**(296,024)**
(Loss)/Income from operations	**(256,188)**	**67,436**	**(1,693,411)**	**(259,529)**
Interest income	102,821	95,440	74,727	11,452
Interest expense	(75,060)	(79,486)	(174,607)	(26,760)
Foreign exchange loss	(7,624)	(4,375)	(8,243)	(1,263)
Other income	168,363	145,853	165,346	25,340
Other expense	(28,602)	(31,784)	(24,576)	(3,766)
(Loss)/Income before income tax and share of net loss of equity investees	**(96,290)**	**193,084**	**(1,660,764)**	**(254,526)**
Income tax expense	(10,500)	(20,027)	(22,124)	(3,391)
(Loss)/Income before share of net loss of equity investees	**(106,790)**	**173,057**	**(1,682,888)**	**(257,917)**
Share of net loss of equity investees	(456)	(355)	(180)	(28)
Net (loss)/income from continuing operations	**(107,246)**	**172,702**	**(1,683,068)**	**(257,945)**
Net loss from discontinued operations	(401,145)	(391,770)	(368,156)	(56,422)
Net loss	**(508,391)**	**(219,068)**	**(2,051,224)**	**(314,367)**
Net loss from continuing operations attributable to non-controlling interests	(403)	(16,652)	(25,716)	(3,941)
Net loss attributable to BEST Inc.	**(507,988)**	**(202,416)**	**(2,025,508)**	**(310,426)**

The results presented below exclude BEST Store^{+}-related discontinued operations.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue decreased by 7.3% to RMB29,995.0 million (US$4,596.9 million) in 2020 from RMB32,358.7 million in 2019 primarily due to a decrease in average selling price, or ASP, per parcel in Express business, partially offset by an increase in Express parcel volume.

Beginning in January 2020, the COVID-19 outbreak resulted in travel restrictions, lockdowns and quarantines in China and negatively affected our operations in China. The COVID-19 outbreak and related lockdowns in China resulted in temporary closures of our customers' and our businesses, which adversely affected our express and freight delivery volume and revenue, causing lower productivity from late January to early March 2020. Our total revenue declined for the three months ended March 31, 2020 on a year-over-year basis, primarily due to disruptions in our business from the COVID-19 pandemic and the passing through of a temporary government waiver of highway tolls to our customers through downward price adjustments. By the end of March 2020, we had recovered our services across China, including all hubs and warehouses for express services, freight services and supply chain management services. However, after the government reinstated highway tolls in the second quarter of 2020, a pricing lag caused the gross margin of our express services to decline for the three months ended September 30, 2020 on a year-over-year basis. As the COVID-19 outbreak has further spread outside China and it is uncertain as to whether the COVID-19 outbreak will continue to be contained in China, we are unable to quantify or predict the magnitude of COVID-19's impact on our operations and financial condition going forward. COVID-19 may affect our results of operations in a manner that is presently unknown to us and/or cannot be reasonably anticipated by us. For a detailed description of the risks associated with the COVID-19 outbreak, see "Item 3.D. Key Information—Risk Factors—Risks Related to Our Business—We face risk related to natural disasters, extreme weather conditions, health epidemics and other catastrophic incidents, which could significantly disrupt our operations."

Express. Our express service revenue decreased by 11.0% to RMB19,417.6 million (US$2,975.9 million) in 2020 from RMB21,822.4 million in 2019. This decrease in revenue was primarily due to a 21.0% decrease in ASP per parcel, partially offset by a 12.7% increase in parcel volume. The decrease in ASP per parcel was primarily attributable to competitive market dynamics.

Freight. Our freight service revenue decreased by 1.3% to RMB5,156.6 million (US$790.3 million) in 2020 from RMB5,224.4 million in 2019. This decrease in revenue was primarily due to a 17.9% decrease in ASP per tonne, partially offset by a 20.2% increase in freight volume.

Supply Chain Management. Our supply chain management service revenue decreased by 12.9% to RMB1,912.3 million (US$293.1 million) in 2020 from RMB2,195.8 million in 2019. Such decrease was primarily attributable to pricing pressure associated with certain legacy key account customers, partially offset by a 21.4% increase in the total number of orders fulfilled by Cloud OFCs.

Global. Revenue from our BEST Global services increased by 130.8% to RMB777.7 million (US$119.2 million) in 2020 from RMB336.9 million in 2019, primarily due to strong growth in parcel volumes in Southeast Asia.

UCargo. Revenue from our BEST UCargo services decreased by 2.1% to RMB2,519.9 million (US$386.2 million) in 2020 from RMB2,574.1 million in 2019.

Capital. Revenue from our BEST Capital services increased by 2.8% to RMB211.0 million (US$32.3 million) in 2020 from RMB205.2 million in 2019.

Cost of Revenue

Our cost of revenue decreased by 3.1% to RMB29,756.9 million (US$4,560.4 million) in 2020 from RMB30,721.4 million in 2019. The decrease was primarily attributable to decreases in cost of revenue in our Express, Supply Chain Management, UCargo and Capital service lines, as discussed below. Cost of revenue as a percentage of revenue increased to 99.2% in 2020 from 94.9% in 2019, which was primarily due to intensified express market competition and a pricing lag after the PRC government reinstated highway tolls. As a result, the decrease in ASP outpaced reduction in unit cost in Express and Freight businesses.

Express. Cost of revenue for our express services decreased by 6.4% to RMB19,470.9 million (US$2,984.1 million) in 2020 from RMB20,793.4 million in 2019. This decrease in cost of revenue was primarily attributable to improved operating efficiency and economies of scale. Cost of revenue as a percentage of revenue from our express delivery services increased to 100.3% in 2020 from 95.3% in 2019, primarily due to a decrease in ASP that outpaced reduction in unit cost in Express business.

Freight. Cost of revenue for our freight services increased by 2.6% to RMB5,063.2 million (US$776.0 million) in 2020 from RMB4,934.9 million in 2019. This increase in cost of revenue was primarily attributable to increased freight volume, which increased by 20.2% to 8.4 million tonnes from 7.0 million tonnes in 2019, partially offset by a decrease in unit cost per tonne. Cost of revenue as a percentage of revenue from our freight services increased to 98.2% in 2020 from 94.5% in 2019, primarily due to a decrease in ASP that outpaced reduction in unit cost in Freight business.

Supply Chain Management. Cost of revenue for our supply chain management services decreased by 10.0% to RMB1,846.9 million (US$283.1 million) in 2020 from RMB2,052.0 million in 2019. This decrease in cost of revenue was primarily due to a 9.9% increase in the number of orders fulfilled by our self-operated Cloud OFCs. The number of orders fulfilled by our self-operated Cloud OFCs increased to 218.6 million in 2020 from 198.9 million in 2019. The number of our self-operated Cloud OFCs decreased to 82 as of December 31, 2020 from 108 as of December 31, 2019. Cost of revenue as a percentage of revenue from our supply chain management services increased to 96.6% in 2020 from 93.5% in 2019, primarily due to one-off costs incurred by closing down Store^{+}- related operations, and pricing pressure associated with certain legacy key account customers, which were in the process of being discontinued.

Global. Cost of revenue for our BEST Global services increased by 135.8% to RMB875.7 million (US$134.2 million) in 2020 from RMB371.4 million in 2019 primarily due to BEST Global's expanded operations in Southeast Asia.

UCargo. Cost of revenue for our BEST UCargo services decreased slightly by 1.7% to RMB2,473.9 million (US$379.1 million) in 2020 from RMB2,517.6 million in 2019.

Capital. Cost of revenue for our BEST Capital services decreased by 49.6% to RMB26.2 million (US$4.0 million) in 2020 from RMB52.0 million in 2019 primarily due to lower financing amount provided to our ecosystem customers.

Operating Expenses

Operating expenses increased by 23.0% to RMB1,931.6 million (US$296.0 million) in 2020 from RMB1,569.9 million in 2019. Operating expenses as a percentage of our total revenue increased to 6.4% in 2020 from 4.9% in 2019. This increase was mainly due to increased selling, general and administrative expenses, partially offset by decreased research and development expenses, as discussed below.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by 27.4% to RMB1,740.1 million (US$266.7 million) in 2020 from RMB1,365.7 million in 2019. This increase was primarily attributable to an increase in staff costs of Southeast Asia business, additional accrued provision for certain trade receivables due to the pandemic and losses on disposal of fixed assets due to an upgrade of Express's equipment.

Research and Development Expenses. Research and development expenses decreased by 6.3% to RMB191.4 million (US$29.3 million) in 2020 from RMB204.2 million in 2019. This decrease was primarily due to capitalization of certain research and development expenditures to intangible assets.

Interest Income

Our interest income decreased by 21.7% to RMB74.7 million (US$11.5 million) in 2020 from RMB95.4 million in 2019, primarily due to the changes in average short-term investments balance during 2020 compared with 2019.

Interest Expense

Our interest expenses increased by 119.7% to RMB174.6 million (US$26.8 million) in 2020 from RMB79.5 million in 2019, primarily a result of increased short-term bank loan in 2020 compared with 2019, as we incurred multiple Renminbi-denominated bank borrowings to satisfy working capital requirements while we held a significant amount of bank deposits in foreign currencies outside China, as well as the interest incurred due to the issuances of convertible senior notes in September 2019 and June 2020.

Foreign Exchange Loss

We recorded a foreign exchange loss of RMB8.2 million (US$1.3 million) in 2020 as compared to RMB4.4 million in 2019, which mainly reflected the fluctuation in exchange rates between Renminbi and U.S. dollars during the respective years.

Other Income

Other income increased to RMB165.3 million (US$25.3 million) in 2020 from RMB145.9 million in 2019, primarily due to an increase in unrealized gains in our equity investments without readily determinable fair value measured using the measurement alternative, as well as an increase in government subsidies.

Other Expense

Other expenses decreased to RMB24.6 million (US$3.8 million) in 2020 from RMB31.8 million in 2019, primarily reflecting various miscellaneous expenses.

Income Tax Expense

Income tax expense increased to RMB22.1 million (US$3.4 million) in 2020 from RMB20.0 million in 2019, reflecting increased taxable income from certain of our PRC subsidiaries.

Net Loss

As a result of the foregoing, net loss from continuing operations increased to RMB1,683.1 million (US$257.9 million) in 2020 from net income from continuing operations of RMB172.7 million in 2019.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 28.8% to RMB32,358.7 million in 2019 from RMB25,116.0 million in 2018 due to increases in revenue across most of our service lines, as discussed below.

Express. Our express service revenue increased by 23.2% to RMB21,822.4 million in 2019 from RMB17,714.5 million in 2018. This increase in revenue was primarily due to a 38.5% increase in parcel volume, partially offset by 11.1% decrease in average revenue per parcel.

Freight. Our freight service revenue increased by 27.3% to RMB5,224.4 million in 2019 from RMB4,102.6 million in 2018. This increase in revenue was primarily due to a 28.5% increase in freight volume.

Supply Chain Management. Our supply chain management service revenue increased by 5.7% to RMB2,195.8 million in 2019 from RMB2,076.8 million in 2018. Such increase was primarily attributable to an increase in total number of orders fulfilled by Cloud OFCs, partially offset by a decrease in average revenue per order fulfilled.

Global. Revenue from our BEST Global services increased by 107.9% to RMB336.9 million in 2019 from RMB162.0 million in 2018, primarily due to strong growth in parcel volumes in Southeast Asia.

UCargo. Revenue from our BEST UCargo services increased by 188.7% to RMB2,574.1 million in 2019 from RMB891.7 million in 2018, primarily due to the significantly increased volume generated from BEST UCargo's service to external customers.

Capital. Revenue from our BEST Capital services increased by 21.9% to RMB205.2 million in 2019 from RMB168.3 million in 2018, primarily due to increased volume of financing amount provided to ecosystem customers.

Cost of Revenue

Our cost of revenue increased by 28.4% to RMB30,721.4 million in 2019 from RMB23,930.0 million in 2018. The increase was primarily attributable to increases in cost of revenue across most of our various service lines, as discussed below. Cost of revenue as a percentage of revenue decreased to 94.9% in 2019 from 95.3% in 2018, which was primarily due to increased operating leverage and continued efforts in cost reduction, network optimization and operational improvement.

Express. Cost of revenue for our express services increased by 22.9% to RMB20,793.4 million in 2019 from RMB16,921.8 million in 2018. This increase in cost of revenue was primarily attributable to a 38.5% increase in parcel volume to 7,576.2 million in 2019 from 5,470.1 million in 2018, which resulted in higher last-mile and transportation costs. Cost of revenue as a percentage of revenue from our express delivery services decreased to 95.3% in 2019 from 95.5% in 2018, primarily due to economies of scale resulting from significant increase in our parcel volume, network optimization, as well as increased operational efficiency resulting from proactive cost-control measures and continuous technology improvements and applications.

Freight. Cost of revenue for our freight services increased by 25.1% to RMB4,934.9 million in 2019 from RMB3,946.0 million in 2018. This increase in cost of revenue was primarily attributable to increased freight volume, which increased by 28.5% to 7.0 million tonnes in 2019 from 5.4 million tonnes in 2018. Cost of revenue as a percentage of revenue from our freight services decreased to 94.5% in 2019 from 96.2% in 2018, primarily due to economies of scale resulting from significant increase in our freight volume, network optimization and expansion of e-commerce business.

Supply Chain Management. Cost of revenue for our supply chain management services increased by 4.2% to RMB2,052.0 million in 2019 from RMB1,970.1 million in 2018. This increase in cost of revenue was primarily due to the 21.0% increase in the number of orders fulfilled by our self-operated Cloud OFCs, partially offset by operational efficiency improvement in labor and transportation cost. The number of orders fulfilled by our self-operated Cloud OFCs increased to 198.9 million in 2019 from 164.4 million in 2018. The number of our self-operated Cloud OFCs decreased to 108 as of December 31, 2019 from 115 as of December 31, 2018. Cost of revenue as a percentage of revenue from our supply chain management services decreased to 93.5% in 2019 from 94.9% in 2018, primarily due to improved operational efficiency and continued focus on optimizing customer profiles.

Global. Cost of revenue for our BEST Global services increased by 122.3% to RMB371.4 million in 2019 from RMB167.1 million in 2018 in line with the expansion of BEST Global's operations in Southeast Asia.

UCargo. Cost of revenue for our BEST UCargo services increased by 187.0% to RMB2,517.6 million in 2019 from RMB877.2 million in 2018 in line with the increased volume of transaction from BEST UCargo's service provided to external customers.

Capital. Cost of revenue for our BEST Capital services increased by 8.9% to RMB52.0 million in 2019 from RMB47.8 million in 2018 primarily due to the increased cost of capital incurred in providing Capital service.

Operating Expenses

Operating expenses increased by 8.9% to RMB1,569.9 million in 2019 from RMB1,442.2 million in 2018. Operating expenses as a percentage of our total revenue decreased to 4.9% in 2019 from 5.7% in 2018. This decrease was mainly due to faster growth in revenue and economies of scale.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by 8.6% to RMB1,365.7 million in 2019 from RMB1,257.6 million in 2018. This increase was primarily attributable to the business expansion in Southeast Asia, increased staff costs in connection with the growth of our operations, partially offset by the economies of scale and improved operating efficiencies

Research and Development Expenses. Research and development expenses increased by 10.6% to RMB204.2 million in 2019 from RMB184.6 million in 2018. This increase was primarily due to increased investments in technology and research and development professionals to drive operating efficiency.

Interest Income

Our interest income decreased to RMB95.4 million in 2019 from RMB102.8 million in 2018, primarily due to the changes in average short-term investments balance during 2019 compared with 2018.

Interest Expense

Our interest expenses increased to RMB79.5 million in 2019 from RMB75.1 million in 2018, primarily a result of increased short-term bank loan in 2019 compared with 2018, as we incur multiple Renminbi-denominated bank borrowings to satisfy working capital requirements while we held a significant amount of bank deposits in foreign currencies outside China, as well as the interest incurred due to the issuance of convertible senior notes in September 2019.

Foreign Exchange Loss

We recorded a foreign exchange loss of RMB4.4 million in 2019 as compared to RMB7.6 million in 2018, which mainly reflected the fluctuation in exchange rates between Renminbi and U.S. dollars during the respective years.

Other Income

Other income decreased to RMB145.9 million in 2019 from RMB168.4 million in 2018, primarily due to a decrease in unrealized gains in our equity investments without readily determinable fair value measured using the measurement alternative of RMB50.5 million, partially offset by an increase in government subsidies.

Other Expense

Other expenses increased to RMB31.8 million in 2019 from RMB28.6 million in 2018, primarily reflecting various miscellaneous expenses.

Income Tax Expense

Income tax expense increased to RMB20.0 million in 2019 from RMB10.5 million in 2018, reflecting increased taxable income from certain of our PRC subsidiaries.

Net Loss

As a result of the foregoing, net income from continuing operations increased to RMB172.7 million in 2019 from net loss from continuing operations of RMB107.2 million in 2018.

B. Liquidity and Capital Resources

Our primary sources of liquidity have been issuance of equity securities, redeemable convertible preferred shares, convertible senior notes and short-term borrowings, which historically were sufficient to meet our working capital and capital expenditure requirements.

As of December 31, 2020, we had cash and cash equivalents of RMB1,383.3 million (US$212.0 million) and restricted cash (current portion) of RMB2,102.4 million (US$322.2 million). As of December 31, 2020, we had short-term bank loans of RMB3,082.5 million (US$472.4 million), of which RMB2,128.5 million (US$326.2 million) were cash-collateralized. The weighted average interest rate for the outstanding short-term bank loans as of December 31, 2020 was 4.42%. We also had borrowing from third party financing lease companies of RMB106.9 million (US$16.4 million) as well as securitization debt of RMB95.1 million (US$14.6 million), which are due within the next 12 months as of December 31, 2020.

For the year ended December 31, 2020, we incurred net losses from continuing operations of RMB1,683,068 (US$257,945) and generated positive cash flows from continuing operating activities of RMB11,188 (US$1,715), which was much lower than the positive cash flows generated from continuing operating activities for the year ended December 31, 2019, due to the negative impact of COVID-19 in the first quarter of 2020 and intense market competition in the express and freight delivery services market in China which has resulted in significant downward pressure on the prices we can charge for our express and freight delivery services. As of December 31, 2020, we had a total cash position of RMB3,754.4 million (US$575.4 million) which included cash and cash equivalents, current restricted cash and short-term investments, a working capital deficiency of RMB3,266.5 million (US$500.6 million) and an accumulated deficit of RMB17,711.0 million (US$2,714 million) which included accumulated losses from operations of RMB8,217.2 million and accumulated accretion to redemption value and deemed dividend in relation to redeemable convertible preferred shares issued and outstanding prior to our initial public offering of RMB9,493.8 million. These adverse conditions indicate there is substantial doubt about our ability to continue as a going concern. Our management has developed plans to improve these conditions. For details of those plans, see Note 2 to our consolidated financial statements included elsewhere in this annual report. After December 31, 2020, we secured borrowings of RMB466 million through the securitization of certain financing receivables pertaining to our BEST Capital business and approximately RMB580 million of short-term bank loans maturing in one year, which allows us to reinforce our refocusing plan and enhance liquidity. Although we have achieved encouraging initial results from the execution of our strategic refocusing plan and reduced our costs and expenditures in the first quarter of 2021 for certain business segments, if we are unsuccessful in our efforts or are unable to seek other strategic alternatives or raise additional financing in the near term, we may be required to further reduce or scale back our operations significantly, in addition to the winding down of BEST Store^{+} in late 2020 and the suspension of certain lease services under BEST Capital. The consolidated financial statements included elsewhere in this annual report have been prepared assuming we will continue to operate as a going concern, but there can be no assurance that we will be able to continue as a going concern in light of the aforesaid adverse conditions despite our plans to improve those conditions. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We have a history of net losses and negative cash flows from operating activities, which may continue or occur again in the future. While we believe we can continue our business as a going concern and have prepared our consolidated financial statements on that basis, we cannot assure you that we will be able to continue as a going concern in light of the adverse conditions we are facing.”

Based on our current level of operations and available cash, and on the assumption that we are able to successfully execute the above-said plans to improve our liquidity and cash position, we believe that our cash and cash equivalents, cash generated from our operations will provide sufficient liquidity to fund our current obligations, projected working capital requirements, debt service requirements and capital spending requirements for at least the next 12 months.

In addition, we may require additional cash resources due to other changing business conditions or future developments, including any investments or acquisitions we may decide to selectively pursue. When we seek additional financing, we may seek to sell equity or equity-linked securities, debt securities or borrow from banks. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would result in additional dilution to our shareholders. The incurrence of indebtedness and issuance of debt securities would result in debt service obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders.

As a holding company with no material operations of our own, we are a corporation separate and apart from our subsidiaries and our VIEs and, therefore, must provide for our own liquidity. We conduct our operations in China primarily through our PRC subsidiaries and VIEs. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid by our subsidiaries. If our PRC subsidiaries or any newly formed PRC subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our PRC subsidiaries are permitted to pay dividends to us only out of their respective retained earnings, if any, as determined in accordance with Chinese accounting standards and regulations. Under applicable PRC laws and regulations, our PRC subsidiaries are each required to set aside a portion of its after-tax profits each year to fund certain statutory reserves, and funds from such reserves may not be distributed to us as cash dividends except in the event of liquidation of such subsidiaries. These statutory limitations affect, and future covenant debt limitations might affect, our PRC subsidiaries’ ability to pay dividends to us. We currently believe that such limitations will not impact our ability to meet our ongoing short-term cash obligations although we cannot assure you that such limitations will not affect our ability in the future to meet our short-term cash obligations and to distribute dividends to our shareholders. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in the People’s Republic of China—We rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements. Any limitation on the ability of our operating subsidiaries to make payments to us could have a material and adverse impact on our ability to operate our business” and “—Statutory Reserves.”

The following table sets forth a summary of the movements of our cash and cash equivalents for the periods indicated:

	For the year ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US$
	(in thousands)			
Net cash generated from operating activities for continuing operations	980,354	1,131,226	11,188	1,715
Net cash used in operating activities for discontinued operations	(343,150)	(278,393)	(242,423)	(37,153)
Net cash generated from/(used in) operating activities	**637,204**	**852,833**	**(231,235)**	**(35,438)**
Net cash used in investing activities for continuing operations	(1,199,223)	(1,918,474)	(872,353)	(133,694)
Net cash used in/(generated from) investing activities for discontinued operations	(31,730)	5,992	(580)	(89)
Net cash used in investing activities	**(1,230,953)**	**(1,912,482)**	**(872,933)**	**(133,783)**
Net cash generated from financing activities for continuing operations	189,249	2,377,212	1,760,684	269,837
Net cash generated from/(used in) financing activities for discontinued operations	367,900	(365,400)	(212,500)	(32,567)
Net cash generated from financing activities	**557,149**	**2,011,812**	**1,548,184**	**237,270**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	53,179	5,644	(192,110)	(29,442)
Net increase in cash, cash equivalents and restricted cash	16,579	957,807	251,906	38,607
Cash, cash equivalents and restricted cash at the beginning of the year	2,982,829	2,999,408	3,957,215	606,470
Cash, cash equivalents and restricted cash at the end of the year	2,999,408	3,957,215	4,209,121	645,077

Operating Activities

Net cash generated from operating activities for continuing operations was RMB11.2 million (US$1.7 million) in 2020, compared to RMB1,131.2 million generated from operating activities for continuing operations in 2019. This decrease was primarily due to an increase of RMB1,855.8 million in net loss from continuing operations, which was mainly attributable to the negative impact of COVID-19 outbreak in first quarter of 2020, which resulted in lower volume in our express and freight delivery business, as well as the competitive market dynamics and pricing lag. As a result, the decrease in unit price outpaced the reduction in unit cost in our express and freight delivery business.

Net cash generated from continuing operating activities was RMB1,131.2 million in 2019, compared to RMB980.4 million generated from continuing operating activities in 2018. This increase was primarily due to an increase of RMB279.9 million in net income from continuing operations, which was mainly attributable to economies of scale resulting from a significant increase in our parcel and freight volume, as well as an increase in operational efficiency resulting from proactive cost-control measures and continuous technology improvements and applications. Our Express and Freight segments drove the significant improvement in profitability. Gross profit margin for express delivery services increased from 4.5% in 2018 to 4.7% in 2019 and revenue generated from express delivery services increased by RMB4,107.9 million, while gross profit margin for freight delivery services increased from 3.8% in 2018 to 5.5% in 2019 and revenue generated from freight delivery services increased by RMB1,121.7 million. In addition, due to improved operating leverage and efficiencies and cost-control measures, our expenditures for employee compensation, rental costs and selling and general administrative expenses increased at a slower rate than our growth in revenues.

Investing Activities

Net cash used in investing activities for continuing operations was RMB872.4 million (US$133.7 million) in 2020, which was primarily due to (i) payments for purchase of property and equipment of RMB1,585.4 million, which property and equipment were used in the expansion and optimization of our express service, freight service and global logistics services in Southeast Asia; (ii) origination of lease rental and other financing receivables of RMB1,072.0 million, mainly for financing lease related services provided to franchisee partners and transportation service providers. The above factors were partially offset by receipt of repayment on lease rental and other financing receivables—principal portion in an aggregate amount of RMB876.2 million; and (iii) a net change in short-term investments of RMB781.5 million, which were proceeds from maturities of short-term investments of RMB1,063.5 million offset by purchase of short-term investments of RMB282.0 million.

Net cash used in investing activities for continuing operations was RMB1,918.5 million in 2019, which was primarily due to (i) payments for purchase of property and equipment of RMB1,497.7 million, which property and equipment were used in the expansion and optimization of our express service, freight service and supply chain service network; and (ii) origination of lease rental and other financing receivables of RMB850.2 million, mainly for financing lease related services provided to franchisee partners and transportation service providers. The above factors were partially offset by receipt of repayment on lease rental and other financing receivables—principal portion in an aggregate amount of RMB697.4 million.

Net cash used in investing activities for continuing operations was RMB1,199.2 million in 2018, which was primarily due to (i) origination of lease rental and other financing receivables of RMB1,556.2 million, mainly for financing lease related services provided to franchisee partners and transportation service providers; and (ii) payments for purchase of property and equipment of RMB1,062.0 million, which property and equipment were used in the expansion and optimization of our express service, freight service and supply chain service network. The above factors were partially offset by a net change in short-term investments of RMB1,398.7 million, which were proceeds from maturities of short-term investments of RMB5,729.6 million offset by purchase of short-term investments of RMB4,330.9 million.

Financing Activities

Net cash generated from financing activities for continuing operations was RMB1,760.7 million (US$269.8 million) in 2020, which was mainly due to (i) proceeds from issuance of convertible senior notes of RMB1,061.4 million; (ii) proceeds from short-term and long-term bank loans of RMB3,174.4 million, partially offset by repayment of short-term bank loans of RMB2,341.9 million; (iii) proceeds from issuance of asset-backed securities of RMB198.1 million, partially offset by repayment of asset-backed securities of RMB211.0 million; and (iv) repurchase of ordinary shares of RMB211.4 million.

Net cash generated from financing activities for continuing operations was RMB2,377.2 million in 2019, which was mainly due to (i) proceeds from issuance of convertible senior notes of RMB1,375.4 million, partially offset by the purchase of capped calls of RMB159.1 million; (ii) proceeds from short-term bank loans of RMB2,997.6 million, partially offset by repayment of short-term bank loans of RMB2,034.6 million; and (iii) proceeds from issuance of asset-backed securities of RMB262.3 million, partially offset by repayment of asset-backed securities of RMB157.4 million.

Net cash generated from financing activities for continuing operations was RMB189.2 million in 2018, which was mainly due to proceeds from short-term bank loans of RMB2,409.8 million, partially offset by repayment of short-term bank loans of RMB2,211.2 million.

Convertible Senior Notes

In September 2019, we completed an offering of US$200 million aggregate principal amount of 1.75% convertible senior notes due 2024 (including full exercise of the initial purchasers' option to purchase additional notes), including US$100 million principal amount of notes sold to an entity affiliated with Alibaba Group Holding Limited. These convertible senior notes were offered to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act, and to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. The notes will mature on October 1, 2024. Holders may convert their notes at their option at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date. Upon conversion, we will cause to be delivered, for each US$1,000 principal amount of converted notes, a number of ADSs equal to the conversion rate. The notes may be converted into our ADSs at an initial conversion rate of 141.8440 ADSs per US$1,000 principal amount of notes (equivalent to an initial conversion price of approximately US$7.05 per ADS), which rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest.

In June 2020, we completed a private placement of US$150 million aggregate principal amount of 4.5% convertible senior notes due 2025 to Alibaba.com Hong Kong Limited, an entity affiliated with Alibaba, one of our principal shareholders. These convertible senior notes were issued and sold outside the United States in an offshore transaction in reliance on the exemption from registration provided by Regulation S under the Securities Act. The notes will mature on June 3, 2025. Holders may convert their notes at their option at any time prior to the close of business on the second business day immediately preceding the maturity date. Upon conversion, we will cause to be delivered, for each US$100,000 principal amount of converted notes, a number of Class A ordinary shares equal to the conversion rate. The notes may be converted into our Class A ordinary shares at an initial conversion price of approximately US$6.07 per ADS, which rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest.

Segment Financial Information

The table below provides a summary of our operating segment results for the years ended December 31, 2018, 2019 and 2020, which have been derived from the notes to our consolidated financial statements included elsewhere in this annual report.

With the exception of the below, all segment information in this annual report is presented after inter-segment eliminations:

	For the year ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US$
	(in thousands)			
Revenue:				
Express	17,751,830	21,853,951	19,434,485	2,978,465
Freight	4,115,606	5,233,542	5,163,882	791,400
Supply Chain Management	2,101,304	2,198,536	1,912,323	293,076
Global	162,968	336,874	777,657	119,181
UCargo	2,414,169	3,233,887	2,871,850	440,130
Capital	168,299	205,203	211,021	32,340
Inter-segment eliminations	(1,598,199)	(703,306)	(376,189)	(57,654)
Total revenue	**25,115,977**	**32,358,687**	**29,995,029**	**4,596,938**
Cost of revenue:				
Express	16,959,276	20,824,800	19,487,863	2,986,646
Freight	3,963,172	4,944,124	5,070,567	777,098
Supply Chain Management	2,000,470	2,059,202	1,846,901	283,050
Global	167,963	371,404	875,734	134,212
UCargo	2,387,839	3,175,187	2,825,775	433,069
Capital	48,015	52,001	26,225	4,019
Inter-segment eliminations	(1,596,776)	(705,358)	(376,176)	(57,651)
Total cost of revenue	**23,929,959**	**30,721,360**	**29,756,889**	**4,560,443**
Gross profit:				
Express	792,554	1,029,151	(53,378)	(8,181)
Freight	152,434	289,418	93,315	14,302
Supply Chain Management	100,834	139,334	65,422	10,026
Global	(4,995)	(34,530)	(98,077)	(15,031)
UCargo	26,330	58,700	46,075	7,061
Capital	120,284	153,202	184,796	28,321
Inter-segment eliminations	(1,423)	2,052	(13)	(3)
Total gross profit	**1,186,018**	**1,637,327**	**238,140**	**36,495**
Net (loss)/income:				
Express	377,684	461,490	(755,305)	(115,756)
Freight	(13,536)	18,684	(199,826)	(30,625)
Supply Chain Management	(44,348)	(122,312)	(175,072)	(26,831)
Global	(74,812)	(167,600)	(251,511)	(38,546)
UCargo	(12,292)	(22,056)	(116,782)	(17,898)
Capital	110,064	125,966	93,981	14,403
Unallocated	(450,006)	(121,470)	(278,553)	(42,692)
Total net loss from continuing operations	(107,246)	172,702	(1,683,068)	(257,945)

Since January 1, 2020, we have changed our segment disclosure to break down the previous "Others" segment into Global logistics services, Capital service and UCargo service. In addition, we added net profit as a performance indicator when evaluating the performance of our operating segments. As a result, we report our financial results in six operating segments: (i) express delivery services, or the Express segment, (ii) freight delivery services, or the Freight segment, (iii) supply chain management services, or the Supply Chain Management segment, (iv) Global logistics services, or the Global segment, (v) UCargo services, or the UCargo segment, and (vi) Capital services, or the Capital segment. This change in segment reporting aligns with the manner in which we currently receive and use financial information to allocate resource and evaluate the performance of our operating segments. As the financial results from our Store^{+} services formerly reported as a separate reportable segment are now disclosed as discontinued operations, they are not reflected in the segment disclosures above.

The inter-segment eliminations for the periods indicated above mainly consisted of (i) segment revenue of the Express segment and Freight segment generated from services provided to the Supply Chain Management segment, and (ii) segment revenue of the UCargo segment generated from services provided to our Express and Freight segments, all of which were eliminated as intergroup transactions as a result of consolidation.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue by Segment

Segment revenue of our Express segment, Freight segment, Supply Chain Management segment and UCargo segment decreased from 2019 to 2020 primarily due to a decrease in segment revenue from external customers. Segment revenue for our Global segment increased from 2019 to 2020 primarily due to an increase in segment revenue from external customers in Southeast Asia. For additional information regarding these trends, please see "—Results of Operations—Year Ended December 31, 2020 Compared to Year Ended December 31, 2019."

Cost of Revenue by Segment

Segment cost of revenue of our Express segment decreased from 2019 to 2020 primarily due to the lower unit cost per parcel which was mainly attributable to the improved operating efficiency and network optimization, partially offset by the increased parcel volume. Segment cost of revenue of our Supply Chain Management segment decreased from 2019 to 2020 primarily due to a decrease in labor and lease cost in connection with certain legacy key account customers which are in the process of being discontinued. Segment cost of revenue for our Freight segment increased due to an increase in freight volume, partially offset by a decrease in unit cost per tonne. Segment cost of revenue for our Global segment increased from 2019 to 2020 in line with the expansion of our business in Southeast Asia. Segment cost of revenue of our UCargo and Capital segments decreased in line with the decrease in service scale provided to customers. For additional information regarding these trends, please see "—Results of Operations—Year Ended December 31, 2020 Compared to Year Ended December 31, 2019."

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue by Segment

Segment revenue of our Express segment, Freight segment, Supply Chain Management segment, UCargo segment, Global segment and Capital segment increased from 2018 to 2019 primarily due to an increase in service scale provided to external customers. For additional information regarding these trends, please see "—Results of Operations—Year Ended December 31, 2019 Compared to Year Ended December 31, 2018."

Cost of Revenue by Segment

Segment cost of revenue of our Express segment, Freight segment and Supply Chain Management segment increased from 2018 to 2019 primarily due to increases in lease, transportation and labor costs commensurate with significant increases in volume and expansion of the services provided by our company to its customers. Segment cost of revenue for our Global segment increased from 2018 to 2019 in line with the expansion of our business in Southeast Asia. Segment cost of revenue for our UCargo segment increased from 2018 to 2019 primarily due to the increased volume of transactions provided to external customers. Segment cost of revenue for our Capital segment increased from 2018 to 2019 primarily due to the increased cost of capital incurred in providing financing to our customers. For additional information regarding these trends, please see "—Results of Operations—Year Ended December 31, 2019 Compared to Year Ended December 31, 2018."

Statutory Reserves

Under applicable PRC laws and regulations, our PRC subsidiaries are required to provide for certain statutory reserves. Pursuant to such laws and regulations, we may pay dividends only out of our after-tax profits, if any, determined in accordance with Chinese accounting standards and regulations. Further, we are required to allocate at least 10% of our after-tax profits to fund the general reserve until such reserve has reached 50% of our registered capital. In addition, we may also set aside, at our or our Board's discretion, a portion of our after-tax profits to fund the employee welfare and bonus fund. These reserves may only be used for specific purposes and are not distributable to us in the form of loans, advances, or cash dividends.

As of December 31, 2018, 2019 and 2020, our PRC subsidiaries had appropriated RMB3,771, RMB7,865 and RMB8,038 (US$1,232), respectively, in its statutory reserves.

Recent Accounting Pronouncements

Please see Note 2 to our consolidated financial statements included elsewhere in this annual report.

C. Research and Development, Patents and Licenses, etc.

Technology and Service Offering Development

See "Item 4. Information on the Company—B. Business Overview—Our Technology Infrastructure" and "Item 4. Information on the Company—B. Business Overview—Our Service Offerings."

Intellectual Property

See "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

D. Trend Information

Please refer to "—A. Results of Operations" for a discussion of the most recent trends in our services, sales and marketing as of the end of 2020. In addition, please refer to discussions included in such Item for a discussion of known trends, uncertainties, demands, commitments or events that we believe are reasonably likely to have a material effect on our net sales and operating revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information to be not necessarily indicative of our future operating results or financial condition.

E. Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any unconsolidated third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2020:

	Payment due by period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
	(in thousands of RMB)				
Short-term bank loans	3,082,537	3,082,537	—	—	—
Borrowings from third party financing lease companies [1]	182,389	116,292	66,097	—	—
Securitization debt	95,149	95,149	—	—	—
Convertible senior notes [1].[3]	2,283,715	—	—	2,283,715	—
Financing lease obligations	4,620	1,753	2,220	647	—
Long-term bank loan	78,548	—	75,217	3,331	—
Operating lease obligations [2]	4,783,726	1,207,647	1,909,518	1,095,045	571,516
Capital expenditure commitments	1,316,659	1,316,659	—	—	—
Total	11,827,343	5,820,037	2,053,052	3,382,738	571,516

(1) The amounts disclosed represent future contractual payments for the principal portion of the borrowing which may differ from the balances recognized on our consolidated balance sheet as of December 31, 2020, which are accounted for on an amortized cost basis and accreted up to the principal amounts due at the repayment date.

(2) Operating lease obligations represent our obligations for leasing offices, warehouses, hub and sortation center facilities and equipment, which include all future cash outflows under ASC Topic 842, *Leases*. Please see "Leases" under Note 10 to our audited consolidated financial statements.

(3) The aggregate scheduled maturities of RMB1,305.0 million (US$200.0 million) and RMB978.7 million (US$150.0 million) of the convertible senior notes will be repaid when they become due in 2024 and 2025, respectively, assuming no conversion or redemption prior to the maturity and convertible senior note bondholders hold the notes until maturity.

G. Safe Harbor

This annual report contains forward-looking statements that involve risks and uncertainties, including statements based on our current expectations, assumptions, estimates and projections about us and our industry. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. The forward-looking statements included in this annual report relate to, among others:

- our goals and growth strategies;
- our future business development, financial condition and results of operations;
- trends in the logistics and supply chain industry in China and globally;
- competition in our industry;
- fluctuations in general economic and business conditions in China and other regions where we operate;
- the regulatory environment in which we and companies integral to our ecosystem operate;
- our proposed use of proceeds from our initial public offering;
- conditions and events that raise doubt about our ability to continue as a going concern; and

- assumptions underlying or related to any of the foregoing.

This annual report also contains market data relating to the logistics and supply chain industry in China, including market position, market size, and growth rates of the markets in which we operate, that are based on industry publications and reports. Statistical data in these publications and reports also include projections based on a number of assumptions. The logistics and supply chain industry in China may not grow at the rates projected by market data, or at all. The failure of these markets to grow at the projected rates may have a material adverse effect on our business and the market price of our ADSs. If any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and elsewhere in this annual report. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we have referred to in this annual report and have filed as exhibits to this annual report, completely and with the understanding that our actual future results may be materially different from what we expect.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth certain information relating to our current directors, executive officers and senior management as of the date of this annual report:

Name	Age	Position/Title
Shao-Ning Johnny Chou	59	Chairman and chief executive officer
Lin Wan	45	Director
Jun Chen	47	Director
Mark Qiu	56	Director
George Chow	53	Director, chief strategy and investment officer
Quan Hao	62	Director
Wenbiao Li	54	Director
Gloria Fan	56	Chief financial officer
Mangli Zhang	64	Senior vice president, general manager of supply chain management service line
Xiaoqing Wang	40	Vice president, general manager of express service line
Tao Liu	44	Senior vice president, general manager of freight service line
Xingjun Yuan	46	Vice president, general manager of UCargo service line
Feng Dong	38	General manager of financial service line
Yanbing Zhang	45	Senior vice president of engineering, general manager of cloud service line
Jimei Liu	49	Senior vice president of human resources and administration

Mr. Shao-Ning Johnny Chou is our founder, and has served as our chairman and chief executive officer since 2007. Prior to founding our company, he served as a global vice president and Greater China president of Google with responsibility for Google's sales and marketing in Greater China from 2005 to 2006. From 1996 to 2005, Mr. Chou served as president of UTStarcom China with responsibility for China operations. From 1986 to 1996, Mr. Chou served as a director of wireless software and system development with AT&T Bell Laboratory. From 1978 to 1980, Mr. Chou studied computer science at Fudan University. Mr. Chou earned a bachelor's degree in science, specializing in electrical engineering, from City College of New York, a master's degree in science, specializing in engineering science, from Princeton University, and an MBA from Rutgers University. Mr. Chou was nominated by himself as a Founder Director under our amended and restated memorandum and articles of incorporation.

Mr. Lin Wan has been a director of our company since March 2018. Mr. Wan has been the president of Cainiao Network, where he oversees strategic planning and business operation, since January 2017. Before that, Mr. Wan had been a vice president of Cainiao Network since 2014. Prior to joining Cainiao Network, he served as director of global transportation strategy of Amazon. He received a Ph.D. in operational research & industrial engineering from The University of Texas at Austin.

Mr. Jun Chen has been a director of our company since 2015. Mr. Jun Chen is currently a senior vice president of Alibaba Group Holding Limited. He is also a managing director of Alibaba strategic investment group and the investment head of Alibaba new retail fund. Mr. Chen has over 20 years of experience in strategy management and investment, strategic market development, and business and financial advisory services. He has been in charge of strategic investments by Alibaba Group in various types of companies, including high-growth private companies and public companies listed in the PRC and overseas. The portfolio companies he manages are in a wide spectrum of industries such as retail, logistics, travel, healthcare, sports, and software and solutions. Prior to joining Alibaba Group in 2011, Mr. Chen worked for SAP, a Fortune 500 high-tech software company from 1999 to 2011, taking roles including strategic adviser in the office of CEO and industry director. From 1995 to 1998, he worked as an auditor for Arthur Andersen Consulting Co. Ltd. Mr. Chen holds a bachelor's degree in international finance and accounting from Shanghai University, and received an EMBA degree from INSEAD. Mr. Chen was nominated to our board of directors by Alibaba Investment Limited pursuant to the shareholders agreement. Mr. Chen was nominated by Alibaba and Cainiao Network as an Alibaba Director under our amended and restated memorandum and articles of incorporation.

Mr. Mark Qiu has been a director of our company since 2011. Mr. Qiu is the founder, and since May 2005, has served as the chief executive officer and managing director of China Renaissance Capital Investment Inc., a private equity investment management company. From 2001 to March 2005, Mr. Qiu served as a senior vice president (chief financial officer until year end of 2004) of CNOOC Limited, a company principally engaged in the exploration, development and production of oil and gas. From 1998 to 2000, Mr. Qiu was with Salomon Smith Barney, last as the head of its Asia oil and gas investment banking group. From 1993 to 1997, Mr. Qiu held various positions with Atlantic Richfield Corporation (ARCO), an integrated oil and gas company. From 1990 to 1993, Mr. Qiu served as a staff consultant with RHR International, a succession planning consulting firm. Mr. Qiu also serves as a director of certain other companies affiliated with China Renaissance Capital Investment Inc. Mr. Qiu received a bachelor's degree in science, specializing in management psychology, from Hangzhou University in China, a Ph.D. and a Master of Science degree in decision science from the University of Texas at Arlington, and an MBA from the Sloan School of Management at the Massachusetts Institute of Technology. Mr. Qiu was nominated to our board of directors by affiliates of China Renaissance Capital Investment Inc. (referred to as the "CR Entities" under "Principal and Selling Shareholders") pursuant to the shareholders agreement.

Mr. George Chow joined as our chief strategy and investment officer in 2017 and has served as our director since September 2017. Mr. Chow brings with him over 22 years of experience in investment banking, trading and risk management. From 2004 to 2017, he served as a managing director at Credit Suisse, having held several senior positions in securities and investment banking division, including most recently the Co-Head of Investment Banking and Capital Markets for Greater China. He also worked for UBS and Merrill Lynch. Mr. Chow received an MBA in finance from the Stern School of Business at New York University. He is Mr. Shao-Ning Johnny Chou's brother. Mr. Chow was nominated by Mr. Shao-Ning Johnny Chou as a Founder Director under our amended and restated memorandum and articles of incorporation.

Ms. Quan Hao has served as our independent director since September 2017. Ms. Hao currently also serves as an independent non-executive director of Legend Holdings Corporation, HSBC Bank (China) Company Limited and Ant Group Co., Ltd. From 2001 to 2015, Ms. Hao had been a partner of KPMG China, and originally joined KPMG USA in 1993. From 1982 to 1989, Ms. Hao served as a lecturer at Renmin University of China. Ms. Hao received a bachelor's degree in economics from Renmin University of China and an MBA degree from Temple University. Ms. Hao obtained her certified public accountant qualification in the PRC and California, USA.

Mr. Wenbiao Li has served as our independent director since September 2017. Mr. Li has served as a managing director of Walden International since 2008 and as a managing partner of Kaiwu Walden Capital, L.P. since 2013. From 2004 to 2007, Mr. Li served as a director of mobile engineering at Google. From 2000 to 2003, Mr. Li served as a vice president of engineering with Skire, Inc. From 1997 to 1999, Mr. Li served as a director of engineering at Internet Image, Inc. Mr. Li received a bachelor's degree in computer engineering from Huazhong University of Science and Technology, a master's degree in computer science from the University of San Francisco, and an EMBA degree from Golden Gate University.

Ms. Gloria Fan currently services as our chief financial officer. Prior to joining us in November 2019, she served as CFO of Corporate Visions, Inc., a software as a service company, from September 2015. Previously Ms. Fan spent nearly 10 years as CFO for a number of clean technology companies, including Bridgelux, Inc. and ClearEdge Powers, Inc. From 1999 to 2006, Ms. Fan worked at UTStarcom Inc. where she held senior management roles including Vice President of Finance and Global Business Operations and oversaw the company's listing on the NASDAQ. Ms. Fan passed the U.S. CPA exam, and she holds a Master of Science degree from Purdue University.

Ms. Mangli Zhang currently serves as the senior vice president and general manager of our supply chain management service line, and served as our vice president of operations from 2007 to 2011. Prior to joining us in 2007, Ms. Zhang held various positions with UTStarcom China as manager of the contract execution department, director of business operations, and vice president of business operations in China from 1996 to 2007. From 1993 to 1996, Ms. Zhang served as a department manager of Zhejiang Province Economic and Construction Development Consulting Company. From 1982 to 1993, Ms. Zhang served as a product development engineer in the technology division, and served as vice president of the quality management division, of Hangzhou Wireless Equipment Factory. Ms. Zhang received a bachelor's degree in wireless electronic engineering from Zhejiang University.

Mr. Xiaoqing Wang currently serves as the vice president and general manager of our express service line. Prior to that, he had been general manager of our company's Jiangsu province branch since 2009, spearheading BEST Express and other service lines in Jiangsu province, China. From 2004 to 2009, Mr. Wang was senior sales manager of the Nanjing branch of UTStarcom China. Mr. Wang received a bachelor's degree in economics and management from Nanjing Agricultural University and an EMBA degree from the University of Texas.

Mr. Tao Liu currently serves as the senior vice president and general manager of our freight service line. Before that, between 2009 and 2017, he had held various positions with our company as deputy general manager of our freight service line, general manager of our Shanghai branch, and general manager of our Shandong branch. Prior to joining us, Mr. Liu served as a deputy general manager at Shandong Zitong International Logistics Company from 2007 to 2009. From 2000 to 2004, Mr. Liu held various positions with Zhilian Logistics (a group company of China Kejian Co., Ltd.) as assistant to general manager, general manager of its Jinan branch, general manager of the Northern China region, and then general manager of Shandong Zhongtie Modern Logistics and Technology Co. Ltd., a joint venture established by Zhilian Logistics and China Railway Jinan Group. Mr. Liu received a bachelor's degree in international business administration from Shandong University of Finance and Economics.

Mr. Xingjun Yuan currently serves as the vice president and general manager of our UCargo service line. Before that, between 2011 and 2018, Mr. Yuan had held various positions with our company as warehouse manager and transportation director of our supply chain management service line. Prior to joining us, Mr. Yuan had served as a logistics manager at UTStarcom China. Mr. Yuan passed the examination of CILT and received his master's degree in international trade and finance from Leeds Metropolitan University (now known as Leeds Beckett University).

Mr. Feng Dong currently serves as general manager of our financial service line. Prior to joining us in 2015, Mr. Dong had held various positions at the Hangzhou branch of China Guangfa Bank, including product supervisor at the Global Transaction Services (GTS) department. Mr. Dong graduated from Southwestern University.

Mr. Yanbing Zhang currently serves as our senior vice president of engineering and the general manager of our cloud service line. Prior to joining us, Mr. Zhang served as a senior project manager at the IT department of UTStarcom China from 2004 to 2007. From 2003 to 2004, Mr. Zhang served as a project manager at China TravelSky Holding Company. Mr. Zhang received a bachelor's degree in computer science from the National University of Defense Technology and a master's degree in computer science from the University of Karlsruhe (now known as the Karlsruhe Institute of Technology).

Ms. Jimei Liu currently serves as our senior vice president of human resources and administration. Prior to joining us, Ms. Liu served as the director of human resources at UTStarcom China from 2000 to 2007. From 1996 to 2000, Ms. Liu served as the training supervisor at Ting Hsin International Group. Ms. Liu received a bachelor's degree in machinery design and manufacturing from Central South University and an executive master of business administration degree from the University of Texas at Arlington.

B. Compensation

For the year ended December 31, 2020, we paid an aggregate of approximately US$3.5 million in cash to our executive officers and directors. Our PRC subsidiaries and consolidated affiliated entities are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, housing fund, unemployment insurance and other statutory benefits. Other than the above-mentioned statutory contributions mandated by applicable PRC law, we have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. No executive officer is entitled to any severance benefits upon termination of his or her employment with our company except as required under applicable PRC law.

Share Incentive Plans

2008 Equity and Performance Incentive Plan

Our 2008 equity and performance incentive plan provides for the grant of options or restricted share units, which we refer to collectively as awards. Up to 20,934,684 ordinary shares upon exercise of awards may be granted under the 2008 equity and performance incentive plan. We believe that the 2008 equity and performance incentive plan will aid us in attracting, motivating and retaining employees, non-employee directors, officers and consultants through the granting of awards.

Administration

The 2008 equity and performance incentive plan is administered by our board of directors or our compensation committee or any person to whom the board shall delegate any of its authority under the plan. The plan administrator is authorized to interpret the plan and to determine the provisions of each award.

Change in Control

In the event of a change in control or another transaction having a similar effect, then the plan administrator may, in its sole discretion, adjust the number of ordinary shares subject to options then held by a participant in the plan as needed to prevent dilution or enlargement of the participant's rights that otherwise would result from such event. The plan administrator may also, in its sole direction, provide in substitution for the participant's rights such alternative consideration as it may determine to be equitable in the circumstances. A "change of control" under the 2008 equity and performance incentive plan is defined as (i) a sale of our company for cash consideration approved by our shareholders, (ii) our company is merged into or with another entity, resulting in our original shareholders, namely, Mr. Shao-Ning Johnny Chou, Mr. George Chow, Mr. Shaohan Joe Chou, Mr. David Hsiaoming Ting and The 2012 MKB Irrevocable Trust ceasing to own, collectively with their affiliates, the largest percentage of the outstanding securities of our company, (iii) the sale or transfer of all or substantially all of our assets to another entity, other than one of our subsidiaries, resulting in our original shareholders, namely, Mr. Shao-Ning Johnny Chou, Mr. George Chow, Mr. Shaohan Joe Chou, Mr. David Hsiaoming Ting and The 2012 MKB Irrevocable Trust ceasing to own, collectively with their affiliates, the largest percentage of the outstanding securities of our company, or (iv) our shareholders approve the liquidation or dissolution of our company.

Term

The 2008 equity and performance incentive plan expired in June 2018. Awards made under the plan on or prior to the date of its termination will continue in effect subject to the terms of the plan and the award.

Vesting Schedule

In general, the plan administrator determines, or the award agreement specifies, the vesting schedule.

Amendment and Termination of Plan

Our board of directors may at any time amend, alter or discontinue the 2008 equity and performance incentive plan, subject to certain exceptions.

Granted Options

As of February 28, 2021, we had outstanding options with respect to 3,214,505 ordinary shares that have been granted to our directors, officers, employees and consultants, or the option holders, under the 2008 equity and performance incentive plan.

The table below summarizes, as of February 28, 2021, the options we had granted to our directors and executive officers under the 2008 equity and performance incentive plan:

Name	Number of shares underlying options granted	Exercise price (US$ per share)	Grant date	Expiration date
George Chow	*	0.75	June 30, 2017	June 30, 2032
Mangli Zhang	*	0.75	Various dates from June 30, 2008 to September 30, 2017	Various dates from June 30, 2018 to September 30, 2032
Xiaoqing Wang	*	0.50 or 0.75	Various dates from December 31, 2009 to September 30, 2017	Various dates from December 31, 2024 to September 30, 2032
Tao Liu	*	0.50 or 0.75	Various dates from June 30, 2009 to September 30, 2017	Various dates from June 30, 2024 to September 30, 2032
Xingjun Yuan	*	0.75	Various dates from December 31, 2011 to December 31, 2017	Various dates from December 31, 2026 to December 31, 2032
Feng Dong	*	0.75	Various dates from June 30, 2016 to December 31, 2017	Various dates June 30, 2031 to December 31, 2032
Yanbing Zhang	*	0.01, 0.50 or 0.75	Various dates from June 30, 2008 to September 30, 2017	Various dates from June 30, 2023 to September 30, 2032
Jimei Liu	*	0.01 or 0.75	Various dates from June 30, 2008 to September 30, 2017	Various dates from June 30, 2023 to September 30, 2032

* Less than 1% of our total ordinary shares outstanding on an as-converted basis.

All of our option grant agreements under the 2008 equity and performance incentive plan provide that the options may not be exercised before the first date on which the ADSs are publicly traded on the New York Stock Exchange, or the listing date. In July 2017, we granted a conditional, one-time waiver of this restriction for certain option holders, and pursuant to this waiver, vested options with respect to an aggregate of 12,599,520 ordinary shares were exercised by their holders in July 2017. These option holders have paid the exercise price to us in full.

2017 Equity Incentive Plan

In September 2017, we adopted our 2017 equity incentive plan, pursuant to which equity-based awards may be granted to eligible participants. The purpose of the 2017 equity incentive plan is to attract and retain the services of key personnel and to provide means for directors, officers, employees, consultants and advisors to acquire and maintain an interest in us, which interest may be measured by reference to the value of Class A ordinary shares.

The 2017 equity incentive plan provides for an aggregate amount of no more than 10,000,000 Class A ordinary shares to be issued pursuant to equity-based awards granted under the plan. In addition, the number of Class A ordinary shares available for issuance under the 2017 equity incentive plan automatically increased by a maximum of 2% of our total outstanding shares at the end of preceding calendar year on January 1, 2019 and will automatically be increased on every January 1 thereafter for eight years, provided that the aggregate amount of shares which may be subject to awards granted under the plan does not exceed 10% of our total outstanding shares at the end of the preceding calendar year. As a result, as of January 1, 2021, the maximum aggregate number of shares which may be issued pursuant to all awards under the 2017 equity incentive plan has been increased to 25,038,907 Class A ordinary shares. No more than 10,000,000 Class A ordinary shares may be issued upon the exercise of incentive stock options. Generally, if any award (or portion thereof) under the 2017 equity incentive plan terminates, expires, lapses or is cancelled for any reason without being vested or exercised, as applicable, the Class A ordinary shares subject to such award will again be available for future grant.

Granted Restricted Share Units

As of February 28, 2021, we had outstanding restricted share units with respect to 8,548,965 ordinary shares that have been granted to our directors, officers, employees and consultants under the 2017 equity incentive plan.

The table below summarizes, as of February 28, 2021, the share-based awards we had granted to our directors and executive officers under the 2017 equity incentive plan, which were all restricted share units:

Name	Number of restricted share units granted	Grant date	Expiration date
Shao-Ning Johnny Chou	*	Various dates from June 1, 2018 to January 1, 2021	Various dates from June 1, 2028 to January 1, 2031
Mark Qiu	*	Various dates from February 1, 2018 to February 1, 2021	Various dates from February 1, 2028 to February 1, 2031
George Chow	*	Various dates from March 1, 2018 to August 1, 2020	Various dates from March 1, 2028 to August 1, 2030
Quan Hao	*	Various dates from February 1, 2018 to February 1, 2021	Various dates from February 1, 2028 to February 1, 2031
Wenbiao Li	*	Various dates from February 1, 2018 to February 1, 2021	Various dates from February 1, 2028 to February 1, 2031
Gloria Fan	*	November 30, 2019	November 30, 2029
Mangli Zhang	*	Various dates from March 1, 2018 to August 1, 2020	Various dates from March 1, 2028 to August 1, 2030
Xiaoqing Wang	*	Various dates from March 1, 2018 to August 1, 2020	Various dates from March 1, 2028 to August 1, 2030
Tao Liu	*	Various dates from March 1, 2018 to August 1, 2020	Various dates from March 1, 2028 to August 1, 2030
Xingjun Yuan	*	Various dates from March 1, 2018 to August 1, 2020	Various dates from March 1, 2028 to August 1, 2030
Feng Dong	*	Various dates from March 1, 2018 to August 1, 2020	Various dates from March 1, 2028 to August 1, 2030
Yanbing Zhang	*	Various dates from March 1, 2018 to August 1, 2020	Various dates from March 1, 2028 to August 1, 2030
Jimei Liu	*	Various dates from March 1, 2018 to August 1, 2020	Various dates from March 1, 2028 to August 1, 2030

* Less than 1% of our total ordinary shares outstanding on an as-converted basis.

Administration

The 2017 equity incentive plan will be administered by our board of directors, our compensation committee, or any other committee of board of directors or any member(s) of the board of directors or officer(s) who have been delegated any authority pursuant to the 2017 equity incentive plan. The plan administrator is authorized to interpret the plan and to determine the provisions of each award including the number of shares covered, the type of award, the exercise price, if applicable, and the vesting schedule. In addition, the plan administrator may (i) select the recipients of awards, (ii) prescribe the forms of award agreements and amend any award agreement (subject to certain limitations), (iii) allow a participant to satisfy minimum tax withholding obligations by withholding shares to be issued pursuant to an award and (iv) to make other decisions and determinations as provided in the 2017 equity incentive plan.

Change in Control

In the event of a change in control, the plan administrator may, in its sole discretion, (i) adjust the number and kind of shares and prices subject to awards then held by a participant in the 2017 equity incentive plan in connection with the assumption, conversion or replacement of any award (as the plan administrator determines to be reasonable, equitable and appropriate) (ii) accelerate the vesting, in whole or in part, of any award, or (iii) purchase any award for an amount of cash or shares (in accordance with the terms of the 2017 equity incentive plan). In the event a successor or surviving company refuses to assume, convert or replace an award, then the outstanding awards shall fully vest. A "change of control" under the 2017 equity incentive plan is defined as (i) an amalgamation, arrangement, merger, consolidation or scheme of arrangement in which our company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which our company is incorporated or which following such transaction the holders of our company's voting shares immediately prior to such transaction own more than fifty percent (50%) of the voting shares of the surviving entity; (ii) the sale, transfer or other disposition of all or substantially all of the assets of our company (other than to one of our subsidiaries); (iii) the completion of a voluntary or insolvent liquidation or dissolution of our company; (iv) any takeover, reverse takeover, scheme of arrangement, or series of related transactions culminating in a reverse takeover or scheme of arrangement (including, but not limited to, a tender offer followed by a takeover or reverse takeover) in which our company survives but (A) the shares of our company outstanding immediately prior to such transaction are converted or exchanged by virtue of the transaction into other property, whether in the form of shares, securities, cash or otherwise, or (B) the shares carrying more than 50% of the total combined voting power of our company's then issued and outstanding shares are transferred to a person or persons different from those who held such shares immediately prior to such transaction culminating in such takeover, reverse takeover or scheme of arrangement, or (C) our company issues new voting shares in connection with any such transaction such that holders of our company's voting shares immediately prior to the transaction no longer hold more than 50% of the voting shares of our company after the transaction; or (v) the acquisition in a single or series of related transactions by any person or related group of persons (other than employees of our company or any of its affiliates or entities established for the benefit of the employees of our company or any of its affiliates) of (A) control of our board of directors or the ability to appoint a majority of the members of our board of directors, or (B) beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of shares carrying more than 50% of the total combined voting power of our company's then issued and outstanding shares.

Term

Unless terminated earlier, the 2017 equity incentive plan will expire ten years from the date the 2017 equity incentive plan becomes effective. Awards made under the 2017 equity incentive plan on or prior to the date of its termination will continue in effect subject to the terms of the 2017 equity incentive plan and the applicable award agreement.

Vesting Schedule

In general, the plan administrator determines the vesting schedule of each award as evidenced by an award agreement. The plan administrator may accelerate the vesting of any award.

Amendment and Termination of Plan

Our board of directors, in its sole discretion, may at any time amend, alter or discontinue the 2017 equity incentive plan, subject to certain exceptions.

BEST Asia Plan

To better incentivize contribution to the growth our BEST Global business, in December 2020, BEST Asia Inc., our wholly-owned Cayman Islands subsidiary that holds our Southeast Asian business, adopted the 2020 Equity Incentive Plan, or the BEST Asia Plan, pursuant to which BEST Asia Inc. may issue a certain maximum number of ordinary shares pursuant to awards granted thereunder. The BEST Asia Plan is administered by the board of directors of BEST Asia Inc. or a committee or a member of the board of directors designated by the board of directors of BEST Asia Inc., which shall determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each grant. Under the BEST Asia Plan, BEST Asia Inc. may grant dividend equivalents, options, restricted shares, restricted share units, share appreciation rights or share payments to the eligible participants, including employees, directors and consultants of BEST Asia Inc. and its subsidiaries, parents and "related entities" as defined in the BEST Asia Plan. The term of the awards granted under the BEST Asia Plan may not exceed ten years from the date of grant, unless extended by the board of directors of BEST Asia Inc. As of February 28, 2021, we had issued options to purchase ordinary shares of BEST Asia Inc. to certain employees, including certain of our directors and executive officers, under the BEST Asia Plan.

C. Board Practices

Board of Directors

Pursuant to our ninth amended and restated articles of association currently in effect, our board of directors consists of seven directors, including (i) Mr. Shao-Ning Johnny Chou and Mr. George Chow, or the Founder Directors, who were nominated by our founder, Mr. Shao-Ning Johnny Chou; (ii) Mr. Lin Wan and Mr. Jun Chen, or collectively, the Alibaba Directors, who were nominated by Alibaba (including Cainiao Network); and (iii) Ms. Quan Hao, Mr. Mark Qiu and Mr. Wenbiao Li, who are independent directors. As long as Mr. Shao-Ning Johnny Chou is a director, he will serve as the chairman of the board.

Unless otherwise determined by our shareholders in a general meeting, our board will consist of not less than three directors.

There is no requirement for our directors to own any shares in our company in order for them to qualify as a director.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee, and a corporate governance and nominating committee. As a foreign private issuer, we are permitted to follow home country corporate governance practices under the Corporate Governance Rules of the New York Stock Exchange.

Audit Committee

Our audit committee consists of Ms. Quan Hao, Mr. Mark Qiu and Mr. Wenbiao Li. Ms. Quan Hao is the chairman of our audit committee. Each of Ms. Quan Hao and Mr. Mark Qiu satisfies the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. Each of Ms. Quan Hao, Mr. Mark Qiu and Mr. Wenbiao Li satisfies the requirements for an "independent director" within the meaning of Section 303A of the Corporate Governance Rules of the New York Stock Exchange, or the NYSE, and meets the criteria for independence set forth in Rule 10A-3 of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. Our audit committee consists solely of independent directors.

The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. Our audit committee is responsible for, among other things:

- selecting, and evaluating the qualifications, performance and independence of, the independent auditor;
- pre-approving or, as permitted, approving auditing and non-auditing services permitted to be performed by the independent auditor;
- considering the adequacy of our internal accounting controls and audit procedures;
- reviewing with the independent auditor any audit problems or difficulties and management's response;

- reviewing and approving related party transactions between us and our directors, senior management and other persons specified in Item 7B of Form 20-F;
- reviewing and discussing the quarterly financial statements and annual audited financial statements with management and the independent auditor;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- meeting separately, periodically, with management, internal auditors and the independent auditor; and
- reporting regularly to the full board of directors.

Compensation Committee

Our compensation committee consists of Mr. Mark Qiu, Mr. Lin Wan and Mr. George Chow. Mr. Mark Qiu is the chairman of our compensation committee. Mr. Mark Qiu satisfies the requirements for an "independent director" within the meaning of Section 303A of the NYSE Corporate Governance Rules.

Our compensation committee is responsible for, among other things:

- reviewing, evaluating and, if necessary, revising our overall compensation policies;
- reviewing and evaluating the performance of our directors and executive officers and determining the compensation of our directors and executive officers;
- reviewing and approving our executive officers' employment agreements with us;
- determining performance targets for our executive officers with respect to our annual bonus plan and share incentive plans;
- administering our share incentive plans in accordance with the terms thereof; and
- carrying out such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

Corporate Governance and Nominating Committee

Our corporate governance and nominating committee consists of Mr. Shao-Ning Johnny Chou, Mr. Lin Wan and Mr. Wenbiao Li. Mr. Shao-Ning Johnny Chou is the chairman of our corporate governance and nominating committee. Mr. Wenbiao Li satisfies the requirements for an "independent director" within the meaning of Section 303A of the NYSE Corporate Governance Rules.

Our corporate governance and nominating committee is responsible for, among other things:

- selecting the board nominees for election by the shareholders or appointment by the board;
- periodically reviewing with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in corporate governance law and practices as well as our compliance with applicable laws and regulations, and making recommendations to the board on corporate governance matters.

Duties of Directors

Under Cayman Islands law, all of our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly and a duty to act in good faith and in a manner they believe to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. Our company has the right to seek damages if a duty owed by any of our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company is required to declare the nature of his interest at a meeting of our directors. Subject to the rules of the New York Stock Exchange and disqualification by the chairman of the relevant board meeting, a director may vote in respect of any contract, proposed contract, or arrangement notwithstanding that he may be interested therein, and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of our directors at which any such contract or proposed contract or arrangement is considered. Our directors may exercise all the powers of our company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and issue debentures, debenture stock or other securities whenever money is borrowed or as security for any debt, liability or obligation of the company or of any third party.

Terms of Directors and Officers

Mr. Shao-Ning Johnny Chou may remove any Founder Director from office by written notice to us; Alibaba may remove any Alibaba Director from office by written notice to us; and our shareholders may remove any of our directors from office by a special resolution. In addition, a director will cease to be a director if he or she becomes bankrupt or makes any arrangement or composition with his or her creditors, dies or is found to be or becomes of unsound mind, resigns, or is absent from meetings of the board for three consecutive meetings without special leave of absence from the board and the board resolves that his or her office be vacated.

If a Founder Director ceases to be a director for any reason, Mr. Shao-Ning Johnny Chou will have the right to appoint another Founder Director as long as Mr. Shao-Ning Johnny Chou and his affiliates hold any of our shares. If an Alibaba Director ceases to be a director for any reason, Alibaba will have the right to appoint another Alibaba Director as long as Alibaba (including Cainiao Network) and their affiliates hold any of our shares. If the aggregate number of shares held by Alibaba (including Cainiao Network) and their affiliates represent less than 10% of our total outstanding shares, Alibaba will not be able to exercise such appointment right if there is one remaining Alibaba Director on our board, and Alibaba may be required to remove one Alibaba Director if there are two Alibaba Directors on our board.

By special resolution, our shareholders may appoint any person to be a director, either to fill a vacancy resulting from the removal of a director by special resolution or as an addition to the existing board. Our board may, by the affirmative vote of a simple majority of the remaining directors present and voting at a board meeting, appoint any person as a director in order to fill a vacancy other than as a result of the removal of a director by our shareholders, Mr. Shao-Ning Johnny Chou or Alibaba.

D. Employees

See “Item 4. Information on the Company—B. Business Overview—Employees.”

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our ordinary shares, as of February 28, 2021 by:

- each of our directors and executive officers;
- our directors and executive officers as a group; and
- each person known to us to own beneficially 5.0% or more of our ordinary shares.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option or other right or the conversion of any other security.

The calculations in the table below are based on (i) 244,425,501 Class A ordinary shares, (ii) 94,075,249 Class B ordinary shares, and (iii) 47,790,698 Class C ordinary shares, that were issued and outstanding as of February 28, 2021. The aforesaid 244,425,501 Class A ordinary shares excludes the 6,222,951 Class A ordinary shares issued to our depositary bank as of February 28, 2021 and reserved for future issuances of ADSs upon exercise or vesting of awards granted under our share incentive plans that are not deemed outstanding for the purpose of calculating percentage ownership and voting power in this annual report.

	Class A		Class B		Class C		
	Number	Percentage	Number	Percentage	Number	Percentage	Voting Power****
Shao-Ning Johnny Chou	*	*	—	—	47,790,698	100.0	46.4
Lin Wan	—	—	—	—	—	—	—
Jun Chen	—	—	—	—	—	—	—
Mark Qiu	*	*	—	—	—	—	**
George Chow	6,821,717	2.8	—	—	—	—	**
Quan Hao	*	*	—	—	—	—	**
Wenbiao Li	*	*	—	—	—	—	**
Gloria Fan	*	*	—	—	—	—	**
Mangli Zhang	*	*	—	—	—	—	**
Xiaoqing Wang	*	*	—	—	—	—	**
Tao Liu	*	*	—	—	—	—	**
Xingjun Yuan	*	*	—	—	—	—	**
Feng Dong	*	*	—	—	—	—	**
Yanbing Zhang	*	*	—	—	—	—	**
Jimei Liu	*	*	—	—	—	—	**
Directors and Executive officers as a Group	**8,267,549**	**3.4**	**—**	**—**	**47,790,698**	**100.0**	**46.7**
Alibaba Group Holding Limited[(1)]	48,900,357	17.3	94,075,249	100.0	—	—	46.7
Shao-Ning Johnny Chou	*	*	—	—	47,790,698	100.0	46.4
CR Entities [(2)]	33,548,304	13.7	—	—	—	—	1.1
The Goldman Sachs Group, Inc.[(3)]	12,443,429	5.1	—	—	—	—	0.4

* Beneficially owns less than 1% of our total ordinary shares outstanding on an as-converted basis.

** Holds less than 1% of voting power of our total ordinary shares outstanding.

*** The business address for our directors and executive officers is 2nd Floor, Block A, Huaxing Modern Industry Park, No. 18 Tangmiao Road, Xihu District, Hangzhou, Zhejiang Province 310013, People's Republic of China.

****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 our Class A, Class B and Class C ordinary shares as a single class. In respect of matters requiring a shareholder vote, each Class A ordinary share is entitled to one vote, each Class B ordinary share is entitled to 15 votes, and each Class C ordinary share is entitled to 30 votes. Each Class B ordinary share or Class C ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares or Class C ordinary shares, Class B ordinary shares are not convertible to Class C ordinary shares, and Class C ordinary shares are not convertible into Class B ordinary shares under any circumstances.

(1) The number of ordinary shares beneficially owned was reported in an Amendment No. 3 to Schedule 13D filed by Alibaba Group Holding Limited, Alibaba Investment Limited and other reporting persons on June 3, 2020, and consists of (i) 10,000,000 Class A ordinary shares represented by ADSs held by Alibaba Investment Limited, (ii) 14,184,400 Class A ordinary shares, represented by ADSs, convertible at any time from the 2024 Convertible Notes in the principal amount of US$100,000,000 at the option of Alibaba Investment Limited, the holder of such senior notes issued by us in September 2019, (iii) 75,831,692 Class B ordinary shares held by Alibaba Investment Limited, (iv) 18,243,557 Class B ordinary shares held by Cainiao Smart Logistics Investment Limited, and (v) 24,000,000 Class A ordinary shares (or in the form of ADSs) convertible at any time from the 2025 Convertible Notes in the principal amount of US$150,000,000 from July 10, 2020 at the option of Alibaba.com Hong Kong Limited, the holder of such senior notes issued by us in June 2020, subject to the adjustment as provided under the 2025 Convertible Notes. We subsequently determined that, upon the aforesaid adjustment, a total of 24,715,957 Class A ordinary shares will be convertible from the 2025 Convertible Notes in the principal amount of US$150,000,000. Alibaba Group Holding Limited is a public company listed on the New York Stock Exchange. Alibaba Investment Limited is a British Virgin Islands company wholly owned by Alibaba Group Holding Limited. Cainiao Smart Logistics Investment Limited is a British Virgin Islands company wholly owned by Cainiao Smart Logistics Network Limited, a company incorporated under the laws of the Cayman Islands. Alibaba Group Holding Limited owned a 66% equity interest in Cainiao Smart Logistics Network Limited as of March 31, 2020 as disclosed in the annual report on Form 20-F filed with the SEC by Alibaba Group Holding Limited on July 9, 2020. Beneficial ownership of the Class B ordinary shares held by Cainiao Smart Logistics Investment Limited is attributed to Alibaba Group Holding Limited as a result of its ownership of the 66% equity interest in Cainiao Smart Logistics Network Limited. Alibaba.com Hong Kong Limited is a Hong Kong company wholly owned by Alibaba Group Holding Limited. The registered address of Alibaba Group Holding Limited is the offices of Trident Trust Company (Cayman) Limited, Fourth Floor, One Capital Place, P.O. Box 847, George Town, Grand Cayman, Cayman Islands.

(2) The number of ordinary shares beneficially owned was reported in a Schedule 13G filed by the CR Entities and other reporting persons on February 14, 2019 and consists of (i) 25,778,872 Class A ordinary shares held by Florence Star Worldwide Limited, and (ii) 7,769,432 Class A ordinary shares held by Brackenhill Tower Limited. Florence Star Worldwide Limited and Brackenhill Tower Limited are collectively referred to as the CR Entities. Each of Florence Star Worldwide Limited and Brackenhill Tower Limited is a limited liability company established in the British Virgin Islands, and each of them has its registered address at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands. The CR Entities are special purpose vehicles of both China Harvest Fund II, L.P. and China Harvest Co-Investors II, L.P., or the China Harvest Funds. The general partner of the China Harvest Funds is China Renaissance Capital Investment II, L.P. The general partner of China Renaissance Capital Investment II, L.P. is China Renaissance Capital II GP. The voting powers and investment powers of the CR Entities are exercised in accordance with the direction of the board of directors of China Renaissance Capital II GP. Mark Qiu is a member of such board of directors and disclaims beneficial ownership in the aforesaid shares except to the extent of his pecuniary interest therein through his partnership interest in the China Harvest Funds.

(3) The number of ordinary shares beneficially owned was reported in the Amendment No. 1 to Schedule 13G filed by The Goldman Sachs Group, Inc. and other reporting persons on February 9, 2021 and consists of an aggregate of 12,443,429 Class A ordinary shares owned by Broad Street Principal Investments, L.L.C., Bridge Street 2014, L.P., Stone Street 2014, L.P., MBD 2014, L.P., Bridge Street 2014 Offshore, L.P., Stone Street 2014 Offshore, L.P. and MBD 2014 Offshore, L.P. (collectively, the “GS Stockholders”), and are owned, or may be deemed to, or to have been beneficially owned, by Goldman Sachs & Co. LLC (“Goldman Sachs”) and The Goldman Sachs Group, Inc. (“GS Group”). MBD Advisors, L.L.C. is a wholly-owned subsidiary of GS Group and is the general partner of MBD 2014, L.P. and MBD 2014 Offshore, L.P., and Bridge Street Opportunity Advisors, L.L.C. is a wholly-owned subsidiary of GS Group and is the general partner of the other GS Investing Entities. Goldman Sachs is a subsidiary of GS Group. Goldman Sachs owns certain of the shares on behalf of managed accounts and is the investment manager of the GS Stockholders. Each of the GS Group, Broad Street Principal Investments, L.L.C., MBD Advisors, L.L.C. and Bridge Street Opportunity Advisors, L.L.C. is a limited liability company incorporated in Delaware. Each of MBD 2014, L.P., Bridge Street 2014, L.P. and Stone Street 2014, L.P. is a Delaware limited partnership. Goldman Sachs is a limited liability company incorporated in New York. Each of Bridge Street 2014 Offshore, L.P., Stone Street 2014 Offshore, L.P. and MBD 2014 Offshore, L.P. is a Cayman Islands limited partnership.

To our knowledge, as of February 28, 2021, 174,051,380 Class A ordinary shares or 71.2% of our outstanding Class A ordinary shares were held by seven record holders in the United States, including our ADS depositary bank, which held 166,025,244 Class A ordinary shares or 67.9% of our outstanding Class A ordinary shares (excluding 6,222,951 Class A ordinary shares issued and reserved for future issuances of ADSs upon exercise or vesting of awards granted under our share incentive plans). Because many of these shares are held by brokers or other nominees, we cannot ascertain the exact number of beneficial shareholders with addresses in the United States. As of February 28, 2021, 47,790,698 Class C ordinary shares representing all of our outstanding Class C ordinary shares were held by one record holder in the United States, namely, Shao-Ning Johnny Chou, our founder, chairman and chief executive officer.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership”

B. Related Party Transactions

Contractual Arrangements with our Variable Interest Entity and its Shareholders

See “Item 4. Information on the Company—C. Organizational Structure—Variable Interest Entity Contractual Arrangements.”

