

**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, 2021.

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
E-mail: 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.

255,648,452 Class A ordinary shares were outstanding as of December 31, 2021 (including 8,420,063 Class A ordinary shares issued to the depository 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, 2021
47,790,698 Class C ordinary shares were outstanding as of December 31, 2021

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.

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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, 2021

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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, a consolidated subsidiary of Alibaba Group Holding Limited as of March 31, 2021, as disclosed in the annual report on Form 20-F filed with the SEC by Alibaba Group Holding Limited on July 27, 2021, 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 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;

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- “membership stores” as of any date are to convenience stores that have registered on our B2B platform Dianjia.com as of that date;
- “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;
- “store orders fulfilled” in any given period are to the number of orders placed through Dianjia.com and fulfilled in that period;
- “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 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 disposed of Hangzhou BEST Network as part of our sale and transfer of BEST Express to J&T Express China, which sale was completed in December 2021;
- “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, 2019, 2020 and 2021, and as of December 31, 2020 and 2021.

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.”

In December 2021, we completed the sale of BEST Express, our express delivery business in China, and since then we have started to reflect the historical financial results of BEST Express for the periods prior to the sale 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 Express.

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 RMB6.3726 = US\$1.00, which was the noon buying rate on December 30, 2021 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.

Special Note Regarding Forward-Looking Statements

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;
- 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 “Item 3. Key Information—D. 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.

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. [Reserved]

B. Capitalization and Indebtedness

Not required.

C. Reasons for the Offer and Use of Proceeds

Not required.

D. Risk Factors

Risks Related to Our Corporate Structure

If the PRC government determines that the contractual arrangements constituting part of the VIE structure do not comply with PRC regulations, or if these regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in the operations of the VIEs.

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 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). See “Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Regulations Relating to Foreign Investment—Foreign Investment in Telecommunication Businesses.” 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 in connection with BEST UCargo through Hangzhou BEST Information Technology Services Co., Ltd., the VIE, and its subsidiaries. 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 the VIEs under U.S. GAAP.

If the PRC government determines that the contractual arrangements constituting part of the VIE structure do not comply with its restrictions on foreign investment in value-added telecommunications business or tobacco retail business, if such restrictions change or are interpreted differently in the future, or if the PRC government otherwise finds that we, the 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, we could be subject to severe penalties or be forced to relinquish our interests in the operations of the VIEs. 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 the VIEs and deregistering the equity pledges of the VIEs, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over the 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. The enforceability of the agreements under the contractual arrangements has not been tested in a court of law, and 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. In addition, relevant PRC regulatory authorities could disallow the VIE structure. If any of the foregoing were to occur, and as a result we were unable to direct the activities of the VIEs, receive the economic benefits from the VIEs and/or claim our contractual control rights over the assets of the VIEs and their subsidiaries that conduct substantially all of our operations in China, we may not be able to consolidate the entities in our consolidated financial statements in accordance with U.S. GAAP, which would likely materially and adversely affect our financial condition and results of operations, and cause the value of our securities, including our ADSs, to significantly decline or become worthless.

Our contractual arrangements with the 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 the 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 the VIEs without reducing the tax liability of our PRC subsidiaries, which could further result in late payment fees and other penalties to the VIEs for underpaid taxes; or (ii) limiting the ability of the VIEs to obtain or maintain preferential tax treatments and other financial incentives.

We rely on contractual arrangements with the 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 the VIEs and their shareholders to operate our business in China. For a description of these contractual arrangements, see “Item 4. Information on the Company—Variable Interest Entity Contractual Arrangements.” In 2019, 2020 and 2021, 3%, 21% and 27% of our total revenue from continuing operations, respectively, was attributed to the VIEs. These contractual arrangements may not be as effective as direct ownership in providing us with control over the VIEs. If the 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 the 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 the 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 the 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 the 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 the VIEs to abide by the obligations under such contractual arrangements. Hangzhou BEST IT and Hangzhou Baijia, the two VIEs of ours, is each 50% owned by Wei Chen, a PRC individual who is a relative of Mr. Shao-Ning Johnny Chou, and 50% owned by Lili He, another PRC individual who is a relative of Mr. Shao-Ning Johnny Chou. The interests of Wei Chen, Lili He and Hangzhou Ali Venture Capital Co., Ltd. in their own capacities as the shareholders of the VIEs, as applicable, may differ from the interests of our company as a whole, as what is in the best interests of the 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 the 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 the 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 the VIEs to transfer all of their equity ownership in the 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 the VIEs. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of the 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 the 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 the VIEs, the 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 the VIEs, or the 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 the 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, 2022, 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 the 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 the 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 the 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 December 27, 2021, the MOFCOM and the NDRC jointly promulgated the Negative List 2021. If, in the future, our control over the VIEs through contractual arrangements were deemed as foreign investment, and if the 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 the 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 the 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 the 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 the 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

We face various legal and operational risks and uncertainties as a company based in and primarily operating in China.