Offering of Convertible Senior Notes

In September 2019, we completed an offering of US$200 million aggregate principal amount of 1.75% convertible senior notes due 2024 (including full exercise of the initial purchasers’ option to purchase additional notes), including US$100 million principal amount of notes sold to an entity affiliated with Alibaba Group Holding Limited. The notes will mature on October 1, 2024. Holders may convert their notes at their option into our ADSs at an initial conversion rate of 141.8440 ADSs per US$1,000 principal amount of notes (equivalent to an initial conversion price of approximately US$7.05 per ADS), which rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest.

Private Placement of Convertible Senior Notes

In June 2020, we completed a private placement of US$150 million aggregate principal amount of 4.5% convertible senior notes due 2025 to Alibaba.com Hong Kong Limited, an entity affiliated with Alibaba, one of our principal shareholders. The notes will mature on June 3, 2025. Holders may convert their notes at their option into our Class A ordinary shares at an initial conversion price of approximately US$6.07 per ADS, which rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest.

Shareholders Agreement

On April 5, 2016, we, our subsidiaries, Hangzhou BEST Network, and all of our then-existing shareholders entered into the shareholders agreement, as amended on September 6, 2017, which replaced and superseded our previous shareholders agreements. The shareholders agreement addresses certain matters in relation to shareholder rights, corporate governance arrangements and other related obligations. Except for the shareholder and director nomination right of Alibaba Investment Limited, or AIL, with respect to Hangzhou BEST Network, a VIE, our non-compete undertaking to AIL and certain registration rights, all other rights and obligations of us and the shareholders under the shareholders agreement terminated upon completion of our initial public offering.

Other Transactions with Certain Directors and Affiliates

See “Item 6. Directors, Senior Management and Employees—B. Compensation.”

Share Incentive Plans

See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans."

Other Transactions with Related Parties

We provided supply chain management and express delivery services to Cainiao Network, and the related service fees amounted to RMB652.4 million, RMB814.9 million and RMB808.3 (US$123.9 million) for the years ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2018, 2019 and 2020, we had balances of RMB197.5 million, RMB241.0 million and RMB232.1 million (US$35.6 million), respectively, due from Cainiao Network, which represent service fees payable to us.

Cainiao Network leased warehouses to us resulting in rental expense of RMB9.1 million, RMB9.9 million and RMB18.1 million (US$2.8 million) for the years ended December 31, 2018, 2019 and 2020, respectively. Cainiao Network introduced customers to us and we incurred commission fees of RMB3.5 million, RMB0.2 million and nil to Cainiao Network for the years ended December 31, 2018, 2019 and 2020, respectively. Cainiao Network also paid on our behalf certain operating costs and provided us certain system services of RMB16.4 million, RMB9.9 million and RMB4.0 million (US$0.6 million) and provided us certain system services of nil, nil and RMB37.4 million (US$5.7 million) for the years ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2019 and 2020, we had a balance of RMB6.1 million and RMB6.1 million (US$0.9 million), respectively, due to Cainiao Network, which represents rental expenses, commission fees and operating costs payable by us.

Alibaba Cloud Computing Co. Ltd., or Ali Cloud, an affiliate of Alibaba, provided certain cloud services to us resulting in service expense incurred by us of RMB4.8 million, RMB9.7 million and RMB14.9 million (US$2.3 million) for the years ended December 31, 2018, 2019 and 2020, respectively. Ali Cloud also paid on our behalf certain operating costs of nil, nil and RMB2.8 million (US$0.4 million) for the years ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2019 and 2020, we had a balance of RMB0.4 million and RMB0.008 million (US$0.001 million), respectively, due from Ali Cloud, which represents service fees prepaid to Ali Cloud; and we had a balance of RMB nil and RMB1.2 million (US$ 0.2 million), respectively, due to Ali Cloud, which represents service fees payable by us.

We provided express delivery service to Lazada Express Limited, or Lazada, an affiliate of Alibaba, and the related service fees amounted to nil, RMB10.7 million and RMB125.6 million (US$19.2 million) for the years ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2019 and 2020, we had a balance of RMB5.3 million and RMB42.3 million (US$6.5 million), respectively, due from Lazada, which represents service fees payable to us.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Please refer to Item 18 for a list of our annual consolidated financial statements filed as part of this annual report on Form 20-F.

Legal Proceedings

See "Item 4. Information on the Company—B. Business Overview—Legal Proceedings."

Dividend Policy and Distributions

Since our inception, we have not declared or paid any dividends on our shares. We do not have any present plan to pay any dividends on our ordinary shares or ADSs in the foreseeable future. We intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Any future determination to pay dividends will be made at the discretion of our board of directors, subject to certain requirements of Cayman Islands law. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our directors decide to pay dividends, the form, frequency and amount of dividends will be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the underlying Class A ordinary shares represented by our ADSs to the depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to our ADS holders in proportion to the underlying Class A ordinary shares represented by the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our Class A ordinary shares, if any, will be paid in U.S. dollars.

We are a holding company incorporated in the Cayman Islands. In order for us to distribute any dividends to our shareholders and ADS holders, we rely on dividends distributed by our subsidiaries in China and other jurisdictions. Distributions from our subsidiaries to us may be subject to various local taxes, such as withholding tax. In addition, regulations in China currently permit payment of dividends of a Chinese company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China.

B. Significant Changes

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ADSs, each representing one of our Class A ordinary shares, have been listed on the New York Stock Exchange since September 20, 2017 under the symbol “BSTI.” Our ticker symbol on the New York Stock Exchange changed from “BSTI” to BEST” effective at the start of trading on February 19, 2019.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing one of our Class A ordinary shares, have been trading on the New York Stock Exchange since September 20, 2017. From September 20, 2017 to February 18, 2019, our ticker symbol on the New York Stock Exchange was “BSTI.” Our ticker symbol on the New York Stock Exchange changed from “BSTI” to BEST” effective at the start of trading on February 19, 2019.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We incorporate by reference into this annual report the description of our ninth amended and restated memorandum and articles of association contained in our Form F-1 registration statement (File No. 333-218959), as amended, initially filed with the Securities and Exchange Commission on June 26, 2017. Our shareholders adopted our ninth amended and restated memorandum and articles of association on September 6, 2017.

C. Material Contracts

In the past three fiscal years, we have not entered into any material contracts other than in the ordinary course of business or other than those disclosed elsewhere in this annual report.

D. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Regulations Relating to Foreign Exchange."

E. Taxation

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not a party to any double tax treaties which are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares and ADSs will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of dividends or capital to any holder of our ordinary shares or ADSs, nor will gains derived from the disposal of our ordinary shares or ADSs be subject to Cayman Islands income or corporation tax. No stamp duty is payable in respect of the issue of our ordinary shares or on an instrument of transfer in respect of our ordinary shares.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor in Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to us or our operations; and

(2) in addition, that no tax to be levied on profits, income, gains or appreciation or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of our shares, debentures or other obligations, or by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for us is for a period of twenty years from March 18, 2008.

People's Republic of China Taxation

In March 2007, the National People's Congress of China enacted the Enterprise Income Tax Law, which became effective on January 1, 2008 and was recently amended on December 29, 2018. The Enterprise Income Tax Law provides that enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered China resident enterprises and therefore subject to Chinese enterprise income tax at the rate of 25% on their worldwide income. The Implementing Rules of the Enterprise Income Tax Law further defines the term "de facto management body" as the management body that exercises substantial and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation issued a circular, known as SAT Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Further to SAT Circular 82, in 2011, the State Administration of Taxation issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, to provide more guidance on the implementation of SAT Circular 82.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (i) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board of directors and shareholders' meetings are located or kept in the PRC; and (iv) more than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC.

Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect the State Administration of Taxation's general position on how the "de facto management body" test could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

Although a substantial majority of the members of our management team are located in the PRC, we believe that BEST Inc. is not a PRC resident enterprise for PRC tax purposes. BEST Inc. is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that BEST Inc. meets all of the conditions above. BEST Inc. is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, which are located outside the PRC. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body."

If the PRC tax authorities determine that BEST Inc. is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders (including our ADS holders) and any gain realized on the transfer of ADSs or ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% unless a reduced rate is available under an applicable tax treaty. It is also unclear whether non-PRC shareholders of BEST Inc. would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that BEST Inc. is treated as a PRC resident enterprise.

Material U.S. Federal Income Tax Considerations

The following summary describes the material U.S. federal income tax consequences of the purchase, ownership and disposition of our ADSs and ordinary shares as of the date hereof. This summary is only applicable to ADSs and ordinary shares held as capital assets by a U.S. Holder (as defined below).

As used herein, the term "U.S. Holder" means a beneficial owner of our ADSs or ordinary shares that is for U.S. federal income tax purposes:

- an individual citizen or resident of the U.S.;

- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (i) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in U.S. federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

This summary does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws, including if you are:

- a U.S. expatriate or one of certain former citizens or long-term residents of the U.S.;
- a broker or dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization or governmental organization;
- a person holding our ADSs or ordinary shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who acquired the ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation;
- a person who owns or is deemed to own 10% or more of our stock (by vote or value);
- a partnership or other pass-through entity for U.S. federal income tax purposes;
- a person required to accelerate the recognition of any item of gross income with respect to our ADSs or ordinary shares as a result of such income being recognized on an applicable financial statement; or
- a person whose “functional currency” is not the U.S. dollar.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds our ADSs or ordinary shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our ADSs or ordinary shares, you should consult your tax advisors.

This summary does not contain a detailed description of all the U.S. federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net investment income, U.S. federal estate and gift taxes or the effects of any state, local or non-U.S. tax laws. If you are considering the purchase, ownership or disposition of our ADSs or ordinary shares, you should consult your own tax advisors concerning the U.S. federal income tax consequences to you in light of your particular situation as well as any consequences arising under other U.S. federal tax laws and the laws of any other taxing jurisdiction.

ADSs

If you hold ADSs, for U.S. federal income tax purposes, you generally will be treated as the owner of the underlying ordinary shares that are represented by such ADSs. Accordingly, deposits or withdrawals of ordinary shares for ADSs will not be subject to U.S. federal income tax.

Taxation of Dividends

Subject to the discussion under "—Passive Foreign Investment Company" below, the gross amount of any distributions on the ADSs or ordinary shares (including any amounts withheld to reflect PRC withholding taxes) will be taxable as dividends, to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits, as determined under U.S. federal income tax principles, the distribution ordinarily would be treated, first, as a tax-free return of capital, causing a reduction in the adjusted basis of the ADSs or ordinary shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of the ADSs or ordinary shares), and, second, the balance in excess of adjusted basis generally would be taxed as capital gain recognized on a sale or exchange. However, we do not expect to determine our earnings and profits in accordance with U.S. federal income tax principles. Therefore, you should expect that distributions will generally be reported to the Internal Revenue Service, or IRS, and taxed to you as dividends (as discussed above), even if they might ordinarily be treated as a tax-free return of capital or as capital gain.

Any dividends that you receive (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of the ordinary shares, or by the depositary, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

With respect to non-corporate U.S. Holders, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on ordinary shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the U.S. U.S. Treasury Department guidance indicates that our ADSs (which are listed on the New York Stock Exchange), but not our common shares, are readily tradable on an established securities market in the U.S. Thus, subject to the discussion under "—Passive Foreign Investment Company" below, we believe that dividends we pay on our ADSs will meet the conditions required for the reduced tax rates. Since we do not expect that our ordinary shares will be listed on an established securities market, we do not believe that dividends that we pay on our ordinary shares that are not represented by ADSs will meet the conditions required for these reduced tax rates. There also can be no assurance that our ADSs will continue to be readily tradable on an established securities market in later years. Consequently, there can be no assurance that dividends paid on our ADSs will continue to be afforded the reduced tax rates. A qualified foreign corporation also includes a foreign corporation that is eligible for the benefits of certain income tax treaties with the U.S. In the event that we are deemed to be a PRC resident enterprise under the PRC tax law (see "—People's Republic of China Taxation" above), we may be eligible for the benefits of the income tax treaty between the U.S. and the PRC, or the Treaty. In that case, dividends we pay on our ordinary shares would be eligible for the reduced rates of taxation whether or not the shares are readily tradable on an established securities market in the U.S., and whether or not the shares are represented by ADSs. Non-corporate U.S. Holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of these rules given your particular circumstances.

Non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a passive foreign investment company, or PFIC, in the taxable year in which such dividends are paid or in the preceding taxable year (see "—Passive Foreign Investment Company" below).

In the event that we are deemed to be a PRC resident enterprise under the PRC tax law, you may be subject to PRC withholding taxes on dividends paid to you with respect to the ADSs or ordinary shares. See "—People's Republic of China Taxation." In that case, subject to certain conditions and limitations (including a minimum holding period requirement), PRC withholding taxes on dividends may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the ADSs or ordinary shares will be treated as foreign-source income and will generally constitute passive category income. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

Passive Foreign Investment Company

In general, we will be a PFIC for any taxable year in which:

- at least 75% of our gross income is passive income, or
- at least 50% of the value (based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person), as well as gains from the sale of assets (such as stock) that produce passive income, foreign currency gains, and certain other categories of income. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of determining whether we are a PFIC, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income. However, it is not entirely clear how the contractual arrangements between us and our VIEs will be treated for purposes of the PFIC rules. For U.S. federal income tax purposes, we consider ourselves to own the stock of our VIEs. If it is determined, contrary to our view, that we do not own the stock of our VIEs for U.S. federal income tax purposes (for instance, because the relevant Chinese authorities do not respect these arrangements), that would alter the composition of our income and assets for purposes of testing our PFIC status, and may cause us to be treated as a PFIC.

Based on the nature and composition of our income and assets, and the valuation of our assets, including goodwill, we do not believe we were a PFIC for our taxable year ended December 31, 2020. The determination of our PFIC status is made annually and depends significantly on the nature and composition of our income and assets, and the valuation of our assets, throughout the year. There is a risk that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition or in the valuation of our assets. In particular, the calculation of the value of our assets will be based, in part, on the quarterly market value of our ADSs, which is subject to change and has been volatile. Any decrease in the market value of our ADSs may result in our becoming a PFIC. If we are a PFIC for any taxable year during which you hold our ADSs or common shares, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares and you do not make a timely mark-to-market election, as described below, you will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of ADSs or ordinary shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year for individuals or corporations, as applicable, and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale or other disposition of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

Although the determination of whether we are a PFIC is made annually, if we are a PFIC for any taxable year in which you hold our ADSs or ordinary shares, you will generally be subject to the special tax rules described above for that year and for each subsequent year in which you hold the ADSs or ordinary shares (even if we do not qualify as a PFIC in any subsequent years). However, if we cease to be a PFIC, you can avoid the continuing impact of the PFIC rules by making a special election to recognize gain as if your ADSs or ordinary shares had been sold on the last day of the last taxable year during which we were a PFIC. You are urged to consult your own tax advisor about this election.

In certain circumstances, in lieu of being subject to the special tax rules discussed above, you may make a mark-to-market election with respect to your ADSs or ordinary shares provided such ADSs or ordinary shares are treated as "marketable stock." The ADSs or ordinary shares generally will be treated as marketable stock if the ADSs or ordinary shares are "regularly traded" on a "qualified exchange or other market" (within the meaning of the applicable Treasury regulations). Under current law, the mark-to-market election may be available to holders of ADSs because the ADSs are listed on the New York Stock Exchange, which constitutes a qualified exchange, although there can be no assurance that the ADSs will be "regularly traded" for purposes of the mark-to-market election. It should also be noted that only the ADSs and not the ordinary shares are listed on the New York Stock Exchange. Consequently, if you are a holder of ordinary shares that are not represented by ADSs, you generally will not be eligible to make a mark-to-market election.

If you make an effective mark-to-market election, for each taxable year that we are a PFIC, you will include as ordinary income the excess of the fair market value of your ADSs at the end of the year over your adjusted basis in the ADSs. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted basis in the ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, (i) any gain you recognize upon the sale or other disposition of your ADSs in a year that we are a PFIC will be treated as ordinary income and (ii) any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make a mark-to-market election, any distributions we make would generally be subject to the rules discussed above under "—Taxation of Dividends" except the lower rate applicable to qualified dividend income would not apply.

Your adjusted basis in the ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ADSs are no longer regularly traded on a qualified exchange or other market, or the IRS consents to the revocation of the election. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that we own, you may continue to be subject to the PFIC rules with respect to your indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes (as discussed below). You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

A different election, known as the "qualified electing fund" or "QEF" election, under Section 1295 of the Code is generally available to holders of PFIC stock, but requires that the corporation provide the holders with a "PFIC Annual Information Statement" containing certain information necessary for the election, including the holder's pro rata share of the corporation's earnings and profits and net capital gains for each taxable year, computed according to U.S. federal income tax principles. We do not intend, however, to determine our earnings and profits or net capital gain under U.S. federal income tax principles, nor do we intend to provide U.S. Holders with a PFIC Annual Information Statement. Therefore, you should not expect to be eligible to make this election.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares and any of our non-U.S. subsidiaries is also a PFIC, you will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

You will generally be required to file IRS Form 8621 if you hold our ADSs or ordinary shares in any year in which we are classified as a PFIC. You are urged to consult your tax advisors concerning the U.S. federal income tax consequences of holding ADSs or ordinary shares if we are considered a PFIC in any taxable year.

Taxation of Capital Gains

For U.S. federal income tax purposes, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized for the ADSs or ordinary shares and your adjusted basis in the ADSs or ordinary shares. Subject to the discussion under "—Passive Foreign Investment Company" above, such gain or loss will generally be capital gain or loss and will generally be long-term capital gain or loss if you have held the ADSs or ordinary shares for more than one year. Long-term capital gains of non-corporate U.S. Holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as U.S. source gain or loss for foreign tax credit limitation purposes. However, if we are treated as a PRC resident enterprise for PRC tax purposes and PRC tax is imposed on any gain, and if you are eligible for the benefits of the Treaty, you may elect to treat such gain as PRC source gain. If you are not eligible for the benefits of the Treaty or you fail to make the election to treat any gain as PRC source, then you may not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of our ADSs or ordinary shares unless such credit can be applied (subject to applicable limitations) against U.S. federal income tax due on other income derived from foreign sources in the same income category (generally, the passive category). You are urged to consult your tax advisors regarding the tax consequences if any PRC tax is imposed on gain on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit and the election to treat any gain as PRC source, under your particular circumstances.

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends in respect of our ADSs or ordinary shares and the proceeds from the sale, exchange or other disposition of our ADSs or ordinary shares that are paid to you within the U.S. (and in certain cases, outside the U.S.), unless you are an exempt recipient such as a corporation. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of exempt status or fail to report in full dividend and interest income. U.S. Holders that are required to establish their exempt status generally must provide such certification on IRS Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We have filed this annual report on Form 20-F, including exhibits, with the SEC. As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

You may read and copy this annual report, including the exhibits incorporated by reference in this annual report, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC's regional offices in New York, New York, and Chicago, Illinois. You can also request copies of this annual report, including the exhibits incorporated by reference in this annual report, upon payment of a duplicating fee, by writing to the SEC's Public Reference Room for information.

The SEC also maintains a website that contains reports, proxy statements and other information about issuers, such as us, who file electronically with the SEC. The address of that website is http://www.sec.gov. The information on that website is not a part of this annual report.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk primarily relates to interest expenses incurred in respect of bank borrowings, capital lease obligations and interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not significantly used derivative financial instruments in our investment portfolio. Interest earning instruments and interest-bearing obligations carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income and interest expenses may fluctuate due to changes in market interest rates.

Foreign Exchange Risk

Substantially all of our revenue and expenses are denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although in general our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while our ADSs will be traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the PBOC. The Chinese government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, the exchange rate between the Renminbi and the U.S. dollar had been stable and traded within a narrow band. Since June 2010, the Chinese government has allowed the Renminbi to appreciate slowly against the U.S. dollar, though there have been periods when the Renminbi has depreciated against the U.S. dollar. In particular, on August 11, 2015, the PBOC allowed the Renminbi to depreciate by approximately 2% against the U.S. dollar. It is difficult to predict how long the current situation may last and when and how the relationship between the Renminbi and the U.S. dollar may change again.

We have historically incurred short-term borrowings in Renminbi to fund our working capital requirements in the PRC while holding significant U.S. dollar balances. To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

Inflation

Since our inception, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index were increases of 2.1%, 2.9% and 2.5% in 2018, 2019 and 2020, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

Commodity Price Risk

Our exposure to commodity price risk primarily relates to the fuel price in connection with our transportation network. The price and availability of fuel are subject to fluctuations due to changes in the level of global oil production, seasonality, weather, global politics and other factors. Historically, fluctuations in the price of fuel, especially gasoline, have been the commodity with the greatest impact on our results of operations. Despite the recent decline in fuel prices, there is a risk that fuel prices could rise in future periods. In the event of significant fuel price rise, our transportation expenses may rise and our gross income may decrease if we are unable to adopt any effective cost control-measures or pass on the incremental costs to our customers in the form of service surcharges.

We are also exposed to a lesser degree to the price of paper used in packing of the parcels and other goods we ship and the price of electricity that powers our technology and that is used in our facilities.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

In September 2017, we appointed Citibank, N.A., or Citibank, as the depositary bank for our ADR program. We entered into a deposit agreement with Citibank, as depositary, and all holders from time to time of our ADRs on September 22, 2017.

Fees and Charges

As an ADS holder, you will be required to pay the following fees under the terms of the deposit agreement:

Service	Fees
• Issuance of ADSs (e.g., an issuance of ADS upon a deposit of Class A ordinary shares, upon a change in the ADS(s)-to-Class A ordinary share(s) ratio, or for any other reason), excluding ADS issuances as a result of distributions of Class A ordinary shares	Up to U.S. 5¢ per ADS issued
• Cancellation of ADSs (e.g., a cancellation of ADSs for delivery of deposited property, upon a change in the ADS(s)-to-Class A ordinary share(s) ratio, or for any other reason)	Up to U.S. 5¢ per ADS cancelled
• Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to U.S. 5¢ per ADS held
• Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs	Up to U.S. 5¢ per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)	Up to U.S. 5¢ per ADS held
• ADS Services	Up to U.S. 5¢ per ADS held on the applicable record date(s) established by the depositary bank

As an ADS holder you will also be responsible to pay certain charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees as may from time to time be in effect for the registration of Class A ordinary shares on the share register and applicable to transfers of Class A ordinary shares to or from the name of the custodian, the depositary bank or any nominees upon the making of deposits and withdrawals, respectively;
- certain cable, telex and facsimile transmission and delivery expenses;
- the expenses and charges incurred by the depositary bank in the conversion of foreign currency;
- the fees and expenses incurred by the depositary bank in connection with compliance with exchange control regulations and other regulatory requirements applicable to Class A ordinary shares, ADSs and ADRs; and
- the fees and expenses incurred by the depositary bank, the custodian, or any nominee in connection with the servicing or delivery of deposited property.

ADS fees and charges payable upon (i) the issuance of ADSs, and (ii) the cancellation of ADSs are charged to the person to whom the ADSs are issued (in the case of ADS issuances) and to the person whose ADSs are cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depositary bank into DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participants as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs.

In the event of refusal to pay the depositary bank fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary bank fees from any distribution to be made to the ADS holder. Certain of the depositary fees and charges (such as the ADS services fee) may become payable shortly after the closing of the ADS offering. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary bank. You will receive prior notice of such changes. The depositary bank may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary bank agree from time to time.

Payments by Depositary

In late 2020, we received total payments of approximately US$3.3 million from Citibank, the depositary bank for our ADR program for reimbursement of investor relations expenses and other program-related expenses, after deduction of applicable U.S. taxes, for the year 2020.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. Modifications of Rights

See "Item 10. Additional Information—B. Memorandum and Articles of Association" for a description of the rights of securities holders, which remain unchanged.

E. Use of Proceeds

The following "Use of Proceeds" information relates to the registration statement on Form F-1, as amended (File No. 333-218959) in relation to our initial public offering, which was declared effective by the SEC on September 19, 2017. In September 2017, we completed our initial public offering in which we issued and sold an aggregate of 49,750,000 ADSs, representing 49,750,000 Class A ordinary shares, resulting in net proceeds to us of approximately US$472.2 million. Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities LLC and Deutsche Bank Securities Inc. were the representatives of the underwriters for our initial public offering.

For the period from September 19, 2017, the date that the F-1 Registration Statement was declared effective by the SEC, to December 31, 2020, we used approximately US$382 million of the net proceeds from our initial public offering to expand and optimize our express, freight and supply chain service network as well as for us to provide financing services to our ecosystem participants through BEST Capital. We still intend to use the remainder of the proceeds from our initial public offering, as disclosed in our registration statements on Form F-1, for (i) continued investments in our technology infrastructure and development of additional services and solutions, (ii) further expansion of our integrated logistics and supply chain service network, and (iii) general corporate purposes, including the acquisition of, or investment in, technologies, solutions or businesses that complement our existing business, although we have no present commitments or agreements to enter into any acquisitions or investments.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer and principal accounting officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, under the supervision and with the participation of our principal executive officer and our principal accounting officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act, as of December 31, 2020. Based on that evaluation, our principal executive officer and principal accounting officer have concluded that our disclosure controls and procedures are effective in ensuring that material information required to be disclosed in this annual report is recorded, processed, summarized and reported to them for assessment, and required disclosure is made within the time period specified in the rules and forms of the Commission.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. As required by Rule 13a-15(c) of the Exchange Act, our management conducted an evaluation of our company's internal control over financial reporting as of December 31, 2020 based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2020.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our independent registered public accounting firm, Ernst & Young Hua Ming LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2020, as stated in its report, which appears on page F-4 of this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that each of Ms. Quan Hao and Mr. Mark Qiu, who is an independent director, qualifies as an audit committee financial expert as defined in Item 16A of the instruction to Form 20-F.

ITEM 16B. CODE OF ETHICS

We have adopted a code of business conduct and ethics which applies to our directors, employees, advisors and officers, including our Chief Executive Officer and Chief Financial Officer. No changes have been made to the code of business conduct and ethics since its adoption and no waivers have been granted therefrom to our directors or employees. We have filed our code of business conduct as an exhibit to our F-1 registration statement (File No. 333-218959), as amended, initially filed with the Securities and Exchange Commission on June 26, 2017, and a copy is available to any shareholder upon request. This code of business conduct and ethics is also available on our website at ir.best-inc.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst & Young Hua Ming LLP, for the years indicated.

	For the Years Ended December 31,	
	2019	2020
	(In thousands of US dollars)	
Audit Fees[1]	1,681	1,618
All Other Fees[2]	210	19
Total	1,891	1,637

(1) "Audit Fees" represents the aggregate fees billed for each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements and assistance with and review of documents filed with the SEC and other statutory and regulatory filings.

(2) "All Other Fees" represents transaction advisory services related to certain restructuring in each of the fiscal years listed for services rendered by our principal auditors associated with certain due diligence and advisory projects in 2020.

Pre-Approval Policies and Procedures

Our audit committee is responsible for the oversight of our independent accountants' work. The policy of our audit committee is to pre-approve all audit and non-audit services provided by Ernst & Young Hua Ming LLP, including audit services as described above, other than those for de minimis services which are approved by the audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In November 2019, we announced the adoption of a share repurchase program in an aggregate amount of up to US$100 million worth of our outstanding ADSs from time to time over a period of 18 months, or the 2019 Share Repurchase Program. The table below is a summary of the ADSs repurchased by us in 2020. All ADSs were repurchased in the open market pursuant to the 2019 Share Repurchase Program.

Period	Total Number of ADSs Purchased	Average Price Paid Per ADS	Total Number of ADSs Purchased as Part of the Publicly Announced Plan	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plan
March 1 – March 31, 2020	1,193,923	US$4.94	1,193,923	US$94,100,864
April 1 – April 30, 2020	5,500	US$5.00	5,500	US$94,073,372
May 1 – May 31, 2020	659,126	US$4.98	659,126	US$90,791,654
June 1 – June 30, 2020	1,994,476	US$4.62	1,994,476	US$81,577,440
July 1 – July 31, 2020	2,542,025	US$4.51	2,542,025	US$70,112,013
Total	**6,395,050**	**US$4.67**	**6,395,050**	**US$70,112,013**

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

We are a "foreign private issuer" (as such term is defined in Rule 3b-4 under the Exchange Act), and our ADSs, each representing one Class A ordinary share, are listed on the New York Stock Exchange. Under Section 303A of the New York Stock Exchange Listed Company Manual, New York Stock Exchange listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the New York Stock Exchange with limited exceptions. The following summarizes some significant ways in which our corporate governance practices differ from those followed by domestic companies under the listing standards of the New York Stock Exchange.

- In respect of independent directors on our board of directors: As our home country practice does not require a majority of our board of directors to be independent, only three of our seven directors are independent.
- In respect of the oversight of our executive officer compensation and director nominations matters: As our home country practice does not require independent director oversight of executive officer compensation and director nomination matters, our compensation and corporate governance and nominating committees are not comprised solely of independent directors.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

The Registrant has elected to provide the financial statements and related information specified in Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of BEST Inc. are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Exhibits
1.1	Ninth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
2.1	Registrant's Form of American Depositary Receipt evidencing American Depositary Shares (incorporated by reference to Exhibit (a) to our Registration Statement on Form F-6 (File No. 333-220361) filed with the Securities and Exchange Commission on September 6, 2017 with respect to American depositary shares representing our Class A ordinary shares).
2.2	Registrant's Specimen of Ordinary Share Certificate (incorporated by reference Exhibit 4.1 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
2.3	Form of Deposit Agreement between the Registrant and Citibank, N.A., as depositary (incorporated by reference to Exhibit (a) to our Registration Statement on Form F-6 (File No. 333-220361) filed with the Securities and Exchange Commission on September 6, 2017 with respect to American depositary shares representing our Class A ordinary shares).
*2.4	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934
4.1	Seventh Amended and Restated Shareholders Agreement among the Registrant, its then shareholders, subsidiaries and variable interest entity, dated April 5, 2016 (incorporated by reference to Exhibit 4.4 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.2	Amendment No. 1 to Seventh Shareholders Agreement, as adopted by shareholder resolutions on September 6, 2017 (incorporated by reference to Exhibit 4.5 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.3	Loan Agreement between Zhejiang BEST Technology Co., Ltd., Wei Chen and Lili He, dated October 12, 2011 (English Translation) (incorporated by reference to Exhibit 10.1 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.4	Loan Agreement between Zhejiang BEST Technology Co., Ltd. and Hangzhou Ali Venture Capital Co., Ltd., dated February 15, 2015 (English Translation) (incorporated by reference to Exhibit 10.2 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.5	Amended and Restated Exclusive Technical Services Agreement between Hangzhou BEST Network Technologies Co., Ltd. and Zhejiang BEST Technology Co., Ltd., dated June 21, 2017 (English Translation) (incorporated by reference to Exhibit 10.3 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.6	Amended and Restated Equity Pledge Agreement concerning Hangzhou BEST Network Technologies Co., Ltd., among Wei Chen, Lili He, Hangzhou Ali Venture Capital Co., Ltd., Zhejiang BEST Technology Co., Ltd. and Hangzhou BEST Network Technologies Co., Ltd., dated June 21, 2017 (English Translation) (incorporated by reference to Exhibit 10.4 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).

Exhibit Number	Description of Exhibits
4.7	Amended and Restated Shareholders' Voting Rights Proxy Agreement concerning Hangzhou BEST Network Technologies Co., Ltd., among Wei Chen, Lili He, Hangzhou Ali Venture Capital Co., Ltd., BEST Logistics Technologies Limited, Zhejiang BEST Technology Co., Ltd. and Hangzhou BEST Network Technologies Co., Ltd., dated June 21, 2017 (English Translation) (incorporated by reference to Exhibit 10.5 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.8	Amended and Restated Exclusive Call Option Agreement concerning Hangzhou BEST Network Technologies Co., Ltd., among Wei Chen, Lili He, Hangzhou Ali Venture Capital Co., Ltd., BEST Logistics Technologies Limited, Zhejiang BEST Technology Co., Ltd. and Hangzhou BEST Network Technologies Co., Ltd., dated June 21, 2017 (English Translation) (incorporated by reference to Exhibit 10.6 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.9	BEST Logistics Technologies Limited Series G Preferred Share Purchase Agreement, among the Registrant, its then shareholders, subsidiaries and variable interest entity and certain investors named therein, dated January 18, 2016 (incorporated by reference to Exhibit 10.7 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.10	BEST Logistics Technologies Limited Series G-2 Preferred Share Purchase Agreement, among the Registrant, its then shareholders, subsidiaries and variable interest entity and certain investors named therein, dated April 5, 2016 (incorporated by reference to Exhibit 10.8 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.11	Share Repurchase Agreement, among the Registrant and certain selling shareholders named therein, dated April 5, 2016 (incorporated by reference to Exhibit 10.9 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.12	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated by reference to Exhibit 10.10 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.13	Form of Employment Agreement between the Registrant and its executive officers who are not PRC citizens (incorporated by reference to Exhibit 10.11 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.14	Form of Employment Agreement between the Registrant and its executive officers who are PRC citizens (English Translation) (incorporated by reference to Exhibit 10.12 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.15	Form of Letter of Commitment and Non-Compete between the Registrant and its executive officers who are PRC citizens (incorporated by reference to Exhibit 10.13 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.16	BEST Logistics Technologies Limited 2008 Equity and Performance Incentive Plan (incorporated by reference to Exhibit 10.14 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.17	BEST Inc. 2017 Equity Incentive Plan (incorporated by reference to Exhibit 10.15 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).

Exhibit Number	Description of Exhibits
4.18	Indenture, dated September 17, 2019, between the Registrant and Citicorp International Limited, as Trustee, relating to the issuance of the Registrant's 1.75% Convertible Senior Notes due 2024 in the aggregate principal amount of US$200 million (incorporated by reference to Exhibit 4.18 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2019, initially filed with the Securities and Exchange Commission on April 17, 2020).
4.19	Loan Agreement between BEST Logistics Technology (China) Co., Ltd., Wei Chen and Lili He, dated October 23, 2019 (English Translation) (incorporated by reference to Exhibit 4.19 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2019, initially filed with the Securities and Exchange Commission on April 17, 2020).
4.20	Exclusive Technical Services Agreement between Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST Information Technology Services Co., Ltd.) and BEST Logistics Technology (China) Co., Ltd., dated October 23, 2019 (English Translation) (incorporated by reference to Exhibit 4.20 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2019, initially filed with the Securities and Exchange Commission on April 17, 2020).
4.21	Equity Pledge Agreement concerning Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST Information Technology Services Co., Ltd.), among Wei Chen, Lili He, BEST Logistics Technology (China) Co., Ltd. and Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST Information Technology Services Co., Ltd.), dated October 23, 2019 (English Translation) (incorporated by reference to Exhibit 4.21 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2019, initially filed with the Securities and Exchange Commission on April 17, 2020).
4.22	Shareholders' Voting Rights Proxy Agreement concerning Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST Information Technology Services Co., Ltd.), among Wei Chen, Lili He, BEST Inc., BEST Logistics Technology (China) Co., Ltd. and Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST Information Technology Services Co., Ltd.), dated October 23, 2019 (English Translation) (incorporated by reference to Exhibit 4.22 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2019, initially filed with the Securities and Exchange Commission on April 17, 2020).
4.23	Exclusive Call Option Agreement concerning Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST Information Technology Services Co., Ltd.), among Wei Chen, Lili He, BEST Inc. BEST Logistics Technology (China) Co., Ltd. and Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST Information Technology Services Co., Ltd.), dated October 23, 2019 (English Translation) (incorporated by reference to Exhibit 4.23 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2019, initially filed with the Securities and Exchange Commission on April 17, 2020).
*4.24	Convertible Note Purchase Agreement, dated May 28, 2020, between the Registrant, Alibaba.com Hong Kong Limited and Mr. Shao-Ning Johnny Chou, relating to the issuance of the Registrant's 4.5% Convertible Senior Notes due 2025 in the aggregate principal amount of US$150 million.
*4.25	Convertible Note Instrument, dated June 3, 2020, between the Registrant and Alibaba.com Hong Kong Limited, relating to the issuance of the Registrant's 4.5% Convertible Senior Notes due 2025 in the aggregate principal amount of US$150 million.
*4.26	Loan Agreement between BEST Store Network (Hangzhou) Co., Ltd., Wei Chen and Lili He, dated May 13, 2020 (English Translation).
*4.27	Exclusive Technical Services Agreement between Hangzhou Baijia Business Management Consulting Co., Ltd. and BEST Store Network (Hangzhou) Co., Ltd., dated May 13, 2020 (English Translation).

Exhibit Number	Description of Exhibits
*4.28	Equity Pledge Agreement concerning Hangzhou Baijia Business Management Consulting Co., Ltd., among Wei Chen, Lili He, BEST Store Network (Hangzhou) Co., Ltd. and Hangzhou Baijia Business Management Consulting Co., Ltd., dated May 13, 2020 (English Translation).
*4.29	Shareholders' Voting Rights Proxy Agreement concerning Hangzhou Baijia Business Management Consulting Co., Ltd., among Wei Chen, Lili He, BEST Inc., BEST Store Network (Hangzhou) Co., Ltd. and Hangzhou Baijia Business Management Consulting Co., Ltd., dated May 13, 2020 (English Translation).
*4.30	Exclusive Call Option Agreement concerning Hangzhou Baijia Business Management Consulting Co., Ltd., among Wei Chen, Lili He, BEST Inc. BEST Store Network (Hangzhou) Co., Ltd. and Hangzhou Baijia Business Management Consulting Co., Ltd., dated May 13, 2020 (English Translation).
*8.1	List of Subsidiaries.
11.1	Code of Business Conduct of the Registrant (incorporated by reference to Exhibit 99.1 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
*12.1	Certification of our Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*12.2	Certification of our Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**13.1	Certification of our Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**13.2	Certification of our Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*15.1	Consent of Independent Registered Public Accounting Firm
*15.2	Consent of King and Wood Mallesons
*101.INS	XBRL Instance Document.
*101.SCH	XBRL Taxonomy Extension Schema Document.
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
*101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
*104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

** Furnished herewith

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

BEST Inc.

By: /s/ Shao-Ning Johnny Chou
Name: Shao-Ning Johnny Chou
Title: Chairman and Chief Executive Officer

Date: April 16, 2021

BEST INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of BEST Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of BEST Inc. (the "Company") as of December 31, 2019 and 2020, the related consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated April 16, 2021 expressed an unqualified opinion thereon.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations, has a working capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for accounting for leases using a modified retrospective approach in the year ended December 31, 2019.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill impairment assessment for the Store+ reporting unit

Description of the Matter

Prior to the Store+ reporting unit being classified as held for sale and a discontinued operation, the goodwill allocated to the Store+ reporting unit was RMB201,668 thousand. As discussed in Note 2 of the consolidated financial statements, goodwill is tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events. As the approval of the disposal plan to wind down and sell all components of its Store+ reporting unit was determined to be an event that would more likely than not reduce the fair value of the reporting unit below its carrying amount, the Company performed an interim impairment test of goodwill for the Store+ reporting unit by estimating the fair value of the reporting unit based on an income approach and concluded no impairment existed at that date.

Auditing management's goodwill impairment test for the Store+ reporting unit was complex and highly judgmental due to the significant estimation required by management in determining the fair value of the reporting unit. In particular, the fair value estimate was sensitive to significant assumptions such as the discount rate, revenue growth rates and operating margin used in the cash flow forecasts, which can be affected by expectations about future market or economic conditions, including the impact of COVID-19.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment assessment process, including management's review of the significant assumptions used in estimating the fair value of the Store+ reporting unit.

To test the estimated fair value of the Store+ reporting unit, we performed procedures that included, among others, assessing the valuation methodology and testing the significant assumptions discussed above and the underlying data used by the Company in its quantitative assessment. We compared the revenue growth rates and operating margins used by management to current industry and economic trends and other relevant external data, including the impact of COVID-19, as well as to the changes in the Company's strategic plans for the reporting unit. We assessed the historical accuracy of the Company's estimated cash flow forecasts by comparing them with actual operating results. We involved our valuation specialists to assist in assessing the Company's valuation methodologies and evaluating the discount rate by comparing it to an independently developed discount rate using observable market information. We recalculated the fair value of the Store+ reporting unit based on management's significant assumptions and compared it to the carrying value. We also performed sensitivity analyses of the significant assumptions to evaluate the change in the fair value of the reporting unit that would result from changes in the assumptions.

/s/ Ernst & Young Hua Ming LLP

We have served as the Company's auditor since 2016.
Shanghai, The People's Republic of China
April 16, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of BEST Inc.

Opinion on Internal Control Over Financial Reporting

We have audited BEST Inc.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, BEST Inc. (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2019 and 2020, the related consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2020, and the related notes and our report dated April 16, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young Hua Ming LLP

Shanghai, The People's Republic of China
April 16, 2021

BEST INC.

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 and 2020
(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"),
except for number of shares and per share data)

	Notes	As at December 31		
		2019	2020	2020
		RMB	RMB	US$
ASSETS				
Current assets:				
Cash and cash equivalents		1,985,413	1,383,317	212,003
Restricted cash		1,786,832	2,102,426	322,211
Accounts and notes receivables, net of allowance of RMB86,152 and RMB249,484 (US$38,235) as of December 31, 2019 and 2020, respectively	6	1,228,995	983,601	150,743
Inventories		106,483	44,133	6,764
Prepayments and other current assets	7	2,728,812	3,304,670	506,460
Short-term investments		1,057,598	268,647	41,172
Lease rental receivables	10	483,363	497,127	76,188
Assets held for sale	4	64,195	509,395	78,068
Amounts due from related parties	22	246,758	274,395	42,053
Total current assets		**9,688,449**	**9,367,711**	**1,435,662**
Non-current assets:				
Property and equipment, net	8	2,924,404	4,079,235	625,170
Intangible assets, net	9	20,408	12,198	1,869
Goodwill	12	289,318	295,758	45,327
Long-term investments	11	230,855	221,426	33,935
Non-current deposits		118,629	129,645	19,869
Other non-current assets		346,645	543,949	83,364
Operating lease right-of-use assets	10	4,209,015	3,863,375	592,088
Lease rental receivables	10	993,260	647,678	99,261
Assets held for sale	4	496,173	—	—
Restricted cash		175,700	709,848	108,789
Total non-current assets		**9,804,407**	**10,503,112**	**1,609,672**
Total assets		**19,492,856**	**19,870,823**	**3,045,334**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities (including current liabilities of the consolidated VIEs without recourse to the primary beneficiary of RMB5,967,835 and RMB6,959,968 (US$1,066,664) as of December 31, 2019 and 2020, respectively):				
Short-term bank loans	13	2,510,500	3,082,537	472,419
Securitization debt	15	104,899	95,149	14,582
Accounts and notes payable		3,391,383	4,144,948	635,241
Accrued expenses and other liabilities	14	2,006,049	2,507,917	384,355
Customer advances and deposits and deferred revenue		1,488,630	1,526,051	233,878
Operating lease liabilities	10	975,475	1,032,461	158,232
Financing lease liabilities	10	1,363	1,581	242
Liabilities held for sale	4	74,242	193,432	29,645
Amounts due to related parties	22	9,769	35,623	5,459
Income tax payable	17	7,358	14,550	2,230
Total current liabilities		**10,569,668**	**12,634,249**	**1,936,283**

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 and 2020 (CONTINUED)
(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares and per share data)

	Notes	As at December 31		
		2019	2020	2020
		RMB	RMB	US$
Non-current liabilities (including non-current liabilities of the consolidated VIEs without recourse to the primary beneficiary of RMB1,967,870 and RMB1,786,202 (US$273,746) as of December 31, 2019 and 2020, respectively):				
Convertible senior notes held by related parties	16, 22	680,104	1,617,846	247,946
Convertible senior notes held by third parties	16	680,104	642,121	98,409
Operating lease liabilities	10	3,388,908	2,995,173	459,030
Financing lease liabilities	10	2,072	2,698	413
Long-term bank loan	13	—	78,548	12,038
Deferred tax liabilities	17	828	—	—
Liabilities held for sale	4	118,704	—	—
Other non-current liabilities		137,184	175,584	26,907
Total non-current liabilities		**5,007,904**	**5,511,970**	**844,743**
Total liabilities		**15,577,572**	**18,146,219**	**2,781,026**
Commitments and contingencies	25			
Shareholders' equity:				
Class A ordinary shares (par value of US$0.01 per share as of December 31, 2019 and 2020; 1,858,134,053 shares authorized as of December 31, 2019 and 2020; 250,648,452 shares issued and outstanding as of December 31, 2019 and 2020, respectively)	21	16,532	16,532	2,534
Class B ordinary shares (par value of US$0.01 per share as of December 31, 2019 and 2020; 94,075,249 shares authorized, issued and outstanding as of December 31, 2019 and 2020, respectively)	21	6,178	6,178	947
Class C ordinary shares (par value of US$0.01 per share as of December 31, 2019 and 2020; 47,790,698 shares authorized, issued and outstanding as of December 31, 2019 and 2020, respectively)	21	3,278	3,278	502
Treasury shares	21	—	(211,352)	(32,391)
Statutory reserves	21	7,865	8,038	1,232
Additional paid in capital		19,353,400	19,487,232	2,986,549
Accumulated deficit		(15,629,537)	(17,710,964)	(2,714,324)
Accumulated other comprehensive income	27	163,196	151,677	23,246
BEST Inc. shareholders' equity		3,920,912	1,750,619	268,295
Non-controlling interests		(5,628)	(26,015)	(3,987)
Total shareholders' equity		**3,915,284**	**1,724,604**	**264,308**
Total liabilities and shareholders' equity		**19,492,856**	**19,870,823**	**3,045,334**

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 and 2020
(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares and per share data)

	Notes	For the Years ended December 31,			
		2018	2019	2020	2020
		RMB	RMB	RMB	US$
Revenue from third parties					
Express delivery		17,538,104	21,548,174	19,165,049	2,937,172
Freight delivery		4,102,610	5,224,355	5,156,551	790,276
Supply chain management		1,600,890	1,661,747	1,391,686	213,285
Global		162,012	319,602	616,934	94,549
UCargo		891,710	2,574,054	2,519,919	386,194
Capital		168,299	205,203	211,021	32,340
		24,463,625	**31,533,135**	**29,061,160**	**4,453,816**
Revenue from related parties					
Express delivery	22	176,420	274,268	252,510	38,699
Supply chain management	22	475,932	534,012	520,637	79,791
Global	22	—	17,272	160,722	24,632
		652,352	825,552	933,869	143,122
Total revenue		**25,115,977**	**32,358,687**	**29,995,029**	**4,596,938**
Cost of revenue					
Express delivery		(16,921,826)	(20,793,370)	(19,470,937)	(2,984,052)
Freight delivery		(3,946,032)	(4,934,937)	(5,063,236)	(775,975)
Supply chain management		(1,970,109)	(2,052,006)	(1,846,901)	(283,050)
Global		(167,053)	(371,404)	(875,733)	(134,212)
UCargo		(877,172)	(2,517,642)	(2,473,857)	(379,135)
Capital		(47,767)	(52,001)	(26,225)	(4,019)
Total cost of revenue		**(23,929,959)**	**(30,721,360)**	**(29,756,889)**	**(4,560,443)**
Gross profit		**1,186,018**	**1,637,327**	**238,140**	**36,495**
Selling expenses		(370,987)	(432,939)	(477,902)	(73,242)
General and administrative expenses		(886,638)	(932,718)	(1,262,232)	(193,446)
Research and development expenses		(184,581)	(204,234)	(191,417)	(29,336)
Total operating expenses		**(1,442,206)**	**(1,569,891)**	**(1,931,551)**	**(296,024)**
(Loss)/Income from operations		**(256,188)**	**67,436**	**(1,693,411)**	**(259,529)**
Interest income		102,821	95,440	74,727	11,452
Interest expense		(75,060)	(79,486)	(174,607)	(26,760)
Foreign exchange loss		(7,624)	(4,375)	(8,243)	(1,263)
Other income		168,363	145,853	165,346	25,340
Other expense		(28,602)	(31,784)	(24,576)	(3,766)
(Loss)/Income before income taxes and share of net loss of equity investees		**(96,290)**	**193,084**	**(1,660,764)**	**(254,526)**
Income tax expense	17	(10,500)	(20,027)	(22,124)	(3,391)
(Loss)/Income before share of net loss of equity investees		(106,790)	173,057	(1,682,888)	(257,917)
Share of net loss of equity investees		(456)	(355)	(180)	(28)
Net (loss)/Income from continuing operations		(107,246)	172,702	(1,683,068)	(257,945)
Net loss from discontinued operations, net of tax	4	(401,145)	(391,770)	(368,156)	(56,422)
Net loss		**(508,391)**	**(219,068)**	**(2,051,224)**	**(314,367)**
Net loss from continuing operations attributable to non-controlling interests		(403)	(16,652)	(25,716)	(3,941)
Net loss attributable to BEST Inc.		**(507,988)**	**(202,416)**	**(2,025,508)**	**(310,426)**
Net (loss)/earnings per Class A, Class B and Class C ordinary share:					
Basic					
Continuing operations	19	(0.28)	0.49	(4.28)	(0.66)
Discontinued operations	19	(1.04)	(1.01)	(0.95)	(0.14)
Diluted					
Continuing operations	19	(0.28)	0.48	(4.28)	(0.66)
Discontinued operations	19	(1.04)	(1.01)	(0.95)	(0.14)
Basic net loss per share attributable to Class A, Class B and Class C ordinary shareholders	19	(1.32)	(0.52)	(5.23)	(0.80)
Diluted net loss per share attributable to Class A, Class B and Class C ordinary shareholders	19	(1.32)	(0.52)	(5.23)	(0.80)
Shares used in net (loss)/earnings per share computation:					
Class A ordinary shares:					
Basic	19	242,542,728	246,614,615	245,626,959	
Diluted	19	384,408,675	388,480,562	387,492,906	
Class B ordinary shares:					
Basic	19	94,075,249	94,075,249	94,075,249	
Diluted	19	94,075,249	94,075,249	94,075,249	
Class C ordinary shares:					
Basic	19	47,790,698	47,790,698	47,790,698	
Diluted	19	47,790,698	47,790,698	47,790,698	
Other comprehensive income/(loss), net of tax of nil					
Foreign currency translation adjustments		111,590	39,273	(11,519)	(1,765)
Comprehensive income/(loss) from continuing operations		4,344	211,975	(1,694,587)	(259,710)
Comprehensive loss from discontinued operations	4	(401,145)	(391,770)	(368,156)	(56,422)
Comprehensive loss from continuing operations attributable to non-controlling interests		(403)	(16,652)	(25,716)	(3,941)
Comprehensive loss attributable to BEST Inc.		**(396,398)**	**(163,143)**	**(2,037,027)**	**(312,191)**

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 and 2020
(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$")

	Notes	For the Years ended December 31, 2018 RMB	2019 RMB	2020 RMB	2020 US$
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss		(508,391)	(219,068)	(2,051,224)	(314,367)
Less: Loss from discontinued operations, net of tax		(401,145)	(391,770)	(368,156)	(56,422)
(Loss)/Income from continuing operations		(107,246)	172,702	(1,683,068)	(257,945)
Adjustments to reconcile net loss to net cash generated from/(used in) operating activities:					
Share of net loss of equity investees		456	355	180	28
Fair value change of equity investments without readily determinable fair values under the measurement alternative	11	(64,628)	(14,155)	(18,687)	(2,864)
Deferred income tax	17	(4,306)	2,187	(828)	(127)
Depreciation and amortization		441,314	476,101	515,002	78,928
Lease expense to reduce operating lease right-of -use assets		—	750,572	1,205,629	184,771
Share-based compensation	20	104,136	91,693	129,651	19,870
Accretion on secured bank borrowings and convertible senior notes held by third parties		—	15,942	47,084	7,216
Accretion on convertible senior notes held by related parties		—	1,818	7,876	1,207
Allowance for credit losses and inventory provision		59,715	115,179	171,046	26,214
Loss on disposal of property and equipment		12,345	7,851	74,587	11,432
Gain on disposal of long-term investments	11	—	(22)	(5,658)	(867)
Gain on disposal of a subsidiary	5	—	(4,040)	—	—
Foreign exchange loss		7,624	4,375	8,243	1,263
Changes in operating assets and liabilities:					
Accounts and notes receivable		(415,463)	(275,277)	52,904	8,108
Inventories		4,760	12,244	3,631	556
Prepayment and other current assets		(284,450)	(410,405)	(388,010)	(59,461)
Amounts due from related parties		50,593	(106,904)	(41,038)	(6,289)
Non-current deposits		68,138	(40,779)	(10,650)	(1,632)
Other non-current assets		(8,284)	(69,911)	16,584	2,542
Lease rental receivables-interest portion		—	(6,738)	(5,648)	(866)
Accounts and notes payable		606,518	639,654	918,502	140,767
Income tax payable		4,102	992	7,192	1,102
Customer advances and deposits and deferred revenue		286,507	266,100	40,491	6,206
Accrued expenses and other liabilities		281,855	148,702	332,360	50,934
Amounts due to related parties		(64,093)	(15,900)	(20,226)	(3,100)
Other non-current liabilities		761	(493)	(145,166)	(22,248)
Operating lease liabilities		—	(630,617)	(1,200,795)	(184,030)
Net cash generated from continuing operating activities		980,354	1,131,226	11,188	1,715
Net cash used in discontinued operating activities		(343,150)	(278,393)	(242,423)	(37,153)
Net cash generated from/(used in) operating activities		**637,204**	**852,833**	**(231,235)**	**(35,438)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(1,061,951)	(1,497,723)	(1,585,401)	(242,975)
Origination of lease rental and other financing receivables		(1,556,178)	(850,150)	(1,071,963)	(164,286)
Receipt of repayment on lease and other financing receivables— principal portion		309,403	697,380	876,230	134,288
Disposal of property and equipment and intangible assets		40,943	19,452	28,155	4,315
Cash paid for business acquisitions (net of cash acquired of RMB nil, RMB5,176 and RMB562 (US$86) for the years ended December 31, 2018, 2019 and 2020 respectively)	5	(26,218)	(29,661)	(12,628)	(1,934)
Acquisition of intangible assets		(1,235)	(4,711)	(2,089)	(320)
Disposal of long-term investments	11	—	450	26,896	4,122
Acquisition of long-term investments		(113,000)	(3,144)	—	—
Proceeds from disposal of a subsidiary		—	100	—	—
Proceeds from maturities of short-term investments		5,729,611	2,509,477	1,063,515	162,991
Purchase of short-term investments		(4,330,900)	(2,554,217)	(282,026)	(43,222)
Other investing activities, net		(189,698)	(205,727)	86,958	13,327
Net cash used in continuing investing activities		(1,199,223)	(1,918,474)	(872,353)	(133,694)
Net cash (used in)/generated from discontinued investing activities		(31,730)	5,992	(580)	(89)
Net cash used in investing activities		**(1,230,953)**	**(1,912,482)**	**(872,933)**	**(133,783)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from short-term bank loans		2,409,800	2,997,596	3,098,516	474,869
Proceeds from long-term bank loans		—	—	75,838	11,623
Repayment of short-term bank loans		(2,211,184)	(2,034,586)	(2,341,900)	(358,912)
Proceeds from convertible bond held by related parties, net of issuance costs	16	—	687,677	1,061,421	162,670
Proceeds from convertible bond held by third parties, net of issuance costs	16	—	687,677	—	—
Purchase of capped calls	16	—	(159,138)	—	—
Proceeds from issuance of asset-backed securities to external investors, net of issuance costs	15	—	262,316	198,074	30,356
Principal repayment of borrowings from external investors	15	—	(157,417)	(210,991)	(32,336)
Borrowings for machinery and electronic equipment	14	—	94,000	160,000	24,521
Principal repayment of borrowings for machinery and electronic equipment loans		—	(14,470)	(71,917)	(11,022)
Proceeds from other financing activities	10	—	1,054	2,023	310
Principal repayment of financing lease liabilities	10	(5,459)	(1,215)	(1,179)	(181)
Contributions from non-controlling interest shareholders		2,446	8,318	—	—
Payment of deferred initial public offering costs		(9,836)	—	—	—
Proceeds from the exercise of share options		3,482	5,400	2,151	330
Repurchase of ordinary shares	21	—	—	(211,352)	(32,391)
Net cash generated from continuing financing activities		189,249	2,377,212	1,760,684	269,837
Net cash generated from/(used in)discontinued financing activities		367,900	(365,400)	(212,500)	(32,567)
Net cash generated from financing activities		**557,149**	**2,011,812**	**1,548,184**	**237,270**
Exchange rate effect on cash, cash equivalents and restricted cash		53,179	5,644	(192,110)	(29,442)
Net increase in cash, cash equivalents and restricted cash		16,579	957,807	251,906	38,607
Cash, cash equivalents and restricted cash at the beginning of the year		2,982,829	2,999,408	3,957,215	606,470
Cash, cash equivalents and restricted cash at the end of the year		**2,999,408**	**3,957,215**	**4,209,121**	**645,077**
Reconciliation of cash, cash equivalents and restricted cash:					
Cash and cash equivalents		1,616,785	1,985,413	1,383,317	212,003
Restricted cash – current		1,278,326	1,786,832	2,102,426	322,211
Restricted cash – non-current		90,638	175,700	709,848	108,789
Cash and cash equivalents included in assets held for sale		13,659	9,270	13,530	2,074
Total cash, cash equivalents and restricted cash shown in the statement of cash flows		2,999,408	3,957,215	4,209,121	645,077
Supplemental disclosures of cash flow information:					
Income taxes paid		4,595	16,249	15,760	2,415
Interest expense paid		74,611	68,846	102,682	15,737
Supplemental disclosures of non-cash investing and financing activities:					
Purchase of property and equipment included in accrued expenses and other liabilities	14	252,265	128,457	322,663	49,450
Acquisition of property and equipment through financing leases		3,596	3,435	4,279	656
Purchase consideration for business acquisitions included in accrued expenses and other liabilities	14	12,335	11,095	1,749	268

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 and 2020
(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares)

	Ordinary Shares (Note 21)		Additional paid-in capital	Statutory Reserves	Accumulated other comprehensive income	Accumulated deficit	Non-controlling interests	Total shareholders' equity
	Number of shares	Amount						
		RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2017	374,514,399	24,786	19,240,912	—	12,333	(14,886,214)	678	4,392,495
Cumulative effect of accounting change	—	—	—	—	—	(25,054)	—	(25,054)
Net loss for the year	—	—	—	—	—	(507,988)	(403)	(508,391)
Other comprehensive income	—	—	—	—	111,590	—	—	111,590
Appropriation to statutory reserves	—	—	—	3,771	—	(3,771)	—	—
Share-based compensation	—	—	109,107	—	—	—	—	109,107
Contributions from non-controlling interest shareholders	—	—	—	—	—	—	2,446	2,446
Acquisition of non-controlling interests	—	—	(167)	—	—	—	(678)	(845)
Newly deposited and issued to Citibank, N.A. ("Citi") (Note 21)	18,000,000	—	—	—	—	—	—	—
Settlement of exercised share options and vested restricted shares with shares held by Citi (Note 21)	(12,903,413)	—	—	—	—	—	—	—
Exercise of share options and vesting of restricted shares (Note 21)	12,903,413	1,202	57,608	—	—	—	—	58,810
Balance as of December 31, 2018 in RMB	392,514,399	25,988	19,407,460	3,771	123,923	(15,423,027)	2,043	4,140,158

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 and 2020 (CONTINUED)
(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares)

	Ordinary Shares (Note 21)		Additional paid-in capital	Statutory Reserves	Accumulated other comprehensive income	Accumulated deficit	Non-controlling interests	Total shareholders' equity
	Number of shares	Amount						
		RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2018	392,514,399	25,988	19,407,460	3,771	123,923	(15,423,027)	2,043	4,140,158
Net loss for the year	—	—	—	—	—	(202,416)	(16,652)	(219,068)
Other comprehensive income	—	—	—	—	39,273	—	—	39,273
Appropriation to statutory reserves	—	—	—	4,094	—	(4,094)	—	—
Share-based compensation	—	—	98,504	—	—	—	—	98,504
Purchase of capped calls	—	—	(159,138)	—	—	—	—	(159,138)
Contributions from non-controlling interest shareholders	—	—	—	—	—	—	8,318	8,318
Acquisition of non-controlling interests	—	—	—	—	—	—	663	663
Settlement of exercised share options and vested restricted shares with shares held by Citi (Note 21)	(2,056,804)	—	—	—	—	—	—	—
Exercise of share options and vesting of restricted shares (Note 21)	2,056,804	—	6,574	—	—	—	—	6,574
Balance as of December 31, 2019 in RMB	392,514,399	25,988	19,353,400	7,865	163,196	(15,629,537)	(5,628)	3,915,284

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 and 2020 (CONTINUED)
(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares)

	Ordinary Shares (Note 21)								
	Number of shares	Amount	Treasury shares	Additional paid-in capital	Statutory Reserves	Accumulated other comprehensive income	Accumulated deficit	Non-controlling interests	Total shareholders' equity
		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2019	392,514,399	25,988	—	19,353,400	7,865	163,196	(15,629,537)	(5,628)	3,915,284
Cumulative effect of accounting change(Note 2)	—	—	—	—	—	—	(55,746)	(42)	(55,788)
Net loss for the year	—	—	—	—	—	—	(2,025,508)	(25,716)	(2,051,224)
Other comprehensive income	—	—	—	—	—	(11,519)	—	—	(11,519)
Appropriation to statutory reserves	—	—	—	—	173	—	(173)	—	—
Share-based compensation	—	—	—	138,201	—	—	—	—	138,201
Repurchase of ordinary shares (Note 21)	(6,395,050)	—	(211,352)	—	—	—	—	—	(211,352)
Contributions from non-controlling interest shareholders	—	—	—	(4,874)	—	—	—	5,071	197
Acquisition of non-controlling interests	—	—	—	—	—	—	—	300	300
Settlement of exercised share options and vested restricted shares with shares held by Citi (Note 21)	(2,869,291)	—	—	—	—	—	—	—	—
Exercise of share options and vesting of restricted shares (Note 21)	2,869,291	—	—	505	—	—	—	—	505
Balance as of December 31, 2020 in RMB	386,119,349	25,988	(211,352)	19,487,232	8,038	151,677	(17,710,964)	(26,015)	1,724,604
Balance as of December 31, 2020 in US$	—	3,983	(32,391)	2,986,549	1,232	23,246	(2,714,324)	(3,987)	264,308

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

The Company is a limited liability company incorporated in the Cayman Islands on March 3, 2008.

The Company does not conduct any substantive operations on its own but instead conducts its primary business operations through its subsidiaries, variable interest entities (the "VIEs") and VIEs' subsidiaries, which are mainly located in the People's Republic of China (the "PRC"). The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries, VIEs and VIEs' subsidiaries. The Company, its subsidiaries, VIEs and VIEs' subsidiaries are hereinafter collectively referred to as the "Group".

The Group is principally engaged in the business of providing express delivery services, freight delivery services, supply chain management services, Store+ services, global logistic services, Ucargo services and capital services. The Group's principal geographic market is in the PRC.

On September 20, 2017, the Company completed its initial public offering ("IPO") on the New York Stock Exchange (Note 21).

In November 2020, the Company approved a disposal plan to wind down its Dianjia.com services business by the end of December 31, 2020 and committed to a plan to sell its Wowo convenience stores ("Store+ disposal plan") in order to increase focus on the Company's core businesses. As a result, Store^{+} business related historical financial results are reflected in the Company's consolidated financial statements as discontinued operations accordingly. See additional disclosures regarding the discontinued operation in Note 4 to the consolidated financial statements.

BEST INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 (CONTINUED)
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Details of the Company's principal subsidiaries, VIEs and VIEs' subsidiaries as of December 31, 2020 are as follows:

Name of Company	Place of incorporation, registration and business	Date of incorporation/acquisition	Percentage of equity interest attributable to the Company	Principal activities
Subsidiaries:				
Eight Hundred Logistics Technologies Corporation ("BEST BVI")	British Virgin Islands ("BVI")	May 22, 2007	100 %	Investment holding
BEST Logistics Technologies Limited ("BEST HK")	Hong Kong ("HK")	May 29, 2007	100 %	Investment holding
BEST Capital Inc ("BEST Capital").	Cayman Islands	December 13, 2017	100 %	Investment holding
BEST Capital Holding Limited ("BEST Capital BVI")	BVI	December 13, 2017	100 %	Investment holding
BEST Store Network Limited ("Store Cayman")	Cayman Islands	July 24, 2017	100 %	Investment holding
BEST Store Network Holding Limited ("Store BVI")	BVI	November 13, 2018	100 %	Investment holding
BEST Store Network Management Limited ("Store HK")	HK	November 16, 2018	100 %	Investment holding
BEST Capital Management Limited ("BEST Capital HK")	HK	December 20, 2017	100 %	Investment holding
BEST Logistics Technologies (China) Co., Ltd. ("BEST China")	PRC	April 23, 2008	100 %	Freight delivery and Supply chain management services
BEST Store Network (Hangzhou) Co., Ltd. ("BEST Store")	PRC	May16, 2013	100 %	Store + services
Zhejiang BEST Technology Co., Ltd. ("BEST Technology")	PRC	July 26, 2007	100 %	Logistics technical services
Xinyuan Financial Leasing (Zhejiang) Co., Ltd. ("BEST Finance")	PRC	January 15, 2015	100 %	Financial services
BEST Logistics Technologies (Ningbo Free Trade Zone) Co., Ltd. ("BEST Ningbo")	PRC	May 22, 2015	100 %	Supply chain management services
VIEs				
Hangzhou BEST Network Technologies Co., Ltd. ("BEST Network")	PRC	August 22, 2007	Nil	Express delivery services
Hangzhou BEST Information Technology Services Co., Ltd. ("BEST Information Technology")	PRC	October 23, 2019	Nil	Ucargo transportation services
Hangzhou Baijia Commercial consulting Co., Ltd ("Hangzhou Baijia")	PRC	December 20, 2019	Nil	Convenience store operations
VIE's subsidiaries:				
Sichuan Wowo Supermarket Chain Co., Ltd. ("Wowo")	PRC	May 4, 2017	Nil	Convenience store operations
Shanxi Wowo Supermarket Chain Co., Ltd. ("Shanxi Wowo")	PRC	October 15, 2018	Nil	Convenience store operations
BEST UCargo Technologies (Hangzhou) Co., Ltd ("BEST Ucargo")	PRC	September 8, 2017	Nil	Ucargo transportation services

BEST INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 (CONTINUED)
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

To comply with PRC laws and regulations which prohibit foreign investors invest in any domestic mail delivery services, the Group operates its express delivery services in the PRC through its VIEs. Despite the lack of technical majority ownership, BEST Technology has effective control of BEST Network through a series of contractual arrangements (the "Contractual Agreements") and a parent-subsidiary relationship exists between BEST Technology and BEST Network. The equity interests of BEST Network are legally held by PRC individuals (the "nominee shareholders"). Through the Contractual Agreements, the nominee shareholders of BEST Network effectively assign all of their voting rights underlying their equity interests in BEST Network to BEST Technology. In addition, through the terms of the Contractual Agreements, BEST Technology demonstrates its ability and intention to continue to exercise the ability to absorb substantially all of the profits and all of the expected losses of BEST Network. As a result of the Contractual Agreements, the Company has the power to direct the activities of BEST Network that most significantly impact its economic performance and, is entitled to substantially all of the economic benefits from BEST Network through BEST Technology. Therefore, the Company consolidates BEST Network in accordance with SEC Regulation SX-3A-02 and Accounting Standards Codification ("ASC") 810-10, *Consolidation: Overall.*

The following is a summary of the Contractual Agreements.

Loan Agreements

BEST Technology has granted interest-free loans with an aggregate amount of RMB13,780 to the nominee shareholders of BEST Network for the purpose of providing funds necessary for the capital injection of BEST Network. The loans are only repayable by the nominee shareholders through a transfer of his or her equity interests in BEST Network to BEST Technology or its designated party unless the nominee shareholders are in breach of the agreement, in which BEST Technology can request immediate repayment of the loans. The loan agreements are effective until full repayment of the loans or BEST Technology agrees to waive the loan.

Exclusive Technical Support and Service Agreement

Pursuant to the Exclusive Technical Support and Service Agreement between BEST Technology and BEST Network, BEST Technology has the exclusive right to provide services to BEST Network related to BEST Network's business, including but not limited to the management, development and maintenance of software, databases and websites, training and recruitment of employees and other services required by BEST Network. In return, BEST Network agrees to pay a service fee that is based on a predetermined formula based on the financial performance of BEST Network. BEST Technology has the right to unilaterally adjust the service fee. The Exclusive Technical Support and Service Agreement is valid for 20 years and will be automatically renewed on an annual basis unless terminated by BEST Technology at its sole discretion, whereas under no circumstances may BEST Network terminate this agreement.

BEST INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 (CONTINUED)
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Exclusive Option Agreement

Under the Exclusive Option Agreement among BEST Technology, BEST Network and nominee shareholders of BEST Network, BEST Technology has (i) an exclusive option to purchase, when and to the extent permitted under PRC laws, all or part of the equity interests in BEST Network or all or part of the assets held by BEST Network and (ii) an exclusive right to cause the nominee shareholders to transfer their equity interest in BEST Network to BEST Technology or any designated third party. BEST Technology has the sole discretion to decide when to exercise the option, whether in part or full. The exercise price of the option to purchase all or part of the equity interests in BEST Network or assets held by BEST Network will be the minimum amount of consideration permitted under the then-applicable PRC laws. Any proceeds received by the nominee shareholders from the exercise of the option exceeding the loan amount, distribution of profits or dividends, shall be remitted to BEST Technology, to the extent permitted under PRC laws. The Exclusive Option Agreement will remain in effect until all the equity interests or the assets held by BEST Network are transferred to BEST Technology or its designated party. BEST Technology may terminate the Exclusive Option Agreement at their sole discretion, whereas under no circumstances may BEST Network or its nominee shareholders terminate this agreement.

To ensure that the cash flow requirements of BEST Network's daily operations are met and/or to set off any losses that may be incurred, the Company is obliged, only to the extent permissible under PRC laws, to provide financial support to BEST Network, whether or not BEST Network actually incurs any such operational loss. The Company will not request repayment if BEST Network or its nominee shareholders are unable to do so. Without the Company's prior consent, BEST Network and its nominee shareholders shall not enter into any material agreements outside of the ordinary course of business. The Company, at its sole discretion, has the right to decide whether the option and other rights granted under the agreement will be exercised by the Company, BEST Technology or its designated party.

Proxy Agreement

Pursuant to the Proxy Agreement between BEST Technology, BEST Network and its nominee shareholders, each of BEST Network's shareholders agreed to entrust all the rights to exercise their voting power to the person designated by BEST Technology. The nominee shareholders irrevocably authorize the person designated by BEST Technology as its attorney-in-fact ("AIF") to exercise on such nominee shareholder's behalf any and all rights that such shareholder has in respect of its equity interests in BEST Network. BEST Technology has the right to replace the authorized AIF at any time upon written notice but not consent from the other parties. The appointment of any individuals to exercise the powers and rights assigned pursuant to the Proxy Agreement requires the approval of the Company. All the activities in relation to such powers and rights assigned are directed and approved by the Company. The Proxy Agreement is valid as long as the nominee shareholders remain shareholders of BEST Network. The nominee shareholders may not terminate the Proxy Agreement or revoke the appointment of the AIF without BEST Technology's prior written consent.

BEST INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 (CONTINUED)
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Proxy Agreement (continued)

Under the Equity Pledge Agreement among BEST Technology, BEST Network and its nominee shareholders; the nominee shareholders of BEST Network have pledged all of their equity interests in BEST Network in favor of BEST Technology to secure the performance by BEST Network and its nominee shareholders under the various contractual agreements, including the Exclusive Technical Support and Service Agreement, Loan Agreements and Exclusive Option Agreement described above. The nominee shareholders further undertake that they will remit any distributions as a result in connection with such shareholder's equity interests in BEST Network to BEST Technology, to the extent permitted by PRC laws. If BEST Network or any of their respective nominee shareholders breach any of their respective contractual obligations under the above agreements, BEST Technology, as pledgee, will be entitled to certain rights, including the right to sell, transfer or dispose the pledged equity interest. The nominee shareholders of BEST Network agree not to create any encumbrance on or otherwise transfer or dispose of their respective equity interest in BEST Network, without the prior consent of BEST Technology. The Equity Pledge Agreement will be valid until BEST Network and their respective shareholders fulfill all contractual obligations under the above agreements.

Through the design of the Contractual Agreements, the nominee shareholders of BEST Network effectively assigned their full voting rights to the Company, which gives the Company the power to direct the activities that most significantly impact BEST Network's economic performance. In addition, BEST Technology is entitled to substantially all of the economic benefits from BEST Network. The Company and BEST Technology, as a group of related parties, hold all of the variable interests of BEST Network. The Company has been determined to be most closely associated with BEST Network within the group of related parties. As a result of these Contractual Agreements, the Company is determined to be the primary beneficiary of BEST Network.

To comply with changes to PRC laws and regulations that became effective in 2020 which prohibit foreign ownership of more than 50% of the equity interests in companies that engage in value-added telecommunication services, the Group effected a restructuring of its UCargo transportation services business. In October 2019, BEST China, the nominee shareholders of BEST Information Technology and the Company signed a series of Contractual Arrangements, through which, the Company obtained the power to direct the activities of BEST Information Technology that most significantly impact its economic performance and, is entitled to substantially all of the economic benefits from and is also obligated to absorb the expected losses of BEST Information Technology through BEST China. The Contractual Agreements executed by BEST China, the nominee shareholders of BEST Information Technology and the Company have similar terms as those described above between BEST Technology, BEST Network and its nominee shareholders. As a result, the Company is the primary beneficiary of BEST Information Technology and consolidates the entity in accordance with ASC810-10. At the same time, BEST China transferred its equity interests in BEST Ucargo and its subsidiaries to BEST Information Technology. As the restructuring transaction to transfer the assets and liabilities relating to the UCargo transportation services business described above are between entities under common control and do not change the control at the ultimate parent level, the transaction was accounted for as a common control transaction based on the carrying amount of the net assets transferred.

BEST INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 (CONTINUED)
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Proxy Agreement (continued)

To comply with changes to PRC laws and regulations which prohibit foreign ownership of the equity interests in companies that engage in tobacco business, the Group effected a restructuring of its convenience store business. In April 2020, BEST Store, the nominee shareholders of Hangzhou Baijia and the Company signed a series of contractual arrangements ("Contractual Arrangements"), through which, the Company obtained the power to direct the activities of Hangzhou Baijia that most significantly impact its economic performance and, is entitled to substantially all of the economic benefits from and is also obligated to absorb the expected losses of Hangzhou Baijia through Best Store. The Contractual Agreements executed by Best Store, the nominee shareholders of Hangzhou Baijia and the Company have similar terms as those described above between BEST Technology, BEST Network and its nominee shareholders. As a result, the Company is the primary beneficiary of Hangzhou Baijia and consolidates the entity in accordance with ASC810-10. At the same time, Best Network transferred its equity interests in Wowo and Shanxi Wowo to Hangzhou Baijia. Best Store, together with Wowo and Shanxi Wowo, which constituted the former Store+ reporting unit, now reflected as discontinue operations (Note 4). As the restructuring transaction are between entities under common control and do not change the control at the ultimate parent level, the transaction was accounted for as a common control transaction based on the carrying amount of the net assets transferred.

In the opinion of the Company's PRC legal counsel, (i) the ownership structure relating to the VIEs complies with current PRC laws and regulations; and (ii) the Company, BEST Technology, BEST China and Best Store's contractual arrangements with the respective VIEs and VIEs' nominee shareholders are valid, binding and enforceable on all parties to these arrangements and do not violate current PRC laws or regulations.

BEST INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 (CONTINUED)
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Proxy Agreement (continued)

The carrying amounts of the assets, liabilities and the results of operations of the VIEs and VIEs' subsidiaries included in the Company's consolidated balance sheets and statements of comprehensive loss are as follows:

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
ASSETS			
Current assets:			
Cash and cash equivalents	610,189	265,500	40,689
Restricted cash	412,134	104,103	15,954
Accounts and notes receivables, net	224,705	213,851	32,774
Inventories	24,004	15,868	2,432
Prepayments and other current assets	1,415,859	1,924,356	294,921
Short-term investments	150,692	40,276	6,173
Amounts due from related parties	195,811	189,093	28,980
Assets held for sale	64,195	509,419	78,072
Total current assets	**3,097,589**	**3,262,466**	**499,995**
Non-current assets:			
Property and equipment, net	2,258,215	3,334,139	510,978
Intangible assets, net	2,838	3,314	508
Goodwill	229,096	229,096	35,110
Non-current deposits	37,191	35,149	5,387
Other non-current assets	269	169	26
Operating lease right-of-use assets	2,051,547	2,003,301	307,019
Restricted cash	38,096	376,535	57,707
Assets held for sale	496,173	—	—
Total non-current assets	**5,113,425**	**5,981,703**	**916,735**
Total assets	**8,211,014**	**9,244,169**	**1,416,730**
LIABILITIES			
Current liabilities:			
Short-term bank loans	819,000	954,250	146,245
Accounts and notes payable	2,071,644	2,696,142	413,203
Accrued expenses and other liabilities	1,183,998	1,255,516	192,417
Customer advances and deposits and deferred revenue	1,277,064	1,254,966	192,333
Operating lease liabilities	434,067	508,829	77,981
Amounts due to related parties	2,631,540	3,773,795	578,359
Income tax payable	—	4	—
Liabilities held for sale	74,242	193,432	29,645
Total current liabilities	**8,491,555**	**10,636,934**	**1,630,183**
Long-term bank loan	—	961	147
Operating lease liabilities	1,716,027	1,610,698	246,850
Deferred tax liabilities	102	102	16
Other non-current liabilities	133,037	174,441	26,733
Liabilities held for sale	118,704	—	—
Total non-current liabilities	**1,967,870**	**1,786,202**	**273,746**
Total liabilities	**10,459,425**	**12,423,136**	**1,903,929**

The revenue-producing assets that are held by the VIEs comprise mainly of machinery and electronic equipment, express delivery software and consumer goods to be sold in convenience store operations. The VIEs contributed an aggregate of 71%, 69% and 73% of the Group's consolidated revenue for the years ended December 31, 2018, 2019 and 2020, respectively, after elimination of inter-company transactions.

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Proxy Agreement (continued)

As of December 31, 2019 and 2020, RMB450,230 and RMB480,638 (US$73,661) of the VIEs' restricted cash was pledged for notes payable, short-term loans and long-term loans, respectively, RMB61,488 and RMB69,675 (US$10,678) of the VIEs' property and equipment was pledged for borrowings from third parties, respectively.

Other than the amounts due to related parties (which are eliminated upon consolidation) all remaining liabilities of the VIEs are without recourse to the primary beneficiary. The Company did not provide or intend to provide financial or other supports not previously contractually required to the VIEs during the years presented.

	For the years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
Revenue from continuing operations	17,870,056	22,332,789	21,846,838	3,348,174
Revenue from discontinued operations	592,378	715,106	636,600	97,563
Total revenue	18,462,434	23,047,895	22,483,438	3,445,737
Net income/(loss) from continuing operations	142,063	97,916	(869,592)	(133,271)
Net loss from discontinued operations	(25,174)	(51,212)	(66,250)	(10,153)
Net cash generated from/(used in) continuing operating activities	801,640	1,006,301	(65,529)	(10,043)
Net cash generated from/(used in) discontinued operating activities	26,743	(3,770)	381	58
Net cash used in continuing investing activities	(804,205)	(1,289,195)	(1,166,284)	(178,741)
Net cash used in discontinued investing activities	(16,285)	(4,758)	(735)	(113)
Net cash generated from continuing financing activities	165,376	1,030,277	917,146	140,559
Net cash generated from discontinued financing activities	—	—	5,000	766

In June 2019 and September 2020, BEST Finance transferred certain lease rental and other financing receivables to a securitization vehicle through Xinyuan Leasing Asset Backed Special Plan I and Plan II (collectively the "Plans"), respectively. The Group acts as the servicer of the Plans by providing payment collection services for the underlying lease rental receivables and holds significant variable interests in the Plans through holding the subordinated tranche of asset-backed debt securities and the guarantee provided, from which the Group has the obligation to absorb losses of the Plan that could potentially be significant to the Plans.

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Proxy Agreement (continued)

Accordingly, the Group is considered the primary beneficiary of the Plans and has consolidated the Plans' assets, liabilities, results of operations, and cash flows in the accompanying consolidated financial statements.

	As at December 31,	As at December 31,	
	2019	2020	2020
	RMB	RMB	US$
Amounts due from related parties	157,345	301,914	46,271
Total current assets	157,345	301,914	46,271
Restricted cash	40,000	90,000	13,793
Amounts due from related parties	140,000	230,000	35,249
Total non-current assets	180,000	320,000	49,042
Total assets	337,345	621,914	95,313
Securitization debt	107,820	96,829	14,840
Amounts due to related parties	49,525	205,085	31,431
Total current liabilities	157,345	301,914	46,271
Amounts due to related parties	180,000	320,000	49,042
Total non-current liabilities	180,000	320,000	49,042
Total liabilities	337,345	621,914	95,313

	As at December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
Net cash used in operating activities	—	(297,345)	(234,569)	(35,949)
Net cash generated from financing activities	—	337,345	284,569	43,612

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP").

Principles of Consolidation

The consolidated financial statements of the Group include the financial statements of the Company, its subsidiaries, the VIEs and VIEs' subsidiaries for which the Company is the primary beneficiary. All significant intercompany balances and transactions between the Company, its subsidiaries and VIEs have been eliminated on consolidation.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity and Going Concern

As reflected in the Group's financial statements, for the year ended December 31, 2020, the Group has incurred net losses from continuing operations of RMB1,638,068 (US$257,945) and generated positive cash flows from continuing operating activities of RMB11,188 (US$1,715), which was much lower than the positive cash flows generated from continuing operating activities for the year ended December 31, 2019, due the negative impact of COVID-19 in the first quarter of 2020 and intense market competition in the express and freight delivery services market in China which has resulted in significant downward pressure on the prices the Group can charge for its express and freight delivery services. As of December 31, 2020, the Group had a total cash position of RMB3,754,390 (US$575,386) which included cash and cash equivalents, current restricted cash and short-term investments, a working capital deficiency of RMB3,266,538 (US$500,621) and an accumulated deficit of RMB17,710,964 (US$2,714,324) which included accumulated losses from operations of RMB8,217,157 (US$1,259,334) and accumulated accretion to redemption value and deemed dividend in relation to redeemable convertible preferred shares issued and outstanding prior to the Group's initial public offering of RMB9,493,807 (US$1,454,990).

These adverse conditions indicate there is substantial doubt about the Group's ability to continue as a going concern. Management has developed the following plans to improve these conditions: (i) implement various measures in its strategic refocusing plan which includes execution of the wind-down plan for the Store+ segment from late 2020 and suspension of the provision of certain fleet and equipment lease services under BEST Capital for the foreseeable future; (ii) realign its businesses to adapt to the evolving competitive market conditions and execute additional measures to manage and reduce its costs and expenditures to better improve operating cash flows; and (iii) seek other strategic alternatives in certain business segments or raise additional financing in the near term. There is uncertainty surrounding the Group's ability to successfully execute its strategic refocusing plan and generate sufficient operating cashflows in the current environment due to the unpredictability of the continued impact of the COVID-19 outbreak to the PRC and global economy and the duration of the current price war in the express delivery services segment. Further, as described in Note 28, subsequent to December 31, 2020, the Group secured borrowings of RMB465,661 (US$71,366) through the securitization of certain financing receivables pertaining to its BEST Capital business and about RMB578,136 (US$88,603) of short-term bank loans maturing in one year, which allows the Group to reinforce its refocusing plan and enhance liquidity. Although the Group has achieved encouraging initial results from the execution of its strategic refocusing plan and reduced its costs and expenditures in the first quarter of 2021 for certain business segments, if the Group is unsuccessful in its efforts or is unable to seek other strategic alternatives or raise additional financing in the near term, the Group may be required to significantly reduce or scale back its operations. The accompanying consolidated financial statements have been prepared assuming the Company will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classifications of liabilities that may be necessary should the Group be unable to continue as a going concern.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in the Group's financial statements include, but are not limited to, allowance for credit losses, the estimated fair value less costs to sell for assets and liabilities of a business or asset group held for sale, cashflow projections used by the Group in its going concern assessment, fair value measurements of equity instruments without readily determinable fair values, incremental borrowing rates for operating lease liabilities, standalone selling prices related to lease and non-lease components in the Company's lease arrangements, useful lives of long-lived assets, the purchase price allocation with respect to business combinations, impairment of long-lived assets and goodwill, realization of deferred tax assets, uncertain tax positions and share-based compensation. Management bases the estimates on historical experience and various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could materially differ from those estimates.

Assets held for sale

A long-lived asset (or disposal group) to be disposed of by sale (including an asset group considered a component of an entity) is considered held for sale when all of the following criteria for a qualifying plan of sale are met:

- Management, having the authority to approve the action, commits to a plan to sell the asset or disposal group;
- The asset or disposal group is available for immediate sale (i.e., a seller currently has the intent and ability to transfer the asset (group) to a buyer) in its present condition, subject only to conditions that are usual and customary for sales of such assets or disposal groups;
- An active program to locate a buyer and other actions required to complete the plan to sell have been initiated;

- The sale of the asset or disposal group is probable (i.e., likely to occur) and the transfer is expected to qualify for recognition as a completed sale within one year;
- The long-lived asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- Actions necessary to complete the plan indicate that it is unlikely significant changes to the plan will be made or that the plan will be withdrawn.

The Group initially measures the assets and liabilities of a business or asset group that are held for sale at the lower of their carrying amount or fair value less costs to sell. A loss is recognized for any initial adjustment of the disposal group's carrying amount to its fair value less costs to sell in the period the held for sale criteria are met. Long-lived assets are not depreciated/amortized while they are classified as held for sale. The Group continues to accrue interest and other expenses attributable to the liabilities of a disposal group classified as held for sale.

The fair value less costs to sell of the asset or disposal group is assessed each reporting period it remains classified as held for sale and subsequent changes in fair value less costs to sell (increases or decreases) are reported as an adjustment to it carrying amount, except that the adjusted carrying amount should not exceed the carrying amount of the asset or disposal group at the time it was initially classified as held for sale.

The Group presents assets and liabilities as held for sale in the period that a disposal group meets the held for sale criteria and for all prior periods presented.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discontinued operations

The Group classifies the results of a component (or group of components) to be disposed ("disposal group") as a discontinued operation when the disposal group meets the held for sale criteria, is disposed of by sale or is disposed of other than by sale (e.g. abandonment) and when the disposal group represents a strategic shift that has, or will have, a major effect on the Group's operations and its financial results.

The Group reports the operating results and cash flows related to the disposal group as discontinued operations for all periods presented in the consolidated statements of comprehensive loss and consolidated statements of cash flows, respectively.

Convenience translation

Amounts in U.S. dollars are presented for the convenience of the reader and are translated at the noon buying rate of RMB6.5250 per US$1.00 on December 31, 2020 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

Foreign currency

The functional currency of the Company's subsidiaries located outside the PRC is determined based on the criteria of ASC Topic 830, *Foreign Currency Matters*. The Company's subsidiaries, VIEs and VIEs' subsidies located in the PRC determined their functional currency to be Renminbi (the "RMB"). The Company uses the RMB as its reporting currency.

Each entity in the Group maintains its financial records in its own functional currency. Transactions denominated in foreign currencies are measured at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are remeasured at the exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in foreign currency are remeasured using the exchange rates at the dates of the initial transactions. Exchange gains and losses are included in the consolidated statements of comprehensive loss.

The Company uses the average exchange rate for the year and the exchange rate at the balance sheet date to translate the operating results and financial position, respectively. Translation differences are recorded in accumulated other comprehensive income, a component of shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits or other highly liquid investments placed with banks or other financial institutions which are unrestricted as to withdrawal and use and have original maturities of less than three months.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted cash

The Group's restricted cash mainly represents (a) deposits held in designated bank accounts for issuance of notes payable, short-term loans and long-term loans; (b) security deposits required by the Group's operating leases for sortation centers and warehouses; and (c) deposits held in a designated bank account of the Plans which can only be utilized for repayment of Plans when there is default of the underlying lease rental and other financing receivables (Note 15). As of December 31, 2019 and December 31,2020, the restricted cash related to the deposits held in designated bank accounts as pledged security of notes payable was RMB135,663 and RMB847,326 (US$129,858), respectively. The restricted cash related to deposits held in designated bank accounts as pledged security of short-term loans and long-term loans are disclosed in Note 13.

Short-term investments

The Group's short-term investments comprise primarily of cash deposits at fixed or floating rates based on daily bank deposit rates with maturities ranging from three months to one year.

Adoption of ASU 2016-13

On January 1,2020, the Group adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), using the modified retrospective transition method. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. Upon adoption, the Group changed the impairment model to utilize a forward-looking current expected credit losses (CECL) model in place of the incurred loss methodology for financial instruments measured at amortized cost. The adoption of the guidance resulted in a cumulative-effect adjustment to decrease the opening balance of retained earnings on January 1, 2020 by RMB55,788 (US$8,550), including the allowance for credit losses for accounts receivables, lease rental receivables, prepayment and other current assets, and contract assets .

Accounts receivable and notes receivable, and allowance for credit losses

Prior to the Company's adoption of ASU 2016-13, accounts and notes receivable are carried at net realizable value. An allowance for credit losses is recorded when collection of the full amount is no longer probable. In evaluating the collectability of receivable balances, the Group considers specific evidence including the aging of the receivable, the customer's payment history, its current credit-worthiness and current economic trends. Accounts receivable are recognized and carried at the original invoiced amount less an allowance for credit losses.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable and notes receivable, and allowance for credit losses (continued)

After the adoption of ASU 2016-13, The Company maintains an allowance for credit losses and records the allowance for credit losses as an offset to accounts receivable and contract assets and the estimated credit losses charged to the allowance is classified as "General and administrative expenses" in the consolidated statements of comprehensive loss.The Company assesses collectability by reviewing accounts receivable and contract assets on a collective basis where similar characteristics exist, primarily based on similar business line, service or product offerings and on an individual basis when the Company identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Company considers historical collectability based on past due status, the age of the accounts receivable balances and contract assets balances, credit quality of the Company's customers based on ongoing credit evaluations, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect the Company's ability to collect from customers. Accounts and notes receivable are written off after all collection efforts have ceased.

Property and equipment, net

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Category	Estimated Useful Life
Machinery and electronic equipment	3 - 10 years
Motor vehicles	3 years
Leasehold improvements	Lesser of useful life or lease term

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterments that extend the useful lives of property and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of comprehensive loss.

Direct costs that are related to the construction of property and equipment, and incurred in connection with bringing the assets to their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property and equipment, and the depreciation of these assets commences when the assets are ready for their intended use.

Change in estimated useful lives of certain machinery and electronic equipment

In accordance with its policy, the Group reviews the estimated useful lives of its property and equipment on an ongoing basis. This review indicated that the actual lives of certain machinery and electronic equipment at its hubs and sortation centers were longer than the estimated useful lives used for depreciation purposes. As a result, effective July 1, 2019, the Group changed the estimated useful lives of these machinery and equipment from five years to ten years to better reflect the periods for which these assets are expected to remain in service.

The effect of this change in estimate reduced depreciation expense, net loss, basic loss per share and diluted loss per share by RMB94,984, RMB94,984, RMB0.24 and RMB0.24, respectively in 2019.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Combinations

The Group accounts for its business combinations using the purchase method of accounting in accordance with ASC 805, *Business Combinations* ("ASC 805"). The purchase method of accounting requires that the consideration transferred to be allocated to the assets, including separately identifiable assets and liabilities the Group acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total cost of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and non-controlling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines the discount rates to be used based on the risk inherent in the related entity's current business model and industry comparisons.

Goodwill

The Group assesses goodwill for impairment in accordance with ASC 350 20, *Intangibles—Goodwill and Other: Goodwill* ("ASC 350-20"), which requires that goodwill be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events.

The Group has determined it has six reporting units (that also represent operating segments) in 2020, which excludes the former Store+ reporting unit which is reported as discontinue operations in the consolidated statements of comprehensive loss and the corresponding goodwill allocated to the Store+ reporting unit is classified as assets held for sale on the consolidated balance sheets (Note 4). Goodwill was allocated to four reporting units, including the Store+ reporting unit as of December 31, 2019 while the goodwill is allocated to three reporting units as of December 31, 2020, respectively (Note 12). The Company has the option to assess qualitative factors first to determine whether it is necessary to perform the quantitative test in accordance with ASC 350-20. In the qualitative assessment, the Company considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. If the Company believes, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the quantitative impairment test described above is required. Otherwise, no further testing is required.

The Group adopted ASU 2017-04, *Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test from January 1, 2020. The adoption of this standard does not have impact on the Group's consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

Prior to the adoption of ASU 2017-04, the Group performs two-step quantitative impairment test. In performing the two-step quantitative impairment test, the first step compares the carrying amount of the reporting unit to the fair value of the reporting unit based on estimated fair value using a combination of the income approach and the market approach. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, goodwill is not impaired and the Group is not required to perform further testing. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then the Group must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. The fair value of the reporting unit is allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. If the carrying amount of the goodwill is greater than its implied fair value, the excess is recognized as an impairment loss in general and administrative expenses. Subsequent to the adoption of ASU 2017-04, the quantitative impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess.

Intangible assets

Intangible assets with finite lives are carried at cost less accumulated amortization. All intangible assets with finite lives are amortized using the straight-line method over the estimated useful lives.

Intangible assets have weighted average estimated useful lives from the date of purchase as follows:

Category	Estimated Useful Life
Customer relationships	3.89 years
Software	3.50 years
Domain name	10 years
Brand name	20 years
Others	2.23 years

Impairment of long-lived assets held for use other than goodwill

The Group evaluates its long-lived assets, including fixed assets and intangible assets with finite lives, for impairment whenever events or changes in circumstances, such as a significant adverse change to market conditions that will impact the future use of the assets, indicate that the carrying amount of an asset may not be fully recoverable. When these events occur, the Group evaluates the recoverability of long-lived assets by comparing the carrying amount of the assets to the future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group recognizes an impairment loss based on the excess of the carrying amount of the assets over their fair value. Impairment losses if any, are included in general and administrative expense.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements of financial instruments

The Company applies ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided for fair value measurements.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach; and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Financial instruments include cash and cash equivalents, restricted cash, accounts and notes receivables, certain other current assets, short-term investments, due from related parties, long-term investments, certain other non-current assets, accounts and notes payable, short-term bank loans, long-term bank loans, securitization debt, convertible senior notes and amounts due to related parties, certain other current liabilities and certain other non-current liabilities. The carrying values of the financial instruments included in current assets and liabilities approximate their fair values due to their short-term maturities. The carrying amount of other non-current financial assets, long-term bank loans, convertible senior notes and other non-current financial liabilities approximates its fair value due to the fact that the related interest rates approximate market rates for similar debt instruments of comparable maturities.

The Group adopted ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* on January 1, 2020 and the adoption of this standard did not have any material impact on the Group's consolidated financial statements.

Inventories

Inventories are comprised of finished goods. The Group's finished goods consists of low value consumables used in performing express delivery services, freight delivery services and supply chain management services such as handheld terminals, packing materials and uniforms emblazoned with the logo "BEST" ("accessories"). Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost of accessories are accounted for using the weighted average cost method. Adjustments are recorded to write down the cost of inventory to the estimated market value due to the slow-moving merchandise and damaged goods. Write-downs are recorded in cost of revenue in the consolidated statements of comprehensive loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognized when control of promised goods or services is transferred to the Group's customers in an amount of consideration to which an entity expects to be entitled to in exchange for those goods or services. The Group presents value-added taxes as a reduction from revenues. The Group does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Group recognizes revenue at the amount to which it has the right to invoice for services performed.

The Group's revenue recognition policies are as follows:

Express delivery services

The Group provides express services that comprise of sorting, line-haul and feeder transportation services to its franchisee service stations, which are also the Group's customers, when parcels (under 15 kg) are dropped off by the Group's franchisee service station customers at the Group's first hub or sortation center.

The Group offers an integrated service to the franchised service stations that includes last-mile delivery service to end recipients and acts as the principal that is directly responsible for all parcels sent through its network, from the point when customers drop off the parcels at the Group's first hub or sortation center all the way through to the point when the parcels are delivered to end recipients.

Customers are required to prepay for express delivery services and the Group records such amounts as "customer advances and deposits and deferred revenue" in the consolidated balance sheets. The transaction price the Group earns from its customers are based on the parcel's weight and route to the end recipient's destination. In addition, the Group provides certain discounts, incentives and rebates based on explicitly agreed upon terms with its customers that can decrease the transaction price and estimates variable consideration based on the most likely amount to be provided. The amount of variable consideration included in the transaction price is limited to the amount that will not result in a significant revenue reversal. The Group reviews the estimate of variable consideration and updates the transaction price at the end of each reporting period as necessary. Uncertainties related to the estimates of variable consideration are resolved in a short time frame. Adjustments to variable consideration are recognized in the period the adjustments are identified and were insignificant for the periods presented.

The Group's express delivery services contracts with customers include only one performance obligation. Performance obligations are generally short-term in nature and with transit days being a week or less for each parcel. The Group recognizes revenue over time as customers receive the benefit of the Group's services as the goods are delivered from one location to another. As such, express delivery services revenue is recognized proportionally as a parcel moves from origin to destination and the related costs are recognized as incurred. The Group uses an output method of progress based on time-in-transit as it best depicts the transfer of control to the customer.

A minor percentage of the Group's express delivery services are performed by the group through its integrated express delivery service network for direct customers ("direct customer express delivery services"), who are the senders of the parcels. The Group is directly responsible for the parcel from the point it is received from the senders all the way through the point when the parcels are delivered to end recipients. Direct customer express delivery services revenue is recognized proportionally as parcels are transported to end recipients and the related costs are recognized as incurred.

Express delivery services revenue also includes initial non-refundable franchise fees. The initial non-refundable franchise fees are recognized over the franchise period due to the franchisees' rights to access the Group's logos and brand names which are considered symbolic intellectual properties. The initial non-refundable franchise fees are negotiated under a separate agreement and represent a very small percentage of revenue for all periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Freight delivery services

Similar to express delivery services, the Group provides freight services that comprise of sorting, line-haul and feeder transportation services mainly to its franchisees, which are also the Group's customers. The Group offers an integrated service to franchisee service stations that includes last-mile delivery service to end recipients and acts as the principal that is directly responsible for all shipments sent through its network, from the point when customers drop off the shipments at the Group's first hub or sortation center all the way through to the point when the shipments are delivered to end recipients.

Customers are required to prepay for freight delivery services and the Group records such amounts as "Customer advances and deposits and deferred revenue" in the consolidated balance sheets. The transaction price the Group earns from its customers are based on the shipment's weight and route to the end recipient's destination.

The Group's freight delivery services contracts with customers include only one performance obligation. Performance obligations are generally short-term in nature with transit days being a week or less for each shipment. The Group recognizes revenue over time as customers receive the benefit of the Group's services as the goods are shipped from one location to another. As such, freight delivery services revenue is recognized proportionally as a shipment moves from origin to destination and the related costs are recognized as incurred. The Group uses an output method of progress based on time-in-transit as it best depicts the transfer of control to the customer.

Freight delivery services revenue also includes initial non-refundable franchise fees. The initial non-refundable franchise fees are recognized over the franchise period due to the franchisees' rights to access the Group's logos and brand names which are considered symbolic intellectual properties. The initial non-refundable franchise fees are negotiated under a separate agreement and represent a very small percentage of revenue for all periods presented.

Supply chain management services

The Group provide warehouse management, order fulfillment services and transportation services to its offline and online enterprise customers ("enterprise customers"). The Group enters into supply chain warehouse management service agreements with these customers to provide warehouse management and order fulfillment services through its self-operated order fulfillment centers and also enters into transportation services agreements to provide transportation services. The majority of these contracts having an effective term of one year. Order fulfillment services revenue is generated from various service fees charged on a volume basis in connection with various order fulfillment services, which may include in-warehouse processing, order fulfillment, express delivery, freight delivery and other value-added services. Pursuant to the warehouse management service agreements and transportation services agreements, enterprise customers have the right to terminate the contracts by providing a one-month advance notice. Therefore, even though the contract term for the majority of the contracts is one year, due to the termination rights provided to enterprise customers, warehouse management service agreements and transportation services agreements are considered month-to-month service contracts. Enterprise customers are billed on a monthly basis and make payments according to their granted credit terms which ranges from 5 to 120 days.

Under some situations, enterprise customers may request to add a transportation route or increase the warehouse rental space by entering into a separate contract with the Group. The additional services are considered distinct and the service fees are priced at their standalone selling prices, i.e. they cannot be purchased at a significant or incremental discount. Therefore, the Group accounts for this type of contract modification as a separate contract and the revenue recognized to date on the original contract is not adjusted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Supply chain management services (continued)

The warehouse management service agreements comprise various service offerings that can be purchased at the option of the customer. Although the service options are interrelated, none of the services modify the other services and they are not integrated to provide a combined output. Each of the service options is substantive and the enterprise customers cannot purchase each additional service at a significant and incremental discount. Therefore, each service is accounted for as a separate performance obligation. The Group is the primary obligor and does not outsource any portion of the order fulfillment services to supply chain franchisee partners. The Group recognizes warehouse management and order fulfillment services revenue upon completion of the services as that is when the Group transfers control of the services and has right to payment.

For transportation services, the Group provides the service of arranging transportation and coordinating shipments to and from locations designated by its enterprise customers. Each transportation order for delivery of goods from origin to destination is considered a performance obligation. Performance obligations are generally short-term in nature with transit days being a week or less for each shipment. The Group recognizes transportation services revenue over time as customers receive the benefit of the services as the goods are shipped from origin to destination. As such, transportation services revenue is recognized proportionally as a shipment moves from origin to destination and the related costs are recognized as incurred. The Group use an output method of progress based on time-in-transit as it best depicts the transfer of control to the customer.

A small percentage of revenue is also earned from supply chain franchisee partners that can access the Group's supply chain network. These franchisee partners pay an initial non-refundable fee for a comprehensive operating manual and orientation training, as well as an agreed system usage fee for each order processed through the Group's supply chain network. The initial non-refundable fees and system usage fees were insignificant for all periods presented.

Store+ services (now reflected as discontinued operations)

The Group recognizes revenue upon the delivery of the consumer goods to its convenience store membership customers. For the Group's self-operated convenience stores, revenue recognized upon the sales of merchandise to end consumers. The Group is the principal to the transaction for the sales of customer goods and merchandise and revenue from these transactions are recognized on a gross basis. Transfer of control occurs at a point in time once delivery has been completed as the Group has transferred control of the promised goods to the customer. Generally, customers are billed upon delivery of the consumer goods while convenience store customers make payment upon checkout of merchandise.

Global logistics services

The Group provides international logistic services in multiple countries and regions across North America, Europe and Asia, such as cross-border logistic coordination services and express delivery services. Revenue is recognized proportionally as a shipment moves from origin to destination using an output method of progress based on time-in-transit while the related costs are recognized as incurred.

Capital services

The Group serves as a financing platform to provide tailored financing solutions to BEST's ecosystem participants, such as fleet and equipment financing lease service and factoring services. Revenue generated from provision of capital services primarily consists of Interest income on lease rental and other financing receivables, which is recognized as revenue using the effective interest rate method.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Ucargo services

The Group services as a truckload capacity brokerage platform to provide truckload capacity sourcing solutions via real-time bidding to transportation service providers and customers. The Group is the principal to the transaction for these services and revenue from these transactions is recognized on a gross basis. Revenue is recognized proportionally as a shipment moves from origin to destination using an output method of progress based on time-in-transit while the related costs are recognized as incurred.

Contract assets and liabilities

The Group enters into contracts with its customers, which may give rise to contract liabilities (deferred revenue) and contract assets (unbilled revenue). The payment terms and conditions within the Group's contracts vary by the type of service and customers. When the timing of revenue recognition differs from the timing of payments made by customers, the Group recognizes either unbilled revenue (its performance precedes the billing date) or deferred revenue (customer payment is received in advance of performance).

Contract assets represent unbilled amounts resulting from provision of transportation services as the Group has an unconditional right to payment only once all delivered goods reach their destination. Contract assets are classified as current and the full balance is reclassified to accounts receivables when the right to payment becomes unconditional. The balance of contract assets was insignificant as of December 31, 2019 and 2020.

Contract liabilities are included in "Customer advances and deposits and deferred revenue" in the accompanying consolidated balance sheets. Contract liabilities represent the amount of consideration received upfront from customers related to in-transit shipments that has not yet been recognized as revenue based on our selected measure of progress and non-refundable franchise fees which are recognized over the franchise period. The Group classifies contract liabilities as current based on the timing of when the Group expects to recognize revenue, which typically occurs within a week after period-end.

The balances of contract liabilities arising from contracts with customers as of December 31, 2019 and 2020 were as follows:

	Balance at December 31, 2019	Balance at December 31, 2020	Balance at December 31, 2020
	RMB	RMB	US$
Contract liabilities	871,833	871,267	133,528

Revenue recognized in the years ended December 31, 2018, 2019 and 2020 that was included in the contract liability balance at the beginning of the period was RMB484,388, RMB588,181 and RMB773,912 (US$ 118,607). This revenue was driven primarily by express and freight delivery performance obligations being satisfied.

For contract costs associated with obtaining a contract such as commissions incurred with obtaining a contract, the Group capitalizes the incremental contract costs and amortizes the capitalized contract costs using a straight-line basis over the term of the contract. The capitalized contract costs as of December 31, 2019 and 2020 and the related amortization for the years ended December 31, 2018, 2019 and 2020 was insignificant.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfer of financial assets

The Group accounts for transfers of financial assets in accordance with ASC 860, *Transfers and Servicing* ("ASC 860"). For a transfer of financial assets considered as a sale, the assets would be removed from the Group's consolidated balance sheets. If the conditions for a sale required by ASC 860 are not met, the transfer is considered to be a secured borrowing and the assets remain on the consolidated balance sheet while the sale proceeds are recognized as a liability.

Pursuant to ASC 860, the issuance of debt securities securitized by the Group's lease rental and other financing receivables arising from its financing lease business (Note 15) and the factoring of intercompany note receivables to domestic banks (Note 13) do not constitute a sale of the underlying financial assets for accounting purposes due to the recourse obligations retained by the Group. Therefore, these transactions are accounted for as secured borrowings on the consolidated balance sheets and the financial assets are not derecognized.

Cost of revenue

Cost of revenue consists primarily of transportation costs including last-mile delivery service fees, cost of express and freight delivery accessories, operating costs for the delivery platforms, hubs and sortation centers, operating costs for the supply chain management network, purchased consumer goods, salaries and benefits of related personnel, depreciation, rental costs, and other related operating costs.

Selling expenses

Advertising costs are expensed when incurred and are included in selling expenses in the consolidated statements of comprehensive loss. For the years ended December 31, 2018, 2019 and 2020, advertising expenses were RMB18,857, RMB34,888 and RMB54,970 (US$8,425), respectively.

Government subsidies

Government subsidies primarily consist of financial subsidies received from local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments. There are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. For the government subsidies with no further conditions to be met, the amounts are recorded as non-operating income in "Other income" if the subsidies are with non-operating nature, or as a reduction of specific cost or expenses if such subsidies are intended to compensate such amounts. The government subsidies with certain operating conditions are recorded as liabilities when received and will be recorded as "Other income" or as a reduction of specific cost or expenses when the conditions are met.

Leases

On January 1, 2019, the Group adopted ASU 2016-02, *Leases (Topic 842)*, using the modified retrospective transition method and elected the transition option to use an effective date of January 1, 2019 as the date of initial application. As a result, the comparative periods were not restated.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group has elected the package of practical expedients permitted which allows the Group not to reassess the following at adoption date: (i) whether any expired or existing contracts are or contains a lease, (ii) the lease classification for any expired or existing leases, and (iii) initial direct costs for any expired or existing leases (i.e. whether those costs qualify for capitalization under ASU 2016-02). The Group also elected the short-term lease exemption for certain classes of underlying assets including office space, warehouses and hub and sortation center facilities and equipment, with a lease term of 12 months or less.

The Group determines whether an arrangement is or contains a lease at inception. The Group's accounting policy effective on the adoption date of ASU 2016-02 is as follows:

Sales-type, direct financing and operating leases as Lessor

The Group classifies a lease as a sales-type lease when the lease meets any one of the following criteria at lease commencement:

a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
c. The lease term is for a major part of the remaining economic life of the underlying asset.
d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.
e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the Company at the end of the lease term.

For sales-type leases, when collectability is probable at lease commencement, the Group derecognizes the underlying asset and recognizes the net investment in the lease which is the sum of the lease receivable. Initial direct costs are expensed, at the commencement date, if the fair value of the underlying asset is different from its carrying amount. Interest income is recognized in financing income over the lease term using the interest method.

When none of the criteria above are met, the Group classifies a lease as either a direct financing lease or an operating lease. The Group will classify the lease as a direct financing lease if (i) the present value of the sum of lease payments and any residual value guaranteed by the lessee and any other third party unrelated to the Group equals or exceeds substantially all the fair value of the underlying asset; and (ii) it is probable that the Group will collect the lease payments plus any amount necessary to satisfy a residual value guarantee. If both of the criteria above are not met, the Group will classify the lease as an operating lease.

The new standard requires lessors within the scope of *ASC 942, Financial Services – Depository and Lending*, to classify principal payments received from sales-type and direct financing leases in investing activities in the statement of cash flows. The Company continues to present cash receipts from sales-type and direct financing leases as an investing cash inflow. For the year ended December 31, 2020, total cash originations and cash receipts from sales-type and direct financing leases were RMB91,341 (US$13,999) and RMB380,187 (US$58,266), respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sale-leaseback transactions as Lessor

When the Group enters into sale-leaseback transactions as lessor, it assesses whether a contract exists and whether the seller-lessee satisfies a performance obligation by transferring control of an asset when determining whether the transfer of an asset shall be accounted for as a sale of the asset. If the seller-lessee transfers the control of the leased asset to the Group, it accounts for the purchase of the leased asset in accordance with ASC360. The subsequent leaseback of the asset is accounted for in accordance with ASC842 in the same manner as any other lease. If the seller-lessee does not transfer the control of the leased asset to the Group, it is a failed sales-leaseback transaction which is accounted for as a financing. The Group does not recognize the transferred asset and records the amounts paid as other financing receivables for which the current portion is included in "Prepayments and other current assets" and the non-current portion is included in "Other non-current assets" in the Group's consolidated balance sheets.

Financing lease and operating lease as Lessee

The Group classifies a lease as a financing lease when the lease meets any one of the criteria specified as (a) to (e) in the "Sales-type, direct financing and operating leases as Lessor" policy at lease commencement. When none of the criteria are met, the Group classifies a lease as an operating lease.

For both operating and financing leases, the Group records a lease liability and corresponding right-of-use (ROU) asset at lease commencement. Lease terms are based on the non-cancellable term of the lease and may contain options to extend the lease when it is reasonably certain that the Group will exercise the option. Lease liabilities represent the present value of the lease payments not yet paid, discounted using the discount rate for the lease at lease commencement.

The Group estimates its incremental borrowing rate for its leases at the commencement date to determine the present value of future lease payments when the implicit rate is not readily determinable in the lease. In estimating its incremental borrowing rate, the Group considers its credit rating and publicly available data of borrowing rates for loans of similar amount, currency and term as the lease.

Operating leases are presented as "Operating lease ROU assets" and "Operating lease liabilities". Lease liabilities that become due within one year of the balance sheet date are classified as current liabilities. At lease commencement, operating lease ROU assets represent the right to use underlying assets for their respective lease terms and are recognized at amounts equal to the lease liabilities adjusted for any lease payments made prior to the lease commencement date, less any lease incentives received and any initial direct costs incurred by the Group.

After lease commencement, operating lease liabilities are measured at the present value of the remaining lease payments using the discount rate determined at lease commencement. Operating lease ROU assets are measured at the amount of the lease liabilities and further adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs and impairment of the ROU assets, if any. Operating lease expense is recognized as a single cost on a straight-line basis over the lease term.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financing lease and operating lease as Lessee (continued)

Financing lease are included in "Property and equipment" and "Financing lease liabilities" on the consolidated balance sheets. Lease liabilities that become due within one year of the balance sheet date are classified as current liabilities. Financing lease ROU assets are amortized on a straight-line basis from the lease commencement date. After initial measurement, the carrying value of financing lease liabilities are increased to reflect interest at a constant rate and reduced to reflect any lease payments made during the period.

Leases that have a term of 12 months or less at the commencement date ("short-term leases") are not included in operating lease ROU assets and operating lease liabilities. Lease expense for the short-term leases are recognized on a straight-line basis over the lease term.

Sale-leaseback transactions as Lessee

When the Group enters into sale-leaseback transactions as a seller-lessee, it applies the requirements in ASC 606 by assessing whether a contract exists and whether the it satisfies a performance obligation by transferring control of an asset when determining whether the transfer of an asset shall be accounted for as a sale of the asset. If the Group transfers the control of an asset to the buyer-lessor, it accounts for the transfer of the asset as a sale and recognizes a corresponding gain or loss on disposal. The subsequent leaseback of the asset is accounted for in accordance with ASC842 in the same manner as any other lease. If the Group does not transfer the control of an asset to the buyer-lessor, the failed sale-leaseback transaction is accounted for as a financing. The Group does not derecognize the transferred asset and accounts for proceeds received as borrowings for which the current portion is included in "Accrued expenses and other liabilities" and the non-current portion is included in "Other non-current liabilities" in the Group's consolidated balance sheets.

Research and Development Expenses

Research and development expenses primarily consist of salaries and benefits for research and development personnel and depreciation of property and equipment. The Group expenses research and development costs as they are incurred, except for capitalized system development costs in the development phase that fulfill the capitalization criteria and amortizes the capitalized costs over their estimated useful lives. The amount of research and development expenses qualified for capitalization during the year ended December 31, 2018, 2019 and 2020 was insignificant.

Comprehensive loss

Comprehensive loss is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220, *Comprehensive Income* , requires that all items that are required to be recognized under current accounting standards as components of comprehensive loss be reported in a financial statement that is displayed with the same prominence as other financial statements. For each of the periods presented, the Group's comprehensive loss includes net loss and foreign currency translation adjustments, and is presented in the consolidated statements of comprehensive loss.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Group follows the liability method of accounting for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"). Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in tax expense in the period that includes the enactment date of the change in tax rate.

The Group accounted for uncertainties in income taxes in accordance with ASC 740. Interest and penalties arising from underpayment of income taxes shall be computed in accordance with the related PRC tax law. The amount of interest expense is computed by applying the applicable statutory rate of interest to the difference between the tax position recognized and the amount previously taken or expected to be taken in a tax return. Interest and penalties recognized in accordance with ASC 740 are classified in the consolidated statements of comprehensive loss as income tax expense.

The Group recognizes in its consolidated financial statements the impact of a tax position if a tax return position or future tax position is "more likely than not" to prevail based on the facts and technical merits of the position. Tax positions that meet the "more likely than not" recognition threshold are measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. The Group's estimated liability for unrecognized tax benefits included in "Other non-current liabilities" in the accompanying consolidated balance sheets is periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The actual benefits ultimately realized may differ from the Group's estimates. As each audit is concluded, adjustments, if any, are recorded in the Group's consolidated financial statements. Additionally, in future periods, changes in facts, circumstances, and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur.

Share-based compensation

Awards granted to employees and non-employees

The Group determines whether an award should be classified and accounted for as a liability award or equity award. All the Group's share-based awards to employees and non-employees were classified as equity awards and are recognized in the consolidated financial statements based on their grant date fair values. For awards only with service conditions, the Group has elected to recognize compensation expense using the straight-line method for awards granted with graded vesting provided that the amount of compensation cost recognized at any date is at least equal to the portion of the grant date value of the options that are vested at that date. For awards with performance and service conditions, the Group uses the accelerated method for awards granted with graded vesting. The Group accounts for forfeitures as they occur.

The Group, with the assistance of an independent third-party valuation firm, determined the fair value of the share options granted to employees and non-employees. The binomial option pricing model was applied in determining the estimated fair value of the options granted to employees and non-employees.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based compensation (continued)

Modification of awards

A change in any of the terms or conditions of the awards is accounted for as a modification of the award. Incremental compensation cost is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the fair value of the awards and other pertinent factors at the modification date. For vested awards, the Group recognizes incremental compensation cost in the period the modification occurs. For unvested awards, the Group recognizes over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date. If the fair value of the modified award is lower than the fair value of the original award immediately before modification, the minimum compensation cost the Group recognizes is the cost of the original award.

Long-term investments

The Group accounts for investments in an investee over which the Group does not have significant influence and which do not have readily determinable fair value using the measurement alternative, which is defined as cost, less impairments, adjusted by observable price changes. The Group makes a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the Group estimates the investment's fair value in accordance with ASC 820. If the fair value is less than the investment's carrying value, the Group recognizes an impairment loss equal to the difference between the carrying value and fair value.

Investments in entities in which the Group can exercise significant influence and holds an investment in voting common stock or in-substance common stock (or both) of the investee but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC 323, *Investments-Equity Method and Joint Ventures* ("ASC 323"). Under the equity method, the Group initially records its investments at cost. The Group subsequently adjusts the carrying amount of the investments to recognize the Group's proportionate share of each equity investee's net income/(loss) into earnings after the date of investments. The Group evaluates the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

Loss per share

In accordance with ASC 260, *Earnings Per Share* ("ASC 260"), basic loss per share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of unrestricted ordinary shares outstanding during the year using the two-class method. Under the two-class method, net loss is allocated between ordinary shares and other participating securities based on their participating rights. The Group's Class A, Class B and Class C ordinary shares are participating securities. The participating rights (liquidation and dividend rights) of the holders of the Company's Class A, Class B and Class C ordinary shares are identical, except with respect to voting and conversion (Note 21). In accordance with ASC 260, the undistributed loss for each year is allocated based on the contractual participation rights of the Class A, Class B and Class C ordinary shares, respectively. As the liquidation and dividend rights are identical, the undistributed loss is allocated on a proportionate basis.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss per share (continued)

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of the ordinary shares issuable upon the conversion of the Group's convertible senior notes using the if-converted method and ordinary shares issuable upon the exercise of the share options and vesting of restricted share units, using the treasury stock method. Ordinary share equivalents are excluded from the computation of diluted loss per share if their effects would be anti-dilutive.

Segment reporting

In accordance with ASC 280, *Segment Reporting*, operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker ("CODM"), or decision making group, in deciding how to allocate resources and in assessing performance. The Group's CODM is the Chief Executive Officer and each of its major service lines is a discrete operating and reportable segment. There was a change to the Group's disclosure for reportable segments in 2020 which is further disclosed in Note 23.

Impact of COVID-19

During the year ended December 31, 2020, the Company's operations has been affected by the COVID-19 pandemic. The Company's express revenues declined compared to the prior period mainly caused by the lower productivity from late January to early March caused by the restriction of the transportation in domestic. The Company has also provided additional credit losses for accounts receivable and scrutinized its cashflow forecasts and forward-looking estimates when assessing the recoverability of long-lived assets and goodwill for the year ended December 31, 2020, due to the impact of COVID-19 and other factors.

There are still uncertainties of COVID-19's future impact, and the extent of the impact will depend on a number of factors, including the duration and severity of COVID-19, possibility of a second wave in China, the development and progress of distribution of COVID-19 vaccine and other medical treatment, the potential change in user behavior, especially on internet usage due to the prolonged impact of COVID-19, the actions taken by government authorities, particularly to contain the outbreak, stimulate the economy to improve business condition especially for SMEs, almost all of which are beyond the Company's control. As a result, certain of the Company's estimates and assumptions, including the allowance for credit losses, the valuation of certain equity investments, long-term investments, long-lived assets and goodwill subject to impairment assessments, require significant judgments and carry a higher degree of variabilities and volatilities that could result in material changes to the Company's current estimates in future periods.

Recent accounting pronouncements

In January 2020, the FASB issued ASU 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. This guidance addresses accounting for the transition into and out of the equity method and provides clarification of the interaction of rules for equity securities, the equity method of accounting, and forward contracts and purchase options on certain types of securities. This standard is effective for the Company beginning January 1, 2021 including interim periods within the fiscal year. Early adoption is permitted. The Company is still evaluating the impact of this standard on its consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent accounting pronouncements (continued)

In June 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*. For convertible instruments, the new guidance simplifies an issuer's accounting for convertible instruments by eliminating two of the three models in ASC 470-20 that require separate accounting for embedded conversion features. As a result, more convertible instruments will be reported as single units of account. This standard is effective for the Company beginning January 1, 2022 including interim periods within the fiscal year. Early adoption is permitted. The Company is still evaluating the impact of this standard on its consolidated financial statements.

3. CONCENTRATION OF RISKS

Concentration of credit risk

Assets that potentially subject the Group to significant concentration of credit risk primarily consist of cash and cash equivalents, restricted cash, accounts receivable and lease rental and other financing receivables. As of December 31, 2019, and 2020, RMB3,775,790 and RMB3,393,638 (US$ 520,098), respectively, of the Group's cash and cash equivalents and restricted cash were primarily deposited in financial institutions located in the PRC, which management believes are of high credit quality.

Accounts receivable are typically unsecured and derived from revenue earned from customers mainly in the PRC, which are exposed to credit risk. The risk is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances. The Group maintains reserves for estimated credit losses, which have generally been within its expectations.

The Group is exposed to default risk on its lease rental and other financing receivables amounting to RMB2,136,847 and RMB2,331,109 (US$357,258) as of December 31, 2019 and 2020. The Group regularly reviews the creditworthiness and lease rental and other financing receivables are fully collateralized by assets the Group can repossess in the event of default. The Group assesses the allowance for credit losses related to lease rental and other financing receivables on a quarterly basis, either on an individual or collective basis. The Group maintains reserves for estimated credit losses, which have generally been within its expectations.

The Group is able to take as collateral certain operating assets which it is able to monitor and repossess for rapid utilization and/or monetization in the event of a default. In addition, as most of the parties to which the Group provides financial services are the Group's ecosystem participants, the Group has substantial knowledge about their business and operations and can monitor their financial position and their usage of collateralized assets.

Business, customer, political, social and economic risks

The Group participates in a dynamic logistics and supply chain management industry and believes that changes in any of the following areas could have a material adverse effect on the Group's future financial position, results of operations or cash flows: changes in the overall demand for services; competitive pressures due to new entrants; advances and new trends in new technologies and industry standards; changes in certain strategic relationships or customer relationships; regulatory considerations; and risks associated with the Group's ability to attract and retain employees necessary to support its growth. The Group's operations could be also adversely affected by significant political, economic and social uncertainties in the PRC.

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3. CONCENTRATION OF RISKS (CONTINUED)

Business, customer, political, social and economic risks (continued)

Domestic mail delivery service-related businesses and planned value-added telecommunication services in connection with UCargo business since 2020 are subject to significant restrictions under current PRC laws and regulations. Specifically, foreign investors are not allowed to invest in any domestic mail delivery service business. Currently, the Group conducts its operations in China through contractual arrangements entered between the Company, its PRC subsidiaries and VIEs. The relevant regulatory authorities may find the current contractual arrangements and businesses to be in violation of any existing or future PRC laws or regulations. If so, the relevant regulatory authorities would have broad discretion in dealing with such violations. In addition, if the current ownership structure of the Company and its contractual arrangements with the VIEs are found to be in violation of any existing or future PRC laws and regulations, the Company may be required to restructure its ownership structure and operations in the PRC to comply with the changing and new PRC laws and regulations. The Company may not be able to operate or control the VIEs, which may result in deconsolidation of the VIEs.

No single customer or supplier accounted for more than 10% of revenues or cost of revenues for the years ended December 31, 2018, 2019 and 2020.

Currency convertibility risk

The Group primarily transacts all of its business in RMB, which is not freely convertible into foreign currencies. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the PBOC. However, the unification of the exchange rates does not imply that the RMB may be readily convertible into United States dollars or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

Foreign currency exchange rate risk

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For RMB against U.S. dollars, there was depreciation of 5.0% and 1.6% in the years ended December 31, 2018 and 2019 and appreciation of 6.5% in the years ended December 31, 2020, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollars in the future.

To the extent that the Company needs to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against the U.S. dollar would have an adverse effect on the RMB amount the Company would receive from the conversion. Conversely, if the Company decides to convert RMB into U.S. dollars for the purpose of making payments for dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against RMB would have a negative effect on the U.S. dollar amount available to the Company. In addition, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of the Company's earnings or losses.

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4. DISCONTINUED OPERATIONS

In November 2020, the Company approved a disposal plan to wind down its Dianjia.com services business by the end of December 31, 2020 and committed to a plan to sell its Wowo convenience stores ("Store+ disposal plan") in order to increase focus on the Company's core businesses. All of the components of the Store+ segment are reported as discontinued operations in the consolidated statements of comprehensive loss for the current year and all comparative periods in accordance with ASC 210-05, *Discontinued Operations* as the disposal plan of the Store+ segment represented a strategic shift that had a major effect on the Group's operations and financial results. Further, the related current and non-current assets and liabilities associated with the Store+ disposal group are reflected as held for sale in the consolidated balance sheets at December 31, 2019 and 2020. The numbers in all of the relevant footnote disclosures are also adjusted for the current year and comparative periods. No loss was recognized on the initial measurement of the disposal group as held for sale.

The approval of the Store+ disposal plan was determined to be an event that would more likely than not reduce the fair value of the reporting unit below its carrying amount and the Company performed an interim impairment test of goodwill for the Store+ reporting unit by estimating the fair value of the reporting unit based on an income approach, which is sensitive to significant assumptions such as discount rate, revenue growth rates and operating margins. As the fair value of the Store+ reporting unit exceeded its carrying value, management concluded that goodwill was not impaired.

The following tables set forth the assets, liabilities, statement of operations and cash flows of discontinued operations which were included in the Company's consolidated financial statements:

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Cash and cash equivalents	9,270	13,530	2,074
Accounts receivable, net	88	—	—
Inventories	33,523	34,015	5,213
Prepayments and other current assets	21,314	21,559	3,304
Property and equipment, net	—	11,699	1,793
Intangible assets, net	—	95,234	14,595
Goodwill	—	201,668	30,907
Operating lease right-of-use assets	—	126,937	19,454
Non-current deposits	—	4,753	728
Total current assets classified as held for sale	**64,195**	**509,395**	**78,068**
Property and equipment, net	14,975	—	—
Intangible assets, net	101,179	—	—
Goodwill	201,668	—	—
Operating Lease right-of-use assets	169,789	—	—
Non-current Deposits	8,562	—	—
Total non-current assets classified as held for sale	**496,173**	**—**	**—**

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4. DISCONTINUED OPERATIONS (CONTINUED)

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Accounts and notes payable	—	40,460	6,202
Customer advances and deposits and deferred revenue	880	1,515	232
Accrued expenses and other liabilities	13,585	18,142	2,780
Operating lease liabilities	59,777	109,822	16,831
Deferred tax liabilities	—	23,493	3,600
Total current liabilities classified as held for sale	**74,242**	**193,432**	**29,645**
Operating lease liabilities	93,726	—	—
Deferred tax liabilities	24,978	—	—
Total non-current liabilities classified as held for sale	**118,704**	**—**	**—**

	For the years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
Revenue	2,845,002	2,817,202	2,200,559	337,250
Cost of revenue	(2,589,883)	(2,495,503)	(1,918,462)	(294,018)
Gross profit	**255,119**	**321,699**	**282,097**	**43,232**
Selling expenses	(522,872)	(498,975)	(444,845)	(68,175)
General and administrative expenses	(134,033)	(176,827)	(171,454)	(26,276)
Research and development expenses	—	(39,158)	(32,319)	(4,953)
Total operating expenses	**(656,905)**	**(714,960)**	**(648,618)**	**(99,404)**
Loss from discontinued operations	**(401,786)**	**(393,261)**	**(366,521)**	**(56,172)**
Foreign exchange gain/(loss)	1,091	(2,045)	(3,715)	(569)
Other income	3,007	6,452	4,511	691
Other expense	(2,070)	(4,653)	(3,916)	(600)
Loss before income taxes	**(399,758)**	**(393,507)**	**(369,641)**	**(56,650)**
Income tax expense	(1,387)	1,737	1,485	228
Net loss from discontinued operations	**(401,145)**	**(391,770)**	**(368,156)**	**(56,422)**

5. BUSINESS COMBINATIONS

On May 4, 2017, the Group acquired a 79.17% equity interest in Chengdu Yidanshi Food Co. Ltd ("YDS"), and YDS became a subsidiary of the Group. On March 14, 2018, the Group acquired the remaining non-controlling interest of YDS and became the sole shareholder of YDS for a total cash consideration of RMB845. The acquisition of the non-controlling interest by the Group was accounted for as an equity transaction.

On December 2, 2019, the Group disposed all of their equity interests in YDS and recognized a gain on disposal of its subsidiary of RMB4,040 which was recorded in "Other income" in the consolidated statement of comprehensive loss.

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5. BUSINESS COMBINATIONS (CONTINUED)

During the year ended December 31, 2018, the Group completed an acquisition of a convenience store operation to complement its existing businesses and achieve synergies in its former Store+ reportable segment. The purchase consideration was not significant. Results of the acquired business have been included in the Group's consolidated financial statements since the acquisition date. Goodwill recognized in 2018 represents the expected synergies from integrating the convenience store operations and is not tax deductible.

During the year ended December 31, 2019 and 2020, the Group completed multiple acquisitions of global logistics service operations to complement its existing businesses and achieve synergies in southeast Asia. The purchase consideration was not significant. Results of the acquired business have been included in the Group's consolidated financial statements since the acquisition date. Goodwill recognized in 2019 and 2020 represents the expected synergies from integrating the global logistics service and is not tax deductible.

The actual results of operations after the acquisition date and pro-forma results of operations for these acquisitions have not been presented because the effects of these acquisitions were insignificant.

6. ACCOUNTS AND NOTES RECEIVABLE, NET

Accounts and notes receivable, net, consists of the following:

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Accounts receivable	1,287,144	1,184,339	181,507
Notes receivable	28,003	48,746	7,471
Allowance for credit losses	(86,152)	(249,484)	(38,235)
Accounts and notes receivable, net	1,228,995	983,601	150,743

The movements in the allowance for credit losses were as follows:

	As at December 31			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
Balance at beginning of the year	(5,794)	(25,105)	(86,152)	(13,203)
Adoption of ASU 2016-13	—	—	(43,724)	(6,701)
Additions	(60,183)	(105,984)	(159,083)	(24,381)
Write-offs	40,872	44,937	39,475	6,050
Balance at end of the year	(25,105)	(86,152)	(249,484)	(38,235)

7. PREPAYMENTS AND OTHER CURRENT ASSETS

As of December 31, 2019, and 2020, VAT prepayments amounting to RMB1,065,031 and RMB1,325,624 (US$203,161), respectively, are included in prepayments and other current assets. The effect of adopting ASU 2016-13 was RMB3,793 (US$545) to the opening balance of prepayments and other current assets.

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8. PROPERTY AND EQUIPMENT, NET

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Machinery and electronic equipment	2,555,217	3,390,586	519,630
Leasehold improvements	1,176,201	1,331,472	204,057
Motor vehicles	4,952	121,072	18,555
Construction in progress	725,147	946,721	145,091
	4,461,517	5,789,851	887,333
Less: accumulated depreciation	(1,537,113)	(1,710,616)	(262,163)
	2,924,404	4,079,235	625,170

The Group acquired certain machinery and electronic equipment by entering into financing leases. The gross amount and the accumulated depreciation of these machinery and electronic equipment were RMB30,462 and RMB22,566, respectively, as of December 31, 2019 and RMB32,314 (US$ 4,952) and RMB25,914 (US$ 3,971), respectively, as of December 31, 2020. Future minimum lease payments are disclosed in Note 10. Depreciation expense of property and equipment, including assets under financing leases, was RMB426,450, RMB456,382 and RMB502,183 (US$76,963) for the years ended December 31, 2018, 2019 and 2020, respectively.

As of December 31, 2019 and 2020, the balances of construction in progress were RMB725,147 and RMB946,721 (US$145,091), respectively, which were related to the construction of warehouses, hubs and sortation centers and related equipment.

9. INTANGIBLE ASSETS, NET

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Customer relationships	10,449	10,449	1,601
Software	61,870	64,883	9,942
	72,319	75,332	11,543
Less: accumulated amortization	(51,911)	(63,134)	(9,674)
	20,408	12,198	1,869

Amortization expense of intangible assets was RMB14,864, RMB19,719 and RMB12,819 (US$1,965) for the years ended December 31, 2018, 2019 and 2020, respectively. Estimated amortization expense relating to the existing intangible assets with finite lives for each of the next five years is as follows:

	RMB	USD
2021	6,241	957
2022	2,476	380
2023	1,001	153
2024	447	68
2025	448	69
	10,613	1,627

No impairment losses were recognized for the years ended December 31, 2018, 2019 and 2020, respectively.

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10. LEASES

Leases of motor vehicles and logistic equipment as Lessor

The Group provides direct financing and sales-type leases of motor vehicles and logistic equipment, primarily to transportation service providers that meet the Group's credit assessment requirements. The lease terms range from two to ten years, do not contain contingent rental income clauses, and are fully collateralized by assets the Group can repossess in the event of default. Initial direct costs were insignificant for all periods presented. The lease agreements include lease payments that are fixed, do not contain residual value guarantees or variable lease payments. The Group generally either grants the lessee an option at the end of the lease term to purchase the underlying asset that the lessee is reasonably certain to exercise or ownership of the underlying asset transfers to the lessee for a nominal amount.

The net investment in direct financing and sales-type leases are presented as "Lease rental receivables" on the consolidated balance sheets as follows:

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Current assets:			
Direct financing leases	402,633	369,147	56,574
Sales-type leases	80,730	127,980	19,614
	483,363	497,127	76,188
Non-current assets:			
Direct financing leases	775,420	344,425	52,785
Sales-type leases	217,840	303,253	46,476
	993,260	647,678	99,261
Total	1,476,623	1,144,805	175,449

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10. LEASES (CONTINUED)

Leases of motor vehicles and logistic equipment as Lessor (continued)

The net investment in direct financing and sales-type leases consisted of:

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Total minimum lease payments receivable	1,693,161	1,296,869	198,754
Less: Executory costs	—	—	—
Minimum lease payments receivable	1,693,161	1,296,869	198,754
Less: Allowance for credit losses	(11,014)	(14,296)	(2,191)
Net minimum lease payments receivable	1,682,147	1,282,573	196,563
Unguaranteed residuals	—	—	—
Less: Unearned income	(205,524)	(137,768)	(21,114)
Net investment in financing leases	1,476,623	1,144,805	175,449
Current portion	483,363	497,127	76,188
Non-current portion	993,260	647,678	99,261

For the years ended December 31, 2018, 2019 and 2020, the Group recorded RMB94,172, RMB106,040 and RMB85,285 (US$13,071) of interest income from direct financing and sales-type leases as a lessor in "Revenue - Capital" on its consolidated statements of comprehensive loss.

Losses incurred with respect to default on lease receivables were insignificant for all periods presented. As of December 31, 2019 and 2020, the allowance for credit losses recorded against lease rental receivables were RMB11,014 and RMB14,296 (US$2,191), respectively. Accordingly, risk of default with respect to these receivables is remote. The effect of adopting ASU 2016-13 was RMB5,065 (US$776) to the opening balance of lease rental receivables.

Future minimum lease payments to be received for the direct financing and sales-type leases for each of the five succeeding fiscal years as of the December 31, 2020 are as follows:

	As at December 31	
	2020	
	RMB	US$
For the year ending December 31, 2021	464,432	71,179
For the year ending December 31, 2022	457,386	70,097
For the year ending December 31, 2023	195,797	30,007
For the year ending December 31, 2024	101,447	15,547
For the year ending December 31, 2025	46,974	7,199
Thereafter	16,537	2,534
Total minimum lease payments	1,282,573	196,563
Unearned income	(137,768)	(21,114)
Net investment in direct financing and sales-type leases	1,144,805	175,449

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10. LEASES (CONTINUED)

Failed sale-leaseback transactions as buyer-lessor

The Group has certain failed sales-leaseback transactions of certain motor vehicles and logistic equipment in which the Group acts as buyer-lessor but the seller-lessee does not transfer the control of the leased asset to the Group. The internal rate of return is used in the computation of interest income which is recorded in "Revenue - Capital" in the Group's consolidated statement of comprehensive loss and was insignificant for the years ended December 31, 2018, 2019 and 2020. As of December 31, 2019, and 2020, the Group recorded RMB357,191 and RMB695,543 (US$ 106,597) under "Prepayments and other current assets", respectively, RMB303,033 and RMB490,761 (US$75,212) under "Other non-current assets", respectively. Prior year's comparative figures of RMB167,549 and RMB84,516 under "Lease rental receivables" and "Lease rental receivables non-current" respectively as of December 31, 2019 have been reclassified to "Prepayments and other current assets and "Other non-current assets" of RMB167,549 and RMB84,516 respectively to conform to the current year's presentation.

Financing and operating leases as Lessee

The Group has operating leases for certain offices, warehouses, hub and sortation center facilities and equipment and financing leases for certain machinery and electronic equipment as a lessee.

The Group's lease agreements include lease payments that are fixed, do not contain material residual value guarantees or variable lease payments. The leases have remaining lease terms of up to twenty years. Certain lease agreements include terms with options to extend the lease, however none of these have been recognized in the Company's operating lease ROU assets or operating lease liabilities since those options were not reasonably certain to be exercised. The Group's leases do not contain restrictions or covenants that restrict the Group from incurring other financial obligations. The Group's lease agreements may contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. Consideration for lease and non-lease components are allocated on a relative standalone selling price basis.

	For the years ended December 31		
	2019	2020	2020
	RMB	RMB	US$
Operating lease cost	1,194,534	1,276,501	195,632
Short-term lease cost	124,269	162,342	24,880
Financing lease cost:			
Amortization of ROU assets	3,390	3,355	514
Interest	304	245	38
Total lease cost	1,322,497	1,442,443	221,064

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10. LEASES (CONTINUED)

Financing and operating leases as Lessee (continued)

	For the years ended December 31		
	2019	2020	2020
Other information	**RMB**	**RMB**	**US$**
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	1,191,587	1,429,951	219,150
Operating cash flows from financing leases	304	245	38
Financing cash flows from financing leases	1,215	1,179	181
ROU assets obtained in exchange for new operating lease liabilities	1,512,448	908,441	139,225
ROU obtained in exchange for new finance lease liabilities	1,054	2,023	310
Weighted-average remaining lease term (in years):			
Operating leases	5.41	3.94	
Financing leases	2.75	3.25	
Weighted-average discount rate:			
Operating leases	7.74 %	7.64 %	
Financing leases	7.38 %	5.19 %	

For the year ended December 31, 2019, total lease costs of RMB1,269,946, RMB15,575,and RMB33,282 were recorded in cost of revenue, selling expenses, general and administrative expenses, respectively.

For the year ended December 31, 2020, total lease costs of RMB1,382,741 (US$211,914), RMB13,220 (US$2,026), and RMB42,882 (US$6,572) were recorded in cost of revenue, selling expenses, general and administrative expenses, respectively.

Future minimum lease payments for operating and financing leases as of December 31, 2020 are as follows:

	Operating Leases		Financing leases	
	RMB	US$	RMB	US$
For the year ended December 31,2021	1,207,647	185,080	1,753	267
For the year ended December 31,2022	1,033,372	158,371	1,231	189
For the year ended December 31,2023	876,146	134,275	989	152
For the year ended December 31,2024	672,721	103,099	532	81
For the year ended December 31,2025	422,324	64,724	115	18
Thereafter	571,516	87,589	—	—
Total minimum lease payments	4,783,726	733,138	4,620	707
Less: imputed interest	756,092	115,876	341	52
Total lease liability balance	4,027,634	617,262	4,279	655
Minimum payments related to leases not yet commenced as of December 31, 2020	749,130	114,809	—	—

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11. LONG-TERM INVESTMENTS

Equity investments without readily determinable fair value

As of December 31, 2019 and 2020, the carrying amount of the Company's equity investments without readily determinable fair value was RMB224,927 and RMB215,677 (US$33,054), net of RMB nil and RMB nil (US$ nil) in accumulated impairment, respectively. During the years ended December 31, 2019 and 2020, certain equity investments were remeasured based on observable price changes in orderly transactions for an identical or similar investment of the same issuer and the aggregate carrying amount of these investments was RMB119,927 and RMB110,677 (US$16,962) as of December 31, 2019 and 2020, respectively. In 2020, the Group disposed part of its equity interest in an equity investment without readily determinable fair value with the carrying amount of RMB27,937 (US$4,282) for RMB33,595 (US$5,149) and realized a gain on disposal of RMB5,658 (US$867) which was included in "Other income" in the consolidated statement of comprehensive loss for the year ended December 31, 2020.

Unrealized gains (upward adjustments) and losses (downward adjustments and impairment) resulting from observable price changes of equity securities without readily determinable fair values for the years ended December 31, 2018, 2019 and 2020 were RMB64,628 and RMB nil, RMB14,155 and RMB nil, and RMB18,687 (US$2,864) and RMB nil (US$ nil), respectively.

Net unrealized gains and losses for equity securities held were RMB64,628, RMB14,155 and RMB18,687 (US$2,864) for the years ended December 31, 2018, 2019 and 2020. Net realized gains and losses on equity securities sold were RMB nil, RMB nil, and RMB5,658 (US$867) for the years ended December 31, 2018, 2019 and 2020 , respectively.

Equity method investments

In 2015, the Group completed the investment in Hangzhou Dezhi Logistic Co., Ltd. ("Dezhi") through the subscription of newly issued ordinary shares representing 30% equity interest in Dezhi. Total consideration for the investment in Dezhi was RMB300 in cash. The Group accounts for the investment in Dezhi as an equity method investment due to its significant influence over the entity. On October 29, 2019, the Group disposed of its equity interest in Dezhi for RMB450 and realized a gain on disposal of RMB22 (US$3).

On January 22, 2017, the Group completed the investment in Hangzhou Jinye Technology Co., Ltd. ("Jinye") through the subscription of newly issued ordinary shares representing a 13.73% equity interest in Jinye. Total consideration for the investment in Jinye was RMB7,652 in cash. The Group accounts for the investment in Jinye as an equity method investment due to its significant influence over the entity, as the Group has one board seat out of five in Jinye. During the year ended December 31, 2018, the Group's investment was diluted to 13.04% due to Jinye's closing of equity financing raised from investors.

The carrying amount of the equity method investments were RMB5,928 and RMB5,749 (US$881) as of December 31, 2019 and 2020, respectively. There were no impairment indicators for the equity method investments and no impairment losses were recognized for the years ended December 31, 2018, 2019 and 2020, respectively. Selected financial information of the equity method investees was not presented as the effects were not material.

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12. GOODWILL

	Express delivery	Freight delivery	Global	Total
Balance as of December 31, 2019	241,623	5,580	42,115	289,318
Goodwill acquired	—	—	6,440	6,440
Balance as of December 31, 2020	241,623	5,580	48,555	295,758
Balance as of December 31, 2020 (US$)	37,030	855	7,442	45,327

The Group performed a qualitative assessment for the Freight delivery services reporting unit for the years ended December 31, 2018, 2019 and 2020, and for the Express delivery services reporting unit for the years ended December 31, 2018 and 2019 based on the requirements of ASC 350-20. The Group evaluated all relevant factors, weighed all factors in their entirety and concluded that it was not more-likely-than-not that the fair values of the Express delivery and Freight delivery services reporting units were less than their respective carrying amounts. Therefore, further impairment testing on goodwill was unnecessary as of December 31, 2019 and 2020, respectively.

For the years ended December 31, 2018, 2019 and 2020, the Group performed a quantitative assessment for the Global reporting unit and for the year ended December 2020, the Group performed a quantitative assessment for the Express delivery services reporting unit by estimating the fair value of the reporting units based on an income approach which involved significant management judgment, estimates and assumptions such as the discount rate, revenue growth rates and operating margin. The fair values of the remaining reporting units exceeded their respective carrying values and therefore, goodwill related to these reporting units was not impaired.

No impairment losses were recognized for the years ended December 31, 2018, 2019 and 2020.

13. SHORT-TERM AND LONG-TERM BANK LOANS

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Short-term bank loans guaranteed by subsidiaries within the Group	960,000	954,000	146,207
Pledged short term bank loans	1,159,000	1,357,287	208,013
Secured bank borrowings	391,500	771,250	118,199
	2,510,500	3,082,537	472,419
Long-term bank loans pledged by deposits	—	78,548	12,038
Total	2,510,500	3,161,085	484,457

During 2019 and 2020, the Group factored certain intercompany notes receivables with a total face value of RMB471,500 and RMB848,537 (US$130,044) to several domestic banks for total proceeds of RMB458,864 and RMB821,130 (US$125,844) at effective interest rates ranging from 1.92% to 5.19% ("the receivable factoring transaction"). As the factoring of notes receivables was with recourse, the receivable factoring transaction did not qualify as a transfer of financial assets to be considered as a sale under ASC 860 and was accounted for as a secured borrowing and are recognized as secured bank borrowings included in "Short-term bank loans".

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13. SHORT-TERM AND LONG-TERM BANK LOANS (CONTINUED)

Short-term bank loans consisted of several bank loans denominated in RMB. The total deposits in restricted cash pledged for short-term bank loans and secured bank borrowings was RMB1,590,025 and RMB1,582,977 (US$242,602) as of December 31, 2019 and December 31, 2020, respectively. The total account receivables pledged for short-term bank loans were RMB nil and RMB77,287 (US$11,845) as of December 31, 2019 and December 31, 2020, respectively. The weighted average interest rate for the outstanding borrowings as of December 31, 2019 and December 31, 2020, was 4.27% and 4.42% respectively. The total intercompany notes receivables pledged for secured bank borrowings was RMB391,500 and RMB771,250 (US$118,199) as of December 31, 2019 and 2020.

Long-term bank loans were denominated in RMB. The deposits in restricted cash pledged for long-term bank loans was RMB nil and RMB81,500 (US$12,490) as of December 31, 2019 and December 31, 2020, respectively. The weighted average interest rate for the outstanding borrowings as of December 31, 2019 and December 31, 2020, was nil and 4.02% respectively.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Salary and welfare payable	1,222,363	1,253,014	192,033
Accrual for purchases of property and equipment	128,457	322,663	49,450
Accrued expenses	77,946	85,970	13,175
Borrowings for electronic machinery and equipment	40,036	106,911	16,385
Payable for business acquisitions	11,095	1,749	268
Others	526,152	737,610	113,044
	2,006,049	2,507,917	384,355

Payable for business acquisitions mainly represents the amount to be paid to the original shareholders at the end of the escrow periods or consideration to be paid for other acquisitions based on their respective payment schedules.

In the year ended December 31, 2018, 2019 and 2020, the Group received total proceeds of RMB nil, RMB94,000 and RMB160,000 (US$24,521) from third-party financing lease companies (buyer-lessor) for which the Group acts as seller-lessee but did not transfer the control of leased machinery and electronic equipment to the buyer-lessor.

These failed sales-leaseback transactions were accounted for as financing transactions. Pursuant to the terms of the agreements, the weighted average effective interest rate of the outstanding borrowings was 8.06% and 7.95% and repayments are to be made over a weighted average period of 2.47 and 1.67 years for the years ended December 31, 2019 and 2020, respectively. At the end of the repayment schedule, the Group is entitled to obtain ownership of these equipment for nominal consideration.

For the years ended December 31, 2019 and 2020, interest costs incurred was not material. As of December 31, 2019 and 2020, the Group recorded the current portion of the borrowings of RMB40,036 and RMB106,911 (US$16,385) in "Accrued expenses and other liabilities" and the non-current portion of borrowings of RMB41,451 and RMB67,821 (US$10,394) in "Other non-current liabilities", respectively. As of December 31, 2020, RMB116,292 (US$17,823) and RMB66,097 (US$10,130) of the borrowings are due in 2021 and 2022, respectively. These borrowings were partially collateralized by the Company's electronic machinery and equipment with a total carrying value of RMB61,488 and RMB53,302 (US$8,169) as of December 31, 2019 and 2020, respectively.

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15. SECURITIZATION DEBT

In June 2019, BEST Finance transferred certain lease rental and other financing receivables totaling RMB705,033 with remaining lease terms ranging from 23 months to 59 months originating from its finance leasing services business to a securitization vehicle. The securitization vehicle created Xinyuan Leasing Asset Backed Special Plan I (the "Plan I") and contemporaneously issued debt securities securitized by the transferred lease rental receivables ("asset-backed securities") to qualified institution investors on the Shanghai Stock Exchange and raised total proceeds of RMB262,316 under the Plan I, net of issuance costs for the securitization transaction of RMB6,684. The Plan I consists of three tranches: Series A tranche with a stated interest of 5.5% maturing no later than 2020, Series B tranche with a stated interest of 6.5% maturing no later than 2020 and a subordinated tranche maturing no later than 2023. The Group also provided a guarantee to the Plan I to secure the full repayment of the principal and interest of the Series A and B tranches of the Plan I issued to external investors.

In September 2020, BEST Finance transferred certain lease rental and other financing receivables totaling 751,469 (US$115,168) with remaining lease terms ranging from 4 months to 59 months originating from its finance leasing services business to a securitization vehicle. The securitization vehicle created Xinyuan Leasing Asset Backed Special Plan II (the "Plan II") and contemporaneously issued debt securities securitized by the transferred lease rental receivables ("asset-backed securities") to qualified institution investors on the Shanghai Stock Exchange and raised total proceeds of RMB198,074 (US$30,356) under the Plan II, net of issuance costs for the securitization transaction of RMB1,926 (US$295). The Plan II consists of three tranches: Series A tranche with a stated interest of 4.95% maturing no later than 2021, Series B tranche with a stated interest of 6.0% maturing no later than 2022 and a subordinated tranche maturing no later than 2023. The Group also provided a guarantee to the Plan II to secure the full repayment of the principal and interest of the Series A tranche of the Plan II issued to external investors.

The Group acts as the servicer of the Plans by providing payment collection services for the underlying lease rental receivables and holds significant variable interests in the Plans through holding all of the subordinated tranche of asset-backed debt securities maturing no later than 2023 and the guarantee provided, from which the Group has the obligation to absorb losses of the Plans that could potentially be significant to the Plans. Accordingly, the Group is considered the primary beneficiary of the Plans and has consolidated the Plans' assets, liabilities, results of operations, and cash flows in the accompanying consolidated financial statements.

As a result of the series of transactions described above, the Series A and B tranches of the Plans issued to external investors were considered borrowings from external investors. The proceeds from borrowings from external investors is a financing activity and reported as "Proceeds from issuance of asset-backed securities to external investors, net of issuance costs" on the consolidated statements of cash flows. Repayments on the borrowings totaled RMB157,417 and RMB210,991 (US$32,336) during 2019 and 2020 from external investors were made according to the payment schedule.

As of December 31, 2019 and 2020, the total outstanding borrowings from external investors were RMB104,899 and RMB95,149 (US$14,582), respectively, which are repayable within one year and are included in current "Securitization debt" on the consolidated balance sheets. The weighted average effective interest rate for the outstanding securitization debt was 11.36% for Plan I as of December 31, 2019, 7.17% for Plan II as of December 31, 2020, respectively.

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16. CONVERTIBLE SENIOR NOTES

1) 2024 Convertible Notes

On September 17, 2019, the Company issued US$200,000 convertible senior notes (the "2024 Convertible Notes") to several initial purchasers, US$100,000 and US$100,000 to Alibaba.com Hong Kong Limited ("Alibaba.com"), an entity affiliated with Alibaba Group Holding Limited ("Alibaba Group"), a principal shareholder of the Company and to third parties, respectively. The 2024 Convertible Notes are senior, unsecured obligations of the Company, and interest is payable semi-annually in arrears at a rate of 1.75% per annum on April 1 and October 1 of each year, beginning on April 1, 2020. The 2024 Convertible Notes will mature on October 1, 2024 unless redeemed, repurchased or converted prior to such date.

The 2024 Convertible Notes holders have the right, at their option, to convert the outstanding principal amount of the 2024 Convertible Notes, in whole or in part in integral multiples of $1 principal amount (i) upon satisfaction of one or more of the conversion conditions as defined in the indenture for the 2024 Convertible Notes prior to the close of business day immediately preceding October 1, 2024; or (ii) anytime on or after October 1, 2024 until the close of business on the second scheduled trading day immediately preceding the maturity date (the "Conversion Option").

The initial conversion rate for the 2024 Convertible Notes is 141.844 of the Company's American depositary shares ("ADSs") per US$1,000 principal amount of the Notes, which is equivalent to an initial conversion price of US$7.05 per ADS, subject to certain anti-dilution and make-whole fundamental change adjustments but is not adjusted for any accrued and unpaid interest. Upon conversion, the Company is required to deliver ADSs to such converting holders and both issuer and holders have no other settlement options.

The holders may require the Company to repurchase all or a portion of the 2024 Convertible Notes for cash on September 30, 2022 at a repurchase price equal to 100% of the principal amount of the 2024 Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date.

If certain events of default, changes in tax laws of the relevant taxing jurisdiction or fundamental change as defined in the indenture for the 2024 Convertible Notes were to occur, the outstanding obligations under the 2024 Convertible Notes could be immediately due and payable (the "Contingent Redemption Options"). The Company will pay additional interest, at its election, as the sole remedy relating to the failure to comply with certain reporting obligations as defined in the indenture of the 2024 Convertible Notes. In addition, the 2024 Convertible Notes provide its holders with additional interest equal to the fair value of any dividends received by the holders of the Company's ordinary shares (the "Contingent Interest Features").

The Company evaluated the embedded conversion features contained in the 2024 Convertible Notes and determined that the Conversion Option was not required to be bifurcated because it met the scope exception provided for under ASC 815-10-15-74(a).

The Company also evaluated the embedded Contingent Redemption Options and Contingent Interest Features contained in the 2024 Convertible Notes in accordance with ASC 815 to determine if these features require bifurcation. The Contingent Redemption Options were not required to be bifurcated because they are considered to be clearly and closely related to the debt host, as the 2024 Convertible Notes were not issued at a substantial discount and are redeemable at par.