We face various legal and operational risks and uncertainties as a company based in and primarily operating in China. The PRC government has significant authority to exert influence on the ability of a China-based company, like us, to conduct its business, accept foreign investments or list on a U.S. stock exchange. For example, we face risks associated with regulatory approvals of offshore offerings, anti-monopoly regulatory actions, cybersecurity and data privacy, as well as the lack of inspection from the U.S. Public Company Accounting Oversight Board, or PCAOB, on our auditors. The PRC government may also intervene with or influence our operations as the government deems appropriate to further regulatory, political and societal goals. The PRC government has recently published new policies that significantly affected certain industries such as the education and internet industries, and we cannot rule out the possibility that it will in the future release regulations or policies regarding our industry that could adversely affect our business, financial condition and results of operations. See "—There are uncertainties with respect to the PRC legal system, including uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations, and sudden or unexpected changes in policies, laws, rules and regulations in the PRC that could adversely affect us." Any such action, once taken by the PRC government, could cause the value of our securities, including our ADSs, to significantly decline or become worthless.

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. The PRC government also has significant authority to exert influence on the ability of an issuer with substantial operations in China, such as our company, to conduct securities offerings overseas and/or allow any foreign investments in issuers with substantial operations in China. The PRC government may intervene or influence the operations of an issuer with substantial operations in China, such as our company, at any time, which could result in a material change in our operations and/or the value of our ADSs. In particular, there have been recent statements by the PRC government indicating an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers with substantial operations in China. Any such regulatory oversight or control could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities, including our ADSs, to significantly decline or become worthless. See “—There are uncertainties with respect to the PRC legal system, including uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations, and sudden or unexpected changes in policies, laws, rules and regulations in the PRC that could adversely affect 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 with respect to the PRC legal system, including uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations, and sudden or unexpected changes in policies, laws, rules and regulations in the PRC that could adversely affect us.

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.

The PRC government has significant oversight and discretion over the conduct of our business and may intervene with or influence our operations as the government deems appropriate to further regulatory, political and societal goals. The PRC government has recently published new policies that significantly affected certain industries such as the education and internet industries, and we cannot rule out the possibility that it will in the future release regulations or policies regarding our industry that could adversely affect our business, financial condition and results of operations. See “—We face various legal and operational risks and uncertainties as a company based in and primarily operating in China.” Furthermore, the PRC government has also recently indicated an intent to exert more oversight and control over securities offerings and other capital markets activities that are conducted overseas and foreign investment in China-based companies like us. Any such action, once taken by the PRC government, could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities, including our ADSs, to significantly decline or become worthless.

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. On November 15, 2021, we received from the SAMR an administrative penalty decision imposing a fine of RMB 500,000 on us as a result of our failure to report concentration of undertaking in connection with Hangzhou BEST Network's acquisition of shares of WOWO in 2017. We have made full payment of the penalty and we do not expect further penalty from the SAMR in connection with this matter. However, our other prior concentration of undertaking (whether by ourselves, our subsidiaries or through the VIEs) that meet the criteria for declaration may be subject to a reporting requirement, and in the future we may be subject to penalties including but not limited to fines if we fail to comply with such requirement.

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-monopoly 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 Overseas Listing and M&A Rules" 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, the 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 the 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 the 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 the 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 the 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 the 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 the VIEs.

The audit reports 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 reports 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 delisting 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.