The Contingent Interest Features are not considered to be clearly and closely related to the debt host and met the definition of a derivative. However, the fair value of the Contingent Interest Features on the issuance date and at December 31, 2019 and 2020 was not significant. In addition, the Company assessed whether the additional interest payments need to be accrued as a liability in accordance with ASC 450. Since the likelihood of the occurrence of such default events is determined to be remote, the Company did not accrue additional interest expense for the years ended December 31, 2019 and 2020. The Company will continue to assess the accrual for these additional interest payment liabilities at each reporting date.

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16. CONVERTIBLE SENIOR NOTES (CONTINUED)

1) 2024 Convertible Notes (continued)

Furthermore, no beneficial conversion feature was recognized for the 2024 Convertible Notes as the fair value per ADS at the commitment date was US$5.53, which was less than the most favorable conversion price.

In connection with the issuance of the 2024 Convertible Notes, the Company also purchased capped call options on the Company's ADS with certain counterparties at a price of US$22,500 (equivalent to RMB159,138), which was recorded as a reduction of the Company's additional paid-in capital on the consolidated balance sheet with no subsequent changes in fair value recorded. The capped call exercise price is equal to the 2024 Convertible Notes' initial conversion price and the cap price is US$10.0 per ADS, subject to certain adjustments under the terms of the capped call transactions. The capped call transactions are expected to reduce potential dilution to existing holders of the ordinary shares and ADSs of the Company upon conversion of the 2024 Convertible Notes with such reduction subject to a cap.

The net proceeds from the issuance of the 2024 Convertible Notes were US$194,457 (equivalent to RMB1,375,355), after deducting underwriting discounts and offering expenses of US$5,543 (equivalent to RMB39,205) from the initial proceeds of US$200,000.

As of December 31, 2019 and 2020, the principal amount of the 2024 Convertible Notes was RMB1,395,240 and RMB1,304,980 (US$200,000) respectively, unamortized debt discount was RMB35,032 and RMB20,688 (US$3,174) respectively, and the net carrying amount of the 2024 Convertible Notes was RMB1,360,208 and RMB1,284,292 (US$196,826) respectively. As of December 31, 2019 and 2020, the Group recorded RMB680,104 and RMB642,121 (US$98,409) under "Convertible senior notes held by related parties", RMB680,104 and RMB642,121 (US$98,409) under "Convertible senior notes held by third parties", respectively.

For the years ended December 31, 2019 and 2020, the amount of interest cost recognized relating to both the contractual interest coupon and amortization of the discount on the 2024 Convertible Notes was RMB10,894 and RMB37,103 (US$5,686). As of December 31, 2020, the 2024 Convertible Notes will be accreted up to the principal amount of US$200,000 (equivalent to RMB1,304,980) over a remaining period of 1.75 years.

The aggregate scheduled maturities of RMB1,304,980 (US$200,000 million) of the 2024 Convertible Notes will be repaid when they become due in 2024, after assuming no conversion, redemption prior to the maturity and both convertible senior notes bondholders hold the 2024 Convertible Notes until their respective maturities.

2) 2025 Convertible Notes

On June 3, 2020, the Company issued US$150,000 convertible senior notes (the "2025 Convertible Notes") to Alibaba.com. The 2025 Convertible Notes are senior, unsecured obligations of the Company, and interest is payable semi-annually in arrears at a rate of 4.5% per annum on July 1 and January 1 of each year, beginning on January 1, 2021. The 2025 Convertible Notes will mature on June 3, 2025 unless redeemed, repurchased or converted prior to such date.

The 2025 Convertible Notes holders have the right to convert all or any portion of the 2025 Convertible Notes held by it into ordinary shares, or at the sole discretion of the noteholder, into ordinary shares in the form of ADS at any time on or after the thirty-first trading day after May 27, 2020 up to the close of business of the second business day immediately preceding June 3, 2025 ("the 2025 Convertible Notes Conversion Option").

16. CONVERTIBLE SENIOR NOTES (CONTINUED)

2) 2025 Convertible Notes (continued)

The initial conversion rate for the 2025 Convertible Notes is 16,474.46 of the Company's American depositary shares ("ADSs") per US$100,000 principal amount of the 2025 Convertible Notes, which is equivalent to an initial conversion price of US$6.07 per ADS, subject to certain anti-dilution and make-whole fundamental change adjustments but is not adjusted for any accrued and unpaid interest. Upon conversion, the Company is required to deliver ADSs to such converting holders and both issuer and holders have no other settlement options.

The holders may require the Company to repurchase all or a portion of the 2025 Convertible Notes for cash within a period of ninety days starting from June 3, 2023 at a repurchase price equal to 100% of the principal amount of the 2025 Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. The Contingent Redemption Options and Contingent Interest Features are similar with the terms described for the 2024 Convertible Notes issued in 2019.

If certain events of default, changes in tax laws of the relevant taxing jurisdiction or fundamental change as defined in the indenture for the 2025 Convertible Notes were to occur, the outstanding obligations under the 2025 Convertible Notes could be immediately due and payable (the "2025 Convertible Notes Contingent Redemption Options"). The Company will pay additional interest, at its election, as the sole remedy relating to the failure to comply with certain reporting obligations as defined in the indenture of the 2025 Convertible Notes. In addition, the 2025 Convertible Notes provide its holders with additional interest equal to the fair value of any dividends received by the holders of the Company's ordinary shares (the "2025 Convertible Notes Contingent Interest Features").

The Company evaluated the embedded conversion features contained in the 2025 Convertible Notes and determined that the 2025 Convertible Notes Conversion Option was not required to be bifurcated because it met the scope exception provided for under ASC 815-10-15-74(a).

The Company also evaluated the embedded 2025 Convertible Notes Contingent Redemption Options and 2025 Convertible Notes Contingent Interest Features in accordance with ASC 815 to determine if these features require bifurcation. The 2025 Convertible Notes Contingent Redemption Options were not required to be bifurcated because they are considered to be clearly and closely related to the debt host, as the 2025 Convertible Notes were not issued at a substantial discount and are redeemable at par.

The 2025 Convertible Notes Contingent Interest Features are not considered to be clearly and closely related to the debt host and met the definition of a derivative. However, the fair value of the 2025 Convertible Notes Contingent Interest Features on the issuance date and at December 31, 2020 was not significant. In addition, the Company assessed whether the additional interest payments need to be accrued as a liability in accordance with ASC 450. Since the likelihood of the occurrence of such default events is determined to be remote, the Company did not accrue additional interest expense for the year ended December 31, 2020. The Company will continue to assess the accrual for these additional interest payment liabilities at each reporting date.

Furthermore, no beneficial conversion feature was recognized for the 2025 Convertible Notes as the fair value per ADS at the commitment date was US$5.49, which was less than the most favorable conversion price.

The net proceeds from the issuance of the 2025 Convertible Notes were US$149,340 (equivalent to RMB1,061,421), after deducting offering expenses of US$660 (equivalent to RMB4,689) from the initial proceeds of US$150,000 (equivalent to RMB1,066,110).

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16. CONVERTIBLE SENIOR NOTES (CONTINUED)

2) 2025 Convertible Notes (continued)

As of December 31, 2020, the principal amount of the 2025 Convertible Notes was RMB978,735(US$150,000), unamortized debt discount was RMB3,060 (US$471) and the net carrying amount of the 2025 Convertible Notes was RMB975,675(US$149,529). As of December 31, 2020, the Group recorded RMB975,725 (US$149,537) under "Convertible senior notes held by related parties".

For the year ended December 31, 2020, the amount of interest cost recognized relating to both the contractual interest coupon and amortization of the discount on the 2025 Convertible Notes was RMB27,908 (US$4,277). As of December 31, 2020, the 2025 Convertible Notes will be accreted up to the principal amount of US$150,000 (equivalent to RMB978,735) over a remaining period of 2.42 years.

The aggregate scheduled maturities of RMB978,735 (US$150,000) of the 2025 Convertible Notes will be repaid when they become due in 2025, assuming no conversion, redemption prior to the maturity and convertible senior note bondholders hold the 2025 Convertible Notes until maturity.

17. TAXATION

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

British Virgin Islands

Under the current laws of the British Virgin Islands, BEST BVI, Best Capital BVI and Store BVI are not subject to tax on income or capital gains. In addition, upon payments of dividends by BEST BVI, Best Capital BVI and Store BVI to its shareholders, no withholding tax is imposed.

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. For the years ended December 31, 2018, 2019 and 2020, the Group did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong for any of the periods presented. Under the Hong Kong tax law, BEST HK, BEST Capital HK and Store HK are exempted from income tax on their foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

China

The current enterprise income tax law ("EIT Law") applies a uniform 25% enterprise income tax ("EIT") rate to both foreign invested enterprises and domestic enterprises.

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17. TAXATION (CONTINUED)

China (continued)

The EIT Law treats enterprises established outside of the PRC with "effective management and control" located in the PRC as PRC resident enterprises for tax purposes. The term "effective management and control" is generally defined as exercising management and control over the business, personnel, accounting, properties, etc. of an enterprise. Any companies located in jurisdictions outside of the PRC, if considered a PRC resident enterprise for tax purposes, would be subject to the PRC enterprise income tax at the rate of 25% on their worldwide income commencing on January 1, 2008. As of December 31, 2020, the Company has not accrued for PRC tax on such basis as the Group's non-PRC entities had zero assessable profits in the PRC for the period after January 1, 2008. The Group will continue to monitor the tax status of its non-PRC entities with regards to the PRC tax resident enterprise rules.

Pursuant to relevant laws and regulations in the PRC and with approval from tax authorities in charge, one of the Group's subsidiaries, BEST Technology.

BEST Technology meets the requirements of "high and new technology enterprise" ("HNTE") and could enjoy the preferential tax rate of 15%. BEST Technology has renewed the HNTE certificate in 2019 and is subject to an enterprise income tax ("EIT") rate of 15% from calendar years 2019 through 2021.

Withholding tax on undistributed dividends

The EIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise ("FIE") to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes On Income in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor directly owns at least 25% of the shares of the FIE).

The Group's loss before income taxes and share of net loss of equity investees consists of the following:

	For the years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
PRC	(69,117)	205,593	(1,408,800)	(215,914)
Non-PRC	(27,173)	(12,509)	(251,964)	(38,612)
	(96,290)	193,084	(1,660,764)	(254,526)

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17. TAXATION (CONTINUED)

Withholding tax on undistributed dividends (continued)

The current and deferred components of income tax expense appearing in the consolidated statements of comprehensive loss are as follows:

	For the years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
Current income tax	(14,806)	(17,840)	(22,952)	(3,518)
Deferred income tax	4,306	(2,187)	828	127
	(10,500)	(20,027)	(22,124)	(3,391)

A reconciliation of the differences between the PRC statutory tax rate and the Group's effective tax rate for enterprise income tax from continuing operations is as follows:

	For the years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
Loss before income taxes and share of net loss of equity investees	(96,290)	193,084	(1,660,764)	(254,526)
Income tax computed at the statutory tax rate of 25%	24,073	(48,271)	415,191	63,631
Non-deductible expenses	(65,862)	(57,784)	(91,696)	(14,054)
Effect of different tax rates in different jurisdictions and preferential tax rate	(4,826)	(9,949)	(48,650)	(7,456)
Research and development expenses deduction	12,248	19,552	21,834	3,346
Non-taxable income	17,097	17,489	11,152	1,709
Provision to return	(8,319)	(1,728)	(7,426)	(1,138)
Deferred tax expense	(4,598)	3,932	5,195	796
Tax rate change	16,771	(4,578)	18,594	2,850
Expired tax loss	(13,482)	—	(70,662)	(10,829)
Change in valuation allowance	16,398	61,310	(275,656)	(42,246)
	(10,500)	(20,027)	(22,124)	(3,391)

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17. TAXATION (CONTINUED)

Deferred tax

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Deferred tax assets, non-current			
Accrued expenses	295,818	302,615	46,378
Customer advances and deposits	34,571	28,177	4,318
Allowance for credit losses and inventory provision	28,165	73,186	11,216
Depreciation and amortization expense	101,565	53,606	8,215
Net operating losses carrying forward	452,014	722,348	110,705
Lease liabilities	1,091,096	1,006,909	154,316
Total deferred tax assets	2,003,229	2,186,841	335,148
Valuation allowance*	(903,353)	(1,179,009)	(180,691)
Total deferred tax assets net of valuation allowance	1,099,876	1,007,832	154,457

* The Group operates through subsidiaries, VIEs and subsidiaries of VIEs and valuation allowance is considered for each of the entities on an individual basis. The Group recorded valuation allowance against deferred tax assets of those entities that are in a three-year cumulative financial loss position and are not forecasting profits in the near future as of December 31, 2019 and 2020. In making such determination, the Group also evaluates a variety of factors including the Group's operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Deferred tax liabilities			
Fair value changes of equity investments	(19,696)	(18,900)	(2,897)
Accrued revenue recognition difference	(27,926)	(23,088)	(3,538)
Operating lease right-of-use assets	(1,052,254)	(965,844)	(148,022)
Long-lived assets arising from acquisitions	(828)	—	—
Total deferred tax liabilities	(1,100,704)	(1,007,832)	(154,457)

As of December 31, 2019 and 2020, the Company has net operating losses from continuing operations of RMB2,122,341 and RMB3,410,610 (US$522,699) primarily from its subsidiaries and VIEs in the PRC, which can be carried forward per tax regulation to offset future net profit for income tax purposes. The net operating loss carry forwards as of December 31, 2020 will expire in years 2021 to 2030 if not utilized. As of December 31, 2020, the Company intends to permanently reinvest the undistributed earnings from foreign subsidiaries to fund future operations. As of December 31, 2020, the total amount of undistributed earnings from its PRC subsidiaries as well as VIEs was RMB89,605 (US$8,961). The amount of unrecognized deferred tax liabilities for temporary differences related to investments in foreign subsidiaries are not determined because such a determination is not practicable.

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17. TAXATION (CONTINUED)

Unrecognized tax benefits

As of December 31, 2019 and 2020, the Company recorded an unrecognized tax benefit of RMB191,473 and RMB168,650 (US$25,846) respectively, of which RMB nil and RMB nil (US$ nil), respectively, are presented on a net basis against the deferred tax assets related to tax loss carry forwards on the consolidated balance sheets. This primarily represents the estimated income tax expense the Group would pay should its income tax returns have been prepared in accordance with the current PRC tax laws and regulations. It is possible that the amount of uncertain tax position will change in the next twelve months; however, an estimate of the range of the possible outcomes cannot be made at this time. As of December 31, 2019 and 2020, unrecognized tax benefits of RMB (1,446) and RMB24,025 (US$3,682), respectively, if ultimately recognized, will impact the effective tax rate. A roll-forward of unrecognized tax benefits is as follows:

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Beginning balance	132,808	191,473	29,345
Additions	64,410	24,691	3,783
Decreases	(5,745)	(47,514)	(7,282)
Ending balance	191,473	168,650	25,846

During the years ended December 31, 2018, 2019 and 2020, the Company recorded insignificant late payment interest expense as part of income tax expense and did not incur any penalties.

In general, the PRC tax authority has up to five years to conduct examinations of the Company's tax filings. Accordingly, the tax years ended December 31, 2015 through December 31, 2020 of the PRC subsidiaries' and, the VIEs and its subsidiaries remain open to examination by the taxing jurisdictions.

18. RESTRICTED NET ASSETS

The Company's ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Group's PRC subsidiaries only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company's PRC subsidiaries.

In accordance with the Regulations on Enterprises with Foreign Investment of China and its Articles of Association, the Company's PRC subsidiaries, being a foreign-invested enterprise established in the PRC, are required to provide certain statutory reserves, namely the general reserve fund, enterprise expansion fund and staff welfare and bonus fund, all of which are appropriated from net profit as reported in its PRC statutory accounts. The Company's PRC subsidiaries are required to allocate at least 10% of its annual after-tax profit to the general reserve fund until such fund has reached 50% of its registered capital based on the enterprise's PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the Board of Directors of the PRC subsidiaries. These reserves can only be used for specific purposes and are not transferable to the Company in the form of loans, advances, or cash dividends.

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18. RESTRICTED NET ASSETS (CONTINUED)

In accordance with the PRC Company Laws, the Company's VIEs and its subsidiaries must make appropriations from their annual after-tax profits as reported in their PRC statutory accounts to non-distributable reserve funds, namely statutory surplus fund, statutory public welfare fund and discretionary surplus fund. The VIEs and its subsidiaries are required to allocate at least 10% of their after-tax profits to the statutory surplus fund until such fund has reached 50% of their respective registered capital. Appropriations to the discretionary surplus fund are made at the discretion of the Board of Directors of the VIEs and its subsidiaries. These reserves can only be used for specific purposes and are not transferable to the Company in the form of loans, advances, or cash dividends.

For the years ended December 31, 2018, 2019 and 2020, the Company's PRC subsidiaries had appropriated RMB3,771, RMB4,094 and RMB173 (US$27) of statutory reserves, respectively, which are included in shareholder's equity.

Under PRC laws and regulations, there are restrictions on the Company's PRC subsidiaries, the VIEs and its subsidiaries with respect to transferring certain of their net assets to the Company either in the form of dividends, loans, or advances. Amounts restricted include paid-in capital and surplus reserves of the Company's PRC subsidiaries and the VIEs and its subsidiaries, totaling RMB5,081,767 (US$778,815) as of December 31, 2020; therefore in accordance with Rules 504 and 4.08(e)(3) of Regulation S-X, the condensed parent company only financial statements as of December 31, 2019 and 2020 and for each of the three years in the period ended December 31, 2020 are disclosed in Note 29.

Furthermore, cash transfers from the Company's PRC subsidiaries to its subsidiaries outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may restrict the ability of the PRC subsidiaries and consolidated VIEs to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations.

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19. Earnings/(LOSS) PER SHARE

Basic and diluted loss per share for each of the years presented are calculated as follows:

	2018	2018	2018	2019	2019	2019	2020	2020	2020	2020	2020	2020
	Class A	Class B	Class C	Class A	Class B	Class C	Class A	Class A	Class B	Class B	Class C	Class C
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	US$	RMB	US$	RMB	US$
Basic loss per share:												
Numerator:												
Net (loss)/Income from continuing operations attributable to ordinary shareholders —basic	(67,413)	(26,147)	(13,283)	120,206	45,854	23,294	(1,050,575)	(161,011)	(402,371)	(61,665)	(204,406)	(31,328)
Loss from discontinued operations, net of tax	(253,101)	(98,172)	(49,872)	(248,704)	(94,871)	(48,195)	(233,369)	(35,765)	(89,381)	(13,699)	(45,406)	(6,958)
Net loss attributable to ordinary shareholders —basic	(320,514)	(124,319)	(63,155)	(128,498)	(49,017)	(24,901)	(1,283,944)	(196,776)	(491,752)	(75,364)	(249,812)	(38,286)
Denominator:												
Weighted average number of ordinary shares outstanding —basic	242,542,728	94,075,249	47,790,698	246,614,615	94,075,249	47,790,698	245,626,959	245,626,959	94,075,249	94,075,249	47,790,698	47,790,698
Continuing operations	(0.28)	(0.28)	(0.28)	0.49	0.49	0.49	(4.28)	(0.66)	(4.28)	(0.66)	(4.28)	(0.66)
Discontinued operations	(1.04)	(1.04)	(1.04)	(1.01)	(1.01)	(1.01)	(0.95)	(0.14)	(0.95)	(0.14)	(0.95)	(0.14)
Basic loss per share	(1.32)	(1.32)	(1.32)	(0.52)	(0.52)	(0.52)	(5.23)	(0.80)	(5.23)	(0.80)	(5.23)	(0.80)

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19. Earnings/(LOSS) PER SHARE (CONTINUED)

	2018	2018	2018	2019	2019	2019	2020	2020	2020	2020	2020	2020
	Class A	Class B	Class C	Class A	Class B	Class C	Class A	Class A	Class B	Class B	Class C	Class C
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	US$	RMB	US$	RMB	US$
Diluted loss per share:												
Numerator:												
Net (loss)/Income from continuing operations attributable to ordinary shareholders—basic	(67,413)	(26,147)	(13,283)	120,206	45,854	23,294	(1,050,575)	(161,011)	(402,371)	(61,665)	(204,406)	(31,328)
Loss from discontinued operations, net of tax	(253,101)	(98,172)	(49,872)	(248,704)	(94,871)	(48,195)	(233,369)	(35,765)	(89,381)	(13,699)	(45,406)	(6,958)
Net loss attributable to ordinary shareholders—basic	(320,514)	(124,319)	(63,155)	(128,498)	(49,017)	(24,901)	(1,283,944)	(196,776)	(491,752)	(75,364)	(249,812)	(38,286)
Reallocation of net (loss)/income from continuing operations attributable to ordinary shareholders as a result of conversion of Class C and Class B to Class A ordinary shares (Note 21)	(39,430)	—	—	69,148	—	—	(606,777)	(92,993)	—	—	—	—
Reallocation of net loss from discontinued operations, net of tax attributable to ordinary shareholders as a result of conversion of Class C and Class B to Class A ordinary shares (Note 21)	(148,044)	—	—	(143,066)	—	—	(134,787)	(20,657)	—	—	—	—
Reallocation of net loss attributable to ordinary shareholders as a result of conversion of Class C and Class B to Class A ordinary shares (Note 21)	(187,474)	—	—	(73,918)	—	—	(741,564)	(113,650)	—	—	—	—
Net loss attributable to ordinary shareholders—diluted	(507,988)	(124,319)	(63,155)	(202,416)	(49,017)	(24,901)	(2,025,508)	(310,426)	(491,752)	(75,364)	(249,812)	(38,286)
Denominator:												
Weighted average number of ordinary shares outstanding—basic	242,542,728	94,075,249	47,790,698	246,614,615	94,075,249	47,790,698	245,626,959	245,626,959	94,075,249	94,075,249	47,790,698	47,790,698
Conversion of all outstanding share options, restricted share units (Note 20)	—	—	—	4,673,685	—	—	—	—	—	—	—	—
Conversion of Class C and Class B to Class A ordinary shares (Note 21)	141,865,947	—	—	141,865,947	—	—	141,865,947	141,865,947	—	—	—	—
Weighted average number of ordinary shares for continuing operations outstanding - diluted	384,408,675	94,075,249	47,790,698	393,154,247	94,075,249	47,790,698	387,492,906	387,492,906	94,075,249	94,075,249	47,790,698	47,790,698
Weighted average number of ordinary shares for discontinued operations outstanding - diluted	384,408,675	94,075,249	47,790,698	388,480,562	94,075,249	47,790,698	387,492,906	387,492,906	94,075,249	94,075,249	47,790,698	47,790,698
Weighted average number of ordinary shares outstanding - diluted	384,408,675	94,075,249	47,790,698	388,480,562	94,075,249	47,790,698	387,492,906	387,492,906	94,075,249	94,075,249	47,790,698	47,790,698
Continuing operations	(0.28)	(0.28)	(0.28)	0.48	0.48	0.48	(4.28)	(0.66)	(4.28)	(0.66)	(4.28)	(0.66)
Discontinued operations	(1.04)	(1.04)	(1.04)	(1.01)	(1.01)	(1.01)	(0.95)	(0.14)	(0.95)	(0.14)	(0.95)	(0.14)
Diluted loss per share	(1.32)	(1.32)	(1.32)	(0.52)	(0.52)	(0.52)	(5.23)	(0.80)	(5.23)	(0.80)	(5.23)	(0.80)

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19. Earnings/(LOSS) PER SHARE (CONTINUED)

For the years ended December 31, 2018, 2019 and 2020, the two-class method is applicable because the Company has three classes of ordinary shares outstanding, Class A, Class B and Class C ordinary shares, respectively (Note 21). The effects of all outstanding share options, restricted share units and convertible senior notes were excluded from the computation of diluted loss per share for the years ended December 31, 2018 and 2020 as their effects would be anti-dilutive. The effects of all outstanding share options and restricted share units were included from the computation of diluted loss per share for the years ended December 31, 2019 as their effects would be dilutive The effects of convertible senior notes were excluded from the computation of diluted loss per share for the year ended December 31, 2019 as their effects would be anti-dilutive.

20. SHARE-BASED PAYMENTS

2008 Stock Incentive Plan (the "2008 Plan")

On June 4, 2008, the shareholders and Board of Directors of the Company approved the 2008 Plan, which is administrated by the Board of Directors and has a term of 10 years from the date of adoption. Under the 2008 Plan, the Company reserved 10,000,000 ordinary shares of the Company to its eligible employees, directors and officers of the Group and consultants. The purpose of the 2008 Plan is to attract and retain key employees, directors, officers and consultants of outstanding ability and to motivate them to exert their best efforts on behalf of the Group by providing incentives through granting awards. On October 25, 2011 and January 15, 2015, the shareholders and Board of Directors of the Company approved a resolution to increase the share option pool under the 2008 Plan to 16,239,033 and 20,934,684 ordinary shares, respectively.

The options granted under the 2008 Plan have a contractual term of 15 years and will become vested (but not exercisable) either (i) immediately upon grant; or (ii) with respect to 25% of the options on the first anniversary of the vesting period, and thereafter in thirty-six equal monthly installments of 2.09% each on the last day of every month that has elapsed following the first anniversary of the vesting period until the options are 100% vested.

The grantee can exercise vested options after the commencement date of exercise and before the earlier of: 1) its contractual term (i.e. 15 years after its grant date); or 2) 90 days after the grantee terminates their employment if the vested options have not been exercised. The commencement date of exercise is upon the Company's IPO.

In July 2017, 12,599,520 vested options were exercised pursuant to a conditional one-time waiver of the "exercisable upon the Company's IPO" condition by the Group (the "early exercise"). The early exercise was not considered substantive for accounting purposes in accordance with ASC 718-10-55-31.

2017 Stock Incentive Plan

In September 2017, the Company's shareholders and Board of Directors approved the 2017 Equity Incentive Plan (the "2017 Plan"). The 2017 Plan provides for an aggregate amount of no more than 10,000,000 Class A ordinary shares to be issued. In addition, the number of Class A ordinary shares available to be issued under the 2017 Plan will automatically be increased by a maximum of 2% of the Company's total outstanding shares at the end of the preceding calendar year on January 1, 2019 and on every January 1 thereafter for eight years, provided that the aggregate amount of shares which may be subject to awards granted under the 2017 Plan does not exceed 10% of the Company's total outstanding shares at the end of the preceding calendar year.

The options granted under the 2017 Plan have a contractual term no more than 10 years and will become vested with respect to 25% of the options on the first anniversary of the vesting period, and thereafter in thirty six equal monthly installments of 2.09% each on the last day of every month that has elapsed following the first anniversary of the vesting period until the options are 100% vested.

The grantee can exercise vested options after the commencement date of exercise and before the earlier of: 1) its contractual term (i.e. 10 years after its grant date); or 2) 90 days after the grantee terminates their employment if the vested options have not been exercised.

The restricted Class A ordinary shares ("Restricted Shares") granted under the 2017 Plan have the same terms as the share options except that Restricted Shares do not require exercise and will become vested with respect to 25% of the Restricted Shares on the first, second, third and fourth anniversary of the vesting period until the Restricted Shares are 100% vested.

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20. SHARE-BASED PAYMENTS (CONTINUED)

Options granted to employees

A summary of the employee share option activity under the 2008 Plan is stated below:

	Number of options	Weighted-average exercise price	Weighted-average grant-date fair value	Weighted-average remaining contractual term	Aggregate intrinsic Value
		US$	US$	Years	US$
Outstanding, December 31, 2019	2,791,458	0.75	6.65	12.95	14,430
Granted	—	—	—		
Exercised	(919,822)	0.75	6.52		
Forfeited/Expired	(67,180)	0.75	8.21		
Outstanding, December 31, 2020	1,804,456	0.75	6.93	11.05	2,329
Vested and expected to vest at December 31, 2020	17,237,326	0.67	2.37	7.67	23,681
Exercisable at December 31, 2020	1,625,059	0.75	6.71	10.99	2,097

The aggregate intrinsic value in the table above represents the difference between the closing share price on the last trading day in 2020 and the option's respective exercise price. Total intrinsic value of options exercised for the years ended December 31, 2018, 2019 and 2020 was RMB792,192, RMB860,607 and RMB881,376 (US$135,077) respectively.

The total weighted average grant-date fair value of the share option awards granted during the years ended December 31, 2018, 2019 and 2020 were US$9.55, US$ nil and US$ nil per option, respectively. No share option awards were granted during the years ended December 31, 2018, 2019 and 2020. The total fair value of the equity awards vested during the years ended December 31, 2018, 2019 and 2020 were RMB101,966, RMB48,452 and RMB34,671 (US$5,314) respectively.

There were no new grants of share option awards during the years ended December 31, 2018, 2019 and 2020 or any outstanding share options under the 2017 Plan as of December 31, 2019 and 2020, respectively.

As of December 31, 2020, the unrecognized compensation cost related to 144,723 unvested share options expected to vest was RMB5,690 (US$872). This unrecognized compensation will be recognized over an estimated weighted-average amortization period of 0.58 years. Total unrecognized compensation cost may be adjusted for actual forfeitures occurring in the future.

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20. SHARE-BASED PAYMENTS (CONTINUED)

Options granted to non-employees

A summary of the non-employee share option activity under the 2008 Plan is stated below:

	Number of options	Weighted-average exercise price	Weighted-average grant-date fair value	Weighted-average remaining contractual term	Aggregate intrinsic Value
		US$	US$	Years	US$
Outstanding, December 31, 2019	1,471,677	0.70	2.47	9.67	4,657
Granted	—	—	—		
Exercised	(30,500)	0.75	2.20		
Forfeited	—	—	—		
Outstanding, December 31, 2020	1,441,177	0.70	2.46	7.67	7,645
Vested and expected to vest at December 31, 2020	1,838,173	0.65	2.46	7.67	7,645
Exercisable at December 31, 2020	1,410,677	0.70	2.49	7.64	6,856

The aggregate intrinsic value in the table above represents the difference between the closing stock price on the last trading day in 2020 and the option's respective exercise price. Total intrinsic value of options exercised for the years ended December 31, 2018, 2019 and 2020 was RMB15,703, RMB19,677 and RMB20,448 (US$3,134), respectively.

The total weighted average grant date fair value of the non-employee share option awards granted during the years ended December 31, 2018, 2019 and 2020 were US$9.06, US$ nil and US$ nil per option, respectively. The Company did not grant any non-employee share option awards for the year ended December 31, 2020. The total fair value of the equity awards vested during the years ended December 31, 2018, 2019 and 2020 were RMB21,199, RMB770 and RMB nil (US$ nil), respectively.

There were no new grants of non-employee share option awards during the years ended December 31, 2019 and 2020 or any outstanding non-employee share options under the 2017 Plan as of December 31, 2018, 2019 and 2020, respectively.

As of December 31, 2020, there was no remaining unrecognized non-employee share-based compensation expenses.

Grant date fair value of employee and non-employee share options

The grant date fair value of share options was determined using the binomial option valuation model, with the assistance from an independent third-party appraiser. The binomial model requires the input of subjective assumptions, including the expected share price volatility and the suboptimal early exercise factor. For expected volatilities, the Company has made reference to historical volatilities of several comparable companies. The suboptimal early exercise factor was estimated based on the Company's expectation of exercise behavior of the grantees. The risk-free rate for periods within the contractual life of the share options is based on the market yield of U.S. treasury bonds in effect at the time of grant. Subsequent to the IPO, the fair value of the ordinary shares is the price of the Company's publicly traded shares. The Company's management is ultimately responsible for the determination of the estimated fair value of its ordinary shares.

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20. SHARE-BASED PAYMENTS (CONTINUED)

Grant date fair value of employee and non-employee share options (continued)

The assumptions used to estimate the grant date fair value of the share options granted to employees and non-employees are as follows:

	For the years ended December 31,		
	2018	2019	2020
Risk-free interest rate	2.74% ~ 2.78%	—	—
Expected volatility range	44.3% ~ 46.9%	—	—
Suboptimal exercise factor	2.20	—	—
Fair market value per ordinary share	US$8.30 ~ $9.55	—	—

Restricted Shares

The following table summarizes the Company's Restricted Shares activity under the 2017 Plan:

	Number of shares	Weighted-average grant-date fair value
		US$
Outstanding, December 31, 2019	6,331,464	7.29
Granted	4,599,432	5.23
Vested and issued	(1,729,254)	7.60
Forfeited	(913,502)	6.79
Outstanding, December 31, 2020	8,288,140	6.14
Vested and expected to vest at December 31, 2020	6,581,734	

The weighted average grant-date fair value of Restricted Shares granted during the year ended December 31, 2018, 2019 and 2020 was US$10.41, US$5.65 and US$5.23, which was derived from the fair value of the underlying ordinary shares. As of December 31, 2020, there was RMB266,208 (US$40,798) of total unrecognized share-based compensation expenses related to unvested Restricted Shares expected to vest which are expected to be recognized over a weighted-average period of 2.54 years. Total unrecognized compensation cost may be adjusted for actual forfeitures occurring in the future. During the year ended December 31, 2018, 2019 and 2020, the Group granted 6,000, 9,413 and 189,715 Restricted Shares to non-employees, which were fully vested and issued during the year.

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20. SHARE-BASED PAYMENTS (CONTINUED)

Restricted Shares(Continued)

The following table summarizes the total share-based compensation expense recognized by the Company:

	For the years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
Cost of revenue	2,003	1,771	2,400	368
Selling expenses	6,007	8,788	7,715	1,182
General and administrative expenses	87,011	73,925	111,773	17,130
Research and development expenses	9,115	7,209	7,763	1,190
Share-based compensation expenses from continuing operations	104,136	91,693	129,651	19,870
Share-based compensation expenses from discontinued operations	4,971	6,811	8,550	1,310
Total share-based compensation expenses	109,107	98,504	138,201	21,180

21. SHAREHOLDERS' EQUITY

The Company has three classes of ordinary shares, Class A, Class B and Class C. The participating rights (liquidation and dividend rights) of the Class A, Class B and Class C ordinary shares are identical, except with respect to voting and conversion rights. Holders of Class A, Class B and Class C ordinary shares shall vote together as one class on all resolutions submitted to a vote by the shareholders (except with respect to the modification of the rights of any class of ordinary shares). Each share of Class A, Class B and Class C ordinary shares entitle the holder thereof to one vote per share, fifteen votes per share and thirty votes per share on all matters subject to vote at the Company's general meetings, respectively, and each share of Class B and Class C ordinary share is convertible into one Class A ordinary share at any time at the option of the holder thereof. Each holder of Class B ordinary shares or Class C ordinary shares can exercise their conversion right by delivering a written notice to the Company that specifies the number of Class B or Class C ordinary shares they elect to convert into Class A ordinary shares. In no event shall Class A ordinary shares be convertible into Class B or Class C ordinary shares, Class B ordinary shares be convertible into Class C ordinary shares, nor shall Class C ordinary shares be convertible into Class B ordinary shares.

On February 1, 2018 and September 5, 2018, the Company issued and transferred 16,000,000 and 2,000,000 Class A ordinary shares respectively to Citi, its depositary bank to be issued to employees and non-employees upon the exercise of vested share options and vesting of Restricted Shares under the 2008 Stock Incentive Plan and 2017 Stock Incentive Plan. For the years ended December 31, 2018, 2019 and 2020, 12,903,413, 2,056,804 and 2,869,291 Class A ordinary shares were issued pursuant to exercise of share options and vesting of Restricted Shares, respectively. As of December 31, 2019 and 2020, 14,960,217 and 17,829,508 ordinary shares out of these 18,000,000 ordinary shares had been issued to employees and non-employees. Therefore, as of December 31, 2018, 2019 and 2020, 5,096,587, 3,039,783 and 170,492 Class A ordinary shares remain available for future issuance. These shares are legally issued but not outstanding for the purpose of accounting thus are excluded from the basic earnings/(loss) per share calculation.

As of December 31, 2019 and 2020, the Company had ordinary shares outstanding comprising of 250,648,452 Class A ordinary shares, 94,075,249 Class B ordinary shares and 47,790,698 of Class C ordinary shares, respectively. No Class B or Class C ordinary shares were converted into Class A ordinary shares for the years ended December 31, 2018, 2019 and 2020, respectively.

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21. SHAREHOLDERS' EQUITY (CONTINUED)

In November 2019, the Board of Directors of the Company authorized a share repurchase program ("2019 Share Repurchase Program"), pursuant to which the Company is authorized to repurchase its own issued and outstanding ADSs up to an aggregate value of US$100 million from the open market over a period of 18 months in accordance with applicable securities laws from time to time. As of December 31, 2019, the Company had not repurchased any ADSs under the 2019 Share Repurchase Program. During the year ended and as of December 31, 2020, the Company repurchased an aggregate of 6,395,050 ADSs, representing 6,395,050 Class A ordinary shares under the 2019 Share Repurchase Program, at an average price of US$4.69 per ADS, for RMB211,352 (US$32,391). These shares are recorded as Treasury shares on the consolidated balance sheets.

22. RELATED PARTY TRANSACTIONS

a) Related Parties

Name of Related Parties	Relationship with the Group
Zhejiang Cainiao Supply Chain Management Co. Ltd ("Cainiao")	Entity controlled by a principal shareholder of the Group
Alibaba Cloud Computing Co. Ltd ("Ali Cloud")	Entity controlled by a principal shareholder of the Group
Alibaba.com Hong Kong Limited ("Alibaba.com")	Entity controlled by a principal shareholder of the Group
Lazada Express Limited ("Lazada")	Entity controlled by a principal shareholder of the Group

b) The Group had the following related party transactions:

	For the years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
Rendering of express delivery and supply chain management services:				
Cainiao	652,352	814,855	808,308	123,879
Lazada	—	10,697	125,561	19,243
	652,352	825,552	933,869	143,122

	For the years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
Rental of warehouse as a lessee:				
Cainiao	9,076	9,916	18,061	2,768

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22. RELATED PARTY TRANSACTIONS (CONTINUED)

b) The Group had the following related party transactions: (continued)

	For the years ended December 31,			
	2018 RMB	2019 RMB	2020 RMB	2020 US$
Operating costs paid on behalf of the Company:				
Cainiao	16,433	9,874	4,045	620
Ali Cloud	—	—	2,768	424
	16,433	9,874	6,813	1,044

	For the years ended December 31,			
	2018 RMB	2019 RMB	2020 RMB	2020 US$
Commission fee paid to related party:				
Cainiao	3,489	160	—	—

	For the years ended December 31,			
	2018 RMB	2019 RMB	2020 RMB	2020 US$
Operating costs paid to related party:				
Ali Cloud	4,756	9,669	14,901	2,284
Cainiao	—	—	37,374	5,728
	4,756	9,669	52,275	8,012

	For the years ended December 31,			
	2018 RMB	2019 RMB	2020 RMB	2020 US$
Issue convertible senior notes to related party:				
Alibaba.com	—	687,677	1,061,421	162,670

	For the years ended December 31,			
	2018 RMB	2019 RMB	2020 RMB	2020 US$
Interest expense of convertible senior notes accrued to related party:				
Alibaba.com	—	5,447	46,460	7,120

c) The Group had the following related party balances at the end of the year:

	As at December 31		
	2019 RMB	2020 RMB	2020 US$
Amounts due from related parties:			
Cainiao	241,021	232,110	35,573
Ali Cloud	388	8	1
Lazada	5,349	42,277	6,479
	246,758	274,395	42,053

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22. RELATED PARTY TRANSACTIONS (CONTINUED)

c) The Group had the following related party balances at the end of the year: (continued)

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Amounts due to related parties:			
Cainiao	6,140	6,139	941
Alibaba.com	3,629	28,275	4,333
Ali Cloud	—	1,209	185
	9,769	35,623	5,459

	As at December 31		
	2019	2020	2020
	RMB	RMB	US$
Convertible senior notes held by related parties:			
Alibaba.com	680,104	1,617,846	247,946

23. SEGMENT REPORTING

Prior to December 31, 2019, the Group has determined that it operates in five operating segments: (1) Supply chain management services, (2) Express delivery services, (3) Freight delivery services, (4) Store+ services, and (5) Others. The "Others" category principally relates to finance leasing services, cross-border logistic coordination services and Ucargo transportation services. The operating segments also represented the reporting segments. The chief operating decision maker ("CODM") has been identified as the Chief Executive Officer. The CODM assess the performance of the operating segments based on the measures of revenues, costs of revenues and gross profit.

Commencing on January 1, 2020, the Group changed its segment disclosure to separate "Others" segment into Global logistics services, Capital service and Ucargo service. In addition, the CODM added the net profit as the performance measurement when evaluating operating segments performance. As a result, the Group reports segments as six operating segments: (1) Express delivery services("Express delivery"), (2) Freight delivery services("Freight delivery"), (3) Supply chain management services("Supply chain management"), (4) Global logistic services("Global"), (5) Ucargo services("Ucargo"), and (6) Capital services("Capital"). This change in segment reporting aligns with the manner in which the Group's CODM currently receives and uses financial information to allocate resource and evaluate the performance of reporting segments. Other than the information provided below, the CODM does not use any other measures by segments. The Group currently does not allocate assets to its operating segments, as the CODM does not use such information to allocate resources to or evaluate the performance of the operating segments. As most of the Group's long-lived assets are located in the PRC and most of the Group's revenues are derived from the PRC, no geographical information is presented. The Group retrospectively revised prior period segment information to conform to current period presentation. Further, because the results from our Store+ service business formerly reported as a separate reportable segment are currently reflected in our consolidated financial statements as discontinued operations for all periods presented, they are not reflected in the segment disclosures below. For further information, refer to Note 4.

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23. SEGMENT REPORTING (CONTINUED)

The table below provides a summary of the Group's operating segment results for the years ended December 31, 2018, 2019 and 2020:

	For the years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
Revenue:				
Express delivery	17,751,830	21,853,951	19,434,485	2,978,465
Freight delivery	4,115,606	5,233,542	5,163,882	791,400
Supply chain management	2,101,304	2,198,536	1,912,323	293,076
Global	162,968	336,874	777,657	119,181
Ucargo	2,414,169	3,233,887	2,871,850	440,130
Capital	168,299	205,203	211,021	32,340
Inter-segment*	(1,598,199)	(703,306)	(376,189)	(57,654)
Total revenue	25,115,977	32,358,687	29,995,029	4,596,938
Cost of revenue:				
Express delivery	16,959,276	20,824,800	19,487,863	2,986,646
Freight delivery	3,963,172	4,944,124	5,070,567	777,098
Supply chain management	2,000,470	2,059,202	1,846,901	283,050
Global	167,963	371,404	875,734	134,212
Ucargo	2,387,839	3,175,187	2,825,775	433,069
Capital	48,015	52,001	26,225	4,019
Inter-segment*	(1,596,776)	(705,358)	(376,176)	(57,651)
Total cost of revenue	23,929,959	30,721,360	29,756,889	4,560,443
Gross (loss)/profit:				
Express delivery	792,554	1,029,151	(53,378)	(8,181)
Freight delivery	152,434	289,418	93,315	14,302
Supply chain management	100,834	139,334	65,422	10,026
Global	(4,995)	(34,530)	(98,077)	(15,031)
Ucargo	26,330	58,700	46,075	7,061
Capital	120,284	153,202	184,796	28,321
Inter-segment*	(1,423)	2,052	(13)	(3)
Total gross profit	1,186,018	1,637,327	238,140	36,495
Net (loss)/profit:				
Express	377,684	461,490	(755,305)	(115,756)
Freight	(13,536)	18,684	(199,826)	(30,625)
Supply Chain	(44,348)	(122,312)	(175,072)	(26,831)
Global	(74,812)	(167,600)	(251,511)	(38,546)
Ucargo	(12,292)	(22,056)	(116,782)	(17,898)
Capital	110,064	125,966	93,981	14,403
Unallocated**	(450,006)	(121,470)	(278,553)	(42,692)
Total net loss from continuing operations	(107,246)	172,702	(1,683,068)	(257,945)

(*) The inter-segment eliminations mainly consist of (i) express delivery services provided by the Express delivery services segment to the Supply chain management services segment; and (ii) services provided by Ucargo to the Express delivery services, Freight delivery services and Supply chain management services segment, for the years ended December 31, 2018, 2019 and 2020, respectively.

(**) Unallocated expenses are primarily related to the corporate general administrative expenses and other miscellaneous items that are not allocated to individual reportable segments.

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24. FAIR VALUE MEASUREMENTS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurements as at December 31, 2019 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB	RMB	RMB	RMB
Non-recurring fair value measurement for:				
Long-term investments	—	—	119,927	119,927

	Fair value measurements as at December 31, 2020 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB	RMB	RMB	RMB
Non-recurring fair value measurement for:				
Long-term investments	—	—	110,677	110,677

For equity securities accounted for under the measurement alternative, when there are observable price changes in orderly transactions for identical or similar investments of the same issuer, the investments are re-measured to fair value (Note 11). The non-recurring fair value measurements to the carrying amount of an investment usually requires management to estimate a price adjustment for the different rights and obligations between a similar instrument of the same issuer with an observable price change in an orderly transaction and the investment held by the Company. These non-recurring fair value measurements were measured as of the observable transaction dates. The valuation methodologies involved require management to use the observable transaction price at the transaction date and other unobservable inputs (level 3) such as expected volatility and probability of exit events as it relates to liquidation and redemption preferences. When there is impairment of equity securities accounted for under the measurement alternative and equity method investments, the non-recurring fair value measurements are measured at the date of impairment. Estimating the fair value of investees without observable market prices is highly judgmental due to the subjectivity of the unobservable inputs (level 3) used in the valuation methodologies used to determine fair value, especially considering the increased market volatility in the global financial markets after the COVID-19 outbreak. The Company uses valuation methodologies, primarily the Black-Scholes model, which requires management to use unobservable inputs (level 3) such as selection of comparable companies, expected volatility, and probability of exit events as it relates to liquidation and redemption preferences when applicable. These unobservable inputs and resulting fair value estimates may be affected by unexpected changes in future market or economic conditions. The fair value information presented is not as of the period's end, and is sensitive to changes in the unobservable inputs used to determine fair value and such changes could result in the fair value at the reporting date to be different from the fair value presented.

The Group recognized an unrealized gain of RMB64,628, RMB14,155 and RMB18,687 (US$2,864) for measuring equity investments at fair value using the measurement alternative resulting from the observable price changes occurring in the years ended December 31, 2018, 2019 and 2020, respectively.

The Group had no financial assets and liabilities measured and recorded at fair value on a recurring basis as of December 31, 2019 and 2020.

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25. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

The Group has commitments for the construction of warehouses and equipment of RMB1,316,659 (US$201,787) at December 31, 2020, which are scheduled to be paid within one year.

Contingencies

From time to time, the Group is subject to legal proceedings, investigations, and claims incidental to the conduct of its business. The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group's business, financial position or results of operations.

26. EMPLOYEE DEFINED CONTRIBUTION PLAN

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the Group's PRC subsidiaries, VIEs and its subsidiaries make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were RMB185,395, RMB182,927 and RMB170,351 (US$26,107) for the years ended December 31, 2018, 2019 and 2020, respectively.

27. ACCUMULATED OTHER COMPREHENSIVE INCOME

	RMB
Balance as of January 1 , 2018	12,333
Foreign currency translation adjustments, net of tax of nil	111,590
Balance as of December 31, 2018	123,923
Foreign currency translation adjustments, net of tax of nil	39,273
Balance as of December 31, 2019	163,196
Foreign currency translation adjustments, net of tax of nil	(11,519)
Balance as of December 31, 2020	151,677
Balance as of December 31, 2020 (US$)	23,246

There have been no reclassifications out of accumulated other comprehensive income to net loss for all the periods presented.

28. SUBSEQUENT EVENTS

On March 12, 2021, the Company entered into a strategic partnership agreement with an external asset management company through its subsidiary, BEST Finance. According to the agreement, the Company secured borrowings of RMB465,661 (US$71,366) through the securitization of certain financing receivables pertaining to its Capital business.

Subsequent to year-end and up to the issuance date of these financial statements, the Company secured RMB580,000 (US$88,889) of short-term loans maturing in one year.

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29. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

Condensed Balance Sheets

	Notes	As at December 31		
		2019	2020	2020
		RMB	RMB	US$
Current assets:				
Cash		9,933	33,310	5,105
Prepayments and other current assets		5,511	6,295	965
Total current assets		**15,444**	**39,605**	**6,070**
Non-current assets:				
Other non—current assets		5,909	1,686	258
Investments in subsidiaries and VIEs		5,343,503	4,230,471	648,348
Total non—current assets:		**5,349,412**	**4,232,157**	**648,606**
Total assets		**5,364,856**	**4,271,762**	**654,676**
Current liabilities:				
Accrued liabilities and other payables		8,805	39,302	6,023
Non-current liabilities:				
Long-term payable due to subsidiaries		74,931	221,874	34,003
Convertible senior notes held by related parties		680,104	1,617,846	247,946
Convertible senior notes held by third parties		680,104	642,121	98,409
Total non-current liabilities		**1,435,139**	**2,481,841**	**380,358**
Total liabilities		**1,443,944**	**2,521,143**	**386,381**
Shareholders' equity				
Class A ordinary shares (par value of US$0.01 per share as of December 31, 2019 and 2020; 1,858,134,053 shares authorized as of December 31, 2019 and 2020; 250,648,452 and 250,648,452 shares issued and outstanding as of December 31, 2019 and 2020, respectively)	21	16,532	16,532	2,534
Class B ordinary shares (par value of US$0.01 per share as of December 31, 2019 and 2020; 94,075,249 shares authorized, issued and outstanding as of December 31, 2019 and 2020, respectively)	21	6,178	6,178	947
Class C ordinary shares (par value of US$0.01 per share as of December 31, 2019 and 2020; 47,790,698 shares authorized, issued and outstanding as of December 31, 2019 and 2020, respectively)	21	3,278	3,278	502
Treasury shares		—	(211,352)	(32,391)
Statutory reserves		7,865	8,038	1,232
Additional paid in capital		19,353,400	19,487,232	2,986,549
Accumulated deficit		(15,629,537)	(17,710,964)	(2,714,324)
Accumulated other comprehensive income		163,196	151,677	23,246
BEST Inc. shareholders' equity		**3,920,912**	**1,750,619**	**268,295**
Total liabilities and shareholders' equity		**5,364,856**	**4,271,762**	**654,676**

Condensed Statements of Comprehensive Loss

	For the years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
Operating expenses				
General and administrative expenses	(6,610)	(2,698)	(8,620)	(1,321)
Operating loss	**(6,610)**	**(2,698)**	(8,620)	(1,321)
Share of losses of subsidiaries and VIEs	(501,396)	(188,962)	(1,951,902)	(299,141)
Interest expense	—	(10,756)	(64,986)	(9,960)
Interest income	18	—	—	—
Net loss attributable to ordinary shareholders	**(507,988)**	**(202,416)**	**(2,025,508)**	**(310,422)**
Other comprehensive income/(loss), net of tax of nil				
Foreign currency translation adjustments	111,590	39,273	(11,519)	(1,765)
Comprehensive loss	**(396,398)**	**(163,143)**	**(2,037,027)**	**(312,187)**

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29. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

Condensed Statements of Cash Flows

	For the years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US$
Net cash generate from/(used in) operating activities	3,132	4,218	(289,910)	(44,430)
Net cash used in investing activities	(41,166)	(1,224,149)	(534,059)	(81,848)
Net cash generated from financing activities	4,249	1,224,514	847,346	129,861
Net (decrease)/increase in cash and cash equivalents	(33,785)	4,583	23,377	3,583
Cash and cash equivalents at beginning of the year	39,135	5,350	9,933	1,522
Cash and cash equivalents at end of the year	5,350	9,933	33,310	5,105

Basis of presentation

For the presentation of the parent company only condensed financial information, the Company records its investments in subsidiaries and VIEs under the equity method of accounting as prescribed in ASC 323. Such investments are presented on the condensed balance sheets as "Investments in subsidiaries and VIEs" and the subsidiaries' and VIE's losses as "Share of losses of subsidiaries and VIEs" on the condensed statements of comprehensive loss.

The subsidiaries did not pay any dividends to the Company for the periods presented.

The Company does not have significant commitments or long-term obligations as of the period end other than those presented.

The parent company only financial statements should be read in conjunction with the Company's consolidated financial statements.

Exhibit 2.4

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2020, BEST Inc. (the "company", "we", "us" and "our") had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Class A ordinary shares, par value US$0.01 per share*		
American depositary shares, each representing one Class A ordinary share	BEST	New York Stock Exchange

*Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares.

Description of Ordinary Shares (Items 9.A.3, 9.A.5, 9.A.6, 9.A.7, 10.B.3, 10.B.4, 10.B.6, 10.B.7, 10.B.8, 10.B.9 and 10.B.10 of Form 20-F)

General

We are an exempted company incorporated in the Cayman Islands with limited liability and our affairs are governed by our ninth amended memorandum and articles of association currently in effect, which we refer to as our articles, and the Companies Law (As Revised) of the Cayman Islands, which we refer to as the Cayman Companies Law, and the common law of the Cayman Islands. In June 2017, we changed our name to BEST Inc.

Each Class A ordinary share of our company has par value of US$0.01 per share. The number of Class A ordinary shares that had been issued as of December 31, 2020 is provided on the cover of our annual report on Form 20-F for the year ended December 31, 2020.

All of our issued and outstanding ordinary shares are fully paid and non-assessable. Our ordinary shares are issued in registered form, and are issued when registered in our register of members (shareholders). Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Our articles prohibit us from issuing shares to bearer.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights

Our outstanding share capital consists of Class A ordinary shares, Class B ordinary shares and Class C ordinary shares. Holders of Class A ordinary shares are entitled to one (1) vote per share, holders of Class B ordinary shares are entitled to fifteen (15) votes per share and holders of Class C ordinary shares are entitled to thirty (30) votes per share, in respect of matters requiring the votes of shareholders of our Company.

Voting at any meeting of shareholders is by a show of hands, unless a poll is demanded by the chairman of the meeting or one or more shareholders present in person or by proxy who together hold shares which carry in aggregate not less than 10% of all votes attaching to all of our shares in issue and

entitled to vote, and, unless a poll is so demanded, a declaration by the chairman of that a resolution has, on a show of hands, been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the minutes of the proceedings of our company, shall be conclusive evidence of the fact, without proof of the number of proportion of the votes recorded in favor of, or against that resolution.

Our articles provide that all questions submitted to our shareholders for approval at a general meeting must be decided by a special resolution, except where a greater majority is required by our articles or by the Cayman Companies Law. A special resolution must be passed by a majority of not less than two-thirds of the votes cast by such of our shareholders as, being entitled to do so, vote in person or by proxy at a general meeting, or alternatively may be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Cayman Companies Law and our articles.

Transfer of Shares

Any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in any usual or common form or any other form approved by our board of directors, executed by or on behalf of the transferor.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share that has not been fully paid up or is subject to a company lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- the relevant fee related to the transfer has been paid to us; and
- in the case of any transfer to joint holders, the transfer is not to more than four joint holders.

If our directors refuse to register a transfer, they shall within one month after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

Winding Up

On the solvent winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution in respect of a solvent winding up are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them. On the insolvent winding up of our company, where the liabilities of our company exceed its assets, those assets will be distributed to creditors and the shareholders will not receive any assets.

The liquidator may, with the sanction of a special resolution of our shareholders, divide amongst the shareholders in species or in kind the whole or any part of the assets of our company, and may for such purpose set such value as the liquidator deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between our shareholders or different classes of shareholders.

We are a “limited liability” company registered under the Cayman Companies Law, and under the Cayman Companies Law, the liability of our shareholders is limited to the amount, if any, unpaid on the

shares respectively held by them. Our memorandum of association contains a declaration that the liability of our members is so limited.

Redemption, Repurchase and Surrender of Ordinary Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined by our board of directors. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by special resolution of our shareholders (but no repurchase may be made contrary to the terms or manner recommended by our directors), or as otherwise authorized by our articles. Under the Cayman Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Cayman Companies Law no such share may be redeemed or repurchased (i) unless it is fully paid up, (ii) if such redemption or repurchase would result in there being no shares outstanding or (iii) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares

Our board of directors may from time to time make calls upon shareholders (or any of them) for any amounts unpaid on their ordinary shares provided that no call shall be payable earlier than one month from the last call. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

General Meetings of Shareholders

As a Cayman Islands exempted company, we are not obliged by the Cayman Companies Law to call shareholders' annual general meetings. Our articles provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by a majority of our board of directors or by our chairman. Advance notice of at least ten calendar days is required for the convening of our annual general shareholders' meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least one shareholder present or by proxy, holding shares which carry in aggregate not less than one-third of all votes attaching to all of our shares in issue and entitled to vote.

The Cayman Companies Law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our articles provide that upon the requisition of shareholders holding shares which carry in aggregate not less than one-third of the votes attaching to all issued and outstanding shares of our company entitled to vote at general meetings, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. However, our articles do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Proceedings of Board of Directors

Our articles provide that our business is to be managed and conducted by our board of directors. The quorum necessary for board meetings may be fixed by the board and, unless so fixed at another number, will be a majority of the directors then in office.

Our articles provide that the board may from time to time at its discretion exercise all powers of our company to raise capital or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our company and issue debentures, bonds and other securities of our company, whether outright or as collateral security for any debt, liability or obligation of our company or of any third party.

Changes in Capital

Our shareholders may from time to time by special resolution:

- increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them, into shares of a smaller amount; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

Our shareholders may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital or any capital redemption reserve in any manner permitted by law.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under the Cayman Companies Law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements.

Exempted Company

We are an exempted company with limited liability duly incorporated and validly existing under the Cayman Companies Law. The Cayman Companies Law distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies of the Cayman Islands;
- an exempted company’s register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value, negotiable or bearer shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder’s shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil). We are subject to

reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. We follow home country practice for certain corporate governance practices which may differ from the Corporate Governance Rules of the New York Stock Exchange. The listing requirements of the New York Stock Exchange require that every listed company hold an annual general meeting of shareholders. In addition, our articles allow our directors to call extraordinary general meetings of our shareholders pursuant to the procedures set forth in our articles.

Differences in Corporate Law

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, but does not follow recent statutory enactments in England and accordingly there are significant differences between the Cayman Companies Law and the current Companies Act of England. In addition, the Cayman Companies Law differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Cayman Companies Law applicable to us and the laws applicable to companies incorporated in the State of Delaware.

Mergers and Similar Arrangements

The Cayman Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (i) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (ii) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (i) a special resolution of the shareholders of each constituent company, and (ii) such other authorization, if any, as may be specified in such constituent company's articles of association. The plan must be filed with the Registrar of Companies of the Cayman Islands together with a declaration with respect to, among other things, the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman Islands parent company and its Cayman Islands subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least 90% of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest of a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Except in certain limited circumstances, a shareholder of a Cayman Islands constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his or her shares (which, if not agreed between the parties, will be determined by the Grand Court of the Cayman Islands) upon dissenting from a merger or consolidation, provide the dissenting shareholder complies strictly with the procedures set out in the Cayman Companies Law. The exercise of such dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, except for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separately from the statutory provisions relating to mergers and consolidations, the Cayman Companies Law also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by a majority in number of each class of shareholders or creditors with whom the arrangement is to be made, and who must,

in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Cayman Companies Law.

The Cayman Companies Law also contains a statutory power of compulsory acquisition which may facilitate the "squeeze out" of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90% in value of the shares affected within four months of the offer being made, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, or if a tender offer is made and accepted, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company and as a general rule, a derivative action may not be brought by a minority shareholder. However, based on English law authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge:

- an act which is illegal or *ultra vires* with respect to the company and is therefore incapable of ratification by the shareholders;
- an act which, although not *ultra vires*, requires authorization by a qualified (or special) majority (that is, more than a simple majority) which has not been obtained; and
- an act which constitutes a "fraud on the minority" where the wrongdoers are themselves in control of the company.

Indemnification of Directors and Executive Officers and Limitation of Liability

The Cayman Companies Law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our articles provide that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person's dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or

discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our articles.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Anti-Takeover Provisions in Our Articles

Some provisions of our articles may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our articles, as amended and restated from time to time, for a proper purpose and in what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interests of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party, and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Cayman Companies Law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our articles allow our shareholders holding shares which carry in aggregate not less than one-third of the votes attaching to all issued and outstanding shares of our company entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Our articles provide no other right to put any proposals before annual general meetings or extraordinary general meetings. As a Cayman Islands exempted company, we are not obligated by law to call shareholders' annual general meetings. However, our corporate governance guidelines require us to call such meetings every year.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. Cayman Islands law does not prohibit cumulative voting, but our articles do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our articles, directors may be removed by special resolution of our shareholders.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its shareholders, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, the fiduciary duties owed by our directors do require that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board of directors.

Under the Cayman Companies Law, our company may be wound up by either a special resolution of our members or, if our company is unable to pay its debts as they fall due, by an ordinary resolution of our members. In addition, a company may be wound up by an order of the courts of the Cayman Islands. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so or if our company is insolvent.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our articles, if our share capital is divided into more than one class of shares, we may materially and adversely vary the rights attached to any class only with the consent in writing of the holders of not less than three-fourths of the shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under the Cayman Companies Law and our articles, our articles may only be amended by special resolution of our shareholders.

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by our articles on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our articles governing the ownership threshold above which shareholder ownership must be disclosed.

Directors' Power to Issue Shares

Under our articles, our board of directors is empowered to issue or allot shares or grant options, restricted shares, restricted share units, share appreciation rights, dividend equivalent rights, warrants and analogous equity-based rights with or without preferred, deferred, qualified or other special rights or restrictions. In particular, pursuant to our articles, our board of directors has the authority, without further action by the shareholders, to issue all or any part of our capital and to fix the designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions therefrom, including dividend rights, conversion rights, voting rights, terms of

redemption and liquidation preferences, any or all of which may be greater than the rights of our ordinary shares. Our board of directors, without shareholder approval, may issue preferred shares with voting, conversion or other rights that could adversely affect the voting power and other rights of holders of our ordinary shares. Subject to the directors' duty of acting in the best interest of our company, preferred shares can be issued quickly with terms calculated to delay or prevent a change in control of us or make removal of management more difficult. Additionally, the issuance of preferred shares may have the effect of decreasing the market price of the ordinary shares, and may adversely affect the voting and other rights of the holders of ordinary shares.

Description of Debt Securities, Warrants and Rights and Other Securities (Items 12.A, 12.B and 12.C of Form 20-F)

None.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

Citibank, N.A. acts as the depositary bank for the American Depositary Shares. Citibank's depositary offices are located at 388 Greenwich Street, New York, New York 10013. The depositary bank typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Citibank, N.A. – Hong Kong, located at 9/F., Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

We have appointed Citibank as depositary bank pursuant to a deposit agreement. A copy of the deposit agreement is on file with the SEC under cover of a Registration Statement on Form F-6. You may obtain a copy of the deposit agreement from the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and from the SEC's website (*www.sec.gov*). Please refer to Registration Number 333-220361 when retrieving such copy.

We are providing you with a summary description of the material terms of the ADSs and of your material rights as an owner of ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. We urge you to review the deposit agreement in its entirety. The portions of this summary description that are italicized describe matters that may be relevant to the ownership of ADSs but that may not be contained in the deposit agreement.

Each ADS represents the right to receive, and to exercise the beneficial ownership interests in, one Class A ordinary share that is on deposit with the depositary bank and/or custodian. An ADS also represents the right to receive, and to exercise the beneficial interests in, any other property received by the depositary bank or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations. We and the depositary bank may agree to change the ADS-to-Class A ordinary share ratio by amending the deposit agreement. This amendment may give rise to, or change, the depositary fees payable by ADS owners. The custodian, the depositary bank and their respective nominees hold all deposited property for the benefit of the holders and beneficial owners of ADSs. The deposited property does not constitute the proprietary assets of the depositary bank, the custodian or their nominees. Beneficial ownership in the deposited property under the terms of the deposit agreement is vested in the beneficial owners of the ADSs. The depositary bank, the custodian and their respective nominees are the record holders of the deposited property represented by the ADSs for the benefit of the holders and beneficial owners of the corresponding ADSs. A beneficial owner of ADSs may or may not be the holder of ADSs. Beneficial owners of ADSs are able to receive, and to exercise beneficial ownership interests in, the deposited property only through the registered holders of the ADSs, the registered holders of the ADSs (on behalf of the applicable ADS owners) only through the depositary bank, and the depositary bank (on behalf of the owners of the corresponding ADSs) directly, or indirectly, through the custodian or their respective nominees, in each case upon the terms of the deposit agreement.

If you become an owner of ADSs, you will become a party to the deposit agreement and therefore will be bound to its terms and to the terms of any ADR that represents your ADSs. The deposit agreement and the ADR specify our rights and obligations as well as your rights and obligations as owner of ADSs and those of the depositary bank. As an ADS holder you appoint the depositary bank to act on your behalf in certain circumstances. The deposit agreement and the ADRs are governed by New York law. However, our obligations to the holders of Class A ordinary shares continue to be governed by the laws of the Cayman Islands, which may be different from the laws in the United States.

In addition, applicable laws and regulations may require you to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. You are solely responsible for complying with such reporting requirements and obtaining such approvals. Neither the depositary bank, the custodian, us or any of their or our respective agents or affiliates shall be required to take any actions whatsoever on your behalf to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

As an owner of ADSs, we do not treat you as one of our shareholders and you do not have direct shareholder rights. The depositary bank holds on your behalf the shareholder rights attached to the Class A ordinary shares underlying your ADSs. As an owner of ADSs you are able to exercise the shareholders rights for the Class A ordinary shares represented by your ADSs through the depositary bank only to the extent contemplated in the deposit agreement. To exercise any shareholder rights not contemplated in the deposit agreement you, as an ADS owner, need to arrange for the cancellation of your ADSs and become a direct shareholder.

The manner in which you own the ADSs (e.g., in a brokerage account vs. as registered holder, or as holder of certificated vs. uncertificated ADSs) may affect your rights and obligations, and the manner in which, and extent to which, the depositary bank's services are made available to you. As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name, through a brokerage or safekeeping account, or through an account established by the depositary bank in your name reflecting the registration of uncertificated ADSs directly on the books of the depositary bank (commonly referred to as the "direct registration system" or "DRS"). The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depositary bank. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depositary bank to the holders of the ADSs. The direct registration system includes automated transfers between the depositary bank and The Depository Trust Company ("DTC"), the central book-entry clearing and settlement system for equity securities in the United States. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. The procedures of such clearing and settlement systems may limit your ability to exercise your rights as an owner of ADSs. Please consult with your broker or bank if you have any questions concerning these limitations and procedures. All ADSs held through DTC are registered in the name of a nominee of DTC. This summary description assumes you have opted to own the ADSs directly by means of an ADS registered in your name and, as such, we will refer to you as the "holder." When we refer to "you," we assume the reader owns ADSs and will own ADSs at the relevant time.

The registration of the Class A ordinary shares in the name of the depositary bank or the custodian shall, to the maximum extent permitted by applicable law, vest in the depositary bank or the custodian the record ownership in the applicable Class A ordinary shares with the beneficial ownership rights and interests in such Class A ordinary shares being at all times vested with the beneficial owners of the ADSs representing the Class A ordinary shares. The depositary bank or the custodian shall at all times be entitled to exercise the beneficial ownership rights in all deposited property, in each case only on behalf of the holders and beneficial owners of the ADSs representing the deposited property.

Dividends and Distributions

As a holder of ADSs, you generally have the right to receive the distributions we make on the securities deposited with the custodian. Your receipt of these distributions may be limited, however, by

practical considerations and legal limitations. Holders of ADSs will receive such distributions under the terms of the deposit agreement in proportion to the number of ADSs held as of the specified record date, after deduction of the applicable fees, taxes and expenses.

Distributions of Cash

Whenever we make a cash distribution for the securities on deposit with the custodian, we will deposit the funds with the custodian. Upon receipt of confirmation of the deposit of the requisite funds, the depositary bank will arrange for the funds received in a currency other than U.S. dollars to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to the laws and regulations of the Cayman Islands.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States. The depositary bank will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The distribution of cash will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. The depositary bank will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depositary bank holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States.

Distributions of Class A Ordinary Shares

Whenever we make a free distribution of Class A ordinary shares for the securities on deposit with the custodian, we will deposit the applicable number of Class A ordinary shares with the custodian. Upon receipt of confirmation of such deposit, the depositary bank will either distribute to holders new ADSs representing the Class A ordinary shares deposited or modify the ADS-to-Class A ordinary share ratio, in which case each ADS you hold will represent rights and interests in the additional Class A ordinary shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-Class A ordinary share ratio upon a distribution of Class A ordinary shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depositary bank may sell all or a portion of the new Class A ordinary shares so distributed.

No such distribution of new ADSs will be made if it would violate a law (*e.g.*, the U.S. securities laws) or if it is not operationally practicable. If the depositary bank does not distribute new ADSs as described above, it may sell the Class A ordinary shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of Rights

Whenever we intend to distribute rights to subscribe for additional Class A ordinary shares, we will give prior notice to the depositary bank and we will assist the depositary bank in determining whether it is lawful and reasonably practicable to distribute rights to subscribe for additional ADSs to holders.

The depositary bank will establish procedures to distribute rights to subscribe for additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay

fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights. The depositary bank is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to subscribe for new Class A ordinary shares other than in the form of ADSs.

The depositary bank will *not* distribute the rights to you if:

- We do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or
- We fail to deliver satisfactory documents to the depositary bank; or
- It is not reasonably practicable to distribute the rights.

The depositary bank will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary bank is unable to sell the rights, it will allow the rights to lapse.

Elective Distributions

Whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional shares, we will give prior notice thereof to the depositary bank and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the depositary bank in determining whether such distribution is lawful and reasonably practicable.

The depositary bank will make the election available to you only if it is reasonably practicable and if we have provided all of the documentation contemplated in the deposit agreement. In such case, the depositary bank will establish procedures to enable you to elect to receive either cash or additional ADSs, in each case as described in the deposit agreement.

If the election is not made available to you, you will receive either cash or additional ADSs, depending on what a shareholder in the Cayman Islands would receive upon failing to make an election, as more fully described in the deposit agreement.

Other Distributions

Whenever we intend to distribute property other than cash, Class A ordinary shares or rights to subscribe for additional Class A ordinary shares we will notify the depositary bank in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depositary bank in determining whether such distribution to holders is lawful and reasonably practicable.

If it is reasonably practicable to distribute such property to you and if we provide to the depositary bank all of the documentation contemplated in the deposit agreement, the depositary bank will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary bank may sell all or a portion of the property received.

The depositary bank will *not* distribute the property to you and will sell the property if:

- We do not request that the property be distributed to you or if we request that the property not be distributed to you; or
- We do not deliver satisfactory documents to the depositary bank; or
- The depositary bank determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

Redemption

Whenever we decide to redeem any of the securities on deposit with the custodian, we will notify the depositary bank in advance. If it is practicable and if we provide all of the documentation contemplated in the deposit agreement, the depositary bank will provide notice of the redemption to the holders.

The custodian will be instructed to surrender the shares being redeemed against payment of the applicable redemption price. The depositary bank will convert into U.S. dollars upon the terms of the deposit agreement the redemption funds received in a currency other than U.S. dollars and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their ADSs to the depositary bank. You may have to pay fees, expenses, taxes and other governmental charges upon the redemption of your ADSs. If less than all ADSs are being redeemed, the ADSs to be retired will be selected by lot or on a *pro rata* basis, as the depositary bank may determine.

Changes Affecting Class A Ordinary Shares

The Class A ordinary shares held on deposit for your ADSs may change from time to time. For example, there may be a change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of such Class A ordinary shares or a recapitalization, reorganization, merger, consolidation or sale of assets of the Company.

If any such change were to occur, your ADSs would, to the extent permitted by law and the deposit agreement, represent the right to receive the property received or exchanged in respect of the Class A ordinary shares held on deposit. The depositary bank may in such circumstances deliver new ADSs to you, amend the deposit agreement, the ADRs and the applicable Registration Statement(s) on Form F-6, call for the exchange of your existing ADSs for new ADSs and take any other actions that are appropriate to reflect as to the ADSs the change affecting the Class A ordinary shares. If the depositary bank may not lawfully distribute such property to you, the depositary bank may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

Issuance of ADSs Upon Deposit of Class A Ordinary Shares

The depositary bank may create ADSs on your behalf if you or your broker deposit Class A ordinary shares with the custodian. The depositary bank will deliver these ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the Class A ordinary shares to the custodian. Your ability to deposit Class A ordinary shares and receive ADSs may be limited by U.S. and Cayman Islands legal considerations applicable at the time of deposit.

The issuance of ADSs may be delayed until the depositary bank or the custodian receives confirmation that all required approvals have been given and that the Class A ordinary shares have been duly transferred to the custodian. The depositary bank will only issue ADSs in whole numbers.

When you make a deposit of Class A ordinary shares, you will be responsible for transferring good and valid title to the depositary bank. As such, you will be deemed to represent and warrant that:

- The Class A ordinary shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All preemptive (and similar) rights, if any, with respect to such Class A ordinary shares have been validly waived or exercised.
- You are duly authorized to deposit the Class A ordinary shares.
- The Class A ordinary shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the ADSs issuable upon such deposit will not be, “restricted securities” (as defined in the deposit agreement).

- The Class A ordinary shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the depositary bank may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

Transfer, Combination and Split Up of ADRs

As an ADR holder, you will be entitled to transfer, combine or split up your ADRs and the ADSs evidenced thereby. For transfers of ADRs, you will have to surrender the ADRs to be transferred to the depositary bank and also must:

- ensure that the surrendered ADR is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary bank deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have your ADRs either combined or split up, you must surrender the ADRs in question to the depositary bank with your request to have them combined or split up, and you must pay all applicable fees, charges and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split up of ADRs.

Withdrawal of Class A Ordinary Shares Upon Cancellation of ADSs

As a holder, you will be entitled to present your ADSs to the depositary bank for cancellation and then receive the corresponding number of underlying Class A ordinary shares at the custodian's offices. Your ability to withdraw the Class A ordinary shares held in respect of the ADSs may be limited by U.S. and Cayman Islands considerations applicable at the time of withdrawal. In order to withdraw the Class A ordinary shares represented by your ADSs, you will be required to pay to the depositary bank the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the Class A ordinary shares. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement.

If you hold ADSs registered in your name, the depositary bank may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary bank may deem appropriate before it will cancel your ADSs. The withdrawal of the Class A ordinary shares represented by your ADSs may be delayed until the depositary bank receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary bank will only accept ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your ADSs at any time except for:

- Temporary delays that may arise because (i) the transfer books for the Class A ordinary shares or ADSs are closed, or (ii) Class A ordinary shares are immobilized on account of a shareholders' meeting or a payment of dividends.
- Obligations to pay fees, taxes and similar charges.
- Restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

Voting Rights

As a holder, you generally have the right under the deposit agreement to instruct the depositary bank to exercise the voting rights for the Class A ordinary shares represented by your ADSs. The voting rights of holders of Class A ordinary shares are described above under the heading "Description of Ordinary Shares — Voting Rights."

At our request, the depositary bank will distribute to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary bank to exercise the voting rights of the securities represented by ADSs.

If the depositary bank timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities (in person or by proxy) represented by the holder's ADSs in accordance with such voting instructions as follows:

- *In the event of voting by show of hands*, the depositary bank will vote (or cause the custodian to vote) all Class A ordinary shares held on deposit at that time in accordance with the voting instructions received from a majority of holders of ADSs who provide timely voting instructions.

- *In the event of voting by poll*, the depositary bank will vote (or cause the Custodian to vote) the Class A ordinary shares held on deposit in accordance with the voting instructions received from the holders of ADSs.

In the event of voting by poll, holders of ADSs in respect of which no timely voting instructions have been received shall be deemed to have instructed the depositary bank to give a discretionary proxy to a person designated by us to vote the Class A ordinary shares represented by such holders' ADSs; provided, that no such instructions shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which we inform the depositary bank that we do not wish such proxy to be given; provided, further, that no such discretionary proxy shall be given (x) with respect to any matter as to which we inform the depositary that (i) there exists substantial opposition, or (ii) the rights of holders of ADSs or the shareholders of our company will be materially adversely affected, and (y) in the event that the vote is on a show of hands.

Please note that the ability of the depositary bank to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary bank in a timely manner.

Fees and Charges

As an ADS holder, you will be required to pay the following fees under the terms of the deposit agreement:

Service	Fees
· Issuance of ADSs (e.g., an issuance of ADS upon a deposit of Class A ordinary shares, upon a change in the ADS(s)-to-Class A ordinary share(s) ratio, or for any other reason), excluding ADS issuances as a result of distributions of Class A ordinary shares	Up to U.S. 5¢ per ADS issued
· Cancellation of ADSs (e.g., a cancellation of ADSs for delivery of deposited property, upon a change in the ADS(s)-to-Class A ordinary share(s) ratio, or for any other reason)	Up to U.S. 5¢ per ADS cancelled

· Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to U.S. 5¢ per ADS held
· Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs	Up to U.S. 5¢ per ADS held
· Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)	Up to U.S. 5¢ per ADS held
· ADS Services	Up to U.S. 5¢ per ADS held on the applicable record date(s) established by the depositary bank

As an ADS holder you will also be responsible to pay certain charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees as may from time to time be in effect for the registration of Class A ordinary shares on the share register and applicable to transfers of Class A ordinary shares to or from the name of the custodian, the depositary bank or any nominees upon the making of deposits and withdrawals, respectively;
- certain cable, telex and facsimile transmission and delivery expenses;
- the expenses and charges incurred by the depositary bank in the conversion of foreign currency;
- the fees and expenses incurred by the depositary bank in connection with compliance with exchange control regulations and other regulatory requirements applicable to Class A ordinary shares, ADSs and ADRs; and
- the fees and expenses incurred by the depositary bank, the custodian, or any nominee in connection with the servicing or delivery of deposited property.

ADS fees and charges payable upon (i) the issuance of ADSs, and (ii) the cancellation of ADSs are charged to the person to whom the ADSs are issued (in the case of ADS issuances) and to the person whose ADSs are cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depositary bank into DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participants as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs.

In the event of refusal to pay the depositary bank fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary bank fees from any distribution to be made to the ADS holder. Certain of the depositary fees and charges (such as the ADS services fee) may become payable shortly after the closing of the ADS

offering. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary bank. You will receive prior notice of such changes. The depositary bank may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary bank agree from time to time.

Amendments and Termination

We may agree with the depositary bank to modify the deposit agreement at any time without your consent. We undertake to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the deposit agreement if you continue to hold your ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the Class A ordinary shares represented by your ADSs (except as permitted by law).

We have the right to direct the depositary bank to terminate the deposit agreement. Similarly, the depositary bank may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary bank must give notice to the holders at least 30 days before termination. Until termination, your rights under the deposit agreement will be unaffected.

After termination, the depositary bank will continue to collect distributions received (but will not distribute any such property until you request the cancellation of your ADSs) and may sell the securities held on deposit. After the sale, the depositary bank will hold the proceeds from such sale and any other funds then held for the holders of ADSs in a non-interest bearing account. At that point, the depositary bank will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding (after deduction of applicable fees, taxes and expenses).

In connection with any termination of the deposit agreement, the depositary bank may make available to owners of ADSs a means to withdraw the Class A ordinary shares represented by ADSs and to direct the depositary of such Class A ordinary shares into an unsponsored American depositary share program established by the depositary bank. The ability to receive unsponsored American depositary shares upon termination of the deposit agreement would be subject to satisfaction of certain U.S. regulatory requirements applicable to the creation of unsponsored American depositary shares and the payment of applicable depositary fees.

Books of Depositary

The depositary bank will maintain ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary bank will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADSs. These facilities may be closed from time to time, to the extent not prohibited by law.

Limitations on Obligations and Liabilities

The deposit agreement limits our obligations and the depositary bank's obligations to you. Please note the following:

- We and the depositary bank are obligated only to take the actions specifically stated in the deposit agreement without negligence or bad faith.
- The depositary bank disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the deposit agreement.
- The depositary bank disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in Class A ordinary shares, for the validity or worth of the Class A ordinary shares, for any tax consequences that result from the ownership of ADSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the deposit agreement, for the timeliness of any of our notices or for our failure to give notice.
- We and the depositary bank will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depositary bank disclaim any liability if we or the depositary bank are prevented or forbidden from or subject to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the deposit agreement, by reason of any provision, present or future of any law or regulation, or by reason of present or future provision of any provision of our Articles of Association, or any provision of or governing the securities on deposit, or by reason of any act of God or war or other circumstances beyond our control.
- We and the depositary bank disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our Articles of Association or in any provisions of or governing the securities on deposit.
- We and the depositary bank further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Class A ordinary shares for deposit, any holder of ADSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the depositary bank also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit that is made available to holders of Class A ordinary shares but is not, under the terms of the deposit agreement, made available to you.
- We and the depositary bank may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.
- We and the depositary bank also disclaim liability for any consequential or punitive damages for any breach of the terms of the deposit agreement.
- No disclaimer of any Securities Act liability is intended by any provision of the deposit agreement.
- Nothing in the deposit agreement gives rise to a partnership or joint venture, or establishes a fiduciary relationship, among us, the depositary bank and you as ADS holder.
- Nothing in the deposit agreement precludes Citibank (or its affiliates) from engaging in transactions in which parties adverse to us or the ADS owners have interests, and nothing in the deposit agreement obligates Citibank to disclose those transactions, or any information obtained in the course of those transactions, to us or to the ADS owners, or to account for any payment received as part of those transactions.

Pre-Release Transactions

Subject to the terms and conditions of the deposit agreement, the depositary bank may issue to broker/dealers ADSs before receiving a deposit of Class A ordinary shares or release Class A ordinary shares to broker/dealers before receiving ADSs for cancellation. These transactions are commonly referred

to as “pre-release transactions,” and are entered into between the depositary bank and the applicable broker/dealer. The deposit agreement limits the aggregate size of pre-release transactions (not to exceed 30% of the Class A ordinary shares on deposit in the aggregate) and imposes a number of conditions on such transactions (e.g., the need to receive collateral, the type of collateral required, the representations required from brokers, etc.). The depositary bank may retain the compensation received from the pre-release transactions.

Taxes

You will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. We, the depositary bank and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary bank may refuse to issue ADSs, to deliver, transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary bank and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary bank and to the custodian proof of taxpayer status and residence and such other information as the depositary bank and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary bank and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Foreign Currency Conversion

The depositary bank will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary bank may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical.
- Distribute the foreign currency to holders for whom the distribution is lawful and practical.
- Hold the foreign currency (without liability for interest) for the applicable holders.

Governing Law

The deposit agreement and the ADRs are interpreted in accordance with the laws of the State of New York. The rights of holders of Class A ordinary shares (including Class A ordinary shares represented by ADSs) are governed by the laws of the Cayman Islands.

Exhibit 4.24

Execution Version

May 28, 2020

BEST INC.

and

ALIBABA.COM HONG KONG LIMITED

and

MR. SHAO-NING JOHNNY CHOU

CONVERTIBLE NOTE PURCHASE AGREEMENT

TABLE OF CONTENTS

THIS CONVERTIBLE NOTE PURCHASE AGREEMENT (this "**Agreement**") is made on May 28, 2020 by and between:

(1) **BEST INC.**, an exempted company incorporated under the laws of the Cayman Islands (the "**Company**");

(2) **ALIBABA.COM HONG KONG LIMITED**, a company incorporated under the laws of Hong Kong (the "**Investor**"); and

(3) **SHAO-NING JOHNNY CHOU** (the "**Founder**"), entering into this Agreement solely for purposes of the Founder Applicable Sections,

each, a "**Party**," and collectively, the "**Parties**" (and the Founder shall only be deemed a Party with respect to the Founder Applicable Sections).

WHEREAS:

The Company proposes to issue, and the Investor proposes to subscribe for, on and subject to the terms and conditions set out in this Agreement, $150,000,000 aggregate principal amount of unsecured convertible senior notes, convertible into fully paid Ordinary Shares (or such Ordinary Shares in the form of ADSs) of the Company.

IT IS HEREBY AGREED as follows:

1. DEFINITIONS

1.1 Terms and expressions defined in the Instrument shall have the same meanings when used in this Agreement unless separately defined in this Agreement. The following terms and expressions used in this Agreement, unless the context otherwise requires, shall have the following meanings:

"**ADS**" means an American Depositary Share, issued pursuant to the Deposit Agreement, representing one Ordinary Share of the Company as of the date of this Agreement, and deposited with the ADS Custodian.

"**ADS Custodian**" means Citibank, N.A., with respect to the ADSs delivered pursuant to the Deposit Agreement, or any successor entity thereto.

"**ADS Depositary**" means Citibank, N.A., as depositary for the ADSs, or any successor entity thereto.

"**Affiliate**" of any specified Person means any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such specified Person and, in the case of a natural Person, shall include such Person's spouse, parents, children and siblings.

"**Affiliated Person**" with respect to a Person, means such Person's director, supervisor, executive, employee, agent or other party acting on behalf of such Person.

"**Agreement**" has the meaning given to it in the preamble.

"**Annual Report**" means the Company's Annual Report on Form 20-F for the year ended December 31, 2019 filed with the SEC on April 17, 2020.

"**Anti-Corruption Law**" means anti-bribery or anti-corruption related Laws that are applicable to business and transactions of the Group Companies and their respective Affiliates, including Laws relating to anti-corruption and anti-commercial bribery in the PRC, the amended U.S. Foreign Corrupt Practice Act of 1977, as well as applicable anti-bribery or anti-corruption Laws of other jurisdictions.

"**Anti-Money Laundering Laws**" means anti-money laundering related laws that are applicable to business and transactions of the Group Companies and their respective Affiliates, including the Currency and Foreign Transactions Reporting Act of 1970, as amended, the U.S. PATRIOT ACT of 2001, Her Majesty's Treasury (HMT), the Organized and Serious Crimes Ordinance and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong, and PRC anti-money laundering laws, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental or regulatory agency.

"**Articles**" means the Ninth Amended and Restated Memorandum and Articles of Association of the Company, as may be further amended, modified, supplemented or restated from time to time.

"**Assessment Period**" has the meaning given to it in Section 7.1.

"**Authorized Persons**" has the meaning given to it in Section 9.1.

"**Board**" means the board of directors of the Company.

"**Board Approval**" has the meaning given to it in Section 3.2.

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York, the PRC, Hong Kong or the Cayman Islands are required by law to be closed or are otherwise required to be closed due to the COVID-19 outbreak.

"**Class A Ordinary Shares**" means class A ordinary shares of the Company with a par value of $0.01 each in the share capital of the Company.

"**Class B Ordinary Shares**" means class B ordinary shares of the Company with a par value of $0.01 each in the share capital of the Company.

"**Class C Ordinary Shares**" means class C ordinary shares of the Company with a par value of $0.01 each in the share capital of the Company.

"**Closing**" has the meaning given to it in Section 3.1.

"**Closing Date**" has the meaning given to it in Section 3.1.

"**Company**" has the meaning given to it in the preamble.

"**Company Intellectual Property**" means all Intellectual Property Rights that are used in connection with, and are material to the business of the Company and the Subsidiaries and all Intellectual Property Rights owned by or licensed to the Company and the Subsidiaries.

"**Company Securities**" means (i) the ordinary shares of the Company (including the Class A Ordinary Shares, Class B Ordinary Shares and Class C Ordinary Shares of the Company), (ii) securities convertible or exercisable into, or exchangeable for, ordinary shares of the Company, (iii) any other equity or equity-linked security issued by the Company and (iv) options, warrants, restricted share units or other rights to acquire any of the foregoing; for the avoidance of doubt, "Company Securities" include the ADSs.

"**Company Systems**" has the meaning given to it in Section 5.1(ff).

"**Conditions Precedent**" means each of the conditions as set out in Section 4.1.

"**Confidential Information**" has the meaning given to it in Section 9.1.

"**Control**", when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**Controlling**" and "**Controlled**" have meanings correlative to the foregoing.

"**Controlled Entity**" has the meaning given to it in Section 5.1(f).

"**Data Protection Obligations**" means any applicable Laws, contractual obligations, and written policies and terms of use relating to privacy, information security, network security, cybersecurity, data protection or the Processing of Personal Information, including those governing data breach notification, third-party data transfers, cross-border data transfers and data localization requirements.

"**Deposit Agreement**" means the deposit agreement dated as of September 22, 2017, by and among the Company, the ADS Depositary and the holders and beneficial owners of the ADSs delivered thereunder or, if amended or supplemented as provided therein, as so amended or supplemented.

"**Disclosed**" means, with respect to any fact, matter, event, circumstance or information, that such fact, matter, event, circumstance or information is fairly and specifically disclosed in the Public Filings, excluding any forward-looking disclosures set forth in any risk factor sections and any disclosure of non-specific risks faced by the Group included in any forward-looking statement, disclaimer, risk factor disclosure or other similarly non-specific statements that are similarly cautionary, predictive or forward-looking in nature.

"**Encumbrance**" means any claim, mortgage, lien, pledge, title defect, easement, adverse claim as to title, possession or use, restrictive covenant, option, charge, security interest, encumbrance or other similar right of any third parties or other restriction or limitation of any kind whatsoever, including any restriction on the use, voting, transfer, receipt of income, or exercise of any attributes

of ownership, whether voluntarily incurred or arising by operation of law, and includes any agreement to grant any of the foregoing.

"**Environmental Laws**" has the meaning given to it in Section 5.1(ss).

"**ESOP**" means the 2008 Equity and Performance Incentive Plan and the 2017 Equity Incentive Plan, each as Disclosed.

"**Evaluation Date**" has the meaning given to it in Section 5.1(nn).

"**Exchange**" means the New York Stock Exchange.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Exchange Rules**" means the rules of the Exchange.

"**Financial Statements**" has the meaning given to it in Section 5.1(ll).

"**Founder**" has the meaning given to it in the preamble.

"**Founder Applicable Sections**" means Sections 1, 7, 9, 10, 11, 12 and 14 through 20.

"**GAAP**" means United States generally accepted accounting principles.

"**Government Official**" means any executive, official, or employee of a Governmental Authority, political party or member of a political party, political candidate; executive, employee or officer of a public international organization; director, officer or employee or agent of an entity wholly or partially owned by a Governmental Authority, including a state-owned or controlled enterprise; or any person acting in an official capacity for or on behalf of any of the foregoing.

"**Governmental Authority**" means any nation or government or any federation, province or state or any other political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory, Tax or administrative functions of or pertaining to government, including any government authority, agency, department, board, commission or instrumentality of the PRC, Hong Kong, the Cayman Islands, the British Virgin Islands or any other country, or any political subdivision thereof, any court, tribunal or arbitrator, any self-regulatory organization and stock exchanges.

"**Governmental Order**" means any applicable order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority.

"**Group Company**" means each of the Company and the Subsidiaries from time to time; collectively, the "**Group**".

"**Hong Kong**" means Hong Kong Special Administrative Region of the People's Republic of China.

"**Instrument**" means the instrument to be executed by the Company constituting the Notes in the form set out in Annex A to this Agreement.

"**Intellectual Property Rights**" has the meaning given to it in Section 5.1(ee).

"**Investor**" has the meaning given to it in the preamble.

"**Law(s)**" means any constitutional provision, statute or other law, rule, regulation, official policy or interpretation of any Governmental Authority and any Governmental Order.

"**Liabilities**" means, with respect to any Person, liabilities or obligations of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise.

"**Licenses**" means, with respect to any Person, all franchises, licenses, permits, approvals, certificates, authorizations, registrations, declarations or filings by or with any Governmental Authorities that are presently required or necessary to own or lease, as the case may be, and to operate such Person's respective properties and to carry on such Person's respective businesses as now conducted.

"**Loss**" means any losses, Liabilities, damages, diminution in value, Taxes, costs or expenses (including legal expenses).

"**Material Adverse Effect**" means any event, fact, condition or circumstance or any combination of them that, individually or in the aggregate with any other such events, facts, conditions or circumstances, has had or would reasonably be expected to have, a material adverse effect on any of the following: (i) the business, operations, earnings, assets, liabilities, properties, financial or other condition, results of operation or prospects of the Group taken as a whole; or (ii) the ability of the Group Companies to perform their obligations under any of the Transaction Documents.

"**Material Contract**" has the meaning given to it in Section 5.1(zz).

"**NDRC**" has the meaning given to it in Section 5.1(q).

"**NDRC Circular**" has the meaning given to it in Section 5.1(q).

"**New ADS**" means an American Depositary Share, issuable pursuant to Section 7 of the Instrument and the Deposit Agreement, representing one New Share (adjusted as applicable), and deposited with the ADS Depositary.

"**New Shares**" means Ordinary Shares issuable upon the conversion of the Notes in accordance with the Instrument.

"**Note Certificate**" means a certificate in respect of a Noteholder's registered holding of Notes issued to each Noteholder pursuant to the terms of the Instrument. "**Noteholder**" and (in relation to a Note) "**holder**" means the Person in whose name a Note is registered in the Register of Noteholders.

"**Notes**" means the convertible notes in an aggregate principal amount of $150,000,000, constituted by the Instrument and issued with the benefit of, and subject to, the terms and conditions set out therein.

"**Offer Acceptance Period**" has the meaning given to it in Section 7.2(b).

"**Ordinary Shares**" means Class A Ordinary Shares of the Company.

"**Party**" and "**Parties**" have the meanings given to them in the preamble.

"**Person**" means an individual, a corporation, a limited liability company, an association, a partnership, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

"**Personal Information**" means all information from or about an individual person that is used or could be used to identify, contact or precisely locate the individual.

"**PFIC**" has the meaning given to it in Section 5.1(bb).

"**PRC**" means the People's Republic of China, excluding, for the purpose of this Agreement, Hong Kong, the Macau Special Administrative Region and Taiwan.

"**Processing**" means the receipt, access, acquisition, collection, compilation, use or transfer for use in direct marketing, storage, processing, safeguarding, security, disposal, destruction, disclosure, transfer, or export of Personal Information.

"**Public Filings**" means the Annual Report and the Company's other reports and registration statements filed with or furnished to the SEC after December 31, 2019 and publicly available at least one Business Day before the date of this Agreement, without giving effect to any amendments or supplements thereto filed after 9:30 a.m. (New York City time) on the Business Day before the date of this Agreement.

"**Register of Noteholders**" means the register to be kept at the Company's business or registered office on which the names and addresses of the holders of the Notes and the particulars of the Notes held by them (including conversion or cancellation of the Notes as well as the amount of outstanding principal amount and accrued interest owing to the Noteholder) and of all transfers of the Notes are entered in accordance with the terms of the Instrument.

"**Registration Certificate**" has the meaning given to it in Section 5.1(q).

"**Registration Rights**" has the meaning given to it in Section 5.1(t).

"**Relevant Taxing Jurisdiction**" has the meaning given to it in Section 5.1(w).

"**SAFE Rules and Regulations**" has the meaning given to it in Section 5.1(xx).

"**Sale Notice**" has the meaning given to it in Section 7.2(a).

"**Sale Period**" has the meaning given to it in Section 7.2(c).

"**Sanctioned Country**" means any U.S. embargoed or restricted country or any other country or territory that is the subject or target of comprehensive Sanctions (including, without limitation, Cuba, Iran, North Korea, Sudan, Syria and the Crimea region of Ukraine).

"**Sanctions**" means any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control, the United Nations Security Council, the European Union, Her Majesty's Treasury, or any orders or licenses issued pursuant to the Iran Sanctions Act, as amended; the Comprehensive Iran Sanctions and Divestment Act of 2010, the Iran Threat Reduction and Syria Human Rights Act, the National Defense Authorization Act for Fiscal Year 2012, the Iran Freedom and Counter-Proliferation Act of 2012, the U.S. Trading With the Enemy Act, the U.S. International Emergency Economic Powers Act, or the U.S. Syria Accountability and Lebanese Sovereignty Act.

"**Sarbanes-Oxley**" means the Sarbanes-Oxley Act of 2002, as amended.

"**SEC**" means the United States Securities and Exchange Commission.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Securities Laws**" means, collectively, Sarbanes-Oxley, the Securities Act, the Exchange Act, the rules and regulations promulgated by the SEC, the auditing principles, rules, standards and practices applicable to auditors of "issuers" (as defined in Sarbanes-Oxley) promulgated or approved by the Public Company Accounting Oversight Board and, as applicable, the Exchange Rules.

"**Subject Securities**" has the meaning given to it in Section 7.2(a).

"**Subscription Amount**" has the meaning given to it in Section 2.1.

"**Subsidiary**" means any Person that is Controlled directly or indirectly by the Company, including the Company's direct or indirect subsidiaries and consolidated affiliated entities (including consolidated VIEs).

"**Surviving Provisions**" means Sections 1 and 7 through 20.

"**Tax**" means (i) in the PRC: (A) any national, provincial, municipal, or local taxes, charges, fees, levies, or other assessments, including all net income (including enterprise income tax and individual income withholding tax), turnover (including value-added tax, business tax, and consumption tax), resource (including urban and township land use tax), special purpose (including land value-added tax, urban maintenance and construction tax, and additional education fees), property (including urban real estate tax and land use fees), documentation (including stamp

duty and deed tax), filing, recording, social insurance (including pension, medical, unemployment, housing, and other social insurance withholding), tariffs (including import duty and import value-added tax), and estimated and provisional taxes, charges, fees, levies, or other assessments of any kind whatsoever, (B) all interest, penalties (administrative, civil or criminal), late payment surcharge or additional amounts imposed by any Governmental Authority in connection with any item described in clause (A) above, and (C) any form of transferee liability imposed by any Governmental Authority in connection with any item described in clauses (A) and (B) above, and (ii) in any jurisdiction other than the PRC: all similar liabilities as described in clause (i) above. And the term "**Taxable**" has the meaning correlative to the foregoing.

"**Tax Return**" means any return, report or statement showing Taxes, used to pay Taxes, or required to be filed with respect to any Tax (including any elections, declarations, schedules or attachments thereto, and any amendment thereof), including any information return, claim for refund, amended return or declaration of estimated or provisional Tax.

"**Transaction Documents**" means this Agreement, the Instrument and the Note Certificates and all other documents or written agreements entered into in connection with the transactions contemplated hereby.

"**Transfer**" means to transfer, sell, assign, distribute, pledge, encumber, hypothecate, assign, exchange, or in any other way directly or indirectly dispose of, in whole or in part, either voluntarily or involuntarily, through intermediate vehicles or not, including by gift, by way of merger (forward or reverse) or similar transaction, by operation of law or otherwise, any security or any legal or beneficial interest therein, including the grant of an option or other right or interest that would result in the transferor no longer having the economic consequences of ownership in, or the power to vote, such security. And the term "**Transferred**" has the meaning correlative to the foregoing.

"**Unconditional Date**" has the meaning given to it in Section 4.2.

"**$**" means the legal currency of the United States of America.

"**VIE Agreements**" has the meaning given to it in Section 5.1(k).

"**VIEs**" means the Subsidiaries that are variable interest entities and for the purpose of this definition, "variable interest entities" means with respect to any Person, any corporation, association or other entity which is or is required to be consolidated with such Person under Accounting Standards Codification subtopic 810-10, Consolidation: Overall (including any changes, amendments or supplements thereto) or, if such person prepares its financial statements in accordance with accounting principles other than the accounting principles generally accepted in the United States of America, the equivalent of Accounting Standards Codification subtopic 810-10, Consolidation: Overall under such accounting principles.

"**Voting Power Change**" has the meaning given to it in Section 7.1.

"**Warranties**" mean the representations and warranties made by the Company contained in or given pursuant to Section 5.1.

1.2 In this Agreement:

(a) words denoting the singular shall include the plural and vice versa;

(b) words denoting one gender shall include each gender and all genders;

(c) references to Sections and Annexes are, unless stated otherwise, references to Sections and Annexes of this Agreement;

(d) the headings are inserted for convenience only and will not affect the construction of this Agreement;

(e) whenever the words "include," "includes" or "including" are used in this Agreement, they are deemed to be followed by the words "without limitation";

(f) any reference to an enactment or a statutory provision is a reference to it as it may have been or may from time to time be, amended, modified, consolidated or re-enacted;

(g) the terms "hereof" and "hereunder" (and any other similar expressions) refer to this Agreement and not to any particular Section or other portion hereof and include any agreement supplemental hereto; and

(h) any statement in this Agreement qualified by the expression "to any Person's knowledge" or "so far as the Person is aware" or any similar expression shall be a reference to the actual knowledge of the directors and members of the senior management team of such Person and the deemed knowledge of such matters as such directors and senior management team members would have discovered, had such directors and senior management team members made due and careful enquiry by a Person in the position of such directors and senior management team members.

1.3 The recitals and Annexes shall be deemed to be incorporated in this Agreement.

2. PURCHASE OF THE NOTES

2.1 Subject to and in accordance with the provisions of this Agreement, the Company agrees to issue to the Investor, and the Investor agrees to subscribe for the Notes (having an aggregate principal amount of $150,000,000) at an aggregate purchase price of $150,000,000 (the "**Subscription Amount**").

2.2 The Company shall use the net proceeds from the issuance of the Note for the Group's working capital and other lawful general corporate purposes consistent with past practice and in the ordinary course of business, and shall not use such proceeds (i) for the satisfaction of any portion of the Group's debt other than payment of any amount payable hereunder or any trade payable in the ordinary course of the Group's business and consistent with past practices, (ii) for the payment of dividends on or the redemption of any capital stock of the Group Companies, ADS or any shares, interests, rights to acquire, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by the Group Companies, (iii) for the settlement

of any outstanding litigation, or (iv) for payment of any related party transaction of the Group, in each case, without the prior written consent of the Investor.

3. CLOSING

3.1 The closing of the issuance and purchase of the Notes (the "**Closing**") shall take place remotely via the exchange of documents and signatures as soon as practicable, but in no event later than five (5) Business Days after all the Conditions Precedent have been waived by the Investor or satisfied (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver issued by the Investor thereof at the Closing), or at such other time and place as the Company and the Investor may mutually agree in writing. The date and time of the Closing are referred to herein as the "**Closing Date**."

3.2 On or before the Closing, the Company shall procure that the Board shall have duly approved (or granted, as applicable) in accordance with the Articles and the applicable Laws: (a) the execution of all the Transaction Documents and the performance of the Company's obligations thereunder; (b) the issue of the Notes to the Investor in accordance with this Agreement; (c) the issue of all New Shares (or such New Shares in the form of ADSs); and (d) the performance by the Company of its other obligations under the Instrument (and the terms and conditions relating to the Notes set out therein) (the "**Board Approval**").

3.3 At Closing:

(a) the Company shall do all (but not part, unless the Investor so agrees) of the following:

(i) deliver to the Investor the duly executed Instrument;

(ii) issue the Notes subscribed for in Section 2.1 to the Investor and procure the entry of the name of the Investor in the Register of Noteholders and deliver to the Investor (y) a certified true copy of the latest Register of Noteholders and (z) the Note Certificate duly executed representing the aggregate principal amount of the Notes subscribed for; and

(iii) deliver to the Investor such other documents and deliveries as set forth in Section 4.1.

(b) against issue and delivery of the items set out in Section 3.3(a), the Investor shall subscribe for, and pay or cause to be paid to the Company the Subscription Amount for the Notes subscribed for in Section 2.1 by wire transfer of immediately available funds to an account designated (at least two (2) Business Days prior to the Closing Date) by the Company.

Promptly after the Closing, the Company shall deliver to the Investor a receipt for payment of the Subscription Amount.

4. CONDITIONS PRECEDENT

4.1 **Conditions to Obligations of the Investor**. The obligation of the Investor to consummate, or cause to be consummated, the transactions contemplated by this Agreement is subject to the

satisfaction of the following conditions, any one or more of which may be waived in writing by the Investor:

(a) each of the representations and warranties of the Company set out herein continuously shall be true, accurate and correct (without regard to any limitation or qualification as to materiality or by "Material Adverse Effect" included therein) as of the Closing Date;

(b) the Company shall have performed and complied with all, and not be in breach or default under any, agreements, covenants, conditions and obligations contained in the Transaction Documents that are required to be performed or complied with by it on or before the Closing Date;

(c) each of the Transaction Documents shall have been duly executed and delivered by all parties thereto (other than the Investor) to the Investor;

(d) the Company shall have duly executed and delivered to the Investor a certificate, dated the Closing Date, signed by a duly authorized officer of the Company certifying that all the Conditions Precedent have been satisfied;

(e) all corporate and other actions required to be taken by the Company in connection with the issuance, sale and delivery of the Notes and the New Shares shall have been completed and the Company shall have delivered to the Investor a copy of the duly executed Board Approval;

(f) no event, occurrence, development or state of circumstances that has or could reasonably be expected to have a Material Adverse Effect shall have occurred;

(g) neither the Company nor the Investor shall be prohibited or restricted from entering into or performing its obligations under the Transaction Documents, and the Investor's ability to enjoy its rights thereunder shall not be adversely affected, by any Laws or any litigation or other proceedings; and

(h) no event, occurrence, development or state of circumstances that would constitute (or that, with the passage of time or giving of notice, would constitute) an Event of Default (as defined in the Instrument) shall have occurred.

4.2 The date on which all the Conditions Precedent have been (and continue to be) satisfied (or waived by the Investor) shall be the "**Unconditional Date**". If the Unconditional Date has not occurred on or prior to July 31, 2020, this Agreement (other than the Surviving Provisions) can be terminated by the Investor by providing written notice to the Company (without prejudice to the rights and/or obligations of any Party in respect of any antecedent breach).

4.3 The Company shall, at its own cost, use its best endeavors to ensure that the Conditions Precedent are fulfilled as soon as reasonably practicable after the date of this Agreement.

5. REPRESENTATIONS, WARRANTIES AND INDEMNITY

Representations and warranties

5.1 Except as Disclosed, the Company represents and warrants to the Investor, as of the date hereof and as of the Closing Date (unless otherwise specified as of another date), that:

(a) The Public Filings complied when filed with the SEC in all material respects with the Securities Laws; and they did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. There are no outstanding or unresolved comments in any comment letters received from the SEC staff with respect to any Public Filings and none of the Public Filings is the subject of ongoing review by the SEC. There are no internal investigations, any inquiries by the SEC or investigations or other inquiries or investigations conducted by a Governmental Authority pending or, to the Company's knowledge, threatened, in each case, regarding the Company or any of its officers or directors.

(b) The Company has been duly incorporated and is existing and in good standing under the laws of the Cayman Islands, with power and authority (corporate and other) to own its properties and conduct its business as Disclosed; and the Company is duly qualified to do business as a foreign corporation in good standing (to the extent the concept of good standing is applicable in such jurisdiction) in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not be reasonably likely to have a Material Adverse Effect. The Articles and other constitutive or organizational documents of the Company comply with the requirements of applicable Cayman Islands law and are in full force and effect.

(c) The authorized share capital of the Company is $20,000,000 divided into 2,000,000,000 shares, comprising of (i) 1,858,134,053 Class A Ordinary Shares, (ii) 94,075,249 Class B Ordinary Shares and (iii) 47,790,698 Class C Ordinary Shares, of which 250,648,452 Class A Ordinary Shares (including the 1,661,206 Class A Ordinary Shares issued to the ADS Depositary and reserved for future issuances of ADSs upon exercise or vesting of awards granted under the ESOP), 94,075,249 Class B Ordinary Shares and 47,790,698 Class C Ordinary Shares were issued and outstanding, respectively, as of May 24, 2020. All of the issued and outstanding ordinary shares of the Company's share capital have been duly authorized and validly issued and are fully paid and nonassessable and were issued in compliance with applicable Laws.

(d) The respective rights, preferences, privileges, and restrictions of the share capital of the Company are as stated in the Articles. Except as Disclosed, there is no outstanding shareholder purchase right or "poison pill" or any similar arrangement in effect giving any Person the right to purchase any equity interest in the Group Companies upon the occurrence of certain events.

(e) Except as Disclosed, (i) neither any Group Company nor the Founder has entered into any agreement that would subject the securities of the Group Companies held by them to any Encumbrances, and (ii) no Person has the right to require any Group Company to register under the Securities Act any securities that are presently outstanding or may be issued subsequently. The issuance of the New Shares will not obligate any Group Company to issue equity interest or other securities to any Person other than the Investor.

(f) The principal Subsidiaries listed on Exhibit 8.1 of the Annual Report (each as a "**Controlled Entity**" and collectively as "**Controlled Entities**") constitute all of the entities Controlled directly or indirectly by the Company other than those Subsidiaries which, considered in the aggregate or as a single subsidiary, do not constitute a "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X under the Securities Act.

(g) Each Subsidiary has been duly incorporated and is validly existing under the laws of the jurisdiction of its incorporation (to the extent such concept exists in such jurisdiction), with power and authority (corporate and other) to own its properties and conduct its business; and, to the extent applicable, each Subsidiary is duly qualified to do business as a foreign corporation in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not be reasonably likely to have a Material Adverse Effect; the constitutive documents of each Subsidiary comply with the requirements of applicable Laws of the jurisdiction of its incorporation and are in full force and effect. All of the issued and outstanding share capital of each Subsidiary has been duly authorized and validly issued and is fully paid or partially paid as permitted by applicable Laws of the applicable jurisdiction (to the extent such concept exists or is applicable in such jurisdiction), and such share capital (other than the share capital of the VIEs) is owned, directly or indirectly, by the Company as set forth in the Annual Report, free from any Encumbrances.

(h) The Instrument has been duly authorized; the Notes have been duly authorized; the authorized equity capitalization of the Company conforms as to legal matters in all material respects to the description thereof set forth in the Annual Report; when the Notes are delivered and paid for by the Investor pursuant to this Agreement on the Closing Date, the Instrument will have been duly executed and delivered by the Company, such Notes will have been duly executed, issued and delivered and the Instrument and such Notes will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms; the Ordinary Shares outstanding prior to the issuance of the New Shares have been duly authorized and are validly issued, fully paid and non-assessable; except as Disclosed, there are no (i) resolutions pending to increase the share capital of any Group Company or cause the liquidation, winding up or dissolution of any Group Company, (ii) dividends that have accrued or been declared but are unpaid by any Group Company, (iii) obligations, contingent or otherwise, of any Group Company to repurchase, redeem or otherwise acquire any share capital, (iv) outstanding or authorized equity appreciation, phantom equity, equity plans or similar rights with respect to any Group Company except the ESOP, or (v) outstanding rights (including preemptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any ordinary shares or other equity interest in any Group Company (other than (A) such rights to convert Class B

Ordinary Shares and Class C Ordinary Shares of the Company into Class A Ordinary Shares of the Company as set forth in Article 13 of the Articles and (B) such rights held by any Group Company), or any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any ordinary shares of the Company or any such Controlled Entity, any such convertible or exchangeable securities or any such rights, warrants or options; except as set forth in the Instrument, the New Shares, when issued and delivered upon conversion of the Notes, will not be subject to any preemptive or similar rights, and will be free from all taxes and Encumbrances with respect to the issuance thereof and free of any restriction upon the voting or transfer thereof, except as set forth in the Articles.

(i) Upon issuance and delivery of the Notes in accordance with this Agreement and the Instrument, the Notes will be convertible at the option of the holder thereof into Ordinary Shares in accordance with the terms of the Notes. The maximum number of New Shares have been duly authorized and, when issued and delivered upon conversion of the Notes, will be validly issued, fully paid and non-assessable and will conform to the description of "Class A Ordinary Shares" contained in the Articles and will be delivered in compliance with the Securities Laws, and the issuance of such Ordinary Shares will not be subject to any preemptive rights, resale rights, rights of first refusal or similar rights.

(j) Except as Disclosed, since the end of the period covered by the latest audited financial statements included in the Annual Report (i) there has been no development or event that has or would be reasonably likely to have a Material Adverse Effect, (ii) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its share capital, (iii) there has been no material adverse change in the share capital or long-term indebtedness of the Company and the Subsidiaries, taken as a whole, (iv) neither the Company nor any of the Subsidiaries has entered into any material transaction or agreement or incurred any material liability or obligation, direct or contingent, that is not Disclosed, and (v) neither the Company nor any of the Subsidiaries has sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as Disclosed.

(k) The description of each of the agreements under the caption "Our Corporate Structure" in the Annual Report, to which any of the Subsidiaries and the shareholders of the VIEs are a party (collectively, the "**VIE Agreements**") are accurate in all material respects, and all material agreements relating to the Company's corporate structure have been so disclosed. Each party of the VIE Agreements has the legal right, power and authority (corporate and other, as the case may be) to enter into and perform its respective obligations under the VIE Agreements and has duly authorized, executed and delivered, each of the VIE Agreements; and each of the VIE Agreements constitutes a valid and legally binding obligation of the parties thereto, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting creditors' rights or by equitable principles relating to enforceability. Each of the VIE Agreements is in valid legal form under the laws of the PRC; and to ensure the legality, validity, enforceability or admissibility in evidence of each of the VIE Agreements in the PRC, it is not necessary

that any such document be filed or recorded with any court or other authority in the PRC or that any stamp or similar tax be paid on or in respect of any of the VIE Agreements, except for equity pledges under the amended and restated equity pledge agreement which have been filed with the relevant PRC Governmental Authorities and except that the exercise of the call options under the amended and restated exclusive call option agreement and the foreclosure of the pledge under the amended and restated equity pledge agreement should be approved and/or registered with the relevant PRC Governmental Authorities. The Company possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the VIEs. The VIE Agreements are adequate to enable the financial statements of each Group Company that is a party to a VIE Agreement to be consolidated with those of the Company in accordance with GAAP.

(l) Except as Disclosed, the Company and the Subsidiaries have good and marketable title to all properties and assets owned by them which are material to the business of the Company and the Subsidiaries, taken as a whole, in each case free from any Encumbrances that would materially affect the value thereof (to the Company and the Subsidiaries, taken as a whole) or materially (to the Company and the Subsidiaries, taken as a whole) interfere with the use made or to be made thereof by them. Except for the title owner of the items leased by the Group, no Person other than the Group owns any interest in any such properties and assets. Any real property and buildings held under lease by each of the Company and the Subsidiaries are held by them under valid, subsisting and, to the Company's knowledge, enforceable leases with such exceptions as are not material (to the Company and the Subsidiaries, taken as a whole) and do not interfere with the use made and proposed to be made of such property and buildings by the Company and the Subsidiaries.

(m) Except as Disclosed, the Company and each of the Subsidiaries maintain such insurance covering their respective properties, operations, personnel and businesses as is customary for similar businesses in the jurisdiction in which they operate.

(n) Except as Disclosed, the Company and the Subsidiaries (i) possess, and are in compliance with the terms of, or have made (in the case of declarations and filings), all Licenses, except any such failure to possess or be in compliance with such Licenses which would not be reasonably likely to have a Material Adverse Effect, and (ii) have not received any notice of proceedings relating to the revocation or modification of any Licenses that, if determined adversely to the Company or any of the Subsidiaries, would, individually or in the aggregate, have a Material Adverse Effect. To the Company's knowledge, no suspension, cancellation or termination of any such Licenses is pending, threatened or imminent. To the Company's knowledge, all "franchisee partners" (as such term is used in the Annual Report) have maintained valid and sufficient Licenses to operate businesses in relation to their contractual relationship with any Group Company (as applicable), except any such failure to possess or be in compliance with such Licenses which would not be reasonably likely to have a Material Adverse Effect.

(o) Neither the Company nor any of the Subsidiaries is (i) in violation of its respective charter or other constitutive documents, (ii) in violation of any applicable judgment, Law or statute or any order, rule or regulation of any court or arbitrator or governmental or regulatory authority having jurisdiction over the Company or any of the Subsidiaries or any of their

properties or assets or (iii) in default (or with the giving of notice or lapse of time would be in default) under any existing obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument to which any of them is a party or by which any of them is bound or to which any of the properties of any of them is subject, except such defaults under clauses (ii) or (iii) above that would not, individually or in the aggregate, result in a Material Adverse Effect.

(p) Except as Disclosed, no consent, approval, authorization, or order of, or filing or registration with, any person (including any governmental agency or body or any court) is required to be obtained or made by the Company for the consummation of the transactions contemplated by the Transaction Documents including the issuance, offering and sale of the Notes, except (i) the Registration Certificate and the post-issuance filing obligations with NDRC as described in Section 5.1(q) and (ii) such as have been obtained or made.

(q) The Company (through a PRC Subsidiary) obtained an enterprise foreign debt registration certificate dated April 10, 2019 (the "**Registration Certificate**"), which is valid until October 10, 2020, from the National Development and Reform Commission ("**NDRC**"). Such registration has not been withdrawn and is not subject to any condition which has not been fulfilled or performed, except for the filing by such PRC Subsidiary with NDRC of the requisite information and documents within ten (10) Business Days in the PRC after the date of issuance of the Notes in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (国家发展改革委关于推进企业发行外债备案登记制管理改革的通知(发改外资 [2015] 2044 号)) (the "**NDRC Circular**").

(r) The execution, delivery and performance of the Transaction Documents, the issuance and sale of the Notes and the consummation of the transactions contemplated by the Transaction Documents will not (i) violate any agreement or other instrument binding upon the Company or the Subsidiaries; (ii) violate the provisions of the articles of association, business license or other constitutive documents of the Company or any of the Subsidiaries; (iii) violate any applicable Laws with respect to the Company or any of the Subsidiaries or any of their properties or assets; and (iv) result in the creation or imposition of any Encumbrance on any asset of the Group Companies, except, in the case of (i), (iii) and (iv) above, for such violations or such creation or imposition of Encumbrance that would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(s) Any New ADS to be issued is expected to be approved for listing on the Exchange subject to official notice of issuance by or before the issuance of such New ADS.

(t) Except as Disclosed and other than those in the Instrument, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to any registration statement filed by the Company under the Securities Act (collectively, "**Registration Rights**"), other than Registration Rights that have been satisfied, waived or complied with.

(u) This Agreement has been duly authorized, executed and delivered by the Company.

(v) The Deposit Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company, enforceable in accordance with its terms. Any New ADS when issued will be duly authorized and validly issued and will represent Ordinary Shares that are fully paid and nonassessable, and the persons in whose names such New ADS is registered will be entitled to the rights of registered holders of the New ADS specified therein and in the Deposit Agreement.

(w) Except as Disclosed, all interest, principal, premium, if any, and other payments due or made on the Notes or under this Agreement and dividends and other distributions declared and payable on the ordinary shares of the Company or any of the Subsidiaries or the New Shares (1) may under the current laws, rules and regulations of the PRC, Hong Kong or the Cayman Islands, and any political subdivision, authority or agency in or of any of the foregoing having power to tax (each, a "**Relevant Taxing Jurisdiction**") be paid to the recipient, and where they are to be paid from any Relevant Taxing Jurisdiction are freely transferred out of such Relevant Taxing Jurisdiction without the consent, approval, authorization or order of, or qualification with, any court or governmental agency or body in such Relevant Taxing Jurisdiction; (2) are not and will not be subject to withholding, value added or other taxes or any deductions or withholdings under the laws, rules and regulations of any Relevant Taxing Jurisdiction and are otherwise free and clear of any other tax, withholding or deduction in any Relevant Taxing Jurisdiction and (3) may be made without the necessity of obtaining any consents, approvals, governmental authorizations, orders, registrations, clearances or qualifications of or with any court or governmental agency or body having jurisdiction over the relevant payor.

(x) Except as Disclosed, no Controlled Entity of the Company is currently prohibited, directly or indirectly, from paying any dividends to its shareholders, from making any other distribution to its shareholders on such Controlled Entity's share capital, from repaying to the Company any loans or advances to such Controlled Entity from the Company or from transferring any of such Controlled Entity's property or assets to the Company or another entity Controlled by the Company.

(y) Neither the Company, any of the Subsidiaries, nor, to the Company's knowledge, any of their respective directors, officers and Affiliates, acting on its behalf, has taken, directly or indirectly, any action that is designed to or that has constituted or that would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Notes.

(z) Except as Disclosed, there are no pending or, to the Company's knowledge, threatened actions, suits or proceedings (including any inquiries or investigations by any Governmental Authority including the SEC, domestic or foreign) against or affecting the Company, any of the Subsidiaries or any of their respective properties that, if determined adversely to the Company or any of the Subsidiaries, would, individually or in the aggregate, have a Material Adverse Effect, or would materially and adversely affect the ability of the Company to perform its obligations under the Transaction Documents, or which are otherwise material in the context of the sale of the Notes.

(aa) To the Company's knowledge, the Company's directors and executive officers are not a party to any legal, governmental or regulatory proceedings that would result in such director or officer to be unsuitable for his or her position on the Board or in the Company, as the case may be.

(bb) The Company does not believe it was a "passive foreign investment company" ("**PFIC**") as defined in Section 1297 of the United States Internal Revenue Code of 1986, as amended, for its most recently completed taxable year and does not expect to be classified as a PFIC for the taxable year ending December 31, 2020 or in the foreseeable future.

(cc) The Company does not have any outstanding debt securities rated by any "nationally recognized statistical rating organization" (registered under Section 15E of the Exchange Act) or under surveillance or review by any such organization, and the Company has not been placed on negative outlook by any such organization.

(dd) There are no statutes, regulations, contracts or other documents that are required to be described in the Annual Report or to be filed as exhibits to the Annual Report that are not described in all material respects or filed as required.

(ee) Except as Disclosed, the Company and the Subsidiaries own, possess or can acquire or license on reasonable terms all trademarks, trade names, patent rights, copyrights, domain names, licenses, approvals, trade secrets, inventions, technology, know-how and other intellectual property and similar rights, including registrations and applications for registration thereof (collectively, "**Intellectual Property Rights**") material to the conduct of the business now conducted by the Company and the Subsidiaries, taken as a whole, as described in the Annual Report, and the expected expiration of any such Intellectual Property Rights would not, individually or in the aggregate, have a Material Adverse Effect. Except as Disclosed, to the Company's knowledge, (i) there are no rights of third parties to any of the Intellectual Property Rights owned by the Company or the Subsidiaries; (ii) there is no infringement, misappropriation, breach, default or other violation, or the occurrence of any event that with notice or the passage of time would constitute any of the foregoing, by the Company, the Subsidiaries or third parties of any of the Intellectual Property Rights of the Company or the Subsidiaries; (iii) there is no pending or threatened action, suit, proceeding or claim by others challenging the Company's or any Controlled Entity's rights in or to, or the violation of any of the terms of, any of their Intellectual Property Rights, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (iv) there is no pending or threatened action, suit, proceeding or claim by others challenging the validity, enforceability or scope of any such Intellectual Property Rights, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (v) there is no pending or threatened action, suit, proceeding or claim by others that the Company or any Controlled Entity infringes, misappropriates or otherwise violates or conflicts with any Intellectual Property Rights or other proprietary rights of others and the Company is unaware of any other fact which would form a reasonable basis for any such claim; and (vi) none of the Intellectual Property Rights used by the Company or the Subsidiaries in their businesses has been obtained or is being used by the Company or the Subsidiaries in violation of any contractual obligation binding on the Company, any of the Subsidiaries in

violation of the rights of any persons, except in each case covered by clauses (i) through (vi) above such as would not, if determined adversely to the Company or any of the Subsidiaries, individually or in the aggregate, have a Material Adverse Effect. The Company Intellectual Property collectively represents in all material respects Intellectual Property Rights necessary and sufficient for the operation of the business of the Group as currently conducted and as currently proposed to be conducted. All employees, contractors, agents and consultants of the Group Companies who are or were involved in the creation of any Intellectual Property Rights for the Group Companies have executed an assignment of inventions agreement that vests in such Group Company exclusive ownership of all right, title and interest in and to such Intellectual Property Rights, to the extent not already provided by Law. Each Group Company has taken commercially reasonable measures to register, protect, maintain and safeguard the Company Intellectual Property and has executed appropriate nondisclosure and confidentiality agreements and, if registered or applied to be registered, made all appropriate filings, registrations and payments of fees in connection with the foregoing. To the Company's knowledge, there is no infringement or misappropriation of any Intellectual Property Rights of a third party by any Group Company and there is no action, suit, proceeding, hearing, investigation, charge, complaint, demand or claim regarding any Company Intellectual Property, except as would not be reasonably likely to have a Material Adverse Effect.

(ff) The software, hardware, servers, networks, interfaces databases, computer equipment and other information technology owned or used by any Group Company and used in the business of the Group (the "**Company Systems**") are adequate for the business of the Group as currently conducted and as currently proposed to be conducted. The Company Systems have not suffered any material failure or any material unpermitted intrusions within the past three (3) years. The Group Companies maintain security, business continuity and disaster recovery plans, procedures and facilities in relation to the Company Systems consistent with standard practices in the industry in which the Group Companies operate. The Group Companies have secured all necessary license rights from third-party owners of software, Intellectual Property Rights and technology utilized in connection with the Company Systems sufficient for the operation of the Company Systems as currently conducted and as currently proposed to be conducted, and are not in breach of any agreements pertaining thereto, except as would not be reasonably likely to have a Material Adverse Effect. The use of open source or public library software, including any version of any software licensed pursuant to any GNU or other public license, in the Company Intellectual Property, if any, as currently used, does not require the disclosure to any Person, or materially adversely impact the Company's or any of the Subsidiaries' ownership or use of, or validity or enforceability or confidentiality of, any material Intellectual Property Rights (including rights in source code) owned or purported to be owned by the Company or any of the Subsidiaries.

(gg) Except as disclosed to the Investor in writing, the Group Companies have complied in all material respects with all Data Protection Obligations, including in its Processing of Personal Information, and, to the Company's knowledge, there has not been any violation or breach of any Data Protection Obligations. Except as may be disclosed to the Investor in writing, there have been no instances of unauthorized access, loss, theft, use,

modification, disclosure or other misuse of any Personal Information in the possession or control of the Group Companies.

(hh) The Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act and timely files reports with the SEC on the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system; the Company has established and maintains and evaluates disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Exchange Act) that comply with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to ensure that material information relating to the Company and the Subsidiaries is made known to the Company's principal executive officer and principal financial officer by others within those entities, and such disclosure controls and procedures are effective to perform the functions for which they were established.

(ii) The offer and sale of the Notes by the Company to the Investor in the manner contemplated by this Agreement will be exempt from the registration requirements of the Securities Act.

(jj) Neither the Company nor any of the Subsidiaries nor any agent thereof acting on their behalf has taken, and none of them will take, any action that might cause this Agreement or the issuance or sale of the Notes to violate Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System.

(kk) The Company is a "foreign private issuer" within the meaning of Rule 405 under the Securities Act.

(ll) The audited consolidated financial statements (and the notes thereto) of the Company included in the Annual Report and the unaudited condensed consolidated financial statements of the Company prepared in respect of the fiscal quarter ended March 31, 2020 furnished to the SEC on Form 6-K as of May 27, 2020 (collectively, the "**Financial Statements**") comply in all material respects with the applicable Securities Laws, and fairly present in all material respects the consolidated financial position of the Company as of the dates specified and the consolidated results of operations and changes in consolidated financial position of the Company for the periods specified. The Financial Statements have been prepared in conformity with GAAP applied on a consistent basis throughout the periods presented (other than as described therein), and they have been prepared from and are consistent with the books and records of the Group Companies. There are no unconsolidated Subsidiaries or off-balance sheet arrangements of any type (including any off-balance sheet arrangement required to be disclosed pursuant to Item 303(a)(4) of Regulation S-K promulgated under the Securities Act) that have not been so Disclosed nor any obligations to enter into any such arrangements.

(mm) Ernst & Young, which has audited or reviewed certain consolidated financial statements of the Company, is an independent registered public accounting firm with respect to the Company within the applicable rules and regulations adopted by the SEC and the U.S. Public Company Accounting Oversight Board and as required by the Securities Act.

(nn) Except as Disclosed, the Company and the Board are in compliance with the provisions of Sarbanes-Oxley and all Exchange Rules that are applicable to them as of the date of this Agreement. The Company maintains a system of internal controls, including the disclosure controls and procedures described in Section 5.1(hh), the internal controls over accounting matters and financial reporting described below, and legal and regulatory compliance controls, that are sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company has designed and maintains a system of internal control over accounting matters (as defined in Rule 13a-15(f) of the Exchange Act) that is sufficient to provide reasonable assurances regarding the reliability of the financial reporting for the Group. The Company has disclosed, based on its most recent evaluation prior to the date of this Agreement, to the Company's outside auditors and the audit committee of the Board (and made summaries of such disclosures available to the Investor) (i) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting. The Company's certifying officers have evaluated the effectiveness of the Company's controls and procedures as of the end of the Company's latest audited consolidated financial statements included in the Annual Report (such date, the "**Evaluation Date**"). The Company presented in the Annual Report the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Except as Disclosed, since the Evaluation Date, there has been (i) no material weakness in the Company's internal control over financial reporting (whether or not remediated) and (ii) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(oo) Except as Disclosed, neither the Company nor any of the Subsidiaries has any material (to the Company and the Subsidiaries, taken as a whole) obligation to provide, and each of them has made required payments, for retirement, healthcare, housing fund, death or disability benefits to any of the present or past employees of the Company or any of the Subsidiaries, or to any other person.

(pp) No labor dispute with the employees of the Company or any of the Subsidiaries exists or, to the Company's knowledge, is contemplated that is material to the Company and the Subsidiaries taken as a whole. The Company is not aware of any existing, threatened or imminent labor disturbance by the employees of the Company or the Subsidiaries. Except as Disclosed, each Group Company has entered into a written employment contract with its employees and made all social security contributions or similar contributions (including retirement, life insurance, medical, hospital, disability, welfare, pension, other employee benefit program and housing fund) in respect of or on behalf of its employees in accordance

with all applicable Laws, except as would not be reasonably likely to have a material adverse effect on the Group.

(qq) All the labor outsourcing agreements entered into by any Group Company and the outsourcing firms are in full force and effect, binding on the parties thereto in accordance with their terms. Neither the Group Companies, nor to the Company's knowledge any other party thereto, is in breach of or default under any such agreements, except as would not be reasonably likely to have a material adverse effect on the Group. The Group Companies have no contractual relationship with or other liabilities to the outsourced workers, even if the outsourcing firms fail to fulfill their duties to these personnel or violate any relevant requirements under the applicable labor Laws.

(rr) Each ESOP complies in all material respects with applicable Laws and has been implemented in accordance with its terms. With respect to each ESOP, (i) no actions, Encumbrances, lawsuits, claims, proceedings, investigations or complaints are pending or, to the Company's knowledge, threatened, and (ii) to the Company's knowledge, no facts or circumstances exist that would reasonably be expected to give rise to any such actions, Encumbrances, lawsuits, claims or complaints.

(ss) Neither the Company nor any of the Subsidiaries is in violation of any applicable statute, any rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, the "**Environmental Laws**"), is liable for any off-site disposal or contamination pursuant to any Environmental Laws, or is subject to any claim relating to any Environmental Laws, which violation, contamination, liability or claim would, individually or in the aggregate, have a Material Adverse Effect.

(tt) The Company and each of the Subsidiaries have filed all Tax Returns required to be filed through the date of this Agreement or have requested extensions thereof except for those Tax Returns the failure to file which does not and would not be reasonably expected to, individually or in the aggregate, have a material adverse effect on the Group; and all Taxes (whether imposed directly or through withholding) including any interest, additions to tax or penalties applicable thereto due or claimed to be due from such entities have been paid, other than those being diligently contested in good faith and by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP or as would not be reasonably expected to, individually or in the aggregate, have a material adverse effect on the Group. Any accruals and reserves on the books and records of each Group Company in respect of any Tax liability for any Taxable period not finally determined have been fully made in accordance with GAAP.

(uu) Neither the Company nor any of the Subsidiaries, nor any of the directors or officers of the Company, nor, to the Company's knowledge, any employee, agent or representative of the Company or any of its Subsidiaries acting on the behalf of the Company or any of the Subsidiaries, has violated any Anti-Corruption Laws or has taken any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any

Government Official or other person (i) for the purpose of (A) influencing official action; (B) inducing such Government Official to act or omit to act in violation of lawful duties; (C) securing an improper advantage for the Company or any of its Subsidiaries; (D) inducing such Government Official to influence or affect any act or decision of any Governmental Authority; or (E) assisting any Group Company in obtaining or retaining business, or directing business to, any Group Company; and (ii) in a manner that would constitute a breach of applicable Anti-Corruption Laws. The Group Companies have conducted their businesses in compliance in all material respects with applicable Anti-Corruption Laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with such Laws in all material respects.

(vv) The operations of the Group Companies are and have been conducted in compliance in all material respects with applicable financial recordkeeping and reporting requirements, including those of the Anti-Money Laundering Laws, and no action, suit or proceeding by or before any Governmental Authority or any arbitrator involving the Company or any of the Subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the Company's knowledge, threatened. The directors and officers of each Group Company, in their capacities as such, and, to the knowledge of each Group Company, the employees of such Group Company in their capacities as such, (i) are in all material aspects in compliance with, and (ii) have not previously violated, the Anti-Money Laundering Laws.

(ww) Neither the Company nor any of its Subsidiaries, nor, to the Company's knowledge, any of their respective directors, officers, employees, agents, Affiliates or representatives, is a Person that is, or is owned or Controlled by a Person that is: (A) the subject or target of any Sanctions, (B) located, organized or resident in a Sanctioned Country or (C) included on the United States Commerce Department's Denied Parties List, Entities and Unverified Lists; the U.S. Department of Treasury's Specially Designated Nationals, Specially Designated Narcotics Traffickers or Specially Designated Terrorists, or the Annex to Executive Order No. 13224; the Department of State's Debarred List; UN Sanctions.

(xx) Each of the Company and the Subsidiaries has complied, and complies, in all material respects, with the applicable rules and regulations of the State Administration of Foreign Exchange of the PRC (the "**SAFE Rules and Regulations**"). With respect to the shareholding of each direct shareholder that is, to the Company's knowledge, a PRC resident or PRC citizen, each of the Company and the Subsidiaries has taken all reasonable steps to procure any registration and other procedures required under applicable SAFE Rules and Regulations. Except as Disclosed, none of the Subsidiaries is currently prohibited, directly or indirectly, from paying any dividends to the Company or from making any other distribution on such Subsidiary's capital stock.

(yy) Any certificate signed by any officer or director of the Company and delivered to the representatives of or counsel for the Investor as required or contemplated by this Agreement shall constitute a representation and warranty hereunder by the Company, as to matters covered thereby, to the Investor.

(zz) True and complete copies of all agreements to which any Group Company is a party and which are required to have been filed, or to be filed, by the Company pursuant to the Securities Act or the Exchange Act (each a "**Material Contract**") have been filed by the Company with the SEC pursuant to the requirements of the Securities Act or the Exchange Act, as applicable, and since the filing of the most recent Public Filing filed prior to the date of this Agreement, there has been no material change or amendment to any Material Contract filed as an exhibit to the Public Filings. Except for those that have expired or terminated in accordance with their terms, each Material Contract is in full force and effect and is binding on the Company and/or the Subsidiaries, as applicable, and is binding upon such other parties, and neither the Group nor, to the Company's knowledge, any other party thereto, is in breach of or default under any Material Contract. The Company has not sent or received any written communication regarding termination of, or intent not to renew, any Material Contract in effect.

(aaa) All related party transactions required to be disclosed under the Exchange Rules, the Exchange Act or other applicable Laws have been accurately Disclosed in all material respects. Each of such related party transactions was entered into on an arm's length basis. Except as Disclosed, none of the officers or directors (or their respective Affiliates) of each of the Group Companies and to the Company's knowledge, none of the employees (or their respective Affiliates) of each Group Company is presently a party to any material transaction with any Group Company (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or any entity in which any such person has a substantial interest or is an officer, director, trustee or partner or any such person's Affiliates.

(bbb) The Company has taken no action designed to, or which is reasonably likely to, have the effect of terminating the registration of the ADSs under the Exchange Act, nor has the Company received any notification that the SEC is contemplating terminating such registration. The Company has not, in the twelve (12) months preceding the date hereof, received notice from the Exchange to the effect that the Company is not in compliance with the listing or maintenance requirements of the Exchange.

(ccc) The Notes rank senior in right of payment to any of the Company's other indebtedness that is expressly subordinated in right of payment to the Notes, *pari passu* in right of payment to any of the Company's other indebtedness and liabilities that are not so subordinated, junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness, and structurally junior to all indebtedness and liabilities incurred by the Subsidiaries. As of April 30, 2020, the Company did not have any indebtedness that is contractually senior in right of payment to the Notes and the aggregate amount of the Company's indebtedness that is contractually *pari passu* in right of payment to the Notes was approximately $200,000,000. Immediately prior to the Closing, the Company will not have any indebtedness that is contractually senior in right of payment to the Notes and the aggregate amount of the Company's indebtedness that is contractually *pari passu* in right of payment to the Notes will not exceed $200,000,000.

(ddd) All disclosure furnished by or on behalf of the Company to the Investor regarding any of the Group Companies, their respective businesses and the transactions contemplated under the Transaction Documents, including the Public Filings, with respect to the representations and warranties made herein are true and correct with respect to such representations and warranties and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

5.2 The Warranties shall be repeated at the Closing Date.

Indemnity

5.3 The Company shall indemnify and keep indemnified and hold harmless the Investor and its Affiliates, and their respective directors, officers, employees and agents against any Loss suffered or incurred by any of them as a result of or in connection with, directly or indirectly, (i) any breach or failure by the Company to comply with any covenant or agreement contained in this Agreement; and (ii) any breach or misrepresentation with respect to any representation or warranty contained in this Agreement (including the Warranties), in each case of the foregoing (i) and (ii), regardless of any investigation, or statement as to the results thereof, made by or on behalf of the Investor, the Company or any of their respective representatives, officers or directors or any Controlling Person.

5.4 Limitation

(a) No indemnity claim under Section 5.3 is payable until it has been established in a final non-appealable order, judgment or adjudication established pursuant to the dispute resolution mechanism set forth in Section 12. The amount of any payment by the Company to the Investor under Section 5.3 in respect of the Losses resulting from or arising out of any indemnification claim made pursuant to Section 5.3 (except in the case of fraud or intentional misrepresentation) shall in no event exceed the sum of (x) the outstanding principal amount of the Notes issued to the Investor at the time of the payment of such indemnification, (y) any accrued and unpaid interest and (z) all legal expenses the Investor incurred in enforcing such indemnification claim.

(b) No loss caused by change after the date hereof of law, regulation or governmental policy is recoverable. The Investor shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once in respect of any one matter giving rise to more than one claim.

(c) From and after the Closing Date, the indemnification provided in Section 5.3 shall be the sole and exclusive remedy of the Investor in respect of any breach of the Warranties. The representations and warranties contained in this Agreement shall survive twenty four (24) months after the Closing Date. Any warranty claim must be brought prior to the expiration of such twenty four (24) month period.

Investor's warranties

5.5 The Investor hereby warrants to the Company, as of the date hereof and as of the Closing Date as follows:

(a) the Investor is a company duly organized and validly existing under the laws of its jurisdiction of incorporation or organization, is not in liquidation or receivership and has full power and authority to own its properties and to conduct its business;

(b) the Investor has power under its constitutional documents to subscribe for the Notes upon the terms set out herein;

(c) the Investor has full power and authority to enter into this Agreement and any other Transaction Documents and to perform its obligations hereunder;

(d) this Agreement has been duly authorized, executed and delivered by the Investor and constitutes valid and legally binding obligations of the Investor, enforceable in accordance with their respective terms;

(e) no consent, clearance, approval, authorization, order, registration or qualification of or with any court, governmental agency or regulatory body having jurisdiction over the Investor is required to be obtained by the Investor for the subscription of the Notes or the consummation of the other transactions contemplated by this Agreement and the Instrument, where the failure to obtain such consent, clearance, approval, authorization, order, registration or qualification would materially impair or delay the Investor's ability to perform its obligations under this Agreement or to consummate the transactions contemplated hereby; except for those which have been, or will on or prior to the Closing Date be, obtained and are, or will on the Closing Date be, in full force and effect; and

(f) the Investor understands and acknowledges that the Notes and the New Shares have not been registered under the Securities Act or the securities law of any state of the United States or other jurisdiction and may not be offered, resold, pledged or otherwise transferred directly or indirectly in the United States or to or for the account or benefit of any U.S. Persons except pursuant to an effective registration statement or an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or in any other jurisdiction or for the account or benefit of any persons in any other jurisdiction except pursuant to an exemption from, or in a transaction not subject to, any other applicable Laws, and any certificate(s) representing the Notes or New Shares shall bear a legend substantially to such effect.

6. COVENANTS OF THE ISSUER

The Company agrees and covenants that:

(a) prior to the Closing Date, the Company shall, and shall cause each of the Subsidiaries to, (i) cause the business of the Group to be conducted in all material aspects in the ordinary course of business and (ii) not take any action that, if taken after the Closing, would constitute (or, with the giving of notice or the passage of time, would constitute) an Event

of Default (as defined in the Instrument) or require the Investor's consent under the terms of the Notes.

(b) the Company shall pay (i) any stamp, issue, registration, documentary or other taxes and duties, including interest and penalties in the Cayman Islands, Hong Kong, PRC and all other relevant jurisdictions payable on or in connection with (A) the creation and issuance of the Notes, the New Shares or the New ADSs or (B) the execution or delivery of this Agreement or the Instrument; and (ii) any value added, turnover or similar tax payable in respect thereof (and references in this Agreement to such amount shall be deemed to include any such taxes so payable in addition to it).

(c) the Company shall (i) promptly notify the Investor of any change affecting any of its representations, warranties, agreements and/or indemnities herein at any time prior to payment being made to the Company on the Closing Date and (ii) take such steps as may be reasonably requested by the Investor to remedy the same.

(d) the Company shall obtain all authorizations relating to (i) the issuance of the Notes, (ii) the remittance of the proceeds received by the Company from the sale of the Notes to any entity organized in the PRC, and (iii) the use of such proceeds by any entity organized in the PRC, including the filing by a PRC Subsidiary with NDRC of the requisite information and documents within ten (10) Business Days after the date of issuance of the Notes in accordance with the NDRC Circular.

(e) the Company shall and shall cause the Group to complete after the Closing certain operational improvement steps in accordance with a plan to be furnished by the Investor and agreed by the Company.

(f) for so long as any Notes remain outstanding, the Company shall, and shall cause all other Group Companies to, comply with and require their respective Affiliated Persons, in their capacities as such, to comply with all applicable Laws, including the Securities Laws; in particular, the Company shall and shall cause all other Group Companies to strictly comply with all applicable Anti-Corruption Laws, Anti-Money Laundering Laws, and Sanctions in their business operations. The Company further covenants to the Investor that the Company will not, will take reasonable efforts to ensure that its Affiliated Persons will not, and will cause all other Group Companies not to (and will cause all other Group Companies to take reasonable efforts to ensure that their respective Affiliated Persons will not), offer to pay, promise to pay, or authorize the payment of any money or anything of value to any Government Official (including any Government Officials to whom such Group Company or its Affiliated Person knows or ought to know that all or a portion of such money or things of value will be offered, given or promised, directly or indirectly) for the purpose of (1) influencing any act or decision of Government Officials in their official capacity; (2) inducing Government Officials to act or omit to act in violation of lawful duties; (3) securing any improper advantage; (4) inducing Government Officials to influence or affect any act or decision of any Governmental Authority; or (5) assisting any Group Company in obtaining or retaining business, or directing business to, such member. The Company shall cause the Group to maintain a reasonably complete financial record and reasonably effective internal control measures in accordance with applicable Laws, including Anti-

Corruption Laws and GAAP. The Company shall provide the Investor with reasonable access to the books and records of the Group and shall cooperate with any compliance audit or inquiry conducted by the Investor.

(g) the Company shall maintain its eligibility to register the Ordinary Shares (or such Ordinary Shares in the form of ADSs) for resale by the Noteholder on Form F-3.

(h) the Company agrees and undertakes that the Investor may exercise its rights in respect of any and all the Ordinary Shares (or such Ordinary Shares in the form of ADS) convertible from any Notes held by the Investor in accordance with the terms set forth in Schedule 1 hereto.

(i) in case of any breach of the undertakings listed in Sections 6 (f), (g) or (h), the Investor shall have the right, at the Investor's option, to require the Company to, and the Company shall, within ten (10) Business Days of the date of the notice requiring such repurchase, repurchase for cash all of such Investor's Notes, or any portion thereof that is an integral multiple of $100,000 in principal amount, at a repurchase price that is equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the date such repurchase price is fully paid to the Investor.

7. TRANSFER RESTRICTIONS

7.1 The Founder agrees, covenants and undertakes to the Investor that, without the prior written consent of the Investor, the Founder shall not (i) Transfer any Company Securities (other than up to 1,000,000 Class A Ordinary Shares) legally or beneficially owned by him (directly or indirectly) or (ii) convert any Class C Ordinary Shares into any other class or series of Company Securities or otherwise effect any change to or waive the voting power of Class C Ordinary Shares legally or beneficially owned by him (directly or indirectly) (each of the foregoing (i) and (ii), a "**Voting Power Change**"), in each case, at any time prior to the second (2nd) anniversary of the Closing Date; *provided* that the foregoing restrictions shall not apply unless any such Voting Power Change, as assessed by the Investor in its discretion, could or could be reasonably expected to, result in Alibaba Group Holding Limited having to consolidate the financial statements of the Company or cause the Company otherwise to become a consolidated entity of Alibaba Group Holding Limited under applicable accounting standards. Prior to proceeding with any Voting Power Change, the Founder shall provide the Investor with a written notice with reasonably sufficient details of such Voting Power Change, and the Investor shall have a period of fifteen (15) Business Days (the "**Assessment Period**") to conduct an assessment of the impact of such Voting Power Change with respect to consolidation of financial statements of the Company. The Founder may proceed with such Voting Power Change if the Investor delivers a written confirmation to such effect within the Assessment Period or if the Investor fails to deliver any objection to the Founder by the expiry of the Assessment Period, and the Founder shall not proceed with such Voting Power Change if the Investor delivers its objection within the Assessment Period.

7.2 Right of First Refusal

(a) Subject to Section 7.1, at any time prior to the fifth (5^{th}) anniversary of the Closing, if the Founder proposes to Transfer, whether in a single transaction or a series of transactions,

Company Securities legally or beneficially owned by him (directly or indirectly), the Founder shall first send a written notice (a "**Sale Notice**") to the Investor stating (i) the amount and type of Company Securities to be Transferred (the "**Subject Securities**"), and (ii) the proposed purchase price per share of the Subject Securities (including the cash value of any non-cash consideration), the terms of payment of such purchase price and a summary of the other material terms of the proposed Transfer.

(b) The Investor shall have the right and option, for a period of fifteen (15) Business Days after delivery of the Sale Notice (the "**Offer Acceptance Period**"), to irrevocably elect to exercise its right of first refusal and purchase all or any portion of the Subject Securities at the purchase price and on the terms stated in the Sale Notice. The Investor's acceptance hereunder shall be made by delivering a written notice setting forth its irrevocable election to the Founder within the Offer Acceptance Period. With respect to any proposed Transfer that contains non-cash consideration, the Investor shall be entitled to pay cash in lieu of the cash value of the non-cash consideration included in the Sale Notice; provided that if the Founder and the Investor have any dispute in the cash value, the disputed portion of such cash value shall be determined by an independent and reputable investment bank or one of the "Big 4" accounting firms to be appointed by the Investor.

(c) If effective acceptance is not received pursuant to Section 7.2(b) and subject to Section 7.1, then the Founder may Transfer the Subject Securities to the purchaser at a price not less than the price, and on other terms not more favorable to such purchaser than the terms stated in the Sale Notice at any time within sixty (60) days after the expiration of the Offer Acceptance Period (the "**Sale Period**"). In the event that the Subject Securities are not Transferred by the Founder during the Sale Period in accordance with the provisions of this Section 7.2(c), the right of the Founder to Transfer the Subject Securities shall expire and the obligations of the Founder under Section 7.2 shall be reinstated.

(d) The Transfer of Subject Securities to the Investor pursuant to an effective election to purchase all or any portion of the Subject Securities shall be consummated at the offices of the Company on the later of (i) a mutually satisfactory Business Day within fifteen (15) days after the expiration of the Offer Acceptance Period, and (ii) the fifth (5th) Business Day following the receipt of any regulatory approvals applicable to such Transfer (if any), or at such other time and/or place as the Founder and the Investor may agree. The delivery of share certificates and updated register of members evidencing the completion of Transfer of such Subject Securities shall be made on such date against payment of the purchase price for such Subject Securities.

7.3 Any Voting Power Change in violation of this Section 7 shall be void, and the Company shall not record any result of such Voting Power Change on its books or treat any purported transferee as the owner of Company Securities for any purpose.

8. EXPENSES

8.1 The Company and the Investor shall each be liable for the costs and expenses of their own legal and other professional advisers (including auditors) incurred in connection with the issuance of the Notes except as otherwise agreed upon by the Company and the Investor.

8.2 The Company covenants and agrees that the Company shall pay or cause to be paid the following: (i) any cost incurred in connection with the listing on any applicable national securities exchange of the New Shares or the New ADSs; and (ii) all other costs and expenses incident to the performance of its obligations under the Transaction Documents which are not otherwise specifically provided for in this Section 8 or Schedule 1 hereof, or as otherwise agreed in writing between the Parties. The obligations of the Company under this Section 8 will survive the payment or transfer of any Notes, the enforcement, amendment or waiver of any provision of this Transaction Documents, and the termination of this Agreement.

9. CONFIDENTIALITY

9.1 Each Party undertakes that it shall (and shall procure that its Affiliates shall, and where relevant, undertakes to procure that its directors, officers, employees, agents, investment managers, partners (including general partners and limited partners), potential sources of capital (including co-investors or lenders) and professional and other advisers and those of any Affiliate of such Party (together its "**Authorized Persons**") shall) use its best endeavors to keep confidential at all times and not permit or cause the disclosure of any information (other than to its Authorized Persons who shall be subject to the confidentiality terms of this Agreement) which it may have or acquire before or after the date of this Agreement relating to the provisions of, and negotiations leading to, this Agreement and any other Transaction Documents and the performance of the obligations thereunder (such information being "**Confidential Information**"). In performing its obligations under this Section 9.1, each Party shall apply confidentiality standards and procedures at least as stringent as those it applies generally in relation to its own confidential information.

9.2 Each Party shall use its reasonable endeavors to alert the other Party as soon as is reasonably practical after it becomes aware of any request from a third party for disclosure of any Confidential Information.

9.3 The obligation of confidentiality under Section 9.1 does not apply to:

(a) information which at the date of disclosure is within the public domain (other than as a result of a breach of this Section 9);

(b) the disclosure of information to the extent required to be disclosed by law, regulation or any regulatory authority, subject to the conditions set forth in Section 9.4;

(c) the provision of information by the Investor to a prospective purchaser of some or all of the Investor's Notes, provided any such prospective purchaser shall have entered into a customary confidentiality agreement with the Investor or one of its Affiliates prior to the disclosure of such information to them.

9.4 Notwithstanding anything to the contrary in Section 6 or this Section 9, before making any public announcement about the fact that the transaction contemplated in this Agreement and the issuance of the Notes have taken place, the Company shall provide the Investor with a reasonable opportunity to review such an announcement, and the Company shall not issue any press release or otherwise make any public statement with respect to the transactions contemplated in this Agreement without the prior consent of the Investor, which consent shall not be unreasonably withheld or delayed.

10. TERMINATION

In the event of the termination of this Agreement pursuant to Section 4.2, other than the Surviving Provisions, this Agreement shall forthwith become void and have no effect, without any liability on the part of any Party or its respective Affiliates, directors, officers, or representatives, other than liability of the Company for any breach of this Agreement occurring prior to such termination.

11. NOTICES

11.1 Any notice or other formal communication to be given under this Agreement shall be in writing and signed by or on behalf of the Party giving it. It shall be:

(a) sent by email to the relevant email address set out in Section 11.3;

(b) sent by fax to the relevant number set out in Section 11.3; or

(c) delivered by hand or sent by prepaid recorded delivery, special delivery, courier or nationally recognized overnight delivery service or registered post to the relevant address in Section 11.3.

11.2 In each case such notice or formal communication shall be marked for the attention of the relevant Party set out in Section 11.3 (or as otherwise notified from time to time under this Agreement). Any notice given by hand delivery, fax or post shall be deemed to have been duly received:

(a) if hand delivered, when delivered;

(b) if sent by fax, 12 hours after the time of dispatch;

(c) if sent by email, when delivered; and

(d) if sent by recorded delivery, special delivery or registered post, at 10 a.m. on the second Business Day from the date of posting,

unless there is evidence that it was received earlier than this and provided that, where (in the case of delivery by hand or fax) the delivery or transmission occurs after 6 p.m. on a Business Day or on a day which is not a Business Day, service shall be deemed to occur at 9 a.m. on the next following Business Day. References to time in this Section are to local time in the country of the addressee.

11.3 The addresses and fax numbers of the Parties for the purpose of Section 11.1 are:

To the Company:

Address: 2nd Floor, Block A, Huaxing Modern Industry Park, No. 18 Tangmiao Road,
Hangzhou, Zhejiang, China
Email Address: Gloria.Fan@best-inc.com
For the attention of: Gloria Fan

To the Founder:

Address: 2nd Floor, Block A, Huaxing Modern Industry Park, No. 18 Tangmiao Road, Hangzhou, Zhejiang, China

To the Investor:

Address: c/o Alibaba Group Services Limited
26/F, Tower One, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Email Address: legalnotice@list.alibaba-inc.com
For the attention of: General Counsel

With a copy to (which shall not constitute a notice):

Ropes & Gray

Address: 44th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong
Email Address: Peng.Yu@ropesgray.com
For the attention of: Peng Yu

12. GOVERNING LAW

12.1 This Agreement is governed by and shall be construed in accordance with the laws of the State of New York.

12.2 All disputes arising out of or in connection with this Agreement shall be submitted to the Hong Kong International Arbitration Centre and shall be finally settled and resolved under the Hong Kong International Arbitration Centre Administered Arbitration Rules by three arbitrators appointed in accordance with the said Rules. The place of arbitration shall be Hong Kong and the language to be used in the arbitral proceedings shall be English. Nothing in this Section 12 shall prevent any Party at any time seeking any interim or interlocutory relief in aid of any arbitration or in connection with enforcement proceedings.

13. NO ADVISORY OR FIDUCIARY RESPONSIBILITY

13.1 In connection with all aspects of each transaction contemplated hereby, the Company acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) the transaction provided for hereunder and any related arranging or other services in connection therewith are an arm's-length commercial transaction between the Company and its Affiliates, on the one hand, and the Investor, on the other hand, and the Company is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Transaction Documents (including any amendment, waiver or other modification hereof or thereof); (ii) in connection with this transaction, the Investor is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Company or any of its Affiliates, stockholders, creditors or employees or any other Person; (iii) the

Company has not assumed and will not assume an advisory, agency or fiduciary responsibility in favor of the Company with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Transaction Documents and the Investor has no obligation to the Company or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Transaction Documents; (iv) the Investor and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company and the Company's Affiliates, and the Investor has no obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (v) the Investor has not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Transaction Documents), and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate. The Parties have participated jointly in the negotiation and drafting of this Agreement and the other Transaction Documents. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement or other Transaction Documents.

14. SEVERABILITY

In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected, it being intended that all of the Investor's rights and privileges shall be enforceable to the fullest extent permitted by law.

15. ENTIRE AGREEMENT

This Agreement, together with any other Transaction Documents, sets out the entire agreement and understanding between the Parties with respect to its subject matter and supersedes all prior agreements, understandings, negotiations and discussions (whether oral or written) and all previous agreements in relation to the subject matter contained herein are hereby terminated and shall have no further force or effect.

16. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and by each Party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument. Delivery of a counterpart of this Agreement by e-mail attachment or telecopy shall be an effective mode of delivery.

17. SUCCESSORS AND ASSIGNS

The provisions of this Agreement shall inure to the benefit of and be binding upon the successors, assigns, heirs, executors and administrators of the Parties; provided, however, that (a) the Company shall not assign this Agreement or any of its rights herein to any Person without the prior written consent of the Investor, and (b) the Investor shall not assign this Agreement or any of its

rights herein to any Person without the prior written consent of the Company, provided further, however, that the Investor shall be entitled to assign this Agreement or any of its rights herein to any of its Affiliates without the prior written consent of the Company.

18. AMENDMENT AND WAIVER

Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only if such amendment or waiver is in writing and signed, in the case of an amendment, by the Company and the Investor or, in the case of a waiver, by the Party against whom the waiver is to be effective.

19. REMEDIES, CHARACTERIZATIONS, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF

The remedies provided in the Agreement shall be cumulative and in addition to all other remedies available under the Agreement or the Notes, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Investor's right to pursue actual damages for any failure by the Company to comply with the terms of this Agreement. The Company acknowledges that a breach by it of its obligations hereunder shall cause irreparable harm to the Investor and that the remedy at law for any such breach shall be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Investor shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

20. CONSTRUCTION; HEADINGS

This Agreement shall be deemed to be jointly drafted by the Company and the Investor and shall not be construed against any person as the drafter hereof. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

IN WITNESS WHEREOF this Agreement has been duly executed by the authorized representatives of the Parties on the date first above written.

Company:

BEST Inc.

By: /s/ Shao-Ning Johnny Chou
Name: Shao-Ning Johnny Chou
Title: Chairman and Chief Executive Officer

IN WITNESS WHEREOF this Agreement has been duly executed by the authorized representatives of the Parties on the date first above written.

Founder (solely for purposes of the Founder Applicable Sections):

By: /s/ Shao-Ning Johnny Chou
Name: Shao-Ning Johnny Chou

IN WITNESS WHEREOF this Agreement has been duly executed by the authorized representatives of the Parties on the date first above written.

Investor:

ALIBABA.COM HONG KONG LIMITED

By: /s/ Yi Zhang
Name: Yi Zhang
Title: Authorized Signatory

ANNEX A

FORM OF NOTE INSTRUMENT

Schedule 1

REGISTRATION RIGHTS

1. Definitions

Capitalized terms used but not defined in this Schedule shall have the meanings ascribed to them under the Instrument. For purposes of this Schedule:

a. Conversion. The term "Conversion" means conversion of Notes in accordance with their terms for Ordinary Shares or ADSs.

b. Investor. The term "Investor" means Alibaba.com Hong Kong Limited and its successors or assigns.

c. Registration. The terms "register," "registered," and "registration" refer to a registration effected by filing a registration statement which is in a form which complies with, and is declared effective by the SEC in accordance with, the Securities Act.

d. Registration Statement. The term "registration statement" means a Form F-3 under the Securities Act (or any successor registration form under the Securities Act subsequently adopted by the SEC available to an issuer if a Form F-3 is not available to such issuer).

e. Registrable Securities. The term "Registrable Securities" means: any Ordinary Shares issued or issuable upon Conversion and Ordinary Shares issued or issuable in respect of such Ordinary Shares upon any share split, share dividend, share combination or consolidation, recapitalization, reclassification or other similar event in relation to the Ordinary Shares, including, in each case, such Ordinary Shares in the form of ADSs. Notwithstanding the foregoing, "Registrable Securities" shall exclude any Registrable Securities sold in a registered public offering under the Securities Act or sold pursuant to Rule 144 promulgated under the Securities Act.

f. Registrable Securities Then Outstanding. The number of shares of "Registrable Securities then outstanding" means the number of Ordinary Shares that are Registrable Securities and are then issued and outstanding or would be outstanding assuming full conversion of the Notes then outstanding.

g. Form F-3. The term "Form F-3" means such respective form of registration statement under the Securities Act (including Form F-3, as appropriate) or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

h. Registration Expenses. The term "Registration Expenses" means all expenses incurred by the Company in complying with Sections 2 and 3 of this Schedule, including, without limitation, (i) SEC, stock exchange and Financial Industry Regulatory Authority registration and filing fees, (ii) all fees and expenses incurred in complying with securities or "blue sky" laws (including reasonable fees, charges and disbursements of counsel to any underwriter incurred in connection with "blue sky" qualifications of the Registrable Securities as may be set forth in any underwriting agreement), (iii) all printing, messenger and delivery expenses, (iv) the fees, charges and expenses of counsel to the Company and of its independent public accountants and any other accounting fees, charges and expenses incurred by the Company (including any expenses arising from any "cold comfort" letters or any special audits incident to or required by any registration or qualification) and any legal fees, charges and expenses incurred by the Investor, (v) all "roadshow" expenses if the underwriter or underwriters advise that a "roadshow" is advisable to complete the sale of the Registrable Securities proposed to be sold in an offering, (vi) fees charged by the ADS Depositary with respect to the deposit of Ordinary Shares against issuance of ADSs and (vii) any liability insurance or other premiums for insurance obtained in connection with Sections 2 and 3 of this Schedule, regardless of whether any registration statement is declared effective.

i. Selling Expenses. The term "Selling Expenses" means all underwriting discounts and selling commissions applicable to the sale of Registrable Securities pursuant to Section 2 or 3 of this Schedule and fees of legal counsels in any registration.

2. Demand Registration

a. Form F-3 Eligibility. The Company shall maintain its ability to register the Registrable Securities on Form F-3. In case the Company shall receive from the Investor a written request or requests that the Company effect a registration on Form F-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities held by the Investor with an aggregate public offering price covering the amount requested of at least US$5,000,000, then the Company will, as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution (which, if requested by the Investor, may be for an offering on a continuous basis pursuant to Rule 415 under the Securities Act) of all or such portion of the Investor's Registrable Securities as are specified in such request.

b. Underwriting. If the Investor intends to distribute Registrable Securities covered by its request by means of an underwritten offering, then it shall so advise the Company as a part of its request made pursuant to this Section 2. In such event, the Investor shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwritten offering by the Investor and reasonably acceptable to the Company. Notwithstanding any other provision of this Section 2, if the underwriter(s) advise(s) the Company in writing that marketing factors require a limitation of the number of securities to be underwritten, then the Company shall so advise the Investor, and the number of

Registrable Securities that may be included in the underwritten offering shall be reduced as required by the underwriter(s); provided, however, that the number of shares of Registrable Securities to be included in such underwriting and registration shall not be reduced unless all other securities are first entirely excluded from the underwriting and registration including, without limitation, all shares that are not Registrable Securities and are held by any Person other than the Investor, including, without limitation, any Person who is an employee, officer or director of any Group Company; provided further, that at least fifty percent (50%) of shares of Registrable Securities requested by the Investor to be included in such underwriting and registration shall be so included. The Investor may, at its sole discretion, elect to withdraw from the underwritten offering by written notice to the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

c. Maximum Number of Demand Registrations. The Company shall not be obligated to effect more than two (2) such demand registration requested by the Investor pursuant to this Section 2; provided that if the sale of all of the Registrable Securities sought to be included in a registration statement pursuant to this Section 2 is not consummated for any reason other than due to the action or inaction of the Investor including Registrable Securities in such registration statement, such registration shall not be deemed to constitute one of the registration rights granted pursuant to this Section 2.

d. Deferral. Notwithstanding the foregoing, (i) the Company shall not be obligated to register or qualify Registrable Securities for sale and distribution pursuant to this Section 2: (a) if, within ten (10) days of the receipt of the Investor's request to register any Registrable Securities under Section 2, the Company gives notice to the Investor of its bona fide intention to effect the filing for its own account of a registration statement of Ordinary Shares within sixty (60) days of receipt of that request; provided, that the Company is actively employing in good faith its best efforts to cause that registration statement to become effective within sixty (60) days of the initial filing; provided, further, that the Investor is entitled to join such registration subject to Section 3 of this Schedule; (b) during the period starting with the date of filing by the Company of, and ending six (6) months following the effective date of any registration statement pertaining to Ordinary Shares of the Company filed pursuant to this Schedule, including without limitation Section 3 of this Schedule; or (iii) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting the proposed registration or qualification, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act, and (ii) if the Company shall furnish to the Investor pursuant to this Section 2, a certificate signed by the chief executive officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for a registration statement to be filed at such time, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Investor; provided, however, that the

Company may not utilize this right more than once in any twelve (12) month period; provided further, that the Company shall not register any other of its Ordinary Shares during such twelve-(12-) month period. A demand right shall not be deemed to have been exercised until such deferred registration shall have been effected.

3. Piggyback Registrations

Subject to the terms of this Schedule, if the Company proposes to register for its own account any of its equity securities in connection with a public offering of such securities, or if any demand registration of equity securities is requested by other shareholders, the Company shall notify the Investor in writing at least thirty (30) Business Days prior to filing any registration statement under the Securities Act for purposes of effecting a public offering of securities of the Company (including, but not limited to, registration statements relating to any primary or secondary offering of securities of the Company, but excluding registration statements relating to any registration under Section 2 of this Schedule or to any employee benefit plan or a corporate reorganization), and shall afford the Investor an opportunity to include in such registration statement all or any part of the Registrable Securities then held by the Investor. The Investor desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall within ten (10) Business Days after receipt of the above described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Securities the Investor wishes to include in such registration statement. If the Investor decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company or any other shareholders, the Investor shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company or any other shareholders with respect to offerings of its securities, all upon the terms and conditions set forth herein.

a. Underwritten offering. If a registration statement under which the Company gives notice under this Section 3 is for an underwritten offering, then the Company shall so advise the Investor. In such event, the right of the Investor's Registrable Securities to be included in a registration pursuant to this Section 3 shall be conditioned upon the Investor's participation in such underwritten offering and the inclusion of the Investor's Registrable Securities in the underwriting to the extent provided herein. The Investor shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Schedule but subject to Section 9 of this Schedule, if the managing underwriter(s) determine(s) in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the managing underwriter(s) may exclude shares from the registration and the underwritten offering, and the number of shares that may be included in the registration and the underwritten offering shall be allocated, first, to the Company, second, to the Investor, and third, to holders of other securities of the Company; provided, however, that the right of the underwriter(s) to exclude Ordinary Shares (including the Registrable Securities) from the registration and underwritten offering as described above shall be restricted so that (i) the number of the Registrable Securities included in any such registration is not reduced below thirty percent (30%) of the aggregate number of Ordinary Shares of the Registrable

Securities, on a pro rata basis, for which inclusion has been requested; and (ii) all Ordinary Shares that are not Registrable Securities and are held by any other Person who is not the Investor, including, without limitation, any Person who is an employee, officer or director of any Group Company shall first be excluded from such registration and underwritten offering before any Registrable Securities are so excluded. If the Investor disapproves of the terms of any such underwriting, the Investor may elect to withdraw therefrom by written notice to the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwritten offering shall be excluded and withdrawn from the registration.

b. Not Demand Registration. Registration pursuant to this Section 3 shall not be deemed to be a demand registration as described in Section 2 of this Schedule. There shall be no limit on the number of times the Investor may request registration of Registrable Securities under this Section 3.

4. Expenses

All Registration Expenses incurred in connection with any registration pursuant to Section 2 or 3 of this Schedule (but excluding the Selling Expenses) shall be borne by the Company. The Investor participating in a registration pursuant to Section 2 or 3 of this Schedule shall bear the Investor's Selling Expenses, in connection with such offering by the Investor.

5. Obligations of the Company

Whenever required to effect the registration of any Registrable Securities under this Schedule, the Company shall, as expeditiously as reasonably possible:

a. Registration Statement. Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and keep such registration statement effective for a period of up to ninety (90) days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that in the case of any registration of the Registrable Securities on Form F-3 which are intended to be offered on a continuous or delayed basis, such ninety (90) day period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold.

b. Amendments and Supplements. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

c. Prospectuses. Furnish to the Investor such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as the Investor may reasonably request in

order to facilitate the disposition of the Registrable Securities owned by it that are included in such registration.

d. Blue Sky. Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or "blue sky" laws of such jurisdictions as shall be reasonably requested by the Investor; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act.

e. Underwriting. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement in usual and customary form, with the managing underwriter(s) of such offering. The Investor participating in the underwritten offering shall also enter into and perform its obligations under such an agreement.

f. Notification. Notify the Investor at any time when a prospectus relating thereto is required to be delivered under the Securities Act of (i) the issuance of any stop order by the SEC in respect of such registration statement, or (ii) the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

g. Compliance. Comply with all applicable rules and regulations of the SEC, and make available to the Company's security holders, as soon as reasonably practicable but no later than fifteen (15) months after the effective date of the registration statement, an earnings statement covering a period of twelve (12) months beginning after the effective date of the registration statement, in a manner which satisfies the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

h. Listing. Cause all such Registrable Securities (in the form of ADSs or otherwise) to be listed on each securities exchange on which similar securities issued by the Company are then listed, provided that the applicable listing requirements are satisfied.

i. Updates. Keep the Investor advised in writing as to the initiation and progress of any registration under Section 2 or 3 of this Schedule.

j. Cooperation. Cooperate with each seller of Registrable Securities and each underwriter participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made.

k. Other Reasonable Steps. Take all other steps reasonably necessary to effect the registration of the Registrable Securities contemplated hereby.

6. Other Obligations of the Company

So long as any Registrable Securities remain outstanding, the Company shall not terminate the Deposit Agreement and shall, if necessary, direct the ADS Depositary to file, and cooperate with the ADS Depositary in filing, amendments to the Form F-6 registering ADSs to increase the amount of ADSs registered thereunder to cover the total number of ADSs corresponding to the Registrable Securities then outstanding.

7. Furnish Information

It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2 or 3 of this Schedule that the Investor shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of such securities as shall be required to timely effect the registration of their Registrable Securities.

8. Indemnification

In the event any Registrable Securities are included in a registration statement under Section 2 or 3 of this Schedule:

a. By the Company. To the extent permitted by law, the Company will indemnify and hold harmless the Investor, its partners, officers, employees, agents, affiliates, directors, legal counsel, any underwriter (as defined in the Securities Act) for the Investor and each Person, if any, who controls the Investor or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, fines, expenses or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act, or other United States federal or state law, insofar as such losses, claims, fines, damages, expenses or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (each, a "Violation"):

i. any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto;

ii. the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they are made, not misleading; or

iii. any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any United States federal or state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any United States federal or state securities law in connection with the offering covered by such registration statement;

and the Company will reimburse the Investor, its partner, officer, employee, agent, affiliate, director, legal counsel, underwriter and controlling Person for any legal or

other expenses reasonably incurred by them, as such expenses are incurred, in connection with investigating or defending any such loss, claim, damage, fines, expense, liability or action; provided, however, that the indemnity agreement contained in this Section 8 shall not apply to amounts paid in settlement of any such loss, claim, damage, fines, expense, liability or action and the reimbursement of any legal or other expenses incurred in connection therewith if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon (A) a Violation which occurs in reliance upon and in conformity with written information furnished to the Company expressly for use in connection with such registration by the Investor, partner, officer, director, legal counsel, underwriter or controlling Person of the Investor or (B) delivery of a prospectus by the Investor who has received notice from the Company that the registration statement relating thereto contains an untrue statement of a material fact or an omission of a material fact.

b. By the Investor. To the extent permitted by law, the Investor will, if the Registrable Securities held by the Investor are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each Person, if any, who controls the Company within the meaning of the Securities Act or any underwriter, against any losses, claims, damages, fines, expenses or liabilities (joint or several) to which the Company or any such director, officer, controlling Person or underwriter may become subject under the Securities Act, the Exchange Act or other United States federal or state law, insofar as such losses, claims, damages, fines, expenses or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by the Investor to the Company expressly for use in connection with such registration; and the Investor will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling Person or underwriter in connection with investigating or defending any such loss, claim, damage, fines, expense, liability or action; provided, however, that the indemnity agreement contained in this Section 8.b shall not apply to amounts paid in settlement of any such loss, claim, damage, fines, expense, liability or action and the reimbursement of any legal or other expenses incurred in connection therewith if such settlement is effected without the consent of the Investor, which consent shall not be unreasonably withheld; and provided, further, that in no event shall any indemnity under this Section 8 exceed the net proceeds received by the Investor in the registered offering out of which the applicable Violation arises.

c. Notice. Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 8, deliver to the indemnifying party a written

notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of liability to the indemnified party under this Section 8 to the extent the indemnifying party is prejudiced as a result thereof, but the omission to so deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 8.

d. Contribution. In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any indemnified party makes a claim for indemnification pursuant to this Section 8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any indemnified party in circumstances for which indemnification is provided under this Section 8; then, and in each such case, the indemnified party and the indemnifying party will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party in connection with the statements, omissions, or other actions that resulted in such losses, claims, damages or liabilities, as well as to reflect any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case: (A) the Investor shall not be required to contribute any amount in excess of the net proceeds to the Investor from the sale of all such Registrable Securities offered and sold by the Investor pursuant to such registration statement; and (B) no Person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person or entity who was not guilty of such fraudulent misrepresentation.

e. Survival; Consents to Judgments and Settlements. The obligations of the Company and the Investor under this Section 8 shall survive the completion of any offering

of Registrable Securities in a registration statement. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

9. No Registration Rights to Third Parties

Without the prior written consent of the Investor, the Company covenants and agrees that it shall not grant, or cause or permit to be created, for the benefit of any Person any registration rights of any kind (whether similar to the registration rights described in this Schedule, or otherwise) relating to any securities of the Company which are senior to those granted to the Investor.

10. Rule 144 Reporting

With a view to making available to the Investor the benefits of certain rules and regulations of the SEC which may at any time permit the sale of the Registrable Securities to the public without registration or pursuant to a registration on Form F-3, the Company agrees to:

a. make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times; and

b. file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements).

11. Re-sale Rights

The Company shall at its own cost use its best efforts to assist the Investor in the sale or disposition of, and to enable the Investor to sell under Rule 144 promulgated under the Securities Act the maximum number of, its Registrable Securities, including without limitation (a) the prompt delivery of applicable instruction letters to the Company's transfer agent to remove legends from the Investor's share certificates, (b) if required by the transfer agent, causing the prompt delivery of appropriate legal opinions from the Company's counsel in forms reasonably satisfactory to the Investor's counsel, (c) (i) the prompt delivery of instruction letters to the Company's share registrar and depository agent to convert the Investor's securities into depository receipts or similar instruments to be deposited in the Investor's brokerage account(s), and (ii) the prompt payment of all costs and fees related to such depositary facility, including conversion fees and maintenance fees for Registrable Securities held by the Investor. The Company acknowledges that time is of the essence with respect to its obligations under this Section 11, and that any delay will cause the Investor irreparable harm and constitutes a material breach of its obligations under this Schedule.

12. Assignability of Registration Rights

The rights to cause the Company to register Registrable Securities granted under this Schedule and any other rights under this Schedule shall be assignable by the Investor to any

transferee or assignee of Registrable Securities or the Notes who is an affiliate of the Investor in connection with a transfer of the Registrable Securities or the Notes to such transferee or assignee in accordance with the terms and conditions of the Instrument.

Exhibit 4.25

Execution Version

June 3, 2020

BEST INC.

CONVERTIBLE NOTE INSTRUMENT

Constituting $150 million Principal Amount of Convertible Senior Notes
Convertible into Ordinary Shares of
BEST Inc.

CONTENTS

THIS CONVERTIBLE NOTE INSTRUMENT (this "**Instrument**") is made on June 3, 2020 by and between:

(1) **BEST INC.**, an exempted company incorporated under the Laws of the Cayman Islands (the "**Company**"); and

(2) **Alibaba.com Hong Kong Limited**, a company incorporated under the Laws of Hong Kong (the "**Initial Noteholder**"),

each a ***party*** and together the ***parties***.

WHEREAS:

(A) The Company and the Initial Noteholder have entered into a Convertible Note Purchase Agreement on May 28, 2020 (the "**Purchase Agreement**"), pursuant to which the Company agrees to authorize and issue, and the Initial Noteholder agrees to subscribe for, $150,000,000 in principal amount of convertible senior notes (the "**Notes**"), convertible into fully paid Ordinary Shares (or in the form of ADSs) of the Company.

(B) The Company has, in accordance with its Memorandum and Articles of Association and by a resolution of its Board of Directors, resolved to create, authorize and issue the Notes to the Noteholder constituted as provided below.

NOW THIS INSTRUMENT WITNESSES AND THE COMPANY DECLARES as follows:

1 INTERPRETATION

1.1 **The following expressions have the following meanings:**

"**Additional Amounts**" shall have the meaning specified in Section 10.4(a).

"**Additional Interest**" means all amounts, if any, payable pursuant to Section 12.2(b) and Section 12.3(a), as applicable.

"**ADS**" means an American Depositary Share, issued pursuant to the Deposit Agreement, representing one Ordinary Share of the Company as of the date of this Instrument, and deposited with the ADS Custodian.

"**ADS Custodian**" means Citibank, N.A., with respect to the ADSs delivered pursuant to the Deposit Agreement, or any successor entity thereto.

"**ADS Depositary**" means Citibank, N.A., as depositary for the ADSs, or any successor entity thereto.

"**ADS Issuance Fee**" shall have the meaning specified in Section 7.2(a)(i).

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control," when used with respect to any specified Person means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or

otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Applicable PRC Rate**" means (i) in the case of deduction or withholding of PRC income tax, 10%, (ii) in the case of deduction or withholding of, or reduction for, PRC value added tax (including any related local levies), 6.72%, or (iii) in the case of deduction or withholding of, or reduction for, both PRC income tax and PRC value added tax (including any related local levies), 16.72%.

"**applicable taxes**" shall have the meaning specified in Section 10.4(a).

"**Board of Directors**" means the board of directors of the Company or a committee of such board duly authorized to act for it hereunder.

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York, the PRC, Hong Kong or the Cayman Islands are required by law to be closed or are otherwise required to be closed due to the COVID-19 outbreak.

"**Capital Stock**" means, for any entity, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity.

"**Change in Law**" means any change in or amendment to the Laws, regulations and rules of the PRC or the official interpretation or official application thereof.

"**Change in Tax Law**" shall have the meaning specified in Section 9.5(b).

"**Clause A Distribution**" shall have the meaning specified in Section 7.3(c).

"**Clause B Distribution**" shall have the meaning specified in Section 7.3(c).

"**Clause C Distribution**" shall have the meaning specified in Section 7.3(c).

"**close of business**" means 5:00 p.m. (New York City time).

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

"**Commission**" means the U.S. Securities and Exchange Commission.

"**Common Equity**" of any Person means ordinary share capital or common stock of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a corporation, to vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

"**Company**" means BEST Inc. as set forth in the preamble, and subject to the provisions of Section 11, shall include its successors and assigns.

"**Conversion Date**" has the meaning specified in Section 7.2(a)(ii).

"**Conversion Failure**" has the meaning specified in Section 7.10.

"**Conversion Failure Buy-In**" has the meaning specified in Section 7.10.

"**Conversion Notice**" has the meaning specified in Section 7.2(a)(i).

"**Conversion Period**" has the meaning specified in Section 7.1(a).

"**Conversion Rate**" the number of Ordinary Shares to be delivered upon conversion of $100,000, initially being the number equal to $100,000 divided by the lower of (i) the quotient of (a) 125% of the volume-weighted average closing sale price per ADS for 30 consecutive Trading Days after May 27, 2020, which is quoted on Bloomberg under the "AQR" function (or any successor function), with appropriate settings in DPDF (or any successor pages) for the relevant adjustment(s) where implemented, from 9:30 to 16:00, New York City time or, if unavailable on Bloomberg, from such other source as will be determined appropriate by a leading investment bank of international repute appointed by the Noteholder, divided by (b) the number of Ordinary Shares then represented by one ADS, and (ii) $6.25. Such initial Conversion Rate is subject to adjustment in accordance with Section 7 of this Instrument.

"**Conversion Right**" shall have the meaning specified in Section 7.1.

"**Default**" means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

"**Defaulted Amounts**" means any amounts on any Note (including the Redemption Price, the Repurchase Price, the Fundamental Change Repurchase Price, principal and interest) that are payable but are not punctually paid or duly provided for.

"**Deposit Agreement**" means the deposit agreement dated as of September 22, 2017, by and among the Company, the ADS Depositary and the holders and beneficial owners of the ADSs delivered thereunder or, if amended or supplemented as provided therein, as so amended or supplemented.

"**Designated Office**" means the Company's principal place of business in 2nd Floor, Block A, Huaxing Modern Industry Park, No. 18 Tangmiao Road, Hangzhou, Zhejiang, China, as may be changed from time to time; *provided* that any change in the Designated Office shall be notified to the Noteholder in accordance with Section 16.

"**Distributed Property**" shall have the meaning specified in Section 7.3(c).

"**Events of Default**" has the meaning specified in Section 12.1.

"**Ex-Dividend Date**" means the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from the Company or, if applicable, from the seller of the ADSs on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Existing Principal Shareholder**" means any of Mr. Shao-Ning Johnny Chou or Alibaba Group Holding Limited, in each case, together with any other "person" or "group" subject to aggregation or attribution of the Common Equity of the Company (including Common Equity

held in the form of ADSs) with the respective Existing Principal Shareholder under Section 13(d) of the Exchange Act, and "**Existing Principal Shareholders**" refers to both of them.

"**FATCA**" shall have the meaning specified in Section 10.4(a)(i)(D).

"**Fundamental Change**" shall be deemed to have occurred at the time after the Notes are originally issued if any of the following occurs:

(a) (A) A "person" or "group" within the meaning of Section 13(d) of the Exchange Act, other than the Company, its Subsidiaries, the employee benefit plans of the Company and its Subsidiaries or any Existing Principal Shareholder, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect "beneficial owner" of: (i) the Company's Common Equity (including Common Equity held in the form of ADSs) representing more than 50% of the voting power of the Company's Common Equity entitled to vote generally in the election of the Board of Directors, or (ii) the Company's Common Equity representing more than 50% of the total outstanding Common Equity of the Company (including Ordinary Shares, ADSs, Class B ordinary shares and Class C ordinary shares of the Company); or (B) either of the Existing Principal Shareholders or both of them, in the aggregate, have become the direct or indirect "beneficial owners" of the Ordinary Shares (including the Ordinary Shares held in the form of ADSs but excluding any Ordinary Shares that any such party does not actually own, but instead "beneficially owns" solely as the result of "beneficially owning" any of the Class B or Class C ordinary shares of the Company, as the case may be) representing, in total, more than 50% of the number of outstanding Ordinary Shares, based on any Schedule TO or any schedule, form or report under the Exchange Act disclosing the same filed by the relevant Existing Principal Shareholder (or any other "person" or "group" subject to aggregation or attribution of the Common Equity of the Company with such Existing Principal Shareholder under Section 13(d) of the Exchange Act), or (C) Mr. Shao-Ning Johnny Chou, together with any other "person" or "group" subject to aggregation or attribution of the Common Equity of the Company with him under Section 13(d) of the Exchange Act, have become the direct or indirect "beneficial owners" of the Company's Common Equity (including Ordinary Shares, ADSs, Class B ordinary shares and Class C ordinary shares of the Company) representing more than 50% of the total voting power of the Company's Common Equity based on any Schedule TO or any schedule, form or report under the Exchange Act disclosing the same;

(b) the consummation of (A) any recapitalization, reclassification or change of the Ordinary Shares or the ADSs (other than changes resulting from a subdivision or combination) as a result of which the Ordinary Shares or the ADSs would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof); (B) any share exchange, consolidation or merger of the Company pursuant to which the Ordinary Shares or the ADSs will be converted into cash, securities or other property; or (C) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries and Variable Interest Entities, taken as a whole, to any Person other than one of the Company's wholly-owned Subsidiaries; *provided*, *however*, that a transaction described in clause (B) in which the holders of all classes of the Company's Common Equity (including Common Equity held in the form of ADSs) immediately prior to such transaction own, directly or indirectly, more than 50% of the voting power represented by all classes of Common Equity of the continuing or

surviving corporation or transferee or the parent thereof immediately after such transaction in substantially the same proportions vis-a-vis each other as such ownership of voting power immediately prior to such transaction shall not be a Fundamental Change pursuant to this clause (b);

(c) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company;

(d) the ADSs (or other Common Equity or ADSs in respect of Common Equity underlying the Notes) cease to be listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors); or

(e) any Change in Law that results in (x) the Group Companies (as in existence immediately subsequent to such Change in Law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Group (as in existence immediately prior to such Change in Law) as of the last date of the period described in the Company's consolidated financial statements for the most recent fiscal quarter and (y) the Company's being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law) in the same manner as reflected in the Company's consolidated financial statements for the most recent fiscal quarter; *provided* that the Company has not furnished to the Noteholders on or before the 20th calendar day after the date of such Change in Law an opinion from an independent financial advisor or an independent legal counsel stating either (x) that the Company is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law), taken as a whole, as reflected in the Company's consolidated financial statements for the most recent fiscal quarter (including after giving effect to any corporate restructuring or reorganization plan of the Group) or (y) that such Change in Law would not materially adversely affect the Company's ability to make principal and interest payments on the Notes when due or to effect the conversion of the Notes in accordance herewith,

provided, *however*, that a transaction or event described in clause (b) above shall not constitute a Fundamental Change, if at least 90% of the consideration received or to be received by holders of the Ordinary Shares (directly or in the form of ADSs), excluding cash payments for fraction of ADS or Ordinary Share, in connection with such transaction or event consists of shares of Common Equity or ADSs in respect of Common Equity that are listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or will be so listed or quoted when issued or exchanged in connection with such transaction or event that would otherwise constitute a Fundamental Change under clause (b) of the definition thereof and as a result of such transaction or event, the Notes become convertible into such consideration, excluding cash payments for fraction of Ordinary Share, *provided further* that an event that is not considered a Fundamental Change pursuant to this proviso shall not be a Fundamental Change solely because such event could also be subject to clause (a) of this definition.

"**Fundamental Change Company Notice**" shall have the meaning specified in Section 9.3(c).

"**Fundamental Change Repurchase Date**" shall have the meaning specified in Section 9.3(a).

"**Fundamental Change Repurchase Notice**" shall have the meaning specified in Section 9.3(b)(i).

"**Fundamental Change Repurchase Price**" shall have the meaning specified in Section 9.3(a).

"**Governmental Approval**" means any authorization of or by, consent of, approval of, license from, ruling of, permit from, tariff by, rate of, certification by, exemption from, filing with (except any filing relating to the perfection of security interests), variance from, claim of, order from, judgment from, decree of, publication to or by, notice to, declaration of or with or registration by or with any Governmental Authority, whether tacit or express.

"**Governmental Authority**" means any nation or government or any federation, province or state or any other political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory, Tax or administrative functions of or pertaining to government, including any government authority, agency, department, board, commission or instrumentality of the PRC, Hong Kong, the Cayman Islands, the British Virgin Islands or any other country, or any political subdivision thereof, any court, tribunal or arbitrator, any self-regulatory organization and stock exchanges.

"**Group Companies**" or the "**Group**" means, collectively, the Company, its Subsidiaries and its Variable Interest Entities; a "**Group Company**" means any of them.

"**Hong Kong**" means Hong Kong Special Administrative Region of the People's Republic of China.

"**Initial Noteholder**" has the meaning specified in the preamble.

"**Instrument**" has the meaning specified in the preamble.

"**Interest Payment Date**" means each July 1 and January 1 of each year or, if the relevant date is not a Business Day, the immediately following Business Day, beginning on January 1, 2021.

"**Joinder Agreement**" has the meaning specified in Section 6.2.

"**Last Reported Sale Price**" of the ADSs on any date means the closing sale price per ADS (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which the ADSs are traded. If the ADSs are not listed for trading on a U.S. national or regional securities exchange on the relevant date, the "Last Reported Sale Price" shall be the last quoted bid price for the ADSs in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If the ADSs are not so quoted, the "Last Reported Sale Price" shall be the average of the mid-point of the last bid and ask prices for the ADSs on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose.

"**Law(s)**" means any law or regulation, including (i) any statute or regulation; (ii) any rule of any Governmental Authority by which any party is bound; (iii) any agreement between any Governmental Authorities; and (iv) any customary agreement between any Governmental Authority and any party.

"**Maturity Date**" has the meaning specified in Section 2.2.

"**Maturity Redemption Price**" shall have the meaning specified in Section 9.1.

"**Memorandum and Articles of Association**" means the Ninth Amended and Restated Memorandum and Articles of Association of the Company, as may be further amended, modified, supplemented or restated from time to time.

"**Merger Event**" shall have the meaning specified in Section 7.6(a).

"**normal office hours**" means 9 a.m. to 5 p.m. on a Business Day.

"**Note Certificate**" has the meaning specified in Section 5.1.

"**Noteholder**" or "**Holder**" means the Initial Noteholder or any holder of the Note Certificates registered on the Company's Register of Noteholder following a valid transfer of any Note pursuant to this Instrument.

"**Notes**" has the meaning specified in the recitals.

"**Officer**" means, with respect to the Company, the Chief Executive Officer, the Chief Financial Officer and the Chief Strategy and Investment Officer.

"**Officers' Certificate**" when used with respect to the Company, means a certificate that is delivered to the Noteholders and that is signed by an Officer of the Company.

"**Ordinary Shares**" means the Class A ordinary shares with a par value of $0.01 each in the share capital of the Company.

"**Outstanding**" or "**outstanding**," when used with reference to Notes, shall mean, as of any particular time, all Notes under this Instrument, except:

(a) Notes repurchased by the Company pursuant to Sections 9.2 and 9.3;

(b) Notes redeemed by the Company pursuant to Section 9.5;

(c) Notes with respect to which the Noteholder has exercised its Conversion Rights and for which the relevant number of Ordinary Shares has been issued to the Noteholder in accordance with this Instrument; and

(d) those Notes that have been mutilated or defaced or that are alleged to have been lost or stolen and, in each case, in respect of which replacement Notes have been issued pursuant to Section 13.

"**party**" or "**parties**" has the meaning specified in the preamble.

"**Person**" means an individual, a corporation, a limited liability company, an association, a partnership, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

"**PRC**" means the People's Republic of China, excluding, for the purpose of this Instrument, Hong Kong, the Macau Special Administrative Region and Taiwan.

"**Purchase Agreement**" has the meaning specified in the recitals.

"**Record Date**" means, with respect to any dividend, distribution or other transaction or event in which the holders of Ordinary Shares or ADSs (or other applicable security) have the right to receive any cash, securities or other property or in which Ordinary Shares or ADSs (or other applicable security) are exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of security holders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors, statute, contract or otherwise).

"**Redemption Date**" shall have the meaning specified in Section 9.5.

"**Redemption Price**" shall have the meaning specified in Section 9.5.

"**Reference Property**" shall have the meaning specified in Section 7.6(a).

"**Register of Noteholders**" has the meaning specified in Section 6.1.

"**Registered Account**" shall have the meaning specified in Section 8.2.

"**Registration Date**" shall have the meaning specified in Section 7.2(b)(iii).

"**Regular Record Date**," with respect to any Interest Payment Date, shall mean the June 15 or December 15 (whether or not such day is a Business Day) immediately preceding the applicable July 1 or January 1 Interest Payment Date, respectively.

"**Relevant Taxing Jurisdiction**" shall have the meaning specified in Section 10.4(a).

"**Repurchase Date**" shall have the meaning specified in Section 9.2(a).

"**Repurchase Notice**" shall have the meaning specified in Section 9.2(b)(i).

"**Repurchase Period**" shall have the meaning specified in Section 9.2(a).

"**Repurchase Price**" shall have the meaning specified in Section 9.2(a).

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Securities Laws**" means, collectively, Sarbanes-Oxley, the Securities Act, the Exchange Act, the rules and regulations promulgated by the SEC, the auditing principles, rules, standards and practices applicable to auditors of "issuers" (as defined in Sarbanes-Oxley) promulgated or approved by the Public Company Accounting Oversight Board and, as applicable, the rules of the New York Stock Exchange.

"**Significant Subsidiary**" means a Subsidiary of the Company that meets the definition of "significant subsidiary" in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act. Each of the Company's Variable Interest Entities will be deemed to be a "subsidiary" for purposes of the definition of "significant subsidiary" in Article 1, Rule 1-02 of Regulation S-X.

"**Spin-Off**" shall have the meaning specified in Section 7.3(c).

"**Subsidiary**" means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, general partners or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person; (ii) such Person and one or more Subsidiaries of such Person; or (iii) one or more Subsidiaries of such Person.

"**Successor Company**" shall have the meaning specified in Section 11.1(a).

"**Tax**" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Governmental Authority having power to tax.

"**Trading Day**" means a day on which (i) trading in the ADSs (or other security for which a closing sale price must be determined) generally occurs on The New York Stock Exchange or, if the ADSs (or such other security) are not then listed on The New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which the ADSs (or such other security) are then listed or, if the ADSs (or such other security) are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the ADSs (or such other security) are then traded and (ii) a Last Reported Sale Price for the ADSs (or closing sale price for such other security) is available on such securities exchange or market; *provided* that if the ADSs (or such other security) are not so listed or traded, "Trading Day" means a Business Day.

"**Transferee**" has the meaning specified in the Section 6.2.

"**Trigger Event**" shall have the meaning specified in Section 7.3(c).

"**unit of Reference Property**" shall have the meaning specified in Section 7.6(a).

"**US Dollar**," "**USD**" or "**$**" means the legal currency of the United States of America.

"**Valuation Period**" shall have the meaning specified in Section 7.3(c).

"**Variable Interest Entities**" means, with respect to any Person, any corporation, association or other entity which is or is required to be consolidated with such Person under Accounting Standards Codification subtopic 810-10, Consolidation: Overall (including any changes, amendments or supplements thereto) or, if such person prepares its financial statements in accordance with accounting principles other than the accounting principles generally accepted in the United States of America, the equivalent of Accounting Standards Codification subtopic 810-10, Consolidation: Overall under such accounting principles.

1.2 Headings used in this Instrument are for ease of reference only and shall be ignored in interpreting this Instrument.

1.3 References to Sections and Exhibits are references to Sections and Exhibits of or to this Instrument.

1.4 Words and expressions in the singular include the plural and *vice versa* and words and expressions importing one gender include every gender.

1.5 References in this Instrument to principal, premium, interest and other payments payable by the Company shall be deemed also to refer to any Additional Interest or Additional Amounts, as applicable, which may be payable under Section 10.4, Section 12.2(b) and Section 12.3(a) or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to this Instrument.

1.6 Whenever the words "include," "includes" or "including" are used in this Instrument, they are deemed to be followed by the words "without limitation."

2 PRINCIPAL AMOUNT AND ISSUE OF NOTES

2.1 The Notes shall be designated as the "4.50% Convertible Senior Notes due 2025." The Company hereby authorizes and issues the Notes in the aggregate principal amount of $150,000,000 pursuant to the Purchase Agreement. The aggregate amount of the Notes shall, subject to the provisions for repurchase, redemption, acceleration and conversion hereof, as applicable, mature and be payable in full on the Maturity Date.

2.2 For the purpose of this Instrument, the "**Maturity Date**" shall be the fifth (5th) anniversary of the date of this Instrument (*i.e.*, June 3, 2025).

3 STATUS

3.1 Unless fully converted pursuant to this Instrument, the Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Company. The Notes rank (i) senior in right of payment to any of the Company's future indebtedness that is expressly subordinated in right of payment to the Notes, (ii) equal in right of payment to all of the Company's indebtedness and other liabilities that are not so subordinated, including the Company's 1.75% convertible senior notes due 2024 of which $200,000,000 aggregate principal amount is outstanding as of the date of this Instrument, and (iii) junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally junior to all indebtedness and other liabilities of the Company's Subsidiaries and/or Variable Interest Entities (including trade payables). In the event of bankruptcy, liquidation, reorganization or other winding-up events of the Company, the assets of the Company that secure secured debt (if any) will be available to pay obligations on the Notes only after all indebtedness under such secured debt has been repaid in full from such assets.

4 ANNUAL INTEREST

4.1 Interest shall accrue, at a fixed rate equal to 4.50% per annum, on the outstanding principal amount of the Notes from the date of this Instrument until all the outstanding principal amounts are fully repaid; *provided* that if any portion of the principal amount is duly converted into Ordinary Shares (or ADSs) in accordance with Section 7, interest shall cease to accrue on the portion of the principal amount being converted. Accrued interest on the Notes shall be payable on the Interest Payment Date and be computed on the basis of a 360-day year composed of twelve 30-day months and, for any partial months, on a pro rata basis based on the number of days actually elapsed in such month.

4.2 The principal amount of the Notes may not be prepaid, in whole or in part, prior to the Maturity Date without the written consent of the Noteholder, except as provided in Section 9.5 of this Instrument or as mutually agreed between the Company and any Noteholder with respect

to the Note(s) held by such Noteholder.

5 FORM AND TITLE

5.1 Form

The Note Certificate in the form set out in Exhibit A hereto (the "**Note Certificate**") will be issued to the Noteholder in respect of its registered holding of the Notes, the terms and provisions of which shall constitute, and are hereby expressly incorporated in and made, a part of this Instrument. The Notes and the Note Certificate will be numbered serially with an identifying number to be recorded on the relevant Note Certificate and in the Register of Noteholders, which the Company will keep.

5.2 Title

Title to the Notes passes to the Noteholder only by the authorization and issuance of the Note Certificate and registration in the Register of Noteholders in accordance with this Instrument. So long as such registration in the Register of Noteholders is recorded without alterations pursuant to this Instrument, the Noteholder will (except as otherwise required by the applicable Laws) be treated as the absolute owner of the Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Note Certificate issued in respect of it (other than the endorsed form of transfer as described in Section 6)), and no Person will be liable for so treating the Noteholder.

6 TRANSFER OF NOTES; ISSUANCE OF NOTE CERTIFICATE

6.1 Register of Noteholders

The Company shall keep at its business office or shall cause to be kept at its registered office a register on which shall be entered the names and addresses of the Noteholder, the particulars of the Notes held by the Noteholder and of all transfer, conversion or cancellation of the Notes as well as the amount of outstanding principal amount and accrued interest owing to the Noteholder (the "**Register of Noteholders**"). The entries in the Register of Noteholders shall be conclusive evidence of the amounts due and owing to the Noteholder in the absence of manifest error. Notwithstanding anything to the contrary contained in this Instrument, the obligations under the Notes are registered obligations and the right, title and interest in and to such obligations shall be transferable only upon notation of such transfer in the Register of Noteholders. The Register of Noteholders shall be available for inspection by the Noteholder from time to time upon reasonable prior notice.

6.2 Transfers

On and from the ninetieth (90th) day of the date of this Instrument, the Notes may be freely transferred, subject to the applicable Laws, in whole or in part, at any time prior to the full conversion of the Notes into Ordinary Shares (or in the form of ADSs) or the consummation of a repurchase and redemption pursuant to Section 9 of this Instrument of the Notes pursuant to this Instrument by surrender of the Note Certificate issued in respect of the Notes, delivered together with the endorsed form of transfer (in the form set out in Attachment 4 to the Form of Note Certificate attached hereto as Exhibit A, the acquirer of such transferred Notes, the "**Transferee**") duly completed and signed by the registered Noteholder or his attorney duly

authorized in writing, to the Company at the Designated Office together with such evidence as the Company may reasonably require to prove the authority of the individuals who have executed the endorsed form of transfer. The Noteholder shall cause the Transferee to agree in writing to be bound by the terms of this Instrument and to sign, execute and deliver a Joinder Agreement in the form of Exhibit B hereto (the "**Joinder Agreement**"), whereupon the Company shall counter-sign, execute and deliver the same to the Transferee. Upon the execution of such Joinder Agreement, such Transferee will be bound, to the extent of the transferred Notes in its capacity as a "Noteholder," by obligations under this Instrument as if it was a signing party hereof. Upon the receipt of such executed Joinder Agreement, the Company shall promptly countersign and deliver a fully executed version to the Transferee.

Notwithstanding anything provided herein, (i) the total number of Holders of the Notes shall not exceed five (5) at any given time, and (ii) any transfer of the Notes that can result in the total number of Holders of the Notes to exceed five (5) immediately after the completion of such transfer shall be subject to the prior written consent of the Company; *provided* that the Initial Noteholder and up to five (5) of its Affiliates shall be collectively regarded as one Noteholder for the purpose of this paragraph.

6.3 **Cancellation of Note Certificate**

Upon the receipt of the original Note Certificate surrendered by the Noteholder, the executed endorsed form of transfer by the Noteholder and the executed Joinder Agreement by the Transferee, the Company shall, at its expense, promptly cancel the original Note Certificate and no Note Certificate shall be issued to the Holder of the original Note Certificate therefor except as expressly permitted by Section 6.5(b).

6.4 **Update of the Register of Noteholders**

Upon the receipt of the original Note Certificate surrendered by the Noteholder, the executed endorsed form of transfer by the Noteholder and the executed Joinder Agreement by the Transferee, the Company shall, at its expense, promptly cause the Register of Noteholders to be updated by including the names and addresses of the Transferee, the particulars of the transferred Notes held by the Transferee and of the remaining Note (if any) held by the Noteholder and the amount of outstanding principal amount and accrued interest owing to the Transferee and the Noteholder respectively upon the transfer.

6.5 **Delivery of New Note Certificates**

(a) Each new Note Certificate to be issued upon a transfer, exchange or conversion of Notes shall, within five (5) Business Days of receipt by the Company of the endorsed form of transfer (in the form set out in Attachment 4 to the Form of Note Certificate attached hereto as Exhibit A) duly completed and signed, be made available for collection at the Designated Office or, if so requested in the endorsed form of transfer, be mailed by uninsured mail at the risk of the holder entitled to such new Note Certificate (but free of charge to such holder) to the address specified in the endorsed form of transfer.

(b) Where only part of the principal amount of the Notes in respect of which a Note Certificate is issued is to be transferred, exchanged or converted, a new Note Certificate in respect of the remaining Notes not so transferred, exchanged or converted will, within five (5) Business Days of delivery of the original Note Certificate to the Company, be mailed by uninsured mail at the risk of the holder entitled to such

remaining Notes not so transferred, exchanged or converted (but free of charge to such holder) to the address of the Noteholder appearing on the Register of Noteholders.

6.6 **Formalities Free of Charge**

Registration of a transfer of the Notes will be effected without charge by or on behalf of the Company.

7 CONVERSION

7.1 **Conversion Right**

Subject as hereinafter provided, each Noteholder has the right to convert all or any portion of the Notes held by it (if the portion to be converted is $100,000 principal amount or an integral multiple thereof) into Ordinary Shares or, at the sole discretion of such Noteholder, into Ordinary Shares in the form of ADSs at any time during the Conversion Period at the Conversion Rate. The right of the Noteholder to convert the Notes into Ordinary Shares (or in the form of ADSs) is called the "**Conversion Right**."

(a) *Conversion Period*: Subject to and upon compliance with the provisions of this Section, the Conversion Right attaching to any Notes may be exercised, at the option of the holder thereof, at any time on or after the thirty-first (31st) Trading Day after May 27, 2020 up to the close of business (at the place where the Note Certificate evidencing such Notes is deposited for conversion) of the second Business Day immediately preceding the Maturity Date (but, except as provided in Section 7.1(c), in no event thereafter) (the "**Conversion Period**").

(b) *Fractions of Shares*: Fractions of the Ordinary Shares will not be issued on conversion and cash payment in lieu thereof will be made in respect thereof.

(c) *Survival after Default*: Notwithstanding the provisions of Section 7.1(a) of this Instrument, if (i) the Company shall default in making payment in full in respect of any Notes which shall have been called for redemption or repurchase on the date fixed for the redemption or repurchase thereof; (ii) any Note has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events referred to in Section 12; or (iii) any Note is not redeemed on the Maturity Date in accordance with Section 2.1, the Conversion Right attaching to such Note will continue to be exercisable up to, and including, the close of business at the Designated Office on the date upon which the full amount of the money payable in respect of such Notes has been duly received by the Noteholder. In connection with such default, notwithstanding the provisions of Section 7.1(a) of this Instrument, any Note in respect of which the Note Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date notwithstanding that the full amount of the money in respect of such Notes is payable before such Conversion Date or that the Conversion Period may have expired before such Conversion Date, *provided* that the Company's delivery of Ordinary Shares (directly or in the form of ADSs) and all the accrued and unpaid interest on such Note (and any Additional Interest and Additional Amounts as applicable) shall be deemed to fully settle any payment obligations the Company may have with respect to such Note, and the Company will cease to be obligated to make the payment with respect to the such Note described in the foregoing (i), (ii) or (iii) of this Section 7.1(c).

7.2 **Conversion Procedure**

(a) *Conversion Notice*:

(i) To exercise the Conversion Right attaching to any Note, the Noteholder must complete, execute and deposit at its own expense during normal office hours at the Designated Office a notice of conversion (a "**Conversion Notice**") in duplicate in the form set out in Attachment 1 to the Form of Note Certificate attached hereto as Exhibit A, together with the relevant Note Certificate. A Conversion Notice deposited outside the normal office hours or on a day that is not a Business Day at the place of the Designated Office shall for all purposes be deemed to have been deposited with the Company during the normal office hours on the next Business Day following such day. If the Noteholder elects to convert the Notes into Ordinary Shares in the form of ADSs, the converting Noteholder shall furnish the Company with all the necessary documents reasonably required by the ADS Depositary from time to time, together with the payments of fees and expenses related to the issuance of ADSs by the ADS Depositary (the "**ADS Issuance Fee**"); provided, however, that the Initial Noteholder and its Affiliates shall not be required to pay the ADS Issuance Fee, which, upon its occurrence, shall be borne by the Company.

(ii) The conversion date in respect of a Note (the "**Conversion Date**") must fall at a time when the Conversion Right attaching to that Note is expressed in this Instrument to be exercisable (subject to the provisions of Section 7.1(c) above) and will be deemed to be the Business Day immediately following the date of the surrender of the Note Certificate in respect of such Note and delivery of such Conversion Notice pursuant to Section 7.2(a)(i). A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Company consents in writing to such withdrawal.

(b) *Registration*:

(i) In the event the Noteholder elects to convert the Notes into Ordinary Shares and not in the form of ADSs, as soon as practicable, and in any event not later than five (5) Business Days after the Conversion Date, the Company shall, (x) in the case of Notes converted and in respect of which a duly completed Conversion Notice has been delivered and the relevant Note Certificate surrendered as required by Section 7.2(a)(i), register the Person or Persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Ordinary Shares in the Company's register of members and (y) cause the share certificate with respect to the Ordinary Shares so converted to be delivered to the designated Person and at the place specified in the Conversion Notice, together with any other securities, property or cash required to be delivered upon conversion and other documents (if any) as may be required by the applicable Laws to effect the transfer thereof.

(ii) In the event the Noteholder elects to convert the Notes into Ordinary Shares in the form of ADSs, the Company shall cause the ADS Depositary to deliver ADSs to the Holder upon the Holder's election as soon as practicable, and in any event not later than ten (10) Business Days following the date on which all of the corresponding Note Certificate, Conversion Notice, documents

reasonably required by the ADS Depositary and, in the case of Noteholders other than the Initial Noteholder or its Affiliates, the ADS Issuance Fee, have been delivered to the Company (or ADS Depositary, as applicable) by the Noteholder; in connection therewith, as soon as practicable and in any event not later than five (5) Business Days after the Conversion Date, the Company shall first cause new share certificate(s) to be issued to the converting Noteholder and entries on the Company's register of members to be entered with respect to the Ordinary Shares into which the Notes are converted in the form of ADSs in the name of the converting Noteholder. Immediately after the aforesaid issuance of new shares and entries on the register of members are completed, for the purpose of depositing Ordinary Shares issued to the converting Noteholder in exchange for the issuance of ADSs to such Noteholder, the Company shall cause the register of members to be updated and share certificates to be issued in the name of the ADS Depositary.

(iii) The Person or Persons designated in the Conversion Notice will become the holder(s) of record of the number of Ordinary Shares (or ADSs, as applicable) issuable upon conversion with effect from the date (the "**Registration Date**") that is the earlier of (x) the date the converting Noteholder is registered as such in the Company's register of members, and (y) the fifth (5th) Business Day after the Conversion Date. The Ordinary Shares (or ADSs, as applicable) issued upon conversion of the Notes will in all respects rank *pari passu* with the Ordinary Shares (or ADSs, as applicable) in issue on the relevant Registration Date. Save as set out in this Instrument, a holder of Ordinary Shares (or ADSs, as applicable) issued on conversion of the Notes shall not be entitled retrospectively to any rights on the Record Date which precedes the relevant Registration Date.

(iv) If the Conversion Date in relation to any Note shall be after the Record Date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Rate pursuant to Section 7.3, but before the relevant adjustment becomes effective, upon the relevant adjustment becoming effective, the Company shall procure the issue to the converting Noteholder (or in accordance with the instructions contained in the Conversion Notice) such additional number of Ordinary Shares (or ADSs as applicable, or other asset, security, property or amount subject to issue, distribution, grant or offer or other event giving rise to such adjustment to the Conversion Rate) as, together with the Ordinary Shares (or ADSs, as applicable) issued or to be issued on conversion of the relevant Notes, is equal to the number of Ordinary Shares (or ADSs, as applicable) which would have been required to be issued on conversion of such Notes if the relevant adjustment to the Conversion Rate had been made and become effective immediately after the relevant Record Date (as calculated by the Company in accordance with this Instrument).

(v) If the Record Date for the payment of any distribution in respect of the Ordinary Shares (or ADS, as applicable) is on or after the Conversion Date in respect of any Notes, but before the Registration Date, the Company shall procure the payment of such distribution to the converting Noteholder or its designee to which it would have been entitled had it, on that Record Date, already been such a shareholder of record and shall make the payment at the same time as it makes

payment of the dividend or other distribution to other holders of Ordinary Shares or ADSs, or as soon as practicable thereafter, but, in any event, not later than seven (7) days thereafter.

(c) *Updated Note Certificate and Conversion to ADSs:*

(i) In the event there is any Outstanding Notes upon the conversion of part of the Notes pursuant to Section 7, subject to Section 6.5, the Company shall execute and deliver to the Noteholder of the Note Certificate so surrendered a new Note Certificate in an aggregate principal amount equal to the unconverted portion of the surrendered Notes, without payment of any service charge by the Noteholder.

(ii) If a Holder submits a Note for conversion, the Company shall pay any documentary, stamp, issue, transfer or similar tax due on the issuance and delivery of the Ordinary Shares upon conversion of the Notes, unless the tax is due solely because the Holder requests any Ordinary Shares to be issued in a name other than the Holder's name, in which case the Holder shall pay that tax. In the Noteholder's election of converting the Notes into Ordinary Shares in the form of ADSs, the Company shall pay the depositary's fees and other costs for the conversion of the Ordinary Shares into the ADSs. The Company may refuse to deliver the Ordinary Shares (or ADSs, as applicable) being issued in a name other than the Holder's name until the Company receives a sum sufficient to pay any tax that is due by such Holder in accordance with the immediately preceding sentence.

(d) *Settlement Upon Conversion*

Upon conversion, all interest accrued on the Notes surrendered for conversion but unpaid to the Conversion Date shall automatically and unconditionally be due and payable in full in cash on the Conversion Date. Payment of such interest shall be made by transfer to the Registered Account of the holder of the Notes surrendered.

7.3 **Adjustments to Conversion Rate**

The Conversion Rate will be subject to adjustment in the following events:

(a) If the Company exclusively issues Ordinary Shares as a dividend or distribution on the Ordinary Shares, or if the Company effects a share split or share combination, the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where:

CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Record Date for the ADSs for such dividend or distribution, or immediately prior to the open of business on the effective date of such share split or share combination, as applicable;

CR_1 = the Conversion Rate in effect immediately after the close of business on such Record Date or immediately after the open of business on such effective date, as applicable;

OS_0 = the number of Ordinary Shares outstanding immediately prior to the close of business on such Record Date or immediately prior to the open of business on such effective date, as applicable; and

OS_1 = the number of Ordinary Shares outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

Any adjustment made under this Section 7.3(a) shall become effective immediately after the close of business on the Record Date for the ADSs for such dividend or distribution, or immediately after the open of business on the effective date for such share split or share combination, as applicable. If any dividend or distribution of the type described in this Section 7.3(a) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(b) If the Company issues to all or substantially all holders of the Ordinary Shares (directly or in the form of ADSs) any rights, options or warrants entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase Ordinary Shares (directly or in the form of ADSs) at a price per Ordinary Share that is less than the average of the Last Reported Sale Prices of the Ordinary Shares or the ADSs, as the case may be (divided by, in the case of the ADSs, the number of Ordinary Shares then represented by one ADS), for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where:

CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Record Date for the ADSs for such issuance;

CR_1 = the Conversion Rate in effect immediately after the close of business on such Record Date;

OS_0 = the number of Ordinary Shares outstanding immediately prior to the close of business on such Record Date;

X = the total number of Ordinary Shares (directly or in the form of ADSs) deliverable pursuant to such rights, options or warrants; and

Y = the number of Ordinary Shares equal to (i) the aggregate price payable to exercise such rights, options or warrants, divided by (ii)

the quotient of (a) the average of the Last Reported Sale Prices of the ADSs over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of the issuance of such rights, options or warrants divided by (b) the number of Ordinary Shares then represented by one ADS.

Any increase made under this Section 7.3(b) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the Record Date for the ADSs for such issuance. To the extent that Ordinary Shares or ADSs are not delivered after the expiration of such rights, options or warrants, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of Ordinary Shares actually delivered (directly or in the form of ADSs). If such rights, options or warrants are not so issued, or if no such rights, options, or warrants are exercised prior to their expiration, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if such the Record Date for the ADSs for such issuance had not occurred.

For purposes of this Section 7.3(b), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase Ordinary Shares (directly or in the form of ADSs) at a price per Ordinary Share that is less than such average of the Last Reported Sale Prices of the Ordinary Shares or the ADSs, as the case may be (divided by, in the case of the ADSs, the number of Ordinary Shares then represented by one ADS), for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement for such issuance, and in determining the aggregate offering price of such Ordinary Shares or ADSs, there shall be taken into account any consideration received by the Company for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) If the Company distributes shares of its Capital Stock, evidences of its indebtedness, other assets or property of the Company or rights, options or warrants to acquire its Capital Stock or other securities, to all or substantially all holders of the Ordinary Shares (directly or in the form of ADSs), excluding (i) dividends, distributions or issuances as to which an adjustment was effected pursuant to Section 7.3(a) or Section 7.3(b), (ii) dividends or distributions paid exclusively in cash as to which an adjustment was effected pursuant to Section 7.3(d), and (iii) Spin-Offs as to which the provisions set forth below in this Section 7.3(c) shall apply (any of such shares of Capital Stock, evidences of indebtedness, other assets or property or rights, options or warrants to acquire Capital Stock or other securities of the Company, the "**Distributed Property**"), then the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where:

CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Record Date for the ADSs for such distribution;

CR_1 = the Conversion Rate in effect immediately after the close of business on such Record Date;

SP_0 = the average of the Last Reported Sale Prices of the ADSs (divided by the number of Ordinary Shares then represented by one ADS) over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and

FMV = the fair market value (as determined by the Board of Directors) of the Distributed Property with respect to each outstanding Ordinary Share (directly or in the form of ADSs) on the Record Date for the ADSs for such distribution.

Any increase made under the foregoing portion of this Section 7.3(c) above shall become effective immediately after the close of business on the Record Date for the ADSs for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect had the adjustment been made on the basis of only distribution, if any, actually paid or made, if such distribution had not been declared. Notwithstanding the foregoing, if "FMV" (as defined above) is equal to or greater than "SP_0" (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, in respect of each $100,000 principal amount thereof held by such Holder on the Record Date, at the same time and upon the same terms as holders of the Ordinary Shares (directly or in the form of ADSs) receive the Distributed Property, the amount and kind of Distributed Property such Holder would have received if such Holder owned a number of Ordinary Shares (directly or in the form of ADSs) equal to the Conversion Rate in effect on the Record Date for the ADSs for the distribution.

With respect to an adjustment pursuant to this Section 7.3(c) where there has been a payment of a dividend or other distribution on the Ordinary Shares (directly or in the form of ADSs) of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Company, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange (a "**Spin-Off**"), the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where:

CR_0 = the Conversion Rate in effect immediately prior to the close of business on the last Trading Day of the Valuation Period;

CR_1 = the Conversion Rate in effect immediately after the close of business on the last Trading Day of the Valuation Period;

FMV_0 = the average of the Last Reported Sale Prices of the Capital Stock or similar equity interest distributed to holders of the Ordinary Shares (directly or in the form of ADSs) applicable to one Ordinary Share (determined by reference to the definition of Last Reported Sale Price as set forth in Section 1.1 as if references therein to the Ordinary Shares (directly or in the form of ADSs) were to such Capital Stock or similar equity interest) over the first 10 consecutive Trading Day period after, and including, the Ex-Dividend Date of the Spin-Off (the "**Valuation Period**"); and

MP_0 = the average of the Last Reported Sale Prices of the ADSs (divided by the number of Ordinary Shares then represented by one ADS) over the Valuation Period.

The adjustment to the Conversion Rate under the preceding paragraph shall occur immediately after the close of business on the last Trading Day of the Valuation Period; *provided* that in respect of any conversion during the Valuation Period, references in the portion of this Section 7.3(c) related to Spin-Offs to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Ex-Dividend Date of such Spin-Off to, and including, the Conversion Date in determining the Conversion Rate.

For purposes of this Section 7.3(c), rights, options or warrants distributed by the Company to all holders of the Ordinary Shares (directly or in the form of ADSs) entitling them to subscribe for or purchase shares of the Company's Capital Stock, including Ordinary Shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events ("**Trigger Event**"): (i) are deemed to be transferred with such Ordinary Shares (directly or in the form of ADSs); (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Ordinary Shares (directly or in the form of ADSs), shall be deemed not to have been distributed for purposes of this Section 7.3(c) (and no adjustment to the Conversion Rate under this Section 7.3(c) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 7.3(c). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the date of this Instrument, is subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Record Date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 7.3(c) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Conversion Rate shall be readjusted as if such rights, options or warrants had not been

issued and (y) the Conversion Rate shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per Ordinary Share redemption or purchase price received by a holder or holders of Ordinary Shares (directly or in the form of ADSs) with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Ordinary Shares (directly or in the form of ADSs) as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of Section 7.3(a), Section 7.3(b) and this Section 7.3(c), if any dividend or distribution to which this Section 7.3(c) is applicable also includes one or both of:

(A) a dividend or distribution of Ordinary Shares (directly or in the form of ADSs) to which Section 7.3(a) is applicable (the "**Clause A Distribution**"); or

(B) a dividend or distribution of rights, options or warrants to which Section 7.3(b) is applicable (the "**Clause B Distribution**"),

then (1) such dividend or distribution, other than the Clause A Distribution and the Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section 7.3(c) is applicable (the "**Clause C Distribution**") and any Conversion Rate adjustment required by this Section 7.3(c) with respect to such Clause C Distribution shall then be made, and (2) the Clause A Distribution and Clause B Distribution shall be deemed to immediately follow the Clause C Distribution and any Conversion Rate adjustment required by Section 7.3(a) and Section 7.3(b) with respect thereto shall then be made, except that, if determined by the Company (I) the "Record Date" of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Record Date of the Clause C Distribution and (II) any Ordinary Shares (directly or in the form of ADSs) included in the Clause A Distribution or Clause B Distribution shall be deemed not to be "outstanding immediately prior to the close of business on such Record Date or immediately after the open of business on such effective date, as applicable" within the meaning of Section 7.3(a) or "outstanding immediately prior to the close of business on such Record Date" within the meaning of Section 7.3(b).

(d) If any cash dividend or distribution is made to all or substantially all holders of the Ordinary Shares (directly or in the form of ADSs), the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where:

CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Record Date for the ADSs for such dividend or distribution;

CR_1 = the Conversion Rate in effect immediately after the close of business on such Record Date;

SP_0 = the Last Reported Sale Price of the ADSs (divided by the number of Ordinary Shares then represented by one ADS) on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and

C = the amount in cash per Ordinary Share the Company distributes to all or substantially all holders of the Ordinary Shares (directly or in the form of ADSs) (for the avoidance of doubt, without giving effect to any applicable fees and expenses payable to, or withheld by, the ADS Depositary of the ADSs with respect to such distribution).

Any increase pursuant to this Section 7.3(d) shall become effective immediately after the close of business on the Record Date for the ADSs for such dividend or distribution. If such dividend or distribution is not so paid, the Conversion Rate shall be decreased, effective as of the date the Board of Directors determines not to make or pay such dividend or distribution, to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. Notwithstanding the foregoing, if "C" (as defined above) is equal to or greater than "SP_0" (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, for each $100,000 principal amount of Notes, at the same time and upon the same terms as holders of the Ordinary Shares (directly or in the form of ADSs), the amount of cash that such Holder would have received if such Holder owned a number of Ordinary Shares (directly or in the form of ADSs) equal to the Conversion Rate on the Record Date for the ADSs for such cash dividend or distribution.

(e) If the Company or any of its Subsidiaries or Variable Interest Entities makes a payment in respect of a tender or exchange offer for the Ordinary Shares (directly or in the form of ADSs), to the extent that the cash and value of any other consideration included in the payment per Ordinary Share exceeds the average of the Last Reported Sale Prices of the ADSs (divided by the number of Ordinary Shares then represented by one ADS) over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where:

CR_0 = the Conversion Rate in effect immediately prior to the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;

CR_1 = the Conversion Rate in effect immediately after the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;

AC = the aggregate value of all cash and any other consideration (as determined by the Board of Directors) paid or payable for Ordinary Shares or ADSs, as the case may be, purchased in such tender or exchange offer;

OS_0 = the number of Ordinary Shares outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to the purchase of all Ordinary Shares or ADSs, as the case may be, accepted for purchase or exchange in such tender or exchange offer);

OS_1 = the number of Ordinary Shares outstanding immediately after the date such tender or exchange offer expires (after giving effect to the purchase of all Ordinary Shares or ADSs, as the case may be, accepted for purchase or exchange in such tender or exchange offer); and

SP_1 = the average of the Last Reported Sale Prices of the ADSs (divided by the number of Ordinary Shares then represented by one ADS) over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires.

The adjustment to the Conversion Rate under this Section 7.3(e) shall occur at the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires; *provided* that in respect of any conversion within the 10 Trading Days immediately following, and including, the Trading Day next succeeding the expiration date of any tender or exchange offer, references in this Section 7.3(e) with respect to 10 Trading Days shall be deemed replaced with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the expiration date of such tender or exchange offer to, and including, the Conversion Date in determining the Conversion Rate. If any conversion occurs on the expiration date of any tender or exchange offer, then, solely for the purposes of such conversion, the Conversion Date will be deemed to occur on the Trading Day immediately after the expiration date. For the avoidance of doubt, no adjustment to the Conversion Rate under this Section 7.3(e) shall be made if such adjustment would result in a decrease in the Conversion Rate.

(f) Except as stated herein, the Company shall not adjust the Conversion Rate for the issuance of Ordinary Shares or ADSs or any securities convertible into or exchangeable for Ordinary Shares or ADSs or the right to purchase Ordinary Shares or ADSs or such convertible or exchangeable securities.

(g) In addition to those adjustments required by clauses (a), (b), (c), (d) and (e) of this Section 7.3, and to the extent permitted by applicable Law and subject to the applicable rules of The New York Stock Exchange and any other securities exchange on which any of the Company's securities are then listed, the Company from time to time may increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the Company's best interest, and the Company may (but is not required to) increase the Conversion Rate to avoid or diminish any income tax to holders of the Ordinary Shares or the ADSs or

rights to purchase Ordinary Shares or ADSs in connection with a dividend or distribution of Ordinary Shares or ADSs (or rights to acquire Ordinary Shares or ADSs) or similar event.

(h) Notwithstanding anything to the contrary in this Section 7, the Conversion Rate shall not be adjusted:

(i) upon the issuance of any Ordinary Shares or ADSs pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in Ordinary Shares or ADSs under any plan;

(ii) upon the issuance of any Ordinary Shares or ADSs or options or rights to purchase those Ordinary Shares or ADSs pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of the Company's Subsidiaries or Variable Interest Entities;

(iii) upon the issuance of any Ordinary Shares or ADSs pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in clause (ii) of this subsection and outstanding as of the date the Notes were first issued;

(iv) solely for a change in the par value of the Ordinary Shares; or

(v) for accrued and unpaid interest, if any.

(i) All calculations and other determinations under this Section 7 shall be made by the Company and shall be made to the nearest one-ten thousandth (1/10,000) of an ADS.

(j) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly notify the Noteholders in accordance with Section 16 of the Conversion Rate before and after such adjustment and the date on which each adjustment becomes effective, and setting forth a brief statement of the facts requiring such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(k) For purposes of this Section 7.3, the number of Ordinary Shares at any time outstanding shall not include Ordinary Shares held in the treasury of the Company (directly or in the form of ADSs) so long as the Company does not pay any dividend or make any distribution on Ordinary Shares held in the treasury of the Company (directly or in the form of ADSs), but shall include Ordinary Shares issuable in respect of scrip certificates issued in lieu of fractions of Ordinary Shares.

(l) For purposes of this Section 7.3, the "effective date" means the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, reflecting the relevant share split or share combination, as applicable.

7.4 Whenever any provision of this Instrument requires the Company to calculate the Last Reported Sale Prices over a span of multiple days, the Board of Directors shall make appropriate adjustments to each to account for any adjustment to the Conversion Rate that becomes effective pursuant to Section 7.3, or any event requiring an adjustment to the Conversion Rate pursuant to Section 7.3 where the Record Date, effective date or expiration

date, as the case may be, of the event occurs, at any time during the period when such Last Reported Sale Prices of ADSs or Ordinary Shares are to be calculated.

7.5 **Sufficient Ordinary Shares**

The Company shall provide, free from preemptive rights, out of its authorized but unissued Ordinary Shares or Ordinary Shares held in treasury, a sufficient number of Ordinary Shares due upon conversion of the Notes from time to time.

7.6 **Effect of Recapitalizations, Reclassifications and Changes of the Ordinary Shares**

(a) In the case of:

(i) any recapitalization, reclassification or change of the Ordinary Shares (other than changes resulting from a subdivision or combination),

(ii) any consolidation, merger, combination or similar transaction involving the Company,

(iii) any sale, lease or other transfer to a third party of the consolidated assets of the Company and the Company's Subsidiaries and Variable Interest Entities substantially as an entirety or

(iv) any statutory share exchange,

in each case, as a result of which the Ordinary Shares would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (any such event, a "**Merger Event**"), then, prior to or at the effective time of such Merger Event, the Company or the successor or purchasing Person, as the case may be, shall execute with the Noteholders a supplemental instrument providing that, at and after the effective time of such Merger Event, the right to convert each $100,000 principal amount of Notes shall be changed into a right to convert such principal amount of Notes into the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) that a holder of a number of Ordinary Shares equal to the Conversion Rate immediately prior to such Merger Event would have owned or been entitled to receive (the "**Reference Property**," with each "**unit of Reference Property**" meaning the kind and amount of Reference Property that a holder of one Ordinary Share is entitled to receive) upon such Merger Event; *provided*, *however*, that at and after the effective time of the Merger Event the number of Ordinary Shares otherwise deliverable upon conversion of the Notes in accordance with Section 7.2 shall instead be deliverable in the amount and type of Reference Property that a holder of that number of Ordinary Shares would have been entitled to receive in such Merger Event.

If the Merger Event causes the Ordinary Shares to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of holder election), then (i) the Reference Property into which the Notes will be convertible shall be deemed to be the weighted average of the types and amounts of consideration actually received by the holders of the Ordinary Shares and (ii) the unit of Reference Property for purposes of the immediately preceding paragraph shall refer to the consideration referred to in clause (i) attributable to one Ordinary Share. The

Company shall provide written notice to Holders of such weighted average as soon as practicable after such determination is made.

Such supplemental instrument described in the second immediately preceding paragraph shall provide for anti-dilution and other adjustments that shall be as nearly equivalent as is practicable to the adjustments provided for in this Section 7. If, in the case of any Merger Event, the Reference Property includes shares of stock, securities or other property or assets (including cash or any combination thereof) of a Person other than the Company or the successor or purchasing Person, as the case may be, in such Merger Event, then such other Person shall also execute such supplemental instrument, and such supplemental instrument shall contain such additional provisions to protect the interests of the Holders of the Notes, including the right of Holders to require the Company to repurchase their Notes upon a Fundamental Change pursuant to Section 9.3 and the right of Holders to require the Company to repurchase their Notes on the Repurchase Date pursuant to Section 9.2, as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

(b) The Company shall not become a party to any Merger Event unless its terms are consistent with this Section 7.6. None of the foregoing provisions shall affect the right of a holder of Notes to convert its Notes into Ordinary Shares as set forth in this Section 7 prior to the effective date of such Merger Event.

(c) The above provisions of this Section 7.6 shall similarly apply to successive Merger Events.

7.7 **Certain Covenants**

(a) The Company covenants that all Ordinary Shares delivered upon conversion of Notes will be fully paid and non-assessable by the Company and free from all Taxes, liens and charges with respect to the issue thereof.

(b) The Company covenants that, if any Shares to be provided for the purpose of conversion of Notes hereunder require registration with or approval of any Governmental Authority under any federal or state law before such Shares may be validly issued upon conversion, the Company will, to the extent then permitted by the rules and interpretations of the Commission, secure such registration or approval, as the case may be.

(c) The Company further covenants to take all actions and obtain all approvals and registrations as are necessary or appropriate with respect to the conversion of the Notes into Ordinary Shares.

7.8 All costs, charges, liabilities and expenses incurred in connection with the appointment, retention, consultation and remuneration of the investment banks appointed under this Instrument shall be borne by the Company.

7.9 To the extent requested by the Noteholder, where more than one event which gives or may give rise to an adjustment to the Conversion Rate occurs within such a short period of time that in the opinion of a leading investment bank of international repute (acting as experts), selected by the Noteholder, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the

operation of the foregoing provisions as may be advised by a leading investment bank of international repute (acting as expert), selected by the Company and approved by the Noteholder, to be in its opinion appropriate in order to give such intended result.

7.10 If the Noteholder shall have provided the Conversion Notice and surrendered the corresponding Note Certificate to the Company pursuant to Section 7.2(a) and the Company fails, (i) in the case of converting to Ordinary Shares, to cause the registration and issuance of share certificate(s) to be completed in accordance with Section 7.2(b) within five (5) Business Days after the Conversion Date, or (ii) in the case of converting to ADSs, to cause the ADSs to be delivered to the Holder within ten (10) Business Days after the Conversion Date (each a "**Conversion Failure**"), and the Noteholder, or any third party acting on behalf of the Noteholder or for the Noteholder's account, purchases (in an open market transaction or otherwise) the Ordinary Shares (directly or in the form of ADSs) representing the number (but not more than the number) of Ordinary Shares, the non-delivery of which resulted in such Conversion Failure (a "**Conversion Failure Buy-In**"), then the Company shall pay in cash to the Noteholder (for costs incurred either directly by the Noteholder or by a third party on behalf of the Noteholder) the amount by which the total purchase price paid for Ordinary Shares (directly or in the form of ADSs) as a result of the Conversion Failure Buy-In (including brokerage commissions, if any) exceeds the aggregate price for such number of Ordinary Shares the non-delivery of which resulted in the Conversion Failure calculated based on the per share price reflected in the then current Conversion Rate. The Noteholder shall provide the Company written notice indicating the amounts payable to the Noteholder in respect of the Conversion Failure Buy-In. Upon the Noteholder's receipt of the full payment made by the Company in accordance with this Section 7.10, the corresponding Notes surrendered by the Noteholder with respect to such Conversion Failure shall be deemed converted.

8 PAYMENTS

8.1 Principal and Premium

(a) Any and all principal amount of the Outstanding Notes remaining unpaid, together with all interest accrued but unpaid thereon, automatically and unconditionally shall be due and payable in full in cash on the Maturity Date unless previously converted, exchanged, redeemed, repurchased or otherwise cancelled. Payment of principal, premium, interest, and all other amounts payable under these Sections, will be made by transfer to the Registered Account of the Noteholder. Payment of principal and accrued but unpaid interest will be made only after surrender of the relevant Note Certificate at the Designated Office.

(b) When making payments to Noteholder, all cash payments shall be made in US Dollar and fractions of one US Dollar will be rounded down to the nearest US Dollar.

8.2 Registered Accounts

For the purposes of this Instrument, a "**Registered Account**" means the USD account maintained by or on behalf of the Noteholder as the Noteholder may notify to the Company from time to time, details of which appear on the Register of Noteholders on the second Business Day before the due date for payment.

8.3 Fiscal Laws

All payments are subject to in all cases any applicable Laws in the place of payment. No commissions or expenses shall be charged to the Noteholder in respect of such payments.

8.4 **Payment Initiation**

Where payment of principal amount of the Notes is to be made by transfer to a Registered Account, payment instructions (for value on the due date or, if that is not a Business Day, for value on the first following day which is a Business Day) given by the Company to its bank will be initiated on the Business Day on which the relevant Note Certificate is surrendered at the Designated Office.

9 REPURCHASE, REDEMPTION AND CANCELLATION

9.1 **Redemption at Maturity**

Unless previously repurchased, converted or purchased and cancelled as provided herein, the Company shall repurchase all of the Notes from the Noteholder by paying the Maturity Redemption Price on the Maturity Date. The "**Maturity Redemption Price**" means an amount equal to the sum of the principal amount of the Outstanding Notes on the Maturity Date and the accrued and unpaid interest thereon.

9.2 **Repurchase at Option of Holders**

(a) Within a period of ninety (90) days starting from the third (3rd) anniversary of the date of this Instrument (the "**Repurchase Period**"), each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash, within ten (10) Business Days of the date of the Repurchase Notice (as defined below), all of such Holder's Notes, or any portion thereof that is an integral multiple of $100,000 principal amount, at a repurchase price (the "**Repurchase Price**") that is equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the date the Repurchase Price is fully paid to such Holder (the "**Repurchase Date**"), *provided* that in the event of exercising such repurchase right pursuant to this Section 9.2(a), each Holder of note is entitled to require the Company to repurchase the Notes only once during the Repurchase Period.

(b) Repurchases of Notes under this Section 9.2 shall be made, at the option of the Holder thereof, upon:

(i) delivery to the Designated Office by the Holder of a duly completed notice (the "**Repurchase Notice**") in the form set forth in Attachment 3 to the Form of Note Certificate attached hereto as Exhibit A during the period beginning at any time from the open of business on the third (3rd) anniversary of the date of this Instrument until the close of business on the second Business Day immediately preceding the last day of the Repurchase Period; and

(ii) delivery of the Note Certificates to the Designated Office at any time after delivery of the Repurchase Notice (together with all necessary endorsements).

Each Repurchase Notice shall state:

(A) the certificate numbers of the Notes to be delivered for repurchase;

(B) the portion of the principal amount of the Notes to be repurchased, which must be $100,000 or an integral multiple thereof; and

(C) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Instrument;

Notwithstanding anything herein to the contrary, any Holder delivering to the Company the Repurchase Notice contemplated by this Section 9.2 shall have the right to withdraw, in whole or in part, such Repurchase Notice at any time prior to the close of business on the second Business Day immediately preceding the last day of the Repurchase Period by delivery of a duly completed written notice of withdrawal to the Designated Office in accordance with Section 9.4. The Notes with respect to which a Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Repurchase Notice in accordance with the terms of this Instrument.

No Repurchase Notice with respect to any Notes may be delivered and no Note may be surrendered for repurchase pursuant to this Section 9.2 by a Holder thereof to the extent such Holder has also delivered a Fundamental Change Repurchase Notice with respect to such Note in accordance with Section 9.3 and has not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 9.4.

(c) Notwithstanding the foregoing, no Notes may be repurchased by the Company at the option of the Holders on the Repurchase Date if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such Repurchase Date (including as a result of the payment of the Repurchase Price with respect to such Notes and any related interest described in this Instrument on the Redemption Date). The Company will promptly return to the respective Holders thereof any Note Certificates held by it during the acceleration of the Notes (including as a result of the payment of the Repurchase Price with respect to such Notes and any related interest described in this Instrument on the Redemption Date), and upon such return, the Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

9.3 **Repurchase at Option of Holders Upon a Fundamental Change**

(a) If a Fundamental Change occurs at any time, each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes, or any portion thereof that is equal to $100,000 or an integral multiple of $100,000, on the Business Day (the "**Fundamental Change Repurchase Date**") notified in writing by the Company as set forth in Section 9.3(c) that is not less than 20 Business Days or more than 35 Business Days following the date of the Fundamental Change Company Notice at a repurchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"), unless the Fundamental Change Repurchase Date falls after a Regular Record Date but on or prior to the Interest Payment Date to which such Regular Record Date relates, in which case the Company shall instead pay the full amount of accrued and unpaid interest to Holders of record as of such Regular Record Date, and the Fundamental Change Repurchase Price shall be equal to 100% of the principal amount of Notes to be repurchased pursuant to this Section 9.3.

(b) Repurchases of Notes under this Section 9.3 shall be made, at the option of the Holder thereof, upon:

(i) delivery to the Company by a Holder of a duly completed notice (the "**Fundamental Change Repurchase Notice**") in the form set forth in Attachment 2 to the Form of Note Certificate attached hereto as Exhibit A on or before the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date; and

(ii) delivery of the Notes to the Designated Office at any time after delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements for transfer) at the Designated Office as set forth in the Fundamental Change Repurchase Notice, where such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefor.

The Fundamental Change Repurchase Notice in respect of any Notes to be repurchased shall state:

(iii) the certificate numbers of the Notes to be delivered for repurchase;

(iv) the portion of the principal amount of Notes to be repurchased, which must be $100,000 or an integral multiple thereof; and

(v) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Instrument;

Notwithstanding anything herein to the contrary, any Holder delivering to the Company the Fundamental Change Repurchase Notice contemplated by this Section 9.3 shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Notice at any time prior to the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date by delivery of a duly completed written notice of withdrawal to the Designated Office in accordance with Section 9.4.

No Fundamental Change Repurchase Notice with respect to any Notes may be delivered and no Note may be surrendered by a Holder for repurchase thereof if such Holder has also delivered a Repurchase Notice in accordance with Section 9.2 and has not validly withdrawn such Repurchase Notice in accordance with Section 9.4.

(c) On or before the 20th calendar day after the occurrence of the effective date of a Fundamental Change, the Company shall provide to all Holders a written notice (the "**Fundamental Change Company Notice**") of the occurrence of the effective date of the Fundamental Change and of the repurchase right at the option of the Holders arising as a result thereof. Each Fundamental Change Company Notice shall specify:

(i) the events causing the Fundamental Change;

(ii) the effective date of the Fundamental Change;

(iii) the last date on which a Holder may exercise the repurchase right pursuant to this Section 9.3;

(iv) the Fundamental Change Repurchase Price;

(v) the Fundamental Change Repurchase Date;

(vi) if applicable, that the Notes with respect to which a Fundamental Change Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Fundamental Change Repurchase Notice in accordance with the terms of this Instrument; and

(vii) the procedures that Holders must follow to require the Company to repurchase their Notes.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 9.3.

(d) Notwithstanding the foregoing, no Notes may be repurchased by the Company on any date at the option of the Holders upon a Fundamental Change if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (including as a result of the payment of the Fundamental Change Repurchase Price with respect to such Notes and any related interest described in this Instrument on the Fundamental Change Repurchase Date). The Company will promptly return to the respective Holders thereof any Note Certificates held by it during the acceleration of the Notes (including as a result of the payment of the Fundamental Change Repurchase Price with respect to such Notes and any related interest described in this Instrument on the Fundamental Change Repurchase Date), and upon such return, the Fundamental Change Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

9.4 **Withdrawal of Repurchase Notice or Fundamental Change Repurchase Notice**

(a) A Repurchase Notice or Fundamental Change Repurchase Notice may be withdrawn (in whole or in part) by means of a duly completed written notice of withdrawal delivered to the Designated Office in accordance with this Section 9.4 at any time prior to the close of business on the second Business Day immediately preceding the Repurchase Date or prior to the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date, as the case may be, specifying:

(i) the principal amount of the Notes with respect to which such notice of withdrawal is being submitted,

(ii) the certificate number of the Note in respect of which such notice of withdrawal is being submitted, and

(iii) the principal amount, if any, of such Note that remains subject to the original Repurchase Notice or Fundamental Change Repurchase Notice, as the case may be, which portion must be in principal amounts of $100,000 or an integral multiple of $100,000;

9.5 **Optional Redemption for Changes in the Tax Law of the Relevant Taxing Jurisdiction**

Other than as described in this Section 9.5, the Notes may not be redeemed by the Company at its option prior to maturity. If the Company has, or on the next Interest Payment Date would, become obligated to pay to the Noteholder Additional Amounts that are more than a *de minimis* amount, as a result of:

(a) any change or amendment which is not publicly announced before, and becomes effective after, June 3, 2020 (or, if the Relevant Taxing Jurisdiction was not a Relevant Taxing Jurisdiction on such date, the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under this Instrument) in the Laws or any rules or regulations of a Relevant Taxing Jurisdiction; or

(b) any change which is not publicly announced before, and becomes effective on or after, June 3, 2020 (or, if the Relevant Taxing Jurisdiction was not a Relevant Taxing Jurisdiction on such date, the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under this Instrument) in any written interpretation, administration or application of such Laws, rules or regulations by any legislative body, court, governmental agency, taxing authority or regulatory or administrative authority of such Relevant Taxing Jurisdiction (including the enactment of any legislation and the announcement or publication of any judicial decision or regulatory or administrative interpretation or determination);

(each, a "**Change in Tax Law**"), the Company may, at its option, redeem all but not part of the Notes (except in respect of certain Holders that elect otherwise as described below) at a redemption price equal to 100% of the principal amount thereof (the "**Redemption Price**"), plus accrued and unpaid interest, if any, to, but not including, the date fixed by the Company for redemption (the "**Redemption Date**"), including, for the avoidance of doubt, any Additional Amounts with respect to such Redemption Price; *provided* that the Company may only redeem the Notes if (i) the Company cannot avoid such obligations by taking reasonable measures available to the Company (*provided* that changing the jurisdiction of incorporation of the Company shall be deemed not to be a reasonable measure); and (ii) prior to or simultaneously with the notice of redemption, the Company delivers to the Noteholder an Officers' Certificate stating that such obligation cannot be avoided by taking reasonable measures available to the Company.

Notwithstanding anything to the contrary in this Section 9.5, neither the Company nor any successor Person may redeem any of the Notes in the case that Additional Amounts are payable in respect of PRC withholding tax and any other tax collected at source at the Applicable PRC Rate or less solely as a result of the Company or its successor Person being considered a PRC tax resident under the PRC Enterprise Income Tax Law.

If the Redemption Date occurs after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the Company shall pay, on or at its election, before such Interest Payment Date, the full amount of accrued and unpaid interest, if any, and any Additional Amounts with respect to such interest, due on such Interest Payment Date to the record holder of the Notes on the Regular Record Date corresponding to such Interest Payment Date, and the Redemption Price shall be equal to 100% of the principal amount of such Note to be redeemed, including, for the avoidance of doubt, any Additional Amounts with respect to such Redemption Price. The Company shall notify the Noteholders in writing of its election and the date on which such interest and any Additional Amounts with respect to such interest shall be paid at the time the Company provides notice of such redemption.

The Company shall give the Noteholders not less than 30 days' but no more than 60 days' notice of redemption prior to the Redemption Date. The Redemption Date must be a Business Day. The notice of redemption may not be revoked or subject to conditions, and outstanding Notes will become due and payable at the redemption price on the redemption date specified in the related notice.

Upon receiving such notice of redemption, each Holder shall have the right to elect to not have its Notes redeemed, *provided* that (i) the Company shall not be obligated to pay any Additional Amounts on any payment with respect to such Notes solely as a result of such Change in Tax Law that resulted in the obligation to pay such Additional Amounts (whether upon conversion, required repurchase in connection with a Fundamental Change or on the Repurchase Date, at maturity or otherwise, and whether in Ordinary Shares, Reference Property or otherwise) after the Redemption Date (or, if the Company fails to pay the Redemption Price on the Redemption Date, such later date on which the Company pays the Redemption Price), and (ii) all future payments with respect to such Notes shall be subject to the deduction or withholding of any taxes of such Relevant Taxing Jurisdiction required by law to be deducted or withheld as a result of such Change in Tax Law; *provided further* that, notwithstanding the foregoing, if a Holder electing not to have its Notes redeemed converts its Notes in connection with the Company's election to redeem the Notes in respect of such Change in Tax Law, the Company shall be obligated to pay Additional Amounts, if any, with respect to such conversion.

A Holder electing to not have its Notes redeemed must deliver to the Company a written notice of election so as to be received by the Company no later than the close of business on the second Business Day immediately preceding the Redemption Date; *provided* that a Holder that complies with the requirements for conversion in Section 7.2 shall be deemed to have delivered a notice of its election to not have its Notes so redeemed. A Holder may withdraw any notice of election (other than such a deemed notice of election in connection with a conversion) by delivering to the Company a written notice of withdrawal prior to the close of business on the second Business Day immediately preceding the Redemption Date (or, if the Company fails to pay the Redemption Price on the Redemption Date, such later date on which the Company pays the Redemption Price). If no election is made or deemed to have been made, the Holder shall have its Notes redeemed without any further action.

No Notes may be redeemed by the Company or its successor if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to the Redemption Date.

9.6 **Cancellation of the Repurchased or Redeemed Notes**

All of the Notes that are repurchased or redeemed by the Company will forthwith be cancelled promptly upon the consummation of the repurchase or redemption pursuant to this Section 9, and such repurchased or redeemed Notes shall not be reissued or resold.

10 PARTICULAR COVENANTS OF THE COMPANY

10.1 **Payment of Principal and Interest**

The Company covenants and agrees that it will cause to be paid the principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, each of the Notes at the places, at the respective times and in the manner provided herein and in the Notes.

10.2 **Existence**

Subject to Section 11, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence. The Company shall promptly provide the Noteholders with written notice of any change to its name, jurisdiction of incorporation or change to its corporate organization.

10.3 **Filings**

For so long as any Notes remain outstanding, the Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act.

10.4 **Additional Amounts**

(a) All payments and deliveries made by, or on behalf of, the Company or any successor to the Company under or with respect to this Instrument and the Notes, including payments of principal (including, if applicable, the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price), premium, if any, payments of interest, and deliveries of Ordinary Shares or any other consideration due on conversion of a Note (together with payments of cash for any fractional shares entitlement or other consideration), shall be made without withholding, deduction or reduction for any other collection at source for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied (including any penalties and interest related thereto) ("**applicable taxes**") unless such withholding, deduction or reduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding, deduction or reduction is so required by or within (1) the Cayman Islands or the PRC, (2) any jurisdiction in which the Company or any successor are, for tax purposes, incorporated, organized or resident or doing business or (3) any jurisdiction from or through which payment is made or deemed made (each of (1), (2) and (3), and in each case, any political subdivision or taxing authority thereof or therein, as applicable, a "**Relevant Taxing Jurisdiction**"), the Company or any successor to the Company shall pay or deliver to each Holder such additional amounts of cash, Ordinary Shares or other consideration, as applicable ("**Additional Amounts**") as may be necessary to ensure that the net amount received by the beneficial owners of the Notes after such withholding, deduction or reduction (and after deducting any taxes on the Additional Amounts) shall equal the amounts that would have been received by such beneficial owner had no such withholding, deduction or reduction been required; *provided* that no Additional Amounts shall be payable:

(i) for or on account of:

(A) any applicable taxes that would not have been imposed but for:

(I) the existence of any present or former connection between the relevant Holder or beneficial owner of such Note and the Relevant Taxing Jurisdiction, other than merely acquiring or holding such Note, receiving Ordinary Shares (together with payment of cash for any fractional shares) or other consideration upon conversion of such Note or the receipt of payments or the

exercise or enforcement of rights thereunder, including such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having had a permanent establishment therein;

(II) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of (including the Redemption Price, the Repurchase Price and Fundamental Change Repurchase Price, if applicable) and interest on such Note or the delivery of Ordinary Shares (together with payment of cash for any fraction of Ordinary Share) upon conversion of such Note became due and payable pursuant to the terms thereof or was made or duly provided for (except to the extent that the Holder or beneficial owner would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period); or

(B) any estate, inheritance, gift, sale, transfer, personal property or similar applicable tax or excise tax imposed on transfer of the Notes;

(C) any applicable tax that is payable otherwise than by withholding, deduction or any other collection at source from payments or deliveries under or with respect to the Notes;

(D) any applicable tax required to be withheld or deducted under Sections 1471 to 1474 of the Code (or any amended or successor versions of such Sections that is substantively comparable and not materially more onerous to comply with) ("**FATCA**"), any regulations or other official guidance thereunder, any intergovernmental agreement or agreement pursuant to Section 1471(b)(1) of the Code entered into in connection with FATCA, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement; or

(E) any combination of applicable taxes referred to in the preceding clauses (A), (B), (C) or (D); or

(ii) with respect to any payment of the principal of (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable), premium, if any, or interest, on, such Note or the delivery of Ordinary Shares (together with payment of cash for any fraction of Ordinary Share) upon conversion of such Note to a Holder, if the Holder is a fiduciary, partnership or person other than the sole beneficial owner of that payment or delivery to the extent that such payment or delivery would be required to be included in the income under the Laws of the Relevant Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a partner or member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, member or beneficial owner been the Holder thereof.

(b) The Company or its successor shall pay and indemnify each Holder and beneficial owner for any present or future stamp, issue, registration, value added, court or documentary taxes, or any other excise or property taxes, charges or similar levies or taxes (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Relevant Taxing Jurisdiction (and in the case of enforcement, any jurisdiction) on the execution, delivery, registration or enforcement of any of the Notes, this Instrument or any other document or instrument referred to therein or the receipt of payments with respect thereto (including the receipt of Ordinary Shares (together with payment of cash for any fraction of Ordinary Share) or other consideration due upon conversion).

(c) If the Company or its successor becomes obligated to pay Additional Amounts with respect to any payment or delivery under or with respect to the Notes, the Company or its successor shall deliver to the Noteholders, on a date that is at least 30 days prior to the date of that payment or delivery (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment or delivery date, in which case the Company or its successor shall notify the Noteholders promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable.

(d) The Company or its successor shall make all withholdings and deductions required by law and shall remit the full amount deducted or withheld to the relevant tax authority in accordance with applicable Law.

(e) Any reference in this Instrument or the Notes in any context to the delivery of Ordinary Shares (together with payment of cash for any fraction of Ordinary Share) or other consideration upon conversion of any Note or the payment of principal of (including the Redemption Price, the Repurchase Price and Fundamental Change Repurchase Price, if applicable) and any premium or interest on any Note or any other amount payable with respect to such Note, shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect to that amount pursuant to this Section 10.4.

(f) The foregoing obligations shall survive termination, defeasance or discharge of this Instrument or any transfer by a Holder or beneficial owner of its Notes and will apply mutatis mutandis to any jurisdiction in which any successor to the Company is then, for tax purposes, incorporated, organized or resident or doing business (or any political subdivision or taxing authority thereof or therein) or any jurisdiction from or through which payment under or with respect to the Notes is made or deemed made by or on behalf of such successor (or any political subdivision or taxing authority thereof or therein).

11 CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

11.1 Company May Consolidate, etc., on Certain Terms

Subject to the provisions of Section 11.2, the Company shall not consolidate with, merge with or into, or sell, convey, transfer or lease all or substantially all of the consolidated assets of the Company, its Subsidiaries and its Variable Interest Entities, taken as a whole, to another Person, unless:

(a) the resulting, surviving or transferee Person (the "**Successor Company**"), if not the Company, shall be a corporation organized and existing under the Laws of the United States, any State thereof, the District of Columbia, the Cayman Islands, the British Virgin Islands, Bermuda or Hong Kong and the Successor Company (if not the Company) shall expressly assume, by supplemental instrument, all of the obligations of the Company under the Notes, this Instrument (including, for the avoidance of doubt, the obligation to pay Additional Amounts pursuant to Section 10.4) and the Purchase Agreement;

(b) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing under this Instrument with respect to the Notes;

(c) the Company shall have undertaken commercially reasonable efforts to restructure the Notes so that, after giving effect to such transaction, any conversion of the Notes will be exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(9) thereof;

(d) if, upon the occurrence of any such transaction, (x) the Notes would become convertible pursuant to the terms of this Instrument into securities issued by an issuer other than the Successor Company, and (y) such Successor Company is a wholly owned subsidiary of the issuer of such securities into which the Notes have become convertible, such other issuer shall fully and unconditionally guarantee on a senior basis the Successor Company's obligations under the Notes; and

(e) other conditions specified in this Instrument are met.

For purposes of this Section 11.1, the sale, conveyance, transfer or lease of all or substantially all of the assets of one or more Subsidiaries or Variable Interest Entities of the Company to another Person, which properties and assets, if held by the Company instead of such Subsidiaries or Variable Interest Entities, would constitute all or substantially all of the assets of the Company on a consolidated basis, shall be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the consolidated assets of the Company to another Person.

11.2 **Successor Corporation to Be Substituted**

In case of any such consolidation, merger, sale, conveyance, transfer or lease and upon the assumption by the Successor Company, by supplemental instrument, executed and delivered to the Noteholders and satisfactory in form to the Noteholders, of the due and punctual payment of the principal of and accrued and unpaid interest on all of the Notes (including, for the avoidance of doubt, any Additional Amounts), the due and punctual delivery or payment, as the case may be, of any consideration due upon conversion of the Notes (including, for the avoidance of doubt, any Additional Amounts) and the due and punctual performance of all of the covenants and conditions of this Instrument to be performed by the Company, such Successor Company (if not the Company) shall succeed to and, except in the case of a lease of all or substantially all of the Company's properties and assets, shall be substituted for the Company, with the same effect as if it had been named herein as the party of the first part. Such Successor Company thereupon may cause to be signed, and may issue either in its own name or in the name of the Company any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Noteholders. All the Notes so issued shall in all respects have the same legal rank and benefit under this Instrument as the Notes theretofore or thereafter issued in accordance with the terms of this

Instrument as though all of such Notes had been issued at the date of the execution hereof. In the event of any such consolidation, merger, sale, conveyance or transfer (but not in the case of a lease), upon compliance with this Section 11, the Person named as the "Company" in the first paragraph of this Instrument (or any successor that shall thereafter have become such in the manner prescribed in this Section 11) may be dissolved, wound up and liquidated at any time thereafter and, except in the case of a lease, such Person shall be released from its liabilities as obligor and maker of the Notes and from its obligations under this Instrument and the Notes.

In case of any such consolidation, merger, sale, conveyance, transfer or lease, such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

12 DEFAULT AND REMEDIES

12.1 Events of Default

The following events shall be "**Events of Default**" with respect to the Notes:

(a) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable and the default continues for a period of 30 days;

(b) default in the payment of principal of any Note when due and payable on the Maturity Date, upon redemption, upon any required repurchase, upon declaration of acceleration or otherwise;

(c) failure by the Company to comply with its obligation to convert the Notes in accordance with this Instrument upon exercise of a Holder's Conversion Right and such failure continues for a period of three Business Days;

(d) failure by the Company to issue notices in connection with redemption in respect of a Change in Tax Law in accordance with Section 9.5 or a Fundamental Change Company Notice in accordance with Section 9.3(c), in each case, when due and such failure continues for a period of five Business Days;

(e) failure by the Company to comply with its obligations under Section 11;

(f) failure by the Company for 60 days after written notice from the Holders of at least 25% in aggregate principal amount of the Notes then outstanding has been received by the Company to comply with any of its other agreements contained in the Notes or this Instrument;

(g) default by the Company or any Significant Subsidiary of the Company with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of $25 million (or the foreign currency equivalent thereof) in the aggregate of the Company and/or any such Significant Subsidiary, whether such indebtedness now exists or shall hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable or (ii) constituting a failure to pay the principal or interest of any such debt when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise;

(h) a final judgment for the payment of $25 million (or the foreign currency equivalent thereof) or more (excluding any amounts covered by insurance) rendered against the Company or any Significant Subsidiary of the Company, which judgment is not paid, bonded or otherwise discharged or stayed within 60 days after the earlier of (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished;

(i) the Company or any Significant Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or any such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any such Significant Subsidiary or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due;

(j) an involuntary case or other proceeding shall be commenced against the Company or any Significant Subsidiary seeking liquidation, reorganization or other relief with respect to the Company or such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Significant Subsidiary or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 30 consecutive days;

(k) the Instrument or the Notes shall be (A) declared by any Governmental Authority to be illegal or unenforceable or (B) terminated prior to the scheduled termination date; or

(l) (i) the confiscation, expropriation or nationalization by any Governmental Authority of any property of the Company or any of its Significant Subsidiaries, if such confiscation, expropriation or nationalization could reasonably be expected to have a material adverse effect; or (ii) the revocation or repudiation by any Governmental Authority of any previously granted Governmental Approval to any Group Company, if such revocation or repudiation could reasonably be expected to have a material adverse effect.

12.2 **Acceleration; Rescission and Annulment**

(a) If one or more Events of Default shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), then, and in each and every such case (other than an Event of Default specified in Section 12.1(i) or Section 12.1(j) with respect to the Company or any of its Significant Subsidiaries), unless the principal of all of the Notes shall have already become due and payable, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by notice in writing to the Company may declare up to 100% of the principal of, and accrued and unpaid interest on, all the Notes to be due and payable immediately, and upon any such declaration the same shall become and shall automatically be

immediately due and payable, notwithstanding anything contained in this Instrument or in the Notes to the contrary. If an Event of Default specified in Section 12.1(i) or Section 12.1(j) with respect to the Company or any of its Significant Subsidiaries occurs and is continuing, 100% of the principal of, and accrued and unpaid interest on, all Notes shall become and shall automatically be immediately due and payable without any action on the part of the Holders.

(b) At any time after the principal of the Notes shall have been so declared due and payable as provided in the immediately preceding paragraph, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Noteholder a sum sufficient to pay installments of accrued and unpaid interest upon all Notes and the principal of any and all Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of accrued and unpaid interest, to the extent that payment of such interest is enforceable under applicable Law, and on such principal at the rate per annum borne by the Notes *plus* 1.00% as Additional Interest), and if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) any and all existing Events of Default under this Instrument, other than the nonpayment of the principal of and accrued and unpaid interest on Notes that shall have become due solely by such acceleration, shall have been cured or waived, then and in every such case (except as provided in the immediately succeeding sentence) the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Company, may waive all Defaults or Events of Default with respect to the Notes and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Instrument; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon. Notwithstanding anything to the contrary herein, no such waiver or rescission and annulment shall extend to or shall affect any Default or Event of Default resulting from (i) the nonpayment of the principal of, or accrued and unpaid interest on, any Notes, (ii) a failure to repurchase any Notes when required or (iii) a failure to pay or deliver, as the case may be, the consideration due upon conversion of the Notes.

12.3 **Payments of Notes on Default; Suit Therefor**

(a) If an Event of Default described in clause (a) or (b) of Section 12.1 shall have occurred, the Company shall, upon demand of Holders of at least 25% in aggregate principal amount of the Notes then outstanding, pay the whole amount then due and payable on the Notes for principal and interest, if any, with interest on any overdue principal and interest, if any, at the rate per annum borne by the Notes at such time *plus* 1.00%. If the Company shall fail to pay such amounts forthwith upon such demand, the Noteholders may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated.

(b) In the event there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Notes under Title 11 of the United States Code, or any other applicable Law, or in case a receiver, assignee or

trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Company or such other obligor, the property of the Company or such other obligor, or in the event of any other judicial proceedings relative to the Company or such other obligor upon the Notes, or to the creditors or property of the Company or such other obligor, the Noteholder, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Noteholder shall have made any demand pursuant to the provisions of this Section 12.3, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and accrued and unpaid interest, if any, in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents and to take such other actions as it may deem necessary or advisable in order to have the claims of the Holders allowed in such judicial proceedings relative to the Company or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any monies or other property payable or deliverable on any such claims.

12.4 **Notice of Defaults and Events of Default**

The Company shall immediately notify the Noteholder in writing upon its awareness of the occurrence of any of the Event of Default.

13 REPLACEMENT OF NOTE CERTIFICATES

(a) If any Note Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the Designated Office upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

(b) Upon request of the Holder for the Instrument to be broken down into a number of note instruments of smaller principal amounts, the Company shall issue additional Note Certificates of such smaller principal amounts without charge and cause the Register of Noteholders to be updated accordingly at the Company's expense, the within seven (7) Business Days after the date of such request, *provided* that the existing Note Certificate of this Instrument shall be surrendered by the Holder to the Company for cancellation.

14 PAYMENT OF COLLECTION, ENFORCEMENT AND OTHER COSTS

If (i) any Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or a Holder otherwise takes action to collect amounts due under any Note or to enforce the provisions of such Note or (ii) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under any Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including documented attorneys' fees and disbursements.

15 SUCCESSORS AND ASSIGNS

The Notes apply to, inure to the benefit of, and bind, the successors and assigns of the Company

and the Noteholder; *provided*, however, that the Company may not assign any of its rights or transfer any of its obligations under the Notes without the written consent of the Noteholder. For the avoidance of doubt and notwithstanding anything to the contrary in Section 6 of this Instrument, the Noteholder may transfer this Note or any portion hereof to any of its Affiliates at any time after the date hereof without the written consent of the Company or any other party.

16 AMENDMENTS AND WAIVERS; NOTICES

The amendment or waiver of any term of this Instrument shall be subject to the written consent of all the Noteholders and the Company. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Instrument shall be in writing to the number or address set forth in Register of Noteholders and shall be conclusively deemed to have been duly given (a) when hand-delivered to the other parties, upon delivery; (b) when sent by facsimile or electronic mail at the number or address upon receipt of confirmation of error-free transmission or, in the case of electronic mail, upon such mail being sent unless the sending party subsequently learns that such electronic mail was not successfully delivered; (c) seven (7) Business Days after deposit in the mail as air mail or certified mail, receipt requested, postage prepaid; or (d) three (3) Business Days after deposit with an overnight delivery service, postage prepaid with next-business-day delivery guaranteed, *provided* that the sending party receives a confirmation of delivery from the delivery service provider. A party may change or supplement the addresses given above, or designate additional addresses, for purposes of this Section 16 by giving the other parties written notice of the new address in the manner set forth above.

17 SEVERABILITY

Any term of this Instrument that is prohibited or unenforceable in a jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

18 DELAYS OR OMISSIONS

No delay or failure by any party to insist on the strict performance of any provision of this Instrument, or to exercise any power, right or remedy, will be deemed a waiver or impairment of such performance, power, right or remedy or of any other provision of this Instrument, nor shall it be construed to be a waiver of any breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring.

19 REMEDIES, CHARACTERIZATIONS, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF

The remedies provided in the Notes shall be cumulative and in addition to all other remedies available under the Notes, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder’s right to pursue actual damages for any failure by the Company to comply with the terms of the Notes. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations

hereunder shall cause irreparable harm to the Holder and that the remedy at law for any such breach shall be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

20 GOVERNING LAW AND JURISDICTION

20.1 This Instrument, as to which time shall be of the essence, is governed by and shall be construed in accordance with the law of the State of New York.

20.2 All disputes arising out of or in connection with this Instrument shall be submitted to the Hong Kong International Arbitration Centre and shall be finally settled and resolved under the Hong Kong International Arbitration Centre Administered Arbitration Rules by three arbitrating appointed in accordance with the said Rules. The place of arbitration shall be Hong Kong and the language to be used in the arbitral proceedings shall be English. Nothing in this clause shall prevent any party at any time seeking any interim or interlocutory relief in aid of any arbitration or in connection with enforcement proceedings.

21 CONSTRUCTION; HEADINGS

This Instrument shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any person as the drafter hereof. The headings of this Instrument are for convenience of reference and shall not form part of, or affect the interpretation of, this Instrument.

IN WITNESS WHEREOF, the Company has caused its duly authorized representatives to execute this Instrument as of the date and year first above written.

BEST Inc.

By: /s/ Shao-Ning Johnny Chou
Name: Shao-Ning Johnny Chou
Title: Chairman and Chief Executive Officer

Signature Page of the Convertible Notes Instrument

IN WITNESS WHEREOF, the Noteholder has caused its duly authorized representatives to execute this Instrument as of the date and year first above written.

Alibaba.com Hong Kong Limited

By: /s/ Yi Zhang
Name: Yi Zhang
Title: Authorized Signatory

Signature Page of the Convertible Notes Instrument

EXHIBIT A

FORM OF NOTE CERTIFICATE

[THIS SECURITY AND THE CLASS A ORDINARY SHARES DELIVERABLE UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT OR CONTRACTUALLY RESTRICTED SECURITIES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS (a) A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (b) NOT A U.S. PERSON AND IS LOCATED OUTSIDE THE UNITED STATES (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT, AND HAS NOT BEEN FOR THE IMMEDIATELY PRECEDING THREE MONTHS, AN AFFILIATE OF BEST INC. (THE "**COMPANY**") (OTHER THAN AN ENTITY AFFILIATED WITH ALIBABA GROUP HOLDING LIMITED (THE "**ALIBABA PURCHASER**") THAT PURCHASED REGULATION S NOTES IN THE INITIAL OFFERING THEREOF AND ITS RESPECTIVE AFFILIATES), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) TO A NON U.S. PERSON LOCATED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE COMPANY RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS (OTHER THE ALIBABA PURCHASER THAT PURCHASED REGULATION S NOTES IN THE INITIAL OFFERING THEREOF AND ITS RESPECTIVE AFFILIATES) MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS NOTE, THE AMERICAN DEPOSITARY SHARES DELIVERABLE UPON CONVERSION HEREOF AND THE CLASS A ORDINARY SHARES REPRESENTED THEREBY, OR A BENEFICIAL INTEREST HEREIN OR THEREIN.]

BEST INC.

4.50% Convertibile Senior Note due 2025

No. [_____] US$_____

BEST Inc., a company duly organized and validly existing under the Laws of the Cayman Islands (the "**Company**," which term includes any successor company or corporation or other entity under the Instrument referred to on the reverse hereof), for value received hereby promises to pay to [_____], or registered assigns, the principal sum of US$[_____], which amount, taken together with the principal amounts of all other outstanding Notes, shall not exceed US$150,000,000 in aggregate at any time on June 3, 2025, and interest thereon as set forth below.

This Note shall bear cash interest at the rate of 4.50% per year from, and including, [*Issue Date*], 2020, or from, and including, the most recent date to which interest had been paid or provided for to, but excluding, the next scheduled Interest Payment Date until June 3, 2025. Interest is payable semi-annually in arrears on each July 1 and January 1, commencing on January 1, 2021, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not such day is a Business Day), respectively. Additional Interest will be payable as set forth in Section 12.2(b) and Section 12.3(a) of the Instrument, and any reference to interest on, or in respect of, any Note therein shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of such Section 12.2(b) and Section 12.3(a), and any express mention of the payment of Additional Interest in any provision therein shall not be construed as excluding Additional Interest in those provisions thereof where such express mention is not made.

Any Defaulted Amounts shall accrue interest per annum at the rate per annum borne by the Notes *plus* 1.00%, subject to the enforceability thereof under applicable law, from, and including, the relevant payment date to, but excluding, the date on which such Defaulted Amounts shall have been paid by the Company.

Reference is made to the further provisions of this Note set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Note the right to convert this Note into Ordinary Shares (or in the form of ADSs) on the terms and subject to the limitations set forth in the Instrument. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note, and any claim, controversy or dispute arising under or related to this Note, shall be construed in accordance with and governed by the Laws of the State of New York (without regard to the conflicts of laws provisions thereof).

In the case of any conflict between this Note and the Instrument, the provisions of the Instrument shall control and govern.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

BEST INC.

By: _____
Name:
Title:

[FORM OF REVERSE OF NOTE]

BEST INC.
4.50% Convertible Senior Note due 2025

This Note is one of a duly authorized issue of Notes of the Company, designated as its 4.50% Convertible Senior Notes due 2025 (the "**Notes**"), limited to the aggregate principal amount of US$150,000,000, all issued or to be issued under and pursuant to an Instrument dated as of June 3, 2020 (the "**Instrument**"), between BEST Inc. and Alibaba.com Hong Kong Limited, as the initial noteholder (the "**Initial Noteholder**"), reference is hereby made for a description of the rights, limitations of rights, obligations, duties, privileges, disclaimers from liability and immunities thereunder of the Company and the Holders of the Notes.

In the case certain Events of Default, as defined in the Instrument, shall have occurred and be continuing, the principal of, and interest on, all Notes may be declared, by either Holders of at least 25% in aggregate principal amount of Notes then outstanding, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions and certain exceptions set forth in the Instrument. In the case certain Events of Default relating to a bankruptcy (or similar proceeding) with respect to the Company or a Significant Subsidiary of the Company shall have occurred, the principal of, and interest on, all Notes shall automatically become immediately due and payable, as set forth in the Instrument.

Subject to the terms and conditions of the Instrument, the Company will make all payments in respect of the principal amount on the Maturity Date, the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, as the case may be, to the Holder who surrenders a Note to collect such payments in respect of the Note. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

Subject to the terms and conditions of the Instrument, Additional Amounts will be paid in connection with any payments made and deliveries caused to be made by the Company or any successor to the Company under or with respect to the Instrument and the Notes, including, but not limited to, payments of principal (including, if applicable, the Maturity Redemption Price, the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price), premium, if any, payments of interest, including any Additional Interest, and deliveries of Ordinary Shares or any other consideration due on conversion of a Note (together with payments of cash for any fraction of Ordinary Shares or other consideration) to ensure that the net amount received by the beneficial owners of the Notes after any applicable withholding, deduction or reduction (and after deducting any Taxes on the Additional Amounts) will equal the amounts that would have been received by such beneficial owner had no such withholding, deduction or reduction been required.

No reference herein to the Instrument and no provision of this Note or of the Instrument shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay or cause to be delivered, as the case may be, the principal (including the Maturity Redemption Price, the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, accrued and unpaid interest on, and the consideration due upon conversion of, this Note at the place, at the respective times, at the rate and in the lawful money herein prescribed.

The Notes are issuable in registered form in denominations of US$100,000 principal amount and integral multiples thereof. In the manner and subject to the limitations provided in the Instrument, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations, without payment of any service charge but, if required by the Company, with payment of a sum sufficient to cover any transfer or similar Tax that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such exchange of Notes being different from the name of the Holder of the old Notes surrendered for such exchange.

The Company may not redeem the Notes prior to the Maturity Date, except in the event of certain Changes in Tax Law as described in Section 9.5 of the Instruments. No sinking fund is provided for the Notes.

The Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of US$100,000 or integral multiples thereof) on the Repurchase Date at a price equal to the Repurchase Price.

Upon the occurrence of a Fundamental Change, the Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of US$100,000 or integral multiples thereof) on the Fundamental Change Repurchase Date at a price equal to the Fundamental Change Repurchase Price.

Subject to the provisions of the Instrument, the Holder hereof has the right, at its option, from July 10, 2020 (being the thirty-first (31st) Trading Day after May 27, 2020) to prior to the close of business on the second scheduled Trading Day immediately preceding the Maturity Date, to convert any Notes or portion thereof that is US$100,000 principal amount of Notes or an integral multiple thereof, into Ordinary Shares at the Conversion Rate specified in the Instrument, as adjusted from time to time as provided in the Instrument.

Terms used in this Note and defined in the Instrument are used herein as therein defined.

ATTACHMENT 1

[FORM OF NOTICE OF CONVERSION]

To: BEST INC.

2nd Floor, Block A, Huaxing Modern Industry Park
No. 18 Tangmiao Road, Hangzhou, Zhejiang, China
+86-571-88995656

CITIBANK, N.A., as ADS Depositary

480 Washington Boulevard, 30th Floor
Jersey City, NJ 07310
Tel. 1-973-461-7174
Email: Citinygats@citi.com
Fax: 1-201-258-3567

The undersigned registered holder of this Note hereby exercises the option to convert that Note, or the portion thereof (that is US$100,000 principal amount or an integral multiple thereof) below designated, into [Ordinary Shares]/[ADSs] in accordance with the terms of the Instrument referred to in this Note, and directs that any [Ordinary Shares]/[ADSs] deliverable upon such conversion, together with any cash payable for any fractions of [Ordinary Shares]/[ADSs], and any Notes representing any unconverted principal amount hereof, be issued and delivered to the registered Holder hereof unless a different name has been indicated below. Terms defined in the Deposit Agreement or the Instrument referred to in this Notice are used herein as so defined. If any [Ordinary Shares]/[ADSs] or any portion of this Note not converted are to be issued in the name of a Person other than the undersigned, the undersigned will pay all documentary, stamp, issue, transfer or similar taxes, if any, in accordance with Section 7.2(c) of the Instrument. Any amount required to be paid to the undersigned on account of interest accompanies this Notice.

In connection with the conversion of this Note, or the portion hereof below designated, the undersigned acknowledges, represents to and agrees with the Company that the undersigned is not an “affiliate” (as defined in Rule 144 under the Securities Act) of the Company and has not been an “affiliate” (as defined in Rule 144 under the Securities Act) during the three months immediately preceding the date hereof.

OR

The undersigned is an entity affiliated with Alibaba Group Holding Limited.

[The undersigned further agrees (and if the undersigned is acting for the account of another person, that person has confirmed that it agrees) that, prior to the end of a 40-day period starting from the transfer of the Notes from an affiliate of Alibaba Group Holding Limited, the undersigned (and such other account) will not offer, sell, pledge or otherwise transfer the [Ordinary Shares]/[ADSs] converted pursuant to this notice except in accordance

with the restrictions set forth in that legend and any applicable Securities Laws of the United States and any state thereof.][1]

[*For the delivery of Ordinary Shares upon conversion*]

The undersigned hereby instructs the Company to register the Ordinary Shares in the name of:

1. Name of Beneficial Owner to Receive Ordinary Shares (English): _____
2. Address of Beneficial Owner to Receive Ordinary Shares (English): _____
3. Name of Registered Holder of the Ordinary Shares: _____
4. Number of Ordinary Shares to be Issued: _____
5. Beneficial Owner's Tax ID Number: _____
6. Contact Name and Tel No. / Email Address: _____

[*For the delivery of ADSs upon conversion*]

The undersigned hereby instructs the ADS Depositary to register the ADSs in the name of:

1. Name of Beneficial Owner to Receive ADSs (English): _____
2. Address of Beneficial Owner to Receive ADSs (English): _____
3. Name of Registered Holder of the Deposited Shares: _____
4. Number of Deposited Shares: _____
5. Number of ADSs to be Issued: _____
6. Beneficial Owner's Tax ID Number: _____
7. Contact Name and Tel No. / Email Address: _____

[The undersigned instructs the ADS Depositary to deliver the American Depositary Receipts representing the ADSs to the following account:

ADS Receiving Broker (* are mandatory fields):

a) DTC Broker Name*: _____
b) DTC Broker's Participant Account with DTC *: _____
c) DTC Broker Contact Name: _____
d) DTC Broker Contact Tel No. / Email: _____
e) Beneficial Owner's Account # with DTC Broker*: _____

OR

e) Local Broker Name (have account with DTC Broker)*: _____
Local Broker Sub-Account # with DTC Broker*: _____

[1] Include if the Note being converted is not held by an entity affiliated with Alibaba Group Holding Limited.

Local Broker Contact Name: _____

Local Broker Contact Tel No. / Email: _____

_____

ADS Delivering Party:

Name: Citibank, N.A.
DTC Account: #2655][2]

For any ADS settlement inquiries, please contact Citibank, N.A. Broker Desk:

Tel: 1-877-CITIADR (1-877-248-4237)
Email: citiadr@citi.com

[2] Include bracketed language in the Conversion Notice if the Note being converted is not a restricted security as such term is defined in Rule 144 under the Securities Act.

Dated: _____ _____

_____

Signature(s)

Fill in for registration of Ordinary Shares if to be issued, and Notes if to be delivered, other than to and in the name of the registered holder:

_____

(Name)

_____

(Street Address)

_____

(City, State and Zip Code)
Please print name and address

Principal amount to be converted (if less than all):
US$ _____00,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

_____

Social Security or Other Taxpayer
Identification Number

ATTACHMENT 2

[FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE]

To: BEST INC.

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from BEST Inc. (the "**Company**") as to the occurrence of a Fundamental Change with respect to the Company and specifying the Fundamental Change Repurchase Date and requests and instructs the Company to pay to the registered holder hereof in accordance with Section 9.3 of the Instrument referred to in this Note (1) the entire principal amount of this Note, or the portion thereof (that is US$100,000 principal amount or an integral multiple thereof) below designated, and (2) if such Fundamental Change Repurchase Date does not fall during the period after a Regular Record Date and on or prior to the corresponding Interest Payment Date, accrued and unpaid interest thereon to, but excluding, such Fundamental Change Repurchase Date.

The certificate numbers of the Notes to be repurchased are as set forth below:

Certificate Number(s): _____

Dated: _____

_____
Signature(s)

_____
Social Security or Other Taxpayer
Identification Number

Principal amount to be repaid (if less than all):
US$ _____00,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

ATTACHMENT 3

[FORM OF REPURCHASE NOTICE]

To: BEST INC.

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from BEST Inc. (the "**Company**") regarding the right of Holders to elect to require the Company to repurchase the entire principal amount of this Note, or the portion thereof (that is US$100,000 principal amount or an integral multiple thereof) below designated, in accordance with the applicable provisions of the Instrument referred to in this Note, at the Repurchase Price to the registered Holder hereof.

The certificate numbers of the Notes to be purchased are as set forth below:

Certificate Number(s): _____

Dated: _____

_____
Signature(s)

_____
Social Security or Other Taxpayer
Identification Number

Principal amount to be repaid (if less than all):
US$ _____00,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

ATTACHMENT 4

FORM OF ASSIGNMENT AND TRANSFER

For value received _____ hereby sell(s), assign(s) and transfer(s) unto _____ the within Note, and hereby irrevocably constitutes and appoints _____ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with any transfer of the within Note, as defined in the Instrument governing such Note, the undersigned confirms that such Note is being transferred:

☐ To BEST Inc. or a subsidiary thereof; or

☐ Pursuant to a registration statement that has become or been declared effective under the Securities Act of 1933, as amended; or

☐ Pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended ("**Rule 144A**"), and the undersigned confirms that the undersigned reasonably believes that the transferee of such Note is a "qualified institutional buyer" (within the meaning of Rule 144A) that is purchasing for its own account or for the account of another qualified institutional buyer and the undersigned has provided such transferee notice that the transfer is being made in reliance on Rule 144A; or

☐ Outside the United States in accordance with Regulation S under the Securities Act of 1933, as amended; or

☐ Pursuant to and in compliance with Rule 144 under the Securities Act of 1933, as amended (if available).

Dated:_____

_____
_____
_____
Signature(s)

NOTICE: The signature on the assignment must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

EXHIBIT B

FORM OF JOINDER AGREEMENT

THIS **JOINDER AGREEMENT** (this "**Instrument**") is entered into on [●], [●]

BY:

[**Transferee**], [a [●] organized and existing under the Laws of [●] with its registered address at [●]]/[a [●] citizen with identification number of [●]] (the "**Transferee**").

RECITALS:

(A) BEST Inc. (the "**Company**") issued, and Alibaba.com Hong Kong Limited (the "**Noteholder**") subscribed for certain unsecured convertible notes, convertible into fully paid ordinary shares of the Company by execution of a Convertible Note Instrument On June 3, 2020 (as amended from time to time, the "**Convertible Note Instrument**").

(B) Transferee is required to join the Convertible Note Instrument pursuant to Section 6 of the Convertible Note Instrument.

(C) The Transferee now wishes to sign this Instrument, and to be bound by the terms of the Convertible Note Instrument as a "Noteholder" and a party thereto.

THIS INSTRUMENT WITNESSES as follows:

1. DEFINED TERMS AND CONSTRUCTION

(a) Capitalized terms used but not defined herein shall have the meaning set forth in the Convertible Note Instrument.

(b) This Instrument shall be incorporated into the Convertible Note Instrument as if expressly incorporated into the Convertible Note Instrument.

2. UNDERTAKINGS

(a) Assumption of obligations

The Transferee undertakes, to each other party of the Convertible Note Instrument that [it]/[he] will, with effect from the date hereof, perform and comply with each of the obligations of a Noteholder as if [it]/[he] had been a party to the Convertible Note Instrument at the date of execution thereof and the Company agrees that where there is a reference to a "Noteholder" or a "party" there [it]/[he] shall be deemed to include a reference to the Transferee and with effect from the date hereof, all the rights of a Noteholder provided under the Convertible Note Instrument will be accorded to the Transferee as if the Transferee had been a Noteholder and a Party under the Convertible Note Instrument at the date of execution thereof.

3. REPRESENTATIONS AND WARRANTIES

(a) The Transferee represents and warrants to each of the other parties of the Convertible Note Instrument as follows:

(i) [Status

It is a company duly organized, established and validly existing under the Laws of the jurisdiction stated in preamble 1 of this Instrument and has all requisite power and authority to own, lease and operate its assets and to conduct the business which it conducts.] [***if applicable***]

(ii) Due Authorization

It has full power and authority to execute and deliver this Instrument and the execution, delivery and performance of this Instrument by the Transferee has been duly authorized by all necessary action on behalf of the Transferee.

(iii)Legal, Valid and Binding Obligation

This Instrument has been duly executed and delivered by the Transferee and constitutes the legal, valid and binding obligation of the Transferee, enforceable against [it]/[he] in accordance with the terms hereof. The Transferee's execution, delivery and performance of this Instrument will not violate: (x) [any provision of its organizational documents] [***if applicable***]; (y) any material terms of material agreements to which the Transferee is a party or by which the Transferee is bound; or (z) any order, writ, injunction, decree or statute, or any rule or regulation, applicable to the Transferee.

4. MISCELLANEOUS.

The provisions of Section 6 of the Convertible Note Instrument shall be incorporated herein by reference and shall apply as if set forth in full herein, *mutatis mutandis*.

[Signature page follows.]

IN WITNESS WHEREOF, the Transferee has [caused its duly authorized representatives to execute]/[executed] this Instrument as of the date and year first above written.

[Transferee]

By: _____
Name:
Title:

Notice details

Address:

Email:

Facsimile:

Acknowledged and Agreed by:

BEST Inc.

By: _____
Name:
Title:

Notice details

Address:

Email:

Facsimile:

BEST Store Network (Hangzhou) Co., Ltd.

AND

Wei Chen

Lili He

LOAN AGREEMENT

May 13, 2020

This **Loan Agreement** (this "**Agreement**") is entered into by and between the following two parties on May 13, 2020 in Zhejiang Province, the People's Republic of China (the "**PRC**"):

BEST Store Network (Hangzhou) Co., Ltd., with its registered address at 254 Weiken Avenue, Xiasha, Hangzhou Economic and Technological Development Zone, Zhejiang Province (the "**Lender**"); and

Wei Chen, a PRC citizen, whose ID number is ____;
Lili He, a PRC citizen, whose ID number is ____;
(collectively the "**Borrower**").

The Lender and the Borrower shall be referred to individually as a "**Party**" or collectively as the "**Parties**" hereunder.

WHEREAS,

- Hangzhou Baijia Business Management Consulting Co., Ltd. ("**Hangzhou Baijia**") is a domestic limited liability equity joint venture with a registered capital of RMB10,000,000. The Borrower, in aggregate, holds 100% equity interest in Hangzhou Baijia, of which Wei Chen holds 50% equity interest in Hangzhou Baijia (corresponding to an amount of RMB5,000,000 in the registered capital of Hangzhou Baijia) and Lili He holds 50% equity interest in Hangzhou Baijia (corresponding to an amount of RMB5,000,000 in the registered capital of Hangzhou Baijia);

- The Borrower obtains from the Lender a loan equivalent to RMB10,000,000 for the subscription of Hangzhou Baijia's equity and its subsequent capital increase;

- In order to clarify rights and obligations between the Borrower and the Lender, both Parties agree to enter into this Loan Agreement, which shall supersede all agreements, contracts or understandings previously concluded by both Parties for the same purpose.

NOW THEREFORE, the Parties agree as follows:

Section 1 Loan

1.1 The Parties agree that the Lender shall provide, on a date as it shall decide in its sole discretion, the Borrower with a loan of RMB10,000,000 (the "**Loan**") and the Borrower agrees to, upon receipt of the Loan, assume the liabilities and obligations to repay such Loan, of which Wei Chen shall repay RMB5,000,000 and Lili He shall repay RMB5,000,000.

1.2 The Parties agree that the entire Loan will be used to subscribe for Hangzhou Baijia's equity and to increase Hangzhou Baijia's capital.

1.3 The Parties agree that no interest shall accrue in respect of the Loan.

1.4 The term of the Loan shall commence on the date of receipt of the Loan by the Borrower and end on the date of termination of this Agreement.

Section 2 Undertakings of the Borrower

2.1 The Borrower hereby undertakes that:

2.1.1 Without the Lender's prior written consent, it will not transfer its equity interest in Hangzhou Baijia, in whole or in part, to any third party, nor will it create or cause to be created any encumbrance in any form on Hangzhou Baijia's equity interest.

2.1.2 Unless with the Lender's prior written consent, it shall at all times effectively maintain its status as Hangzhou Baijia's shareholder.

2.1.3 It will, upon the Lender's request, unconditionally transfer its equity interest in Hangzhou Baijia to the Lender or any third party designated by the Lender.

2.1.4 It will comply with all laws, regulations, rules and orders from government authorities applicable to the Borrower or Hangzhou Baijia's business activities or its assets.

2.1.5 Without the Lender's prior written consent, it will in no way affect Hangzhou Baijia's ordinary operation as a going concern.

2.1.6 It will comply with all other agreements, contracts or undertakings by and between the Borrower and the Lender.

Section 3 Repayment of Loan

3.1 The Parties agree and acknowledge that, if the Borrower is in no breach of Section 2 hereof, the Lender will not require the Borrower to repay the Loan prior to the Borrower's transfer of its equity interest in Hangzhou Baijia or discontinuation of Hangzhou Baijia's operation. Otherwise, the Lender shall have the right to request the Borrower to repay the Loan by giving a seven (7)-day prior written notice.

3.2 To the extent permitted by the laws, if the Borrower transfers part of its equity interest in Hangzhou Baijia to the Lender or any third party designated by the Lender in accordance with the Lender's instructions, upon transfer of such equity interest and payment of the proceeds from such transfer by the Borrower to the Lender, the Loan of the relevant amount shall be deemed repaid. For the purpose of this Section, such relevant amount shall be calculated in accordance with the formula below:

Relevant Amount Deemed Repaid = Loan*(Transferred Equity of Hangzhou Baijia/Total Equity of Hangzhou Baijia)

3.3 If the Borrower transfers all of its equity interest in Hangzhou Baijia to the Lender or any third party designated by the Lender, upon transfer of such equity interest (and the payment of the proceeds from such transfer by the Borrower to the Lender), the Loan hereunder shall be deemed as having been fully repaid.

3.4 The wording "upon transfer of the equity interest in Hangzhou Baijia" for the purpose of this Section shall mean that the transfer of such equity interest has been approved by competent government authorities (if required) and the changes to such equity interest have been registered with the administration for industry and commerce, with the Lender or any third party designated by the Lender becoming the lawful holder of the equity of Hangzhou Baijia.

3.5 In the event of Hangzhou Baijia's winding-up, liquidation, dissolution or bankruptcy for any reason not attributable to the Borrower, the Loan hereunder shall be deemed as having been fully repaid upon the Borrower's return of all proceeds from the liquidation to the Lender.

Section 4 Taxes and Fees

All taxes and reasonable expenses in connection with this Agreement, except those expressly stipulated under the PRC laws to be borne by the Lender or by the Borrower, shall be borne by the Lender.

Section 5 Effectiveness and Termination

5.1 This Agreement shall take effect once it is duly executed by the Parties.

5.2 This Agreement shall terminate upon the Borrower's fully repayment of the Loan hereunder or the Lender's waiver of its creditor's rights.

Section 6 Applicable Laws and Dispute Resolution

6.1 The execution, performance, interpretation and dispute resolution of this Agreement shall be governed by the PRC laws.

6.2 All disputes arising out of or in connection with this Agreement or its performance shall first be resolved by the Parties through friendly consultations. If the Parties fail to reach an agreement within thirty (30) days following the occurrence of such dispute, such dispute shall be brought before the competent people's court of Hangzhou for adjudication.

Section 7 Miscellaneous

7.1 This Agreement may be supplemented or amended by a written agreement between the Parties hereto.

7.2 If any part of a certain provision hereof is unenforceable as it is in violation of laws, government rules or otherwise, such part shall be deemed as having been deleted, provided that such deletion shall not affect the validity of the remaining part of said provision or other provisions hereof. The Parties hereto shall cease to perform such invalid part of such provision, and shall revise such part of the provision only to the extent valid, enforceable and close to its original meaning.

7.3 Unless with the Lender's prior written consent, the Borrower shall not transfer, in whole or in part, any rights or obligations hereunder, provided that the Lender may transfer its rights and obligations hereunder to any of the Lender's affiliates or any other third party without the Borrower's consent.

7.4 This Agreement is made in four (4) counterparts, with each person of the Borrower holding one and the Lender holding two (2). Each of the counterparts shall be deemed as the original and be equally authentic upon execution.

[The remainder of the page is intentionally left blank.]

IN WITNESS HEREOF, the Parties have executed this Agreement in person or have caused the same to be executed by their duly authorized representatives on the date first written above, and the Parties agree to comply therewith.

Lender:
BEST Store Network (Hangzhou) Co., Ltd. (Seal)

Signature of Authorized Representative: /s/ Shao-Ning Johnny Chou

Borrower:
/s/ Wei Chen
Wei Chen

/s/ Lili He
Lili He

Exhibit 4.27

This is an English translation of the original Chinese text

Hangzhou Baijia Business Management Consulting Co., Ltd.

AND

BEST Store Network (Hangzhou) Co., Ltd.

EXCLUSIVE SERVICES AGREEMENT

May 13, 2020

EXCLUSIVE SERVICES AGREEMENT

This **SERVICES AGREEMENT** (this "Agreement") is entered into in Hangzhou, Zhejiang Province, the People's Republic of China (the "PRC") on May 13, 2020.

BY AND BETWEEN:

(1) Hangzhou Baijia Business Management Consulting Co., Ltd. ("Party A")
Registered address: Room 3128, Building No. 2, 1197 Bin'an Road, Binjiang District, Hangzhou, Zhejiang Province
Legal representative: Wei Chen; and

(2) BEST Store Network (Hangzhou) Co., Ltd. ("Party B")
Registered address: 254 Weiken Avenue, Xiasha, Hangzhou Economic and Technological Development Zone, Zhejiang Province
Legal representative: Shao-Ning Johnny Chou

(for the purposes of this Agreement, each a "Party", collectively the "Parties")

W I T N E S S E T H

WHEREAS, Party A is a limited liability company registered and lawfully existing in Hangzhou, the PRC, mainly engaged in operation of 24-hour convenience store and provision of instant goods and local services, in combination with online membership services for exploring New Retail;

WHEREAS, Party B is a wholly Hong Kong-invested enterprise registered and lawfully existing in Hangzhou, the PRC, mainly engaged in the operation of a nation-wide fast-moving consumer goods internet S2B2C distribution platform in China, provision of one-stop goods sourcing service for community retail stores, and participating in the upgrade of certain community grocery stores through the community convenience store brand "BEST-Neighbor" owned by Party B.

WHEREAS, Party A needs Party B to provide it with consultations and services relating to Party A's Business (as defined below) and Party B agrees to provide such services to Party A.

NOW, THEREFORE, upon friendly discussions, the Parties agree as follows:

1. DEFINITIONS

1.1. Unless otherwise specified herein or otherwise required by the context, the following terms shall have the following meanings in this Agreement:

"**Party A's Business**" means all of the business activities operated and developed by Party A now and at any time during the term hereof, including, without limitation, operation of 24-hour convenience store and provision of instant goods and local services, in combination with online membership services for exploring New Retail.

"**Services**" means the services to be provided by Party B on an exclusive basis to within its business scope to Party A in relation to Party A's Business, including, without limitation:

(i) licensing Party A to use relevant software with respect to which Party B possesses lawful rights and which is required for Party A's Business;

(ii) day-to-day management, maintenance and updating of hardware devices and databases;

(iii) development, maintenance and updating of relevant application software required for Party A's Business;

(iv) providing technical trainings to relevant personnel of Party A;

(v) assisting in the collection and analysis of technical data relating to Party A's operation;

(vi) providing business promotion services and marketing consultation services required for Party A's Business, and

(vii) providing other relevant consultations and services from time to time upon Party A's request.

"**Annual Business Plan**" means Party A's Business development plan and budget report for the next calendar year to be prepared by Party A with the assistance of Party B in accordance with this Agreement by November 30 of each year.

"**Service Fees**" means all of the fees payable by Party A to Party B under Section 3 hereof in respect of the services provided by Party B.

"**Devices**" means any and all devices owned or acquired from time to time by Party B and utilized for the purpose of the provision of the Services.

"**Business-Related Technology**" means any and all software and technologies developed by Party A on the basis of the Services provided by Party B hereunder in relation to Party A's Business.

"**Confidential Information**" has the meaning ascribed to it in Section 6.1 hereof.

"**Defaulting Party**" has the meaning ascribed to it in Section 11.1 hereof.

"**Default**" has the meaning ascribed to it in Section 11.1 hereof.

"**Party Rights**" has the meaning ascribed to it in Section 13.5 hereof.

1.2. In this Agreement, any reference to any laws and regulations (the "Laws") shall be deemed to also include:

(i) a reference to such Laws as modified, amended, supplemented and/or reenacted, whether effective before or after the date hereof; and

(ii) a reference to any other decisions, circulars or rules made in accordance therewith or effective as a result thereof.

1.3. Unless otherwise required by the context, a reference to a provision, clause, section or paragraph hereunder shall be a reference to such provision, clause, section or paragraph of this Agreement.

2. Services

2.1. During the term hereof, Party B shall diligently provide the Services to Party A in accordance with the requirements of Party A's Business.

2.2. Party B shall be equipped with all Devices and personnel reasonably required for the provision of the Services and shall, in accordance with Party A's Annual Business Plan and Party A's reasonable requests, procure and purchase new Devices and add additional personnel so as to meet the need for Party B to provide quality Services to Party A in accordance with this Agreement.

2.3. For the purpose of the provision of the Services hereunder, Party B shall communicate and exchange with Party A the information pertaining to Party A's Business.

3. Service Fees

3.1. In connection with the Services provided by Party B hereunder, Party A shall pay the Services Fees to Party B pursuant to the following terms:

3.1.1. Service Fees in an amount equal to 90% of the total revenue of the current year of Party A after deduction of Party B-approved reasonable operating costs; and

3.1.2. Service Fees to be separately determined by Party B for specific technical services provided from time to time by Party B upon Party A's request.

3.2. Party A shall within three months of the end of each calendar year pay in one lump sum the Service Fees determined in accordance with Section 3.1 into a bank account designated by Party B. If Party B changes its bank account, it shall notify Party A in writing seven (7) business days in advance.

3.3. The Parties agree that as a matter of principle payment of aforesaid Service Fees should not cause difficulties to any Party's operation of the then current year; in furtherance of the forgoing, to the extent of the implementation of said principle, Party B may either agree for Party A to postpone its payment of the Service Fees or adjust in writing the fee percentage and/or specific amounts of the Service Fees payable by Party A to Party B under Section 3.1.

3.4. During the term hereof, Party B shall have the right to adjust at its sole discretion aforesaid Service Fees without Party A's consent.

4. Party A's Obligations

4.1. Party B's Services hereunder shall be exclusive in nature. During the term hereof, without Party B's prior written consent, Party A shall not enter into any agreement with any third party other than Party B's affiliates in connection with services identical or similar to the Services of Party B or otherwise accept any such services from such third parties.

4.2. Party A shall by November 30 of each year provide Party B with its finalized Annual Business Plan for the next year such that Party B may arrange for the corresponding Services plan and procure required software, Devices, personnel and technical services resources. If Party A needs Party B to procure additional Devices or personnel on an ad hoc basis, it shall hold consultations with Party B fifteen (15) days in advance in order for the two parties to reach agreement thereon.

4.3. In order to facilitate Party B's provision of the Services, Party A shall upon Party B's request provide Party B with relevant information in a timely manner.

4.4. Party A shall in accordance with Section 3 pay the full amount of the Service Fees to Party B in a timely manner.

4.5. Party A shall maintain its good reputation, actively expand its business and seek the maximization of its profits.

4.6. During the term hereof, Party A agrees to cooperate with Party B and its parent company (either direct or indirect) in the carrying out of related party transaction audits and other audits and provide Party B, its parent company or its appointed auditors with information and materials relating to Party A's operations, businesses, customers, finances, employees and so on; and further agrees that Party B's parent company(ies) may disclose such information and materials to satisfy regulatory requirements of the listing venue of its (their) securities.

5. Intellectual Property

5.1. All intellectual property, whether originally owned by Party B or obtained by it during the term hereof, including the intellectual property rights to and in the work products created during its provision of the Services, shall belong to Party B.

5.2. Considering that the conduct of Party A's Business is dependent upon the Services provided by Party B hereunder, Party A agrees to the following arrangement with respect to the Business-Related Technology developed by Party A on the basis of such Services:

(i) If the Business-Related Technology is further developed and obtained by Party A under Party B's entrustment or is obtained by Party A through joint development with Party B, then the title to such Business-Related Technology and relevant patent application rights shall be owned by Party B;

(ii) If the Business-Related Technology is obtained by Party A through further independent development, then its title shall be owned by Party A, provided however that: (A) Party A shall timely inform Party B of the details of such Business-Related Technology and shall provide relevant information required by Party B; (B) if Party A intends to license or transfer such Business-Related Technology, Party A shall, to the extent not contrary to mandatory requirements of PRC Laws, transfer the same to Party B or grant an exclusive license to Party B on a preemptive basis, and Party B may use such Business-Related Technology within the specific scope of Party A's transfer or license (however, Party B may decide at its discretion whether to accept such transfer or license); if and only if Party B has waived its right to preemptive purchase or exclusive license with respect to such Business-Related Technology, Party A may then transfer the title of, or license such Business-Related Technology to a third party on terms and conditions (including, without limitation, the transfer price or the royalty) no more favorable than those proposed to Party B, and shall ensure that such third party shall fully comply with and perform the obligations to be performed by Party A hereunder; and (C) except under the circumstances as described in (B), during the term hereof, Party B shall have the right to demand to purchase such Business-Related Technology; to the extent not contrary to mandatory requirements of PRC Laws, Party A shall agree to such purchase request of Party B and the purchase price shall be equal to the lowest purchase price then permissible by PRC Laws.

5.3. In the event that Party B is granted an exclusive license under Section 5.2(ii) hereof to use the Business-Related Technology, such license shall comply with the following requirements:

(i) The term of the license shall be no less than ten (10) years (from the effective date of the such license agreement);

(ii) The scope of the rights granted under the license shall be defined to the maximum extent possible;

(iii) During the term of the license and to the extent of the scope of license, no party (including Party A) other than Party B may use or license another party to use such Business-Related Technology;

(iv) Upon expiry of the term of the license, Party B shall have the right to demand to renew the license agreement and Party A shall grant its consent, in which event the terms of such license agreement shall remain unchanged, other than those changes approved by Party B.

5.4. Notwithstanding Section 5.2(ii), a patent application in respect of any Business-Related Technology described therein shall be dealt with as follows:

(i) If Party A intends to file a patent application with respect to any Business-Related Technology described in Section 5.2(ii), it shall obtain prior written consent from Party B;

(ii) If and only if Party B has waived its right to purchase the patent application right for such Business-Related Technology, Party A may then file such patent application on its own or transfer such right to a third party. In the event Party A transfers the abovementioned patent application right to a third party, it shall ensure that such third party shall fully comply with and perform the obligations to be performed by Party A hereunder; in addition, the terms on which Party A transfers such patent application right to a third party (including, without limitation, the transfer price) shall not be more favorable than those proposed by Party A to Party B under Section 5.4(iii) hereof;

(iii) During the term hereof, Party B may at any time request Party A to file patent applications with respect to such Business-Related Technology and may decide in its discretion whether to purchase the right to such patent application. If so requested by Party B, Party A shall, to the extent not contrary to the mandatory requirements of PRC Laws, transfer such right to file patent applications to Party B at the lowest transfer price then permissible by PRC Laws; once Party B acquires the right to file patent applications with respect to such Business-Related Technology, files patent applications and is granted patents, Party B shall become the lawful owner of such patents.

5.5. Party A warrants to Party B that it will indemnify Party B against any and all economic losses suffered by Party B as a result of Party A's infringement of any third-party intellectual property rights (including copyrights, trademarks, patents and know-hows).

6. Confidentiality Obligations

6.1. Notwithstanding the termination of this Agreement, each of Party A and Party B shall maintain in strict confidence business secrets, proprietary information, customer information and any other information of a confidential nature of the other Party coming into its knowledge during the conclusion and performance of this Agreement (collectively the "Confidential Information"). Except with prior written consent from the Party disclosing such Confidential information or to the extent required to disclose to a third party by relevant laws or regulations or requirements of the listing venue of an affiliate, no Party receiving the Confidential Information shall disclose any Confidential Information to any third party; the Party receiving the Confidential Information shall not use, directly or indirectly, any Confidential Information other than for the purpose of performing this Agreement.

6.2. The following information shall not constitute the Confidential Information:

(a) any information which, as shown by written evidence, has previously become known to the receiving Party by lawful means; or

(b) any information which enters public domain other than as a result of the receiving Party's fault; or

(c) any information lawfully acquired by the receiving Party from another source subsequent to its receipt thereof hereunder.

6.3. The receiving Party may disclose the Confidential Information to its relevant employees or agents to the professionals engaged by such Party, provided that such receiving Party shall ensure that such persons shall comply with relevant terms and conditions of this Agreement, and shall assume any liability arising out of any breach by such persons thereof.

6.4. Notwithstanding any other provisions of this Agreement, the validity of this Section shall not be affected by the suspension or termination of this Agreement.

7. Representations and Warranties by Party A

Party A hereby represents and warrants to Party B that:

7.1. It is a limited liability company duly registered and lawfully existing under PRC Laws with independent legal personality, has full and independent legal status and capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.

7.2. It has full internal corporate power and authority to execute and deliver this Agreement and all other documents to be executed by it in connection with the transactions contemplated hereunder as well as full power and authority to consummate the transactions contemplated hereunder. This Agreement will be lawfully and duly executed and delivered by it, and constitutes its legal and binding obligations, enforceable against it in accordance with the terms hereof.

7.3. It shall timely inform Party B of any circumstance which has or is likely to have a material adverse effect on Party A's Business or operation thereof and shall use its best efforts to prevent the occurrence of such circumstance and/or the expansion of losses.

7.4. Without Party B's written consent, Party A will not dispose of its material assets or change its current shareholding structure in whatsoever manner.

8. Representations and Warranties by Party B

Party B hereby represents and warrants to Party A that:

8.1. It is a limited liability company duly registered and lawfully existing under PRC Laws with independent legal personality, has full and independent legal status and capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.

8.2. It has full internal corporate power and authority to execute and deliver this Agreement and all other documents to be executed by it in connection with the transactions contemplated hereunder as well as full power and authority to consummate the transactions contemplated hereunder. This Agreement will be lawfully and duly executed and delivered by it, and constitutes its legal and binding obligations, enforceable against it in accordance with the terms hereof.

9. Term of Agreement

9.1. This Agreement shall become effective once it is duly executed by the Parties hereto. Unless otherwise expressly stipulated herein, the term of this Agreement shall be twenty (20) years.

9.2. Unless Party B notifies Party A at least three (3) months prior to the expiry hereof that this Agreement will not be renewed, this Agreement will automatically renew for a term of twenty (20) years upon such expiry.

9.3. Party A shall not terminate this Agreement early during the term of this Agreement. Notwithstanding the foregoing, Party B may terminate this Agreement at any time by notifying Party A in writing thirty (30) days in advance.

9.4. If necessary, the Parties shall each within three months prior to the expiry of their respective terms of business operations complete review, approval and registration formalities for the extension of such business terms so that the continuing validity of this Agreement shall be maintained.

9.5. Upon termination hereof, the Parties shall continue to comply with their respective obligations under Section 6 hereof.

10. Notice

10.1. Any notice, request, demand and other correspondences required hereby or made hereunder shall be served on the relevant Party in writing.

10.2. The abovementioned notice or other correspondences shall be deemed given upon transmission, if sent by fax; or upon delivery if delivered in person; or five (5) days after posting if sent by mail.

11. Liability for Default

11.1. The Parties agree and acknowledge that if any Party (the "Defaulting Party") substantially breaches any provision hereof, or substantially fails to perform or delays in performing any obligations hereunder, such breach, failure or delay shall constitute a default hereunder (the "Default") and that in such event, the non-defaulting Party shall have the right to demand the Defaulting Party to cure such Default or take remedial measures within a reasonable time limit. If the Defaulting Party fails to cure such Default or take remedial measures within such reasonable time limit or within ten (10) days after the non-defaulting Party notifies the Defaulting Party in writing and requests it to cure such Default, the non-defaulting Party shall have the right to do the following: (i) if Party A is the Defaulting Party, Party B shall have the right to elect to terminate this Agreement and demand Party A to indemnify for damages, or demand enforced performance by Party A of its obligations hereunder; (ii) if Party B is the Defaulting Party, Party A shall have the right to demand Party B to indemnify for damages, provided that, unless otherwise stipulated under the Laws, in no event may Party A terminate or rescind this Agreement.

11.2. Notwithstanding any other provisions hereof, this Section 11 shall survive the termination of this Agreement.

12. Force Majeure

If there occurs an earthquake, typhoon, flood, fire, war, computer virus, tool software design loophole, hacking attack of the Internet, change of policy or law or any other force majeure event which is unforeseeable or whose consequences are unpreventable or unavoidable, and a Party is directly affected thereby in its performance of this Agreement or is prevented thereby from performing this Agreement on the agreed terms, such affected or prevented Party shall immediately notify the other Party by fax of the same and shall within thirty (30) days provide an evidencing document to be issued by the notary body of the place of the force majeure event, setting forth the details of such force majeure and the reasons for such failure or delay to perform this Agreement. The Parties shall, in light of the extent of the impact of such force majeure event on the performance of this Agreement, agree on whether to waive the performance of part of this Agreement or grant postponed performance thereof. No Party shall be held liable to indemnify the other Party against its economic losses resulting from a force majeure event.

13. Miscellaneous

13.1. This Agreement is made in Chinese in duplicate, with each Party hereto holding one (1) original.

13.2. The execution, effectiveness, performance, modification, interpretation and termination of this Agreement shall all be governed by the Laws of the People's Republic of China.

13.3. Any dispute arising under or in connection with this Agreement shall be resolved by the Parties through consultations. If the Parties fail to reach an agreement within thirty (30) days following its occurrence, be brought before the competent people's court of Hangzhou for adjudication.

13.4. No right, power or remedy granted to any Party by any provision of this Agreement shall preclude any other right, power or remedy such Party is entitled to in accordance with Laws or any other provisions hereof and no exercise by a Party of any of its rights, powers and remedies shall preclude its exercise of other rights, powers and remedies it is entitled to.

13.5. No failure or delay by a Party in exercising any right, power or remedy it is entitled to under this Agreement or Laws (the "Party Rights") shall operate as a waiver of such rights, nor shall any single or partial waiver by a Party of the Party Rights preclude any further exercise of such Party Rights or any exercise of any other Party Rights.

13.6. The section headings herein are inserted for convenience of reference only and shall in no event be used for or affect the interpretation of the provisions hereof.

13.7. Each provision contained herein may be segregated from and independent of any other provisions hereof, and if at any time any one or more provisions hereof become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not be affected thereby.

13.8. Upon its execution, this Agreement shall promptly supersede any other legal documents previously executed by the Parties with respect to the same subject matter.

13.9. Any amendments or supplements to this Agreement must be made in writing and shall take effect only when duly executed by the Parties hereto.

13.10. Without Party B's prior written consent, Party A shall not transfer any of its rights and/or obligations hereunder to any third party. Party B shall have the right to transfer its rights and obligations hereunder to any third party and designate any third party to provide any or all services hereunder or perform any of Party B's obligations hereunder.

13.11. This Agreement shall be binding upon the lawful assignees or successors of the Parties.

13.12. The Parties undertake to file and pay, in accordance with Laws, their respective taxes involved in the transactions hereunder.

[The remainder of this page is intentionally left blank]

[Signature Page]

IN WITNESS WHEREOF, the Parties have duly executed this Amended and Restated Exclusive Services Agreement at the place and as of the date first above written.

Party A:

Hangzhou Baijia Business Management Consulting Co., Ltd.

(Seal)

Signature: /s/ Wei Chen

Name: Wei Chen

Title: Legal Representative

Party B:

BEST Store Network (Hangzhou) Co., Ltd.

(Seal)

Signature: /s/ Shao-Ning Johnny Chou

Name: Shao-Ning Johnny Chou

Title: Legal Representative

This is an English translation of the original Chinese text

Wei Chen

Lili He

BEST Store Network (Hangzhou) Co., Ltd.

AND

Hangzhou Baijia Business Management Consulting Co., Ltd.

EQUITY PLEDGE AGREEMENT

FOR

HANGZHOU BAIJIA BUSINESS MANAGEMENT CONSULTING CO., LTD.

May 13, 2020

EQUITY PLEDGE AGREEMENT

This **Equity Pledge Agreement** (this "**Agreement**") is entered into as of May 13, 2020 in Hangzhou, Zhejiang Province, the People's Republic of China by and among the following Parties:

1. Wei Chen
   Address: 105 Wenhua Road, Changguo Sub-district, Dinghai District, Zhoushan, Zhejiang
   ID No.:

2. Lili He
   Address: 1 Weiye Road, Binjiang District, Hangzhou
   ID No.:

(Wei Chen and Lili He shall hereinafter be referred to individually as a "**Pledgor**", or collectively as the "**Pledgors**");

3. BEST Store Network (Hangzhou) Co., Ltd. (the "**Pledgee**")
   Registered address: 254 Weiken Avenue, Xiasha, Hangzhou Economic and Technological Development Zone, Zhejiang Province
   Legal representative: Shao-Ning Johnny Chou

4. Hangzhou Baijia Business Management Consulting Co., Ltd. (the "**Company**")
   Registered address: Room 3128, Building No. 2, 1197 Bin'an Road, Binjiang District, Hangzhou, Zhejiang Province
   Legal representative: Wei Chen

(In this Agreement, each of aforesaid parties shall be referred to individually as a "**Party**" or collectively as the "**Parties**".)

WHEREAS:

1. Pledgors are the registered shareholders of the Company and own all the equity of the Company in accordance with law (the "**Company Equity"**). Their respective capital contributions to and ownership percentages in the Registered Capital of the Company as of the date hereof are set forth in Schedule 1.

2. Pursuant to the Exclusive Call Option Agreement entered into by the Parties hereto and BEST Inc. (a company established and existing pursuant to the laws of Cayman Islands, the "**Cayman Company**") as of May 13, 2020 (the "**Option Agreement**"), the Pledgors shall, to the extent permitted by the PRC Laws, transfer at the Pledgee's request all or part of their equity interest in the Company to the Pledgee and/or any other entities or individuals designated by the Pledgee.

3. Pursuant to the Shareholders' Voting Rights Proxy Agreement entered into by the Parties hereto and the Cayman Company as of May 13, 2020 (the "**Voting Rights Proxy Agreement**"), the Pledgors have irrevocably granted a general proxy to the then designee of the Pledgee as approved by the Cayman Company to exercise on behalf of the Pledgors all of their shareholder voting rights at the Company.

4. Pursuant to the Exclusive Services Agreement entered into by the Company and the Pledgee as of May 13, 2020 (the "**Services Agreement**"), the Company shall on an exclusive basis engage the Pledgee to provide it with relevant technical services and agrees to pay corresponding service fees to the Pledgee for such technical services.

5. Pursuant to the Loan Agreement entered into by the Pledgee, Wei Chen and Lili He on May 13, 2020 (the "**Loan Agreement**"), Wei Chen and Lili He acknowledge that the loan from the Pledgee shall be applied towards the purchase of equity interests in the Company.

6. As collateral for the Pledgor's performance of the Contractual Obligations (as defined below) and their satisfaction of the Secured Indebtedness (as defined below), the Pledgors have agreed to pledge with the Pledgee all of the Company Equity held by them and grant a first ranking pledge to the Pledgee, and the Company has agreed to such equity pledge arrangement.

NOW, THEREFORE, upon mutual consultations, the Parties agree as follows:

Section 1 Definitions

1.1 Unless otherwise required by the context, the terms below shall have the following meanings under this Agreement:

"**Contractual Obligations**" means all contractual obligations of the Pledgors or the Company under the Transaction Documents.

"**Secured Indebtedness**" means all direct, indirect and derivative losses and loss of anticipatable benefits suffered by the Pledgee as a result of any Event of Default (as defined below) on the part of the Pledgors and/or the Company, the basis of the amount of which losses shall include without limitation reasonable business plans and profit forecasts of the Pledgee, service fees payable by the Pledgors under the Services Agreement, and all expenses incurred by the Pledgee in connection with the enforcement for the Pledgors' and/or the Company's performance of their Contractual Obligations; The amount of such losses shall, to the extent permitted by the PRC Laws, be determined by the Pledgee at its sole discretion, which determination shall be binding on the Pledgors.

"**Transaction Documents**" mean the Option Agreement, the Voting Rights Proxy Agreement, the Services Agreement and the Loan Agreements.

"**Event of Default**" means the breach by any Pledgor or the Company of any of its Contractual Obligations under the Transaction Documents; any representations and warranties or other information provided by the Pledgors and the Company to the Pledgee under the Transaction Documents being or being found untrue or misleading in any material aspect; or any provision of the Transaction Documents becoming invalid or unenforceable due to changes in the PRC laws and regulations, promulgation of new PRC laws and regulations or any other reasons, with no alternative arrangement being reached by the Parties.

"**Pledged Equity Interests**" means all of the Company Equity lawfully owned by the Pledgors as of effectiveness of this Agreement to be pledged to the Pledgee in accordance the terms hereof (details on the respective Pledged Equity Interests of each Pledgor are set forth under Schedule 1) as security for the performance of the Contractual Obligations by the Pledgors and the Company, as well as the capital increases and dividends referenced in Sections 2.6 and 2.7 hereof.

"**PRC Laws**" means the laws, administrative regulations, administrative rules, local regulations, judicial interpretations and any other binding normative documents then in effect of the People's Republic of China.

1.2 In this Agreement, reference to any PRC Laws shall be deemed to also include (1) a reference to such PRC Laws as modified, amended, supplemented or reenacted, effective either before or after the date hereof; and (2) a reference to any other decisions, circulars or rules made in accordance therewith or effective as a result thereof.

1.3 Unless otherwise provided in the context hereunder, reference to all articles, sections, paragraphs and clauses means the corresponding articles, sections, paragraphs and clauses of this Agreement.

Section 2 Pledge of Equity Interests

2.1 As security for the satisfaction of the Secured Indebtedness, the Pledgors hereby agree to pledge to the Pledgee in accordance with this Agreement the Pledged Equity Interests, being equity interests, which are lawfully owned by them and which they have the right to dispose of. The Company hereby agrees to the pledging by the Pledgors of said Pledged Equity Interests to the Pledgee pursuant to this Agreement.

2.2 The Pledgors covenant to assume the responsibility of recording the equity interests pledge arrangement under this Agreement (the "**Equity Interests Pledge**") in the shareholder register of the Company on the date hereof. The Pledgors further covenant to use their best efforts and take all necessary measures to complete as soon as possible the pledge registration with the relevant administration of industry and commerce in connection with the Equity Interests Pledge hereunder.

2.3 During the term of this Agreement, the Pledgee shall not be held liable for any decrease in the value of the Pledged Equity Interests, and the Pledgors shall have no right to seek recourse in whatever form or make any demand against the Pledgee for such decrease, unless such decrease arises as a result of the Pledgee's willful misconduct or of the Pledgee's gross negligence which has a direct causal link with the result.

2.4 Subject to Section 2.3, if there is any likelihood of a manifest decrease in the value of the Pledged Equity Interests sufficient to prejudice the rights of the Pledgee, the Pledgee may at any time dispose of the Pledged Equity Interest on behalf of the Pledgors through an auction or sale and will, depending on the agreement with the Pledgors, either apply such auction or sale proceeds towards early repayment of the Secured Indebtedness or deposit such proceeds with the notary office at the Pledgee's location(with all expenses arising from such deposit to be assumed by the Pledgors). In addition, at the request of the Pledgee, the Pledgors shall also provide other assets as security for the Secured Indebtedness.

2.5 Upon the occurrence of any Event of Default, the Pledgee shall have the right to dispose of the Pledged Equity Interests by means of the methods specified under Section 4 hereof.

2.6 The Pledgors may effect a capital increase of the Company solely upon prior consent of the Pledgee. Any increase in its capital contribution to the registered capital of the Company as a result of a capital increase of the Company shall also constitute part of the Pledged Equity Interests and relevant equity pledge registration procedures shall be handled as soon as possible.

2.7 The Pledgors may receive any dividend or bonus in respect of the Pledged Equity Interests solely upon prior written consent of the Pledgee. Any dividend or bonus received by the Pledgors in respect of the Pledged Equity Interests shall be deposited into an account designated by the Pledgee, shall be subject to the supervision of the Pledgee and shall first be applied towards repayment of the Secured Indebtedness.

2.8 Upon the occurrence of any Event of Default, the Pledgee shall have the right to dispose of any Pledged Equity Interest of any Pledgor pursuant to the provisions of this Agreement.

Section 3 Release of Pledge

3.1 Upon full and complete performance of all Contractual Obligations and repayment of all Secured Indebtedness by the Pledgors and the Company, the Pledgee shall, at the request of the Pledgors, release the Equity Interests Pledge hereunder as soon as reasonably practical, and shall cooperate with the Pledgors to deregister the Equity Interests Pledge in the shareholder register of the Company and deregister the pledge with the relevant administration of industry and commerce; reasonable expenses incurred in connection with such release of the Equity Interests Pledge shall be assumed by the Pledgee.

Section 4 Disposal of the Pledged Equity Interests

4.1 The Parties hereby agree that upon the occurrence of any Event of Default the Pledgee shall have the right to exercise, upon written notice to the Pledgors, all default remedy rights and powers available to it under the PRC Laws, the Transaction Documents and this Agreement, including without limitation:

4.1.1 To the extent permitted by the PRC Laws, at the Pledgee's request, the Pledgors shall transfer, without prejudice to the Option Agreement, all or part of the Pledged Equity Interests held by the Pledgors in the Company to the Pledgee and/or any other entities or individuals designated by it at the price specified under the Option Agreement;

4.1.2 Without prejudice to the Transaction Documents, the Pledged Equity Interests shall be disposed of through an auction or discount sale, and the disposal proceeds shall be applied on a priority basis in favour of the Pledgee;

4.1.3 Subject to compliance with the PRC Laws, the Pledged Equity Interests shall be disposed of by means of such other method as may be agreed upon by the Pledgors and the Pledgee.

The Pledgee shall not be held liable for any losses arising from its reasonable exercise of its such rights or powers.

4.2 The Pledgee shall have the right to appoint in writing an attorney or any other agent who shall exercise on its behalf any and all of its aforesaid rights and powers; and the Pledgors or the Company shall raise no objection thereto.

4.3 The Pledgee shall have the right to truthfully deduct any reasonable expenses incurred by it in connection with the exercise of any or all aforesaid rights and powers from the proceeds received as a result of its exercise of the rights and powers.

4.4 The proceeds received by the Pledgee as a result of its exercise of its rights and powers shall be applied in the following order:

1. to pay all expenses incurred in connection with the disposal of the Pledged Equity Interests and the Pledgee's exercise of its rights and powers (including the fees of the attorney and agent(s) of the Pledgee);

2. to pay all taxes payable due to the disposal of the Pledged Equity Interests; and

3. to repay the Secured Indebtedness to the Pledgee.

Any balance after the above deductions shall be returned by the Pledgee to the Pledgors or any other person entitled to it in accordance with relevant laws and regulations, or shall be deposited with the notary office at the Pledgee's location(with all expenses incurred as a result of such deposit to be assumed by the Pledgee).

4.5 The Pledgee may at its option exercise any of its default remedy rights and powers either concurrently or successively; the Pledgee shall not be required to pursue other default remedies before it exercises the right to auction or sell the Pledged Equity Interest.

Section 5 Costs and Expenses

5.1 All actual costs in connection with the creation of the Equity Interests Pledge under this Agreement, including without limitation stamp duties, any other taxes and all legal fees, shall be borne by each Party respectively.

Section 6 Continuing Guaranty; No Waiver

6.1 The Equity Interests Pledge created under this Agreement shall constitute a continuing security and shall remain valid until the Contractual Obligations are fully performed or the Secured Indebtedness is fully satisfied. No waiver or grace period granted by the Pledgee with respect to a breach and no delay of Pledgee in exercising any of its rights under the Transaction Documents or this Agreement shall affect any right of the Pledgee to require, under this Agreement, the PRC Laws or the Transaction Documents, strict performance on the part of the Pledgors of the Transaction Documents or this Agreement at any time thereafter, or any right available to the Pledgee as a result of the Pledgors' subsequent breach of the Transaction Documents and/or this Agreement.

Section 7 Representations and Warranties of Pledgors

The Pledgors each represent and warrant to the Pledgee that:

7.1 The Pledgors are PRC citizens with full capacity or limited liability companies duly registered and validly existing under the PRC Laws with independent legal personality, and have legal rights and powers to enter into this Agreement and bear legal obligations thereunder.

7.2 All reports, documents and information provided by the Pledgors to the Pledgee prior to the effective date hereof regarding the Pledgors and all matters prescribed under this Agreement are in all material aspects true, accurate and complete as of the effective date hereof.

7.3 All reports, documents and information provided by the Pledgors to the Pledgee subsequent to the effective date hereof regarding the Pledgors and all matters prescribed under this Agreement are in all material aspects true, accurate and complete when they are provided.

7.4 As of the effective date hereof, the Pledgors are the sole and legal owner of the Pledged Equity Interests, and there are no currently existing dispute on the ownership of the Pledged Equity Interests. The Pledgors have the right to dispose of any and all of such Pledged Equity Interests.

7.5 Other than the security interests created hereunder and the rights created under the Transaction Documents, the Pledged Equity Interest has no other security interests or third party interests or any other restrictions.

7.6 The Pledged Equity Interests may be lawfully pledged and transferred, and the Pledgors have full rights and powers to pledge the Pledged Equity Interests to the Pledgee in accordance herewith.

7.7 This Agreement, once duly executed by the Pledgors, will constitutes their legal, valid and binding obligations .

7.8 All consents, permissions, waivers, authorizations from any third party or any approvals, licenses, waivers from or registrations or filings with any government authority (if required in accordance with laws) necessary for the execution and performance of this Agreement and the Equity Interests Pledge hereunder have been obtained or completed (except the pledge registration with the administration of industry and commerce, which will be handled as soon as reasonably possible following the execution of this Agreement) and will remain fully valid during the term of this Agreement.

7.9 The Pledgors' execution and performance of this Agreement does not violate or contravene any applicable laws, any agreements to which they are a party or which are binding upon their assets, any court judgments, any rulings of arbitration agencies, or any decisions of any administrative authorities.

7.10 The pledge hereunder shall constitute the first ranking security interest upon the Pledged Equity Interests.

7.11 All taxes and costs payable for the acquisition of the Pledged Equity Interests have been fully paid by the Pledgors.

7.12 There are no suits, legal proceedings or claims pending or, to the Pledgors' knowledge, threatened against the Pledgors or their assets or the Pledged Equity Interests, either before any court or arbitration tribunal, or before any government departments or administrative authorities, which may have a material or adverse effect on the Pledgors' economic conditions or their ability to perform the obligations under this Agreement or the guaranty obligations.

7.13 The Pledgors hereby warrant to the Pledgee that above representations and warranties will remain true, accurate and complete and will be fully complied with at any time and under any circumstances until all Contractual Obligations are fully performed or the Secured Indebtedness are fully repaid.

Section 8 Representations and Warranties of the Company

The Company represents and warrants to the Pledgee as follows:

8.1 The Company is a limited liability company duly registered and validly existing under the PRC Laws, with independent corporate legal personality; it has full and independent legal status and legal capacity to execute, deliver and perform this Agreement, and may sue and be sued as an independent party .

8.2 All reports, documents and information provided by the Company to the Pledgee prior to the effective date hereof regarding the Pledged Equity Interests and all matters prescribed under this Agreement are in all material aspects true, accurate and complete as of the effective date hereof.

8.3 All reports, documents and information provided subsequent to the effective date hereof by the Company to the Pledgee regarding the Pledged Equity Interests and all matters prescribed under this Agreement are in all material aspects true, accurate and complete when they are provided.

8.4 This Agreement, once duly executed by the Company, will constitute its legal, valid and binding obligations.

8.5 It has full internal corporate power and authority to execute and deliver this Agreement and all other documents to be entered into by it in connection with the transactions contemplated hereunder, and has full power and authority to consummate the transaction contemplated hereunder.

8.6 There are no suits, legal proceedings or claims pending or, to the Company's knowledge, threatened against the Pledged Equity Interests, the Company or its assets, either before any court or arbitration tribunal, or before any government departments or administrative authorities, which may have a material or adverse effect on the Company's economic conditions or the Pledgors' ability to perform the obligations under this Agreement or their guaranty obligations.

8.7 The Company agrees to be held severally and jointly liable to the Pledgee for the representations and warranties made by the Pledgors under Sections 7.4, 7.5, 7.6, 7.8 and 7.10 of this Agreement.

8.8 The Company warrants to the Pledgee that above representations and warranties will remain true, accurate and complete and will be fully complied with at any time and under any circumstances until all Contractual Obligations are fully performed or the Secured Indebtedness are fully repaid.

Section 9 Covenants of the Pledgors

The Pledgors each covenant to the Pledgee as follows:

9.1 Unless otherwise specified under the Option Agreement, without the Pledgee's prior written consent, the Pledgors will not create or permit to be created any new pledge or any other security interests upon the Pledged Security Interests, and any pledge or security interests upon all or part of the Pledged Security Interests created without the Pledgee's prior written consent shall be null and void.

9.2 Without prior written notice to and prior written consent from the Pledgee, the Pledgors may not sell, transfer or dispose of the Pledged Equity Interests and any purported sale, transfer or disposal by the Pledgors of the Pledged Equity Interests shall be null and void. The proceeds from the sale, transfer or disposal by the Pledgors of the Pledged Equity Interests shall first be applied towards repaying the Secured Indebtedness to the Pledgee or shall be deposited with a third party agreed upon with the Pledgee.

9.3 If there occurs any lawsuit, arbitration or claim that may have an adverse effect on the interests of the Pledgors or the Pledgee under the Transaction Documents and this Agreement or on the Pledged Equity Interests, the Pledgors warrant that they shall notify the Pledgee in writing as expeditiously as possible and in a timely manner and shall, at the reasonable request of the Pledgee, take all measures necessary to ensure the pledgee rights and interests of the Pledgee to and in the Pledged Equity Interests.

9.4 The Pledgors covenant to complete all registration procedures necessary to extend the business term of the Company within three months prior to the expiry of the Company's business term such that this Agreement will remain effective.

9.5 The Pledgors may not do or permit to be done any acts or actions likely to have an adverse effect on the interests of the Pledgee under the Transaction Documents and this Agreement or on the Pledged Equity Interests. The Pledgors will waive their rights of first purchase in the event the Pledgee realizes the pledge.

9.6 The Pledgors warrant that they will take at the Pledgee's reasonable request all measures and execute all documents (including without limitation any supplementary agreements hereto) necessary to ensure the pledgee rights and interests of the Pledgee on the Pledged Equity Interests and the exercise and realization of such rights.

9.7 If any transfer of the Pledged Equity Interests arises out of the exercise of the pledge hereunder, the Pledgors warrant that they will take all measures to effect such transfer.

9.8 The Pledgors shall ensure that the convening procedures, voting methods and contents of the shareholders' meetings and the board meetings of the Company convened for the purpose of the execution of this Agreement, the creation of the pledge and the exercise of the pledgee rights will not breach any laws, administrative regulations, the articles of association of the Company or the Transaction Documents.

Section 10 Covenants of the Company

10.1 If any consents, permissions, waivers, authorizations from any third party or any approvals, licenses, waivers from or registrations or filings with any government authority (if required in accordance with laws) are necessary for the execution and performance of this Agreement and the Equity Interests Pledge hereunder, the Company will use its best efforts to assist in obtaining the same and maintaining their full validity during the term of this Agreement.

10.2 Without the Pledgee's prior written consent, the Company will not assist or permit the Pledgors to create any new pledge or any other security interests upon the Pledged Security Interests.

10.3 Without the Pledgee's prior written consent, the Company will not assist or permit the Pledgors to transfer the Pledged Equity Interests.

10.4 If there occurs any lawsuit, arbitration or claim that may have an adverse effect on Company, the Pledged Equity Interests, or the Pledgee's interests under the Transaction Documents and this Agreement, the Company warrants that it shall notify the Pledgee in writing as expeditiously as possible and in a timely manner and shall, at the reasonable request of the Pledgee, take all measures necessary to ensure the pledgee rights and interests of the Pledgee to and in the Pledged Equity Interests

10.5 The Company covenants to complete all registration procedures necessary to extend its business term within three months prior to the expiry of such term, so that this Agreement will remain effective.

10.6 The Company may not do or permit to be done any acts or actions likely to have an adverse effect on the interests of the Pledgee under the Transaction Documents and this Agreement or on the Pledged Equity Interests.

10.7 The Pledgors will within the first month of each calendar quarter provide the Pledgee with the quarterly financial statements of the Company of the preceding quarter, including without limitation the balance sheet, the income statement and the cash flow statement.

10.8 The Company warrants that it will take at the Pledgee's reasonable request all measures and execute all documents (including without limitation any supplementary agreements hereto) necessary to ensure the pledgee rights and interests of the Pledgee on the Pledged Equity Interests and the exercise and realization of such rights

10.9 If any transfer of the Pledged Equity Interests arises out of the exercise of the pledge hereunder, the Company warrant to take all measures to effect such transfer.

Section 11 Change of Circumstances

11.1 To the extent not inconsistent with the Transaction Documents and the other provisions of this Agreement, if, at any time, due to an enactment of or changes to any PRC Laws, regulations or rules, or changes to any interpretation or application of such laws, regulations or rules, or changes to applicable registration procedures, maintaining the effectiveness of this Agreement and/or disposing of the Pledged Equity Interests by means of the methods specified under this Agreement becomes, in the opinion of the Pledgee, illegal or conflicts with such laws, regulations or rules, then the Pledgors and the Company shall on the written instruction of the Pledgee immediately take any action and/or execute any agreement or other document in accordance with the reasonable requirements of the Pledgee so as to:

(1) maintain the effectiveness of this Agreement;

(2) dispose of the Pledged Equity Interests by means of the methods specified under this Agreement; and/or

(3) maintain or realize the security created or intended to be created under this Agreement.

Section 12 Effectiveness and Term of this Agreement

12.1 This Agreement shall take effect on the date when it is duly executed by the Parties. The Pledgors shall, acting in good faith, exert every effort to register such Equity Interests Pledge with the competent administration of industry and commerce within the shortest period of time. In furtherance of the foregoing, the Pledgors shall apply to the competent administration of industry and commerce for the registration within three (3) business days of the execution of this Agreement, provided that, if , due to a reason not attributable to the Pledgors, such application fails to be accepted and processed in a timely manner, they shall not be deemed in breach. After this Agreement takes effect, the Pledgors shall, as required by the Pledgee, provide the Pledgee with the pledge registration certification issued by the administration of industry and commerce in a form satisfactory to the Pledgee.

12.2 The term of this Agreement shall last until all Contractual Obligations have been fully performed or the Secured Indebtedness has been fully satisfied.

Section 13 Notice

13.1 Any notice, request, demand and other correspondences required by or made in accordance with this Agreement shall be served on the relevant Party(ies) in writing.

13.2 The above notices or other correspondences shall be deemed given upon transmission, if sent by facsimile, or upon delivery, if delivered in person, or on the fifth (5) day after posting, if sent by mail.

Section 14 Miscellaneous

14.1 The Pledgors and the Company agree that the Pledgee may transfer its rights and/or obligations under this Agreement to any third party immediately upon notice to the Pledgors and the Company; nevertheless, without the Pledgee’s prior written consent, none of the Pledgors or the Company may transfer their rights, obligations or liabilities hereunder to any third party. The successors or permitted assignees (if any) of the Pledgors and the Company shall continue to perform the respective obligations of the Pledgors and the Company under this Agreement.

14.2 The amount of the Secured Indebtedness determined by the Pledgee at its sole discretion in connection with its exercise of its pledgee rights to the Pledged Equity Interests in accordance with the provisions hereunder shall be the conclusive evidence as to the Secured Indebtedness under this Agreement.

14.3 This Agreement is made in Chinese in four originals, with each Party hereto holding one copy.

14.4 The execution, validity, performance, amendment, interpretation and termination of this Agreement shall all be governed by the PRC Laws.

14.5 Any dispute arising from or in connection with Agreement shall be resolved by the Parties through consultations. If the Parties fail to reach an agreement within thirty (30) days after its occurrence, such dispute shall be brought before the competent people's court of Hangzhou for adjudication.

14.6 No rights, powers and remedies granted to any Party by any provision herein shall preclude any other rights, powers and remedies such Party is entitled to in accordance with laws and other provisions of this Agreement; and no exercise by a Party of its rights, powers and remedies shall preclude its exercise of any other rights, powers and remedies it is entitled to.

14.7 No failure or delay by a Party to exercise any of its rights, powers and remedies under this Agreement or the laws (the "**Party Rights**") shall operate as a waiver of such Party Rights, nor shall any single or partial exercise of any Party Rights preclude any further exercise of such Party Rights or any exercise of any other Party Rights.

14.8 The headings of the sections herein are for reference only and shall in no event be used in or affect the interpretation of the provisions hereof.

14.9 Each provision contained herein shall be severable and independent from other provisions. If at any time any one or more provisions herein become invalid, illegal or unenforceable, the validity, legality or enforceability of all other provisions herein shall not be affected thereby.

14.10 Any amendments or supplements to this Agreement shall be made in writing. Except where the Pledgee transfers its rights hereunder in accordance with Section 14.1 hereof, the amendments or supplements to this Agreement shall become effective only upon their being duly executed by the Parties hereto

14.11 This Agreement shall be binding upon the lawful successors of each Party.

14.12 Concurrently with the execution of this Agreement, each of the Pledgors shall sign a power of attorney (the "**Power of Attorney**") authorizing any person designated by the Pledgee to execute on behalf of such Pledgor in accordance with this Agreement any and all legal instruments necessary for the exercise by the Pledgee of its rights hereunder. Such Powers of Attorney shall be kept by the Pledgee and may whenever necessary be delivered by the Pledgee to relevant government authorities.

14.13 Upon execution , this Agreement shall supersede any other legal documents previously executed by the Parties with respect to the same subject matter hereof. The Parties agree that if, in accordance with the then-current requirements of the registration authority, an equity pledge agreement in form and substance of a different kind must be entered into for the purpose of registering the pledge hereunder with the registration authority, such agreement shall not be deemed as any substitute of or amendment to this Agreement. In the event of any conflict or contradiction between said agreement and this Agreement, this Agreement shall govern and control.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date and at the place first above written.

Wei Chen

Signature: /s/ Wei Chen

Lili He

Signature: /s/ Lili He

BEST Store Network (Hangzhou) Co., Ltd.

(Seal)

Authorized Signatory: /s/ Shao-Ning Johnny Chou

Hangzhou Baijia Business Management Consulting Co., Ltd.

(Seal)

Authorized Signatory: /s/ Wei Chen

Schedule I

Company basic information

Company Name:	Hangzhou Baijia Business Management Consulting Co., Ltd.
Registered Address:	Room 3128, Building No. 2, 1197 Bin’an Road, Binjiang District, Hangzhou, Zhejiang Province
Registered Capital:	RMB10,000,000
Legal Representative:	Wei Chen

Shareholding Structure:

Wei Chen	RMB5,000,000	50%	Cash
Lili He	RMB5,000,000	50%	Cash
Total	RMB10,000,000	100%	

Wei Chen

Lili He

BEST Inc.

BEST Store Network (Hangzhou) Co., Ltd.

AND

Hangzhou Baijia Business Management Consulting Co., Ltd.

SHAREHOLDERS' VOTING RIGHTS PROXY AGREEMENT
FOR
HANGZHOU BAIJIA BUSINESS MANAGEMENT CONSULTING CO., LTD.

May 13, 2020

SHAREHOLDERS' VOTING RIGHTS PROXY AGREEMENT

This **Shareholders' Voting Rights Proxy Agreement** (this "**Agreement**") is entered into as of May 13, 2020 in Hangzhou, Zhejiang Province, the People's Republic of China (the "**PRC**") by and among the following Parties:

1. Wei Chen
Address: 105 Wenhua Road, Changguo Sub-district, Dinghai District, Zhoushan, Zhejiang
ID No.:

2. Lili He
Address: 1 Weiye Road, Binjiang District, Hangzhou
ID No.:

(Wei Chen and Lili He shall hereinafter be referred to individually as a "**Shareholder**", or collectively as the "**Shareholders**");

3. BEST Inc. (the "**Cayman Company**")
Registered address: the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands

4. BEST Store Network (Hangzhou) Co., Ltd. (the "**WFOE**")
Registered address: 254 Weiken Avenue, Xiasha, Hangzhou Economic and Technological Development Zone, Zhejiang Province
Legal representative: Shao-Ning Johnny Chou

5. Hangzhou Baijia Business Management Consulting Co., Ltd. (the "**Company**")
Registered address: Room 3128, Building No. 2, 1197 Bin'an Road, Binjiang District, Hangzhou, Zhejiang Province
Legal representative: Wei Chen

(In this Agreement, each aforesaid party is referred to individually as a "**Party**" or collectively as the "**Parties**".)

Whereas:

1. The Shareholders are the existing shareholders of the Company, holding 100% equity interest in the Company;

2. The Shareholders each intend to entrust an individual(s) designated by the WFOE and approved by the Cayman Company to exercise on their behalf their voting rights at the Company, and the WFOE has agreed to designate such individual(s) to accept such entrustment.

NOW, THEREFORE, upon friendly consultations, the Parties hereby agree as follows:

Section 1 Voting Rights Proxy

1.1 Each Shareholder hereby irrevocably undertakes to execute a power of attorney in the form and substance of Schedule I hereto upon entry into this Agreement, and each Shareholder shall empower an individual(s) then designated by the WFOE and approved by the Cayman Company (the "**Proxy**"), to exercise on behalf of such Shareholder in a manner consented to by the Cayman Company the following rights such Shareholder shall be entitled to in its capacity as a shareholder of the Company in accordance with then effective articles of association of the Company (collectively the "**Proxy Rights**"):

(1) to propose the convening of, and attend, as Proxy of the Shareholder, the shareholders' meetings of the Company in accordance with the articles of association of the Company;

(2) to exercise voting rights on behalf of each Shareholder in respect of all matters to be deliberated and resolved upon by the shareholders' meetings, including but not limited to the following: (a) to designate and elect the Company's directors and other senior management to be appointed and removed by the shareholders, (b) to propose and resolve upon the dissolution or liquidation of the Company in accordance with the procedures specified by the Company's articles of association, (c) to dispose of or transfer the Company's assets, or transfer on behalf of each Shareholder all or part of its equity interest in the Company;

(3) to exercise other shareholder voting rights under the articles of association of the Company (including any such other shareholder voting rights as may be prescribed by amendments thereto).

The foregoing grant of powers and entrustment is conditional upon the Proxy being a PRC citizen and the WFOE and the Cayman Company consenting to such grant of powers and entrustment. With the Cayman Company's consent, the WFOE shall have the right to replace the aforesaid Proxy at any time. If and only if the WFOE has given the Shareholders a written notice requesting to remove and replace the Proxy, the Shareholders shall immediately appoint such other PRC citizen as designated by the WFOE and approved by the Cayman Company to exercise the aforesaid Proxy Rights; and once made, such new grant of powers and entrustment shall immediately supersede the original authorization and entrustment. Except in accordance with the foregoing, the authorization and entrustment granted to the Proxy shall not be revoked by the Shareholders.

1.2 The Proxy shall act with care and diligence and lawfully fulfil the entrusted obligations with the scope of the authorization hereunder; the Shareholders shall each accept, and bear legal liabilities for, any legal consequences arising from the Proxy's exercise of aforesaid Proxy Rights.

1.3 The Shareholders hereby confirm that the Proxy shall not be required to solicit the opinions of the Shareholders before it exercises the aforesaid Proxy Rights, provided that the Proxy shall keep the Shareholders timely informed if any resolution has been adopted or any proposal to convene an extraordinary shareholders' meeting has been made.

Section 2 Information Right

2.1 For the purpose of exercising its Proxy Rights hereunder, the Proxy shall have the right to obtain knowledge of all information pertaining to the Company's operations, businesses, customers, finances, employees, etc. and to inspect relevant materials of the Company; the Company shall provide full cooperation in this regard.

Section 3 Exercise of Proxy Rights

3.1 The Shareholders shall provide full assistance to the Proxy in connection with its exercise of its Proxy Rights, including, where necessary (e.g., when it is necessary to meet government approval, registration and record-related filing requirements), timely execution of the shareholders' meeting resolutions or other relevant legal documents adopted by the Proxy.

3.2 If at any time during the term hereof, it becomes impossible to achieve the grant or exercise of the Proxy Rights hereunder for any reason (other than due to a breach by the Shareholders or the Company), the Parties shall immediately seek an alternative solution closest to the unachievable provisions and shall, as necessary, enter into a supplementary agreement to amend or modify the provisions hereof such that the purpose of this Agreement may continue to be achieved.

3.3 If, upon the exercise by the Proxy of the Proxy Rights, the Company is dissolved, or any Shareholder transfers all or part of its equity interest in the Company, and if any Shareholder has received from such liquidation or equity transfer aggregate proceeds in excess of its capital contribution to the Company or has received from the Company any profits, bonuses, dividends or other distributions of whatever form, then to the extent not contrary to PRC laws, such Shareholder agrees to waive the excessive amount (relative to its capital contribution) and any such profits, bonuses, dividends or distributions (net of tax and fees) , and the WFOE and/or the Cayman Company shall be entitled to receive the same. Such Shareholders shall direct the relevant transferee or the Company to wire such proceeds to the bank account then designated by the WFOE or the Cayman Company.

Section 4 Disclaimer and Indemnity

4.1 The Parties acknowledge that the WFOE and the Cayman Company shall in no event be held liable to the other Parties or any third party or to provide any indemnity, economic or otherwise, for the exercise by the individual(s) designated or approved by them of the Proxy Rights hereunder.

4.2 The Shareholders and the Company agree to indemnify and hold the WFOE and the Cayman Company harmless against any and all losses suffered or likely to be suffered by them as a result of the exercise of the Proxy Rights by the Proxy designated or approved by the WFOE or the Cayman Company, including, without limitation, any losses arising out of any suit, recourse, arbitration or claims brought by any third party against them or of any administrative investigation or sanction of any government authorities, except where such losses have arisen out of the willful misconduct or gross negligence of the Proxy.

Section 5 Representations and Warranties

5.1 The Shareholders and the Company hereby respectively represent and warrant as follows:

5.1.1 They are either a PRC citizen with full capacity or a limited liability company duly registered and validly existing under the PRC laws with independent corporate legal personality; they have full and independent legal status and legal capacity and have been duly authorized to execute, deliver and perform this Agreement, and may sue and be sued as an independent party.

5.1.2 They have full power and authority to execute and deliver this Agreement and all the other documents to be entered into by them in connection with the transaction contemplated hereunder, as well as to consummate the transaction hereunder. This Agreement has been duly and lawfully executed and delivered by them and shall constitute their legal and binding obligations, enforceable against them in accordance with the provisions hereof.

5.1.3 The Shareholders are the lawfully registered shareholders of Company as of the effective date hereof, except the rights created by this Agreement, the Equity Pledge Agreement executed by and among the Shareholders, the Company and the WFOE as of the date hereof, and the Exclusive Option Agreement executed by and among the Shareholders, the Company, the WFOE and the Cayman Company as of the date hereof, the Proxy Rights are free and clear of any third party rights. Pursuant to this Agreement, the Proxy may exercise the Proxy Rights completely and fully in accordance with the then effective articles of association of the Company.

5.2 The Cayman Company and the WFOE hereby respectively represent and warrant as follows:

5.2.1 They are either a company duly registered and validly existing under the laws of the Cayman Islands or a limited liability company duly registered and validly existing under the PRC laws, with an independent corporate legal personality; they have full and independent legal status and legal capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.

5.2.2 They have full internal power and authority to execute and deliver this Agreement and all the other documents in connection with the transaction contemplated hereunder, which are to be entered into by them, and have full power and authority to consummate the transaction hereunder.

Section 6 Term of Agreement

6.1 This Agreement shall become effective on the date when it is duly executed by the Parties hereto, and shall remain valid so long as the Shareholders are the Company’s shareholders, until and unless it is terminated early by the WFOE or the Cayman Company in accordance with Section 9.1 hereof.

Section 7 Notice

7.1 Any notice, request, demand and other correspondences required hereby or made hereunder shall be served in writing on the relevant Party.

7.2 The above notices or other correspondences shall be deemed given (i) upon transmission, if sent by facsimile, or (ii) upon delivery to the recipient if delivered in person, or (iii) on the fifth (5) day after posting, if sent by mail.

Section 8 Confidentiality

8.1 Notwithstanding the termination of this Agreement, the Parties shall maintain in strict confidence the business secrets, proprietary information, customer information and any other information of a confidential nature of the other Parties coming into its knowledge during the conclusion and performance of this Agreement (collectively, "**Confidential Information**"). Except with prior written consent from the Party disclosing the Confidential Information or to the extent required to disclose to a third party by relevant laws or regulations or by the requirements of the listing venue of an affiliate, no Party receiving the Confidential Information shall disclose any Confidential Information to any third party; the Party receiving the Confidential Information shall not use, directly or indirectly, any Confidential Information other than for the purpose of performing this Agreement.

8.2 The following information shall not constitute Confidential Information:

(a) any information which, as shown by written evidence, has previously been known to the receiving Party by lawful means;

(b) any information which enters the public domain other than as a result of the receiving Party's fault; or

(c) any information lawfully acquired by the receiving Party from another source subsequent to its receipt thereof hereunder.

8.3 A recipient Party may disclose the Confidential Information to its relevant employees, or agents to the professionals engaged by it, provided that such recipeint Party shall ensure that such persons shall comply with relevant terms and conditions of this Agreement and that it shall assume any liability arising out of any breach by such persons thereof.

8.4 Notwithstanding any other provisions herein, the validity of this Section shall not be affected by the suspension or termination of this Agreement.

Section 9 Liability for Default

9.1 The Parties agree and acknowledge that if any Party (the "**Defaulting Party**") materially breaches any provision hereof, or materially fails to perform or delays in performing any obligation hereunder, such breach, failure or delay shall constitute a default hereunder (the "**Default**") and any of the non-defaulting Parties (the "**Non-Defaulting Party**") shall have the right to demand the Defaulting Party to cure such Default or take remedial measures within a reasonable period of time. If the Defaulting Party fails to cure such Default or take remedial measures within such reasonable period of time or within ten (10) days upon receipt of the written notice from the Non-Defaulting Party requesting it to cure such Default, then:

9.1.1 If any Shareholder or the Company is the Defaulting Party, the WFOE or the Cayman Company shall be entitled to terminate this Agreement and demand the Defaulting Party to indemnify for damage;

9.1.2 If the WFOE or the Cayman Company is the Defaulting Party, the Non-Defaulting Party shall be entitled to demand the Defaulting Party to indemnify for damage, provided that unless otherwise stipulated by laws, the Non-Defaulting Party shall in no event be entitled to terminate or rescind this Agreement.

9.2 Notwithstanding any other provisions hereof, this Section shall survive the suspension or termination of this Agreement.

Section 10 Miscellaneous

10.1 This Agreement is made in Chinese in five (5) originals with each Party retaining one (1) copy hereof.

10.2 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the PRC laws.

10.3 Any disputes arising under or in connection with this Agreement shall be resolved by the Parties through consultations. If the Parties fail to reach an agreement within thirty (30) days after its occurrence, such dispute shall be brought before the competent people's court of Hangzhou for adjudication.

10.4 No rights, powers and remedies granted to any Party by any provision herein shall not preclude any other rights, powers and remedies such Party is entitled to in accordance with laws and other provisions of this Agreement, and no exercise by a Party of its rights, powers and remedies shall preclude its exercise of any other rights, powers and remedies it is entitled to.

10.5 No failure or delay by a Party to exercise any of its rights, powers and remedies under this Agreement or the laws (the "**Party Rights**") shall operate as a waiver of such Party Rights, nor shall any single or partial exercise of any Party Rights preclude any further exercise of such Party Rights or any exercise of any other Party Rights.

10.6 The headings of the sections herein are for reference only, and in no circumstances shall such headings be used in or affect the interpretation of the provisions hereof.

10.7 Each provision contained herein shall be severable and independent from other provisions. If at any time any one or more provisions herein become invalid, illegal or unenforceable, the validity, legality or enforceability of all other provisions herein shall not be affected thereby.

10.8 Upon execution, this Agreement shall supersede any other legal documents previously executed by relevant parties with respect to the same subject matter hereof.

10.9 Any amendments or supplements to this Agreement shall be in writing and shall become effective after duly executed by the Parties hereto.

10.10 No Party shall assign any of its rights and/or obligations hereunder to any third parties without prior written consent from other Parties.

10.11 This Agreement shall be binding on the lawful assignees or successors of the Parties.

[The remainder of this page is intentionally left blank]

IN WITNESS HEREOF, the Parties have duly executed this Agreement on the date and at the place first above written.

Wei Chen
Signature: /s/ Wei Chen

Lili He
Signature: /s/ Lili He

BEST Inc.
(Seal)
/s/ Shao-Ning Johnny Chou

BEST Store Network (Hangzhou) Co., Ltd.
(Seal)
Authorized Signatory: /s/ Shao-Ning Johnny Chou

Hangzhou Baijia Business Management Consulting Co., Ltd.
(Seal)
Authorized Signatory: /s/ Wei Chen

Schedule I

Power of Attorney

This Power of Attorney (the "**Power of Attorney**"), executed by [name of company shareholder] (domicile: [●], ID No./Registration No. [●]) on [date], is issued to and in favor of [●] (domicile: [●], ID No. [●]) (the "**Proxy**").

I/We, [name of individual/company], hereby grant to the Proxy a general proxy authorizing the Proxy to exercise, as my/our proxy and on my/our behalf, the following rights I/we are entitled to exercise in my/our capacity as a shareholder of Hangzhou Baijia Business Management Consulting Co., Ltd. (the "**Company**"):

(1) to propose the convening of, and attend, the shareholders' meetings as my/our proxy in accordance with the articles of association of the Company;

(2) to exercise voting rights as my/our Proxy in respect of all matters to be deliberated and resolved upon by the shareholders' meetings, including but not limited to the following: (a) to designate and elect the Company's directors and other senior management to be appointed and removed by the shareholders, (b) to propose and resolve upon the dissolution or liquidation of the Company in accordance with the procedures specified by the Company's articles of association, (c) to dispose of or transfer the Company's assets, or transfer on behalf of each Shareholder all or part of its equity interest in the Company;

(3) to exercise other shareholder voting rights under the articles of association of the Company (including any such other shareholder voting rights as may be prescribed by amendments thereto).

I/We hereby irrevocably confirm that unless BEST Store Newtork (Hangzhou) Co., Ltd. (the "**WFOE**"), has served on me/us a written instruction to replace the Proxy upon consent of BEST Inc. (a company established and existing pursuant to the laws of Cayman Islands) (the **"Cayman Company"**), this Power of Attorney shall remain valid until the expiry or early termination of the Shareholders' Voting Rights Proxy Agreement dated _____ by and among the Cayman Company, the WFOE, the Company and the shareholders of the Company.

Name:

By (signature/seal): _____

Date:

Wei Chen

Lili He

BEST Inc.

BEST Store Network (Hangzhou) Co., Ltd.

AND

Hangzhou Baijia Business Management Consulting Co., Ltd.

EXCLUSIVE CALL OPTION AGREEMENT
FOR
HANGZHOU BAIJIA BUSINESS MANAGEMENT CONSULTING CO., LTD.

May 13, 2020

EXCLUSIVE CALL OPTION AGREEMENT

This **Exclusive Call Option Agreement** (the "**Agreement**") is entered into as of May 13, 2020 in Hangzhou, Zhejiang Province, the People's Republic of China (the "**PRC**") by and among the following Parties:

1. Wei Chen
   Address: 5/F, Block A, Huaxing Modern Industry Park, No. 18 Tangmiao Road, Xihu District, Hangzhou
   ID No.:

2. Lili He
   Address: 5/F, Block A, Huaxing Modern Industry Park, No. 18 Tangmiao Road, Xihu District, Hangzhou
   ID No.:

(Wei Chen and Lili He shall hereinafter be referred to individually as an "**Existing Shareholder**", or collectively as the "**Existing Shareholders**");

3. BEST Inc. (the "**Cayman Company**")
   Registered address: the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands

4. BEST Store Network (Hangzhou) Co., Ltd. (the "**WFOE**")
   Registered address: 254 Weiken Avenue, Xiasha, Hangzhou Economic and Technological Development Zone, Zhejiang Province
   Legal representative: Shao-Ning Johnny Chou

(The Cayman Company and the WFOE shall hereinafter be referred to individually as an "**Option Holder**", or collectively as the "**Option Holders**".)

5. Hangzhou Baijia Business Management Consulting Co., Ltd. (the "**Company**")
   Registered address: Room 3128, Building No. 2, 1197 Bin'an Road, Binjiang District, Hangzhou, Zhejiang Province
   Legal representative: Wei Chen

(In this Agreement, each of aforesaid parties shall be referred to individually as a "**Party**" or collectively as the "**Parties**".)

Whereas,

(1) The Existing Shareholders are the registered shareholders of the Company and own all the equity of the Company in accordance with law; their respective capital contributions to and ownership interests in the Registered Capital of the Company as of the date hereof are set forth in Schedule I hereto;

(2) Subject to compliance with PRC Laws, the Existing Shareholders intend to transfer to the Option Holders all the equity interests respectively held by them in the Company, and the Option Holders intend to accept such transfer;

(3) Subject to compliance with PRC Laws, the Company intends to transfer to the Option Holders all of its assets, and the Option Holders intend to accept such transfer;

(4) In order to consummate the aforesaid equity or assets transfer, the Existing Shareholders and the Company have agreed to grant the Option Holders an irrevocable and exclusive option for equity transfer and an irrevocable and exclusive option for asset purchase, respectively.

NOW, THEREFORE, upon mutual consultations, the Parties hereby agree as follows:

Section 1 Definition

1.1 Unless otherwise required in the context, the following terms in this Agreement shall have the following meanings:

"PRC Laws"	means the then effective laws, administrative regulations, administrative rules, local regulations, judicial interpretations and other binding normative documents of the PRC.
"**Equity Call Option**"	means the option to purchase, or designate other entities or individuals to purchase, the equity interests in the Company, as granted by the Existing Shareholders to the Option Holders pursuant to the terms and conditions of this Agreement.
"**Assets Call Option**"	means the option to purchase, or designate other entities or individuals to purchase, any assets of the Company, as granted by the Company to the Option Holders pursuant to the terms and conditions of this Agreement.
"**Option Subject Equity Interest**"	means, in respect of each Existing Shareholder, all the equity interest owned by such Existing Shareholder in the Registered Capital of the Company (as defined below), and in respect of all the Existing Shareholders, the 100% equity interest in the Registered Capital of the Company.
"**Registered Capital of the Company**"	means the registered capital of Company as of the date hereof in the amount of RMB10,000,000, and includes any increase of such registered capital as a result of any capital increase during the term of this Agreement.
"**Transferrable Equity Interest**"	means the equity interest which the Option Holders, upon the exercise of their Equity Call Option in accordance with Section 3 hereof, are entitled to request any Existing Shareholder to transfer to them or their designated entities or individuals, and the amount of which may equal all or part of the Option Subject Equity Interest and shall be determined by the Option Holders at their sole discretion in accordance with the then effective PRC Laws and their commercial considerations.
"**Transferrable Asset**"	means the assets of the Company which the Option Holders, upon the exercise of their Assets Call Option in accordance with Section 3 hereof, are entitled to request the Company to transfer to them or their designated entities or individuals, and the amount of which may equal all or part of the assets of the Company and shall be determined by the Option Holders at their sole discretion in accordance with the then effective PRC Laws and their commercial considerations.
"**Exercise**"	means the exercise by the Option Holders of their Equity Call Option and/or Assets Call Option.
"**Transfer Price**"	means the aggregate consideration payable to the Existing Shareholders or the Company by the Option Holders or their designated entities or individuals for the Transferrable Equity Interest or the Transferrable Asset in connection with each Exercise.

"**Operating Licenses**"	means any approvals, permits, filings, registrations and the like required to be possessed by the Company for its lawful and effective operation of all of its businesses, including, without limitation, the Business License, the Tax Registration Certificate, Food Business License, Retail Sale of Tobacco License, Publication License, Pharmaceutical License possessed by the Company or its branches and other relevant licenses and permits prescribed by the then effective PRC Laws.
"**Company Assets**"	means all the tangible and intangible assets which the Company owns or is entitled to dispose of within the term of this Agreement, including, without limitation, any fixed assets, moveable assets, goodwill, franchisees' network, information of customers and suppliers, and trademarks, copyrights, patents, know-how, domain names, software use rights and other intellectual property.
"**Material Agreement**"	means any agreement to which the Company is a party and which has material impact on the businesses or the assets of the Company, including, without limitation, the Exclusive Services Agreement entered into by and between the Company and the WFOE as of even date herewith and other material agreements relating to the business of the Company.
"**Exercise Notice**"	has the meaning as provided in Section 3.7.
"**Confidential Information**"	has the meaning as provided in Section 9.1.
"**Defaulting Party**"	has the meaning as provided in Section 12.1.
"**Default**"	has the meaning as provided in Section 12.1.
"**Party Rights**"	has the meaning as provided in Section 13.6.

1.2 A reference to any PRC Laws herein shall (1) include the amendments, changes, supplements and reenactments thereof, irrespective of whether they take effect before or after the execution of this Agreement; and (2) include a reference to other decisions, notices or regulations enacted in accordance therewith or which become effective as a result thereof.

1.3 Unless otherwise specified herein, all references to a section, clause, item or paragraph shall refer to the relevant section, clause, item or paragraph of this Agreement.

Section 2 Grant of Equity Call Option and Assets Call Option

2.1 The Existing Shareholders hereby severally and jointly agree to irrevocably and unconditionally grant an exclusive Equity Call Option to the Option Holders, pursuant to which the Option Holders shall be entitled, to the extent permitted by the PRC Laws and subject to the terms and conditions of this Agreement, to request the Existing Shareholders to transfer the Option Subject Equity Interests to the Option Holders or their designated entities or individuals. The Option Holders agree to accept such Equity Call Option.

2.2 The Company hereby agrees to the grant of the Equity Call Option to the Option Holders by the Existing Shareholders under the aforesaid Section 2.1 and other provisions of this Agreement.

2.3 The Company hereby agrees to irrevocably and unconditionally grant an exclusive Assets Call Option to the Option Holders, pursuant to which the Option Holders shall be entitled to, to the extent permitted under the PRC Laws and subject to the terms and conditions of this Agreement, request the Company to transfer any or all of the Company Assets to the Option Holders or their designated entities or individuals. The Option Holders agree to accept such Assets Call Option.

2.4 The Existing Shareholders hereby severally and jointly agree to the grant of the Assets Call Option to the Option Holders by the Company under the aforesaid Section 2.3 and other provisions of this Agreement.

Section 3 Method of Exercise of Options

3.1 Subject to the terms and conditions of this Agreement and to the extent permitted under the PRC Laws, the Option Holders shall have the sole discretion in deciding the timing, method and number of its Exercises.

3.2 Subject to the terms and conditions of this Agreement and to the extent not inconsistent with the then effective PRC Laws, the Option Holders are entitled to request the Existing Shareholders to transfer all or part of the equity interests in the Company to the Option Holders themselves or their designated entities or individuals at any time.

3.3 Subject to the terms and conditions of this Agreement and to the extent not inconsistent with the then effective PRC Laws, the Option Holders are entitled to request the Company to transfer all or part of its assets to the Option Holders themselves or their designated entities or individuals at any time.

3.4 In respect of the Equity Call Option, for each Exercise, the Option Holders shall have the discretion to determine the amount of the Transferrable Equity Interests to be transferred by the Existing Shareholders to the Option Holders and/or their designated entities or individuals, and the Existing Shareholders shall each transfer such Transferrable Equity Interests to the Option Holders and/or their designated entities or individuals according to the amounts requested by the Option Holders. The Option Holders and/or their designated entities or individuals shall pay the Transfer Price to the Existing Shareholders for the transfer of the Transferrable Equity Interests in connection with each Exercise.

3.5 In respect of the Assets Call Option, for each Exercise, the Option Holders shall have the discretion to determine the specific Transferrable Asset to be transferred by the Company to the Option Holders and/or their designated entities or individuals, and the Company shall transfer such Transferrable Asset to the Option Holders and/or their designated entities or individuals at the Option Holders' request. The Option Holders and/or their designated entities or individuals shall pay the Transfer Price to the Company for the transfer of the Transferrable Asset in connection with each Exercise.

3.6 For each Exercise, the Option Holders may either accept themselves the transfer of the Transferrable Equity Interests or Transferrable Asset or may have a third party designated by them in their discretion accept the transfer of all or part of such Transferrable Equity Interests or Transferrable Asset.

3.7 Upon each of its Exercise decision, the Option Holders shall issue to the Existing Shareholders or the Company, as the case may be, an Equity Call Option exercise notice or Assets Call Option exercise notice (the "**Exercise Notice**", the forms of which are attached hereto as Schedule II and Schedule III). The Existing Shareholders or the Company shall, upon receipt of the Exercise Notice, immediately transfer the Transferrable Equity Interests or the Transferrable Asset to the Option Holders and/or their designated entities or individuals according to the Exercise Notice in such manner as provided under Section 3.4 or Section 3.5 of this Agreement.

3.8 For the avoidance of doubt, the Cayman Company shall have the right to decide at its sole discretion whether the Equity Call Option and the Assets Call Option hereunder shall be exercised by the Cayman Company and/or the WFOE.

Section 4 Transfer Price

4.1 In respect of the Equity Call Option, for each Exercise, the aggregate Transfer Price payable by the Option Holders or their designated entities or individuals to the Existing Shareholders shall be a minimum price as permitted by the then effective PRC Laws.

4.2 In respect of the Assets Call Option, for each Exercise, the Transfer Price payable by the Option Holders or their designated entities or individuals to the Company shall be a minimum price as permitted by the then effective PRC Laws.

Section 5 Representations and Warranties

5.1 The Existing Shareholders hereby each represent and warrant as follows:

5.1.1 The Existing Shareholders are either a PRC citizen with full capacity or a limited liability company duly registered and lawfully existing under PRC Laws with independent legal personality; enjoy full and independent legal standing and capacity to execute, deliver and perform this Agreement; and may sue or be sued as an independent party.

5.1.2 The Company is a limited liability company duly registered and validly existing under the PRC Laws with independent legal personality. The Company enjoys full and independent legal standing and capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.

5.1.3 The Existing Shareholders have full power and authority to execute, deliver and perform this Agreement and all other documents to be entered into by them in connection with the transaction contemplated herein as well as full power and authority to consummate the transaction contemplated herein.

5.1.4 This Agreement has been lawfully and properly executed and delivered by the Existing Shareholders and shall constitute their lawful and binding obligations, enforceable against them in accordance with the terms herein.

5.1.5 The Existing Shareholders are the registered legal owners of the Option Subject Equity Interests as of the effective date hereof, and the Option Subject Equity Interests are free and clear of any liens, pledges, claims, other encumbrances and third party interests, except for the pledge rights created by the Equity Pledge Agreement entered into by the Company, the WFOE and the Existing Shareholders as of even date herewith, and the proxy rights created by the Shareholders' Voting Rights Proxy Agreement entered into by the Company, the Cayman Company, the WFOE and the Existing Shareholders as of even date herewith. Pursuant to this Agreement, upon the Exercise, the Option Holders and/or their designated entities or individuals may obtain good title to the Transferrable Equity Interests free and clear of any liens, pledges, claims, other encumbrances or third party rights.

5.1.6 To the knowledge of the Existing Shareholders, the Company Assets are free and clear of any liens, mortgages, claims, other encumbrances or third party rights. Pursuant to this Agreement, , upon the Exercise, the Option Holders and/or their designated entities or individuals may obtain good title to the Company Assets free and clear of any liens, mortgages, claims, other encumbrances or third party rights.

5.2 The Company hereby represents and warrants as follows:

5.2.1 The Company is a limited liability company duly registered and validly existing under the PRC Laws with independent legal personality. The Company enjoys full and independent legal standing and capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.

5.2.2 The Company has full internal corporate power and authority to execute, deliver and perform this Agreement and all other documents to be entered into by it in connection with the transaction contemplated herein as well as full power and authority to consummate the transaction contemplated herein.

5.2.3 This Agreement has been lawfully and properly executed and delivered by the Company and shall constitute its legal and binding obligations, enforceable against it in accordance with the terms herein. The execution and performance by the Company of this Agreement will neither violate any PRC Laws, regulations, court rulings or arbitration awards, or decisions, approvals or permits of any administrative authorities, or any other agreements to which it is a party and which are binding on its equity interest in the Company or other assets held by it, nor result in any government authority approval or permit applicable to it being suspended, revoked, forfeited or failed to be renewed upon expiry.

5.2.4 The Company Assets are free and clear of any liens, mortgages, claims, other encumbrances or third party rights. Pursuant to this Agreement, upon the Exercise, the Option Holders and/or any of their designated entities or individuals may obtain good title to the Company Assets free from any liens, mortgages, claims, any other encumbrances and third party rights.

5.3 The Cayman Company hereby represents and warrants as follows:

5.3.1 The Cayman Company is a company duly incorporated and validly existing under the laws of Cayman Islands with independent legal personality; enjoys full and independent legal standing and capacity to execute, deliver and perform this Agreement; and may sue or be sued as an independent party.

5.3.2 The Cayman Company has full internal corporate power and authority to execute, deliver and perform this Agreement and all other documents to be entered into by it in connection with the transaction contemplated herein as well as full power and authority to consummate the transaction contemplated herein.

5.3.3 This Agreement has been lawfully and properly executed and delivered by the Cayman Company and shall constitute its legal and binding obligations, enforceable against it in accordance with the terms herein.

5.4 The WFOE hereby represents and warrants as follows:

5.4.1 The WFOE is a wholly Hongkong-owned company duly incorporated and validly existing under the PRC Laws with independent legal personality; enjoys full and independent legal standing and capacity to execute, deliver and perform this Agreement; and may sue or be sued as an independent party.

5.4.2 The WFOE has full internal corporate power and authority to execute, deliver and perform this Agreement and all other documents to be entered into by it in connection with the transaction contemplated herein as well as full power and authority to consummate the transaction contemplated herein.

5.4.3 This Agreement has been lawfully and properly executed and delivered by the WFOE and shall constitute its legal and binding obligations, enforceable against it in accordance with the terms herein.

Section 6 Undertakings by the Existing Shareholders

The Existing Shareholders hereby each undertakes as follows:

6.1 During the term of this Agreement, without the Option Holders' prior written consent:

6.1.1 No Existing Shareholder shall transfer or otherwise dispose of any Option Subject Equity Interests or create any encumbrances or other third party interests upon any Option Subject Equity Interests;

6.1.2 The Existing Shareholders shall not increase or reduce the Registered Capital of the Company or effect a division of the Company or its merger with any other entity;

6.1.3 The Existing Shareholders shall not dispose of, or cause the management of the Company to dispose of, any Company Assets (other than those occurring during the ordinary course of business);

6.1.4 The Existing Shareholders shall not terminate, or cause the management of the Company to terminate, any Material Agreement executed by the Company, nor shall the Existing Shareholder enter into any other agreements which are in conflict with an existing Material Agreement;

6.1.5. The Existing Shareholders shall not cause or approve the conclusion by the Company of any Material Agreement in the absence of reasonable business grounds;

6.1.6 The Existing Shareholders shall not conclude by themselves, or cause the Company to conclude a transaction likely to materially affect the assets, liabilities, business operation, shareholding structure or other legal rights of the Company (other than those arising during the ordinary or routine course of business or those that have been disclosed to the Option Holders and obtained written consent from the Option Holders);

6.1.7 The Existing Shareholders shall not appoint or remove any director, member of the board of supervisors or any other management personnel of the Company to be appointed or removed by the Existing Shareholders;

6.1.8 The Existing Shareholders shall not cause or approve the declaration or actual distribution by the Company of any distributable profits, bonuses, dividends or distributions;

6.1.9 The Existing Shareholders shall ensure that the Company shall remain validly existing and shall not be terminated, dissolved or liquidated;

6.1.10 The Existing Shareholders shall not cause or approve the modification of the articles of association of the Company; and

6.1.11 The Existing Shareholders shall ensure that the Company will not provide or borrow any loans, or provide guarantee or other forms of security, or assume any material obligations outside of the ordinary course of business.

6.2 During the term of this Agreement, the Existing Shareholders shall use their best efforts to develop the business of the Company, shall ensure the compliance of the business operations of the Company with relevant laws and regulations, and will not commit any actions or omissions likely to prejudice the assets or the goodwill of the Company or affect the validity of its Operating Licenses.

6.3 During the term of this Agreement, the Existing Shareholders shall timely notify the Option Holders of any circumstance likely to have a material adverse effect upon the existence, business operation, financial condition, assets or goodwill of the Company, and shall timely take all such measures as have been approved by the Option Holders to eliminate such adverse circumstance or take effective remedial measures against such circumstance.

6.4 Upon the giving of the Exercise Notice by the Option Holders:

6.4.1 The Existing Shareholders shall immediately convene the shareholders' meeting to adopt a resolution and take any other necessary actions approving the transfer by any Existing Shareholder or the Company of all of the Transferrable Equity Interests or Transferrable Asset at the Transfer Price to the Option Holders and/or their designated entities or individuals, and shall waive any rights of first purchase;

6.4.2 The Existing Shareholders shall immediately enter into an equity transfer agreement with the Option Holders and/or their designated entities or individuals to transfer all of the Transferrable Equity Interests at the Transfer Price to the Option Holders and/or their designated entities or individuals, and shall, at the request of the Option Holders and as required by relevant laws and regulations, provide necessary support to the Option Holders (including furnishing and execution of all relevant legal documents, completion of all government approval and registration procedures and assumption of all relevant obligations) in order for the Option Holders and/or their designated entities or individuals to receive all the Transferrable Equity Interests, free and clear of any legal defects, any encumbrances, third party restrictions or any other equity interest restrictions.

6.5 If the aggregate Transfer Price received by any Existing Shareholder in connection with the transfer of its Transferrable Equity Interest exceeds its contribution to the Registered Capital of the Company, or any form of profit, bonus, dividend or other distributions is received by such Existing Shareholder from the Company, then subject to compliance with PRC Laws, such Existing Shareholder agrees to waive the excessive portion of such proceeds (relative to its contribution to the capital) and any such profits, bonuses, dividends or distributions (after deduction of tax and fees) ; and the Option Holders shall be entitled to receive such excessive portion and such distributions. The Existing Shareholders shall instruct relevant transferees or the Company to wire the same to a bank account then designated by the Option Holders.

Section 7 Undertakings by the Company

7.1 The Company undertakes as follows:

7.1.1 In the event the execution and performance of this Agreement and the grant of the Equity Call Option or the Assets Call Option hereunder requires any third party consents, permissions, waivers or authorizations or any approvals, permits, exemptions, registrations or filings from or with governmental authorities (if required by the laws), the Company shall use its best efforts to assist in satisfying such conditions.

7.1.2 Without the Option Holders' prior written consent, the Company shall not assist or permit the Existing Shareholders to transfer or otherwise dispose of any Option Subject Equity Interests or create any encumbrances or other third party interests upon any Option Subject Equity Interests.

7.1.3 Without the Option Holders' prior written consent, the Company shall not transfer or otherwise dispose of any Company Assets (except for those occurring during the ordinary course of business) or create any encumbrances or other third party interests upon any Company Assets.

7.1.4 The Company shall not do or permit to be done any acts or actions likely to have an adverse effect upon the interests of the Option Holders under this Agreement, including, without limitation, any acts or actions as restricted under Section 6.1 hereof.

7.2 Upon the giving of the Exercise Notice by the Option Holders,

7.2.1 It shall immediately cause the Existing Shareholders to convene the shareholders' meeting to adopt a resolution and take any other necessary actions approving the transfer by the Company of all of the Transferrable Asset at the Transfer Price to the Option Holders and/or their designated entities or individuals;

7.2.2 It shall immediately enter into an assets transfer agreement with the Option Holders and/or their designated entities or individuals to transfer all of the Transferrable Asset at the Transfer Price to the Option Holders and/or their designated entities or individuals, and shall at the request of the Option Holders and as required by relevant laws and regulations, cause the Existing Shareholders to provide necessary support to the Option Holders (including furnishing and execution of all relevant legal documents, completion of all government approval and registration procedures and assumption of all relevant obligations) in order for the Option Holders and/or their designated entities or individuals to receive all the Transferrable Asset, free and clear of any legal defects, any encumbrances, third party restrictions, or any other restrictions pertaining to the Company Assets.

Section 8 Undertakings by the Option Holders

The Cayman Company confirms that it has historically provided unconditional financial support to the Company through the WFOE, and that the WFOE waives its right to claim repayment from the Company for all financial support provided by it to the Company since its own inception. Meanwhile, in order to ensure that the cash flow requirements of the Company's day-to-day operations are met and/or that any losses accrued during such day-to-day operations are covered, the Option Holders undertake to provide, but only to the extent permissible under the PRC laws, financial support to the Company, irrespective of whether the Company has actually incurred any such operational losses. The Option Holders' financial support to the Company or its Existing Shareholders may take the form of bank entrusted loans or borrowings. Contracts for any such entrusted loans or borrowings shall be executed separately. The Option Holders will not request repayment if the Company or its Existing Shareholders are unable to repay the financial support of the Option Holders.

Section 9 Confidentiality

9.1 Notwithstanding the termination of this Agreement, each Party shall keep strictly confidential all of the business secrets, proprietary information, customer information and any other information of a confidential nature pertaining to the other Parties acquired by it during the entry into and performance of this Agreement (hereinafter collectively referred to as the "**Confidential Information**"). Except with prior written consent of the disclosing Party of the Confidential Information or except to the extent required be to disclosed to a third party by relevant laws and regulations or the requirements of the listing venue of an affiliate, no receiving Party of the Confidential Information shall disclose any Confidential Information to any other third party; the receiving Party of the Confidential Information shall not directly or indirectly use any Confidential Information other than for the purpose of performing this Agreement.

9.2 The following information shall not constitute the Confidential Information:

(a) Any information which, as shown by written evidence, has previously been known to the receiving Party by lawful means;

(b) Any information which enters the public domain other than as a result of the receiving Party's fault; or

(c) Any information lawfully acquired by the receiving Party from another source subsequent to its receipt thereof hereunder.

9.3 The receiving Party may disclose the Confidential Information to its relevant employees or agents to the professionals engaged by it, provided that such receiving Party shall ensure that the aforesaid persons shall comply with the terms and conditions of this Agreement and the receiving Party shall be liable for any liabilities arising from breach of the terms and conditions hereof by the aforesaid persons.

9.4 Notwithstanding any other provisions herein, the validity of this Section shall not be affected by the suspension or termination of this Agreement.

Section 10 Term of this Agreement

This Agreement shall become effective as from the date it is duly executed by the Parties, and shall remain valid until the first to occur of the following : (a) all of the Option Subject Equity Interests and the Company Assets have been lawfully transferred to the Option Holders and/or their designated entities or individuals in accordance with the provisions hereof; or (b) the Option Holders unilaterally terminate this Agreement at any time by a thirty (30) days prior written notice to the Company. Unless otherwise stipulated by law, the Existing Shareholders or the Company shall in no event have the right to terminate or rescind this Agreement unilaterally.

Section 11 Notice

11.1 Any notice, request, demand and other correspondences as required by or made in accordance with this Agreement shall be served on the relevant Party(ies) in writing.

11.2 The above notice or other correspondences shall be deemed given upon transmission, if sent by facsimile, or upon delivery, if delivered in person, or on the fifth (5) day after posting, if sent by mail.

Section 12 Liabilities for Default

12.1 The Parties agree and confirm that if, in a material manner, any Party (the "**Defaulting Party**") breaches any of the provisions herein, or fails to perform or delays in the performance of any obligation under this Agreement, such breach, failure or delay shall constitute a default under this Agreement (the "**Default**"), and the non-defaulting Party is entitled to require the Defaulting Party to rectify such Default or take remedial measures within a reasonable period of time. If the Defaulting Party fails to rectify such Default or take any remedial measures within a reasonable period of time or within ten (10) days upon receipt of the written notice of the non-defaulting Party, the non-defaulting Party shall be entitled to decide at its sole discretion as follows:

12.1.1 If the Defaulting Party is the Existing Shareholder or the Company, the Option Holders shall be entitled to terminate this Agreement and claim damages from the Defaulting Party, or demand specific performance by the Existing Shareholders or the Company of their obligations hereunder;

12.1.2 If the Defaulting Party is an Option Holder, the non-defaulting Party shall be entitled to claim damages from the Defaulting Party; provided, however, unless otherwise provided by law, the non-defaulting Party shall in no event have any right to terminate or rescind this Agreement.

12.2 Notwithstanding any other provisions herein, the validity of this Section shall not be affected by the termination of this Agreement.

Section 13 Miscellaneous

13.1 This Agreement is written in Chinese in five (5) originals with each Party retaining one (1) copy thereof.

13.2 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the PRC Laws.

13.3 If, at any time during the term hereof, the purpose of this Agreement cannot be accomplished for any reason other than a Default by the Existing Shareholders or the Company, then the Parties shall immediately act in accordance with the Option Holders' written instructions and reasonable requirements to take any action and/or enter, where necessary, into a supplementary agreement amending or adjusting the provisions hereof so as to maintain the validity of this Agreement and continue to accomplish the purpose hereof in the manner stipulated hereunder or in an alternative manner.

13.4 Any dispute arising under or in connection with this Agreement shall be resolved by the Parties through consultations. If the Parties fail to reach an agreement within thirty (30) days after its occurrence, such dispute shall be brought before the competent people's court of Hangzhou for adjudication.

13.5 No rights, powers and remedies granted to any Party by any provision herein shall preclude any other rights, powers and remedies such Party is entitled to in accordance with laws and other provisions of this Agreement; and no exercise by a Party of its rights, powers and remedies shall preclude its exercise of any other rights, powers and remedies it is entitled to.

13.6 No failure or delay by a Party to exercise any of its rights, powers and remedies under this Agreement or the laws (the "**Party Rights**") shall operate as a waiver of such Party Rights, nor shall any single or partial exercise of any Party Rights preclude any further exercise of such Party Rights or any exercise of any other Party Rights.

13.7 The headings herein are for reference only and shall in no event be used in or affect the interpretation of the provisions hereof.

13.8 Each provision contained herein shall be severable and independent from any other provisions. If at any time any one or more provisions herein become invalid, illegal or unenforceable, the validity, legality or enforceability of all other provisions herein shall not be affected thereby.

13.9 Upon execution, this Agreement shall supersede any other legal documents previously executed by the Parties with respect to the same subject matter hereof.

13.10 Any amendments or supplements to this Agreement shall be made in writing. Except where the Option Holders transfer their rights hereunder in accordance with Section 13.11 hereof, the amendments or supplements to this Agreement shall become effective only upon their being duly executed by the Parties hereto.

13.11 Without the Option Holders' prior written consent, the Existing Shareholders or the Company shall not transfer any of their rights and/or obligations hereunder to any third party. The Option Holders may transfer any of their rights and/or obligations hereunder to a third party after the Existing Shareholders and the Company are duly notified.

13.12 This Agreement shall be binding on the lawful transferees or successors of each Party.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the date and at the place first above written.

Wei Chen
Signature: /s/ Wei Chen

Lili He
Signature: /s/ Lili He

BEST Inc.
(Seal)
/s/ Shao-Ning Johnny Chou

BEST Store Network (Hangzhou) Co., Ltd.
(Seal)

Hangzhou Baijia Business Management Consulting Co., Ltd.
(Seal)

Schedule I

Company Name: Hangzhou Baijia Business Management Consulting Co., Ltd.

Registered Address: Room 3128, Building No. 2, 1197 Bin'an Road, Binjiang District, Hangzhou, Zhejiang Province

Registered Capital: RMB10,000,000

Legal Representative: Wei Chen

Shareholding Structure:

Shareholder's Name	Contribution to the Registered Capital	Percentage of Contribution	Means of Contribution
Wei Chen	RMB5,000,000	50%	Cash
Lili He	RMB5,000,000	50%	Cash
Total	RMB10,000,000	100%	

Schedule II

Form of the Exercise Notice

To: [name of the Existing Shareholder]

Reference is made to that certain Exclusive Call Option Agreement dated _____, 2020 (the "**Option Agreement**") entered into by and among this company, you, □ Hangzhou Baijia Business Management Consulting Co., Ltd. (the "**Company**") , the other shareholder(s) of the Company and other party(ies) thereto, pursuant to which you shall, to the extent permitted by the PRC Laws and regulations, transfer upon our request the equity interest held by you in the Company to us or any third party designated by us.

Therefore, we hereby issue the following notice to you:

We hereby request to exercise the Equity Call Option under the Option Agreement such that the [ ]% equity interest held by you in the Company (the "**Requested Transferable Equity**") shall be transferred to us/ our designee [name of company/individual]. You are kindly requested to transfer immediately upon receipt of this notice all the Requested Transferable Equity to us/[name of the designated company/individual] in accordance with the terms of the Option Agreement.

[BEST Inc./ BEST Store Network (Hangzhou) Co., Ltd.]

(Seal)

Authorized Representative: _____

Date: _____

Schedule III

Form of the Exercise Notice

To: Hangzhou Baijia Business Management Consulting Co., Ltd.

Reference is made to that certain Exclusive Call Option Agreement dated _____, 2020 (the "**Option Agreement**") entered into by and among this company, your company, Wei Chen, Lili He, and other party(ies) thereto, pursuant to which your company shall, to the extent permitted by the PRC Laws and regulations, transfer upon our request your assets to us or any third party designated by us.

Therefore, we hereby issue the following notice to your company:

We hereby request to exercise the Assets Call Option under the Option Agreement such that all of the assets owned by your company as listed in the schedule attached hereto (the "**Requested Transferrable Asset**") shall be transferred to us/ our designee [name of company/individual]. Your company is kindly requested to transfer immediately upon receipt of this notice all the Requested Transferrable Asset to us/[name of the designated company/individual] in accordance with the terms of the Option Agreement.

[BEST Inc./ BEST Store Network (Hangzhou) Co., Ltd.]

(Seal)

Authorized Representative: _____

Date: _____

Exhibit 8.1

List of Significant Subsidiaries and Consolidated Variable Interest Entity of BEST Inc. (as of December 31, 2020)

Subsidiaries	Jurisdiction of Incorporation
Eight Hundred Logistics Technologies Corporation	British Virgin Islands
BEST Logistics Technologies Limited	Hong Kong
Zhejiang BEST Technology Co., Ltd.* 浙江百世技术有限公司	PRC
BEST Logistics Technologies (China) Co., Ltd.* 百世物流科技（中国）有限公司	PRC
BEST Logistics Technologies (Ningbo Free Trade Zone) Co., Ltd.* 百世物流科技（宁波保税区）有限公司	PRC
BEST Capital Inc.	Cayman Islands
BEST Capital Holding Limited	British Virgin Islands
BEST Capital Management Limited	Hong Kong
Xinyuan Financial Leasing (Zhejiang) Co., Ltd.* 信远融资租赁（浙江）有限公司	PRC

Consolidated Variable Interest Entity	Jurisdiction of Incorporation
Hangzhou BEST Network Technologies Co., Ltd.* 杭州百世网络技术有限公司	PRC

*The English name of this subsidiary or consolidated Variable Interest Entity, as applicable, has been translated from its Chinese name.

Exhibit 12.1

Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Shao-Ning Johnny Chou, certify that:

1. I have reviewed this annual report on Form 20-F of BEST Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 16, 2021

By: /s/ Shao-Ning Johnny Chou
Name: Shao-Ning Johnny Chou
Title: Chief Executive Officer

Exhibit 12.2

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gloria Fan, certify that:

1. I have reviewed this annual report on Form 20-F of BEST Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 16, 2021

By: /s/ Gloria Fan
Name: Gloria Fan
Title: Chief Financial Officer

Exhibit 13.1

Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of BEST Inc. (the "Company") on Form 20-F for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shao-Ning Johnny Chou, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 16, 2021

By: /s/ Shao-Ning Johnny Chou
Name: Shao-Ning Johnny Chou
Title: Chief Executive Officer

Exhibit 13.2

Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of BEST Inc. (the "Company") on Form 20-F for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gloria Fan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 16, 2021

By: /s/ Gloria Fan
Name: Gloria Fan
Title: Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-222126) pertaining to the 2008 Equity and Performance Incentive Plan and 2017 Equity Incentive Plan and Registration Statement (Form S-8 No. 333-237744) pertaining to the 2017 Equity Incentive Plan of BEST Inc. of our reports dated April 16, 2021, with respect to the consolidated financial statements of BEST Inc., and the effectiveness of internal control over financial reporting of BEST Inc., included in this Annual Report (Form 20-F) for the year ended December 31, 2020.

/s/ Ernst & Young Hua Ming LLP
Shanghai, The People's Republic of China
April 16, 2021

Exhibit 15.2

April 16, 2021

BEST Inc.
2nd Floor, Block A, Huaxing Modern Industry Park
No. 18 Tangmiao Road, Xihu District, Hangzhou, Zhejiang Province 310013
People's Republic of China

Attention: The Board of Directors

Dear Sirs or Madam,

Re: BEST Inc. (the "Company")

We, King & Wood Mallesons, consent to the reference to our firm under the captions of "Item 3.D — Risk Factors — Risks Related to Doing Business in the People's Republic of China" and "Item 4.B — Business Overview —Regulatory Matters" in BEST Inc.'s annual report on Form 20-F for the year ended December 31, 2020, which will be filed with the Securities and Exchange Commission in the month of April 2021.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ King & Wood Mallesons

King & Wood Mallesons