In recent years, U.S. regulators have continued to express their concerns about challenges in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. More recently, as part of increased regulatory focus in the United States on access to audit information, the United States enacted the Holding Foreign Companies Accountable Act, or the HFCA Act, in December 2020. The HFCA Act 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. In addition, if the auditor of a U.S. listed company's financial statements is not subject to PCAOB inspections for three consecutive "non-inspection" years after the law becomes effective, the SEC is required to prohibit such company's securities 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. On March 24, 2021, the SEC announced that it had adopted interim final amendments to implement the foregoing certification and disclosure requirements under the HFCA Act. On December 2, 2021, the SEC announced that it had adopted final amendments to its rules implementing the HFCA Act, thereby finalizing the interim final rules that it had adopted in March 2021, with two modifications to clarify application of the requirements to variable interest entities, and to require tagging of information such as auditor name and location. On May 13, 2021, the PCAOB issued proposed PCAOB Rule 6100, *Board Determinations Under the Holding Foreign Companies Accountable Act*, for public comment. The proposed rule provides a framework for making determinations as to whether PCAOB is unable to inspect an audit firm in a foreign jurisdiction, including the timing, factors, bases, publication and revocation or modification of such determinations, and such determinations will be made on a jurisdiction-wide basis in a consistent manner applicable to all firms headquartered in the jurisdiction. On September 22, 2021, the PCAOB adopted PCAOB Rule 6100 as final, and on November 5, 2021, the SEC announced that it had approved PCAOB Rule 6100, giving it immediate effect. Accordingly, our securities may be prohibited from trading on the NYSE or other U.S. stock exchanges if our auditor is not inspected by the PCAOB for three consecutive years, and this ultimately could result in our ADSs being delisted. On December 16, 2021, pursuant to the HFCA Act the PCAOB issued its report notifying the SEC of its determination that it is unable to inspect or investigate completely accounting firms headquartered in China or Hong Kong, including our independent registered public accounting firm, Ernst & Young Hua Ming LLP. Furthermore, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, which, if enacted, would decrease the number of "non-inspection years" from three years to two years, and thus, would reduce the time before our ADSs may be prohibited from trading or delisted from the NYSE. As of the date of this annual report, our company has not been identified by the SEC as having a "non-inspection" year. However, there can be no assurance that we will not be identified as such by the SEC in the future. There also can be no assurance that, once we have a "non-inspection" year, we or our auditor 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. While we understand that there has been dialogue among the CSRC, the SEC and the PCAOB regarding the inspection of PCAOB-registered accounting firms in China, there can be no assurance that our auditor or us will be able to comply with requirements imposed by U.S. regulators. The market prices of our ADSs and/or other securities could be adversely affected as a result of anticipated negative impacts of the HFCA Act upon, as well as negative investor sentiment towards, China-based companies listed in the United States, regardless of our actual operating performance.

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 Relating to Our Business and Industry

We have fallen below the continued listing requirements of the New York Stock Exchange, and if we are unable to regain compliance in time, our ADSs may be delisted and the liquidity and the trading price of our ADSs would be materially and adversely affected.

We received a letter from the New York Stock Exchange, or the NYSE, in January 2022, notifying our company that we were not in compliance with applicable price criteria in the NYSE’s continued listing standards because the average closing price of our American Depositary Shares, or the ADSs, was less than US\$1.00 per ADS over a consecutive 30 trading-day period. We notified the NYSE in January 2022 of our intent to cure the deficiency and regain compliance with the minimum share price requirement. Pursuant to Section 802.01C of the NYSE’s Listed Company Manual, we have a cure period of six months following receipt of the NYSE’s notice, or until July 2022, to regain such compliance.

If we fail to regain compliance with NYSE’s continued listing standards before July 2022, our ADSs will be delisted from the NYSE. There can be no assurance that the NYSE will not commence suspension and delisting procedures for our ADSs earlier and before the expiration of the six-month cure period. If our ADSs were delisted from the NYSE, the liquidity and the trading price of our ADSs would be materially and adversely affected.

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, 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.

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 RMB219.1 million, RMB2,051.2 million and net income of RMB209.6 million (US\$32.9 million) in 2019, 2020 and 2021, respectively, including net loss of RMB412.4 million, RMB1,028.4 million and RMB1,263.9 million (US\$198.3 million) from our continuing operations and net income of RMB193.3 million, net loss of RMB1,022.8 million and net income of RMB1,473.5 million (US\$231.2 million) from our discontinued operations comprising BEST Express, which we sold in late 2021, and our Store⁺ business, which we wound down by the end of 2020. In addition, we do not have a stable history of positive cash flows from operating activities. Although we generated net cash from operating activities (including continuing and discontinued operations) in the amounts of RMB852.8 million in 2019, we used net cash in operating activities (including continuing and discontinued operations) in the amount of RMB231.2 million and RMB 2,804.0 million (US\$440.0 million) in 2020 and 2021, respectively, primarily due to the increase in net loss (including continuing and discontinued operations). The significant increase in net loss and pressure on our operating cash flow in 2021 was primarily due to the negative impact of COVID-19 in 2021 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 completion of the sale of BEST Express in late 2021 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. 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, the abovementioned suspension of certain lease services under BEST Capital, and the sale of BEST Express in late 2021. 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.

Our past growth rates may not be indicative of future growth and our planned growth initiatives may not be successful, although our total revenue from continuing operations increased from RMB10,481.0 million in 2019 to RMB10,528.2 million (US\$1,652.1 million) in 2020, and increased to RMB11,425.8 million (US\$1,793.0 million) in 2021.

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 in our freight e-commerce parcel 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 freight and supply chain management 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, 2021, we had approximately 18,938 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 wound down our BEST Store⁺ business and have since then started to account for BEST Store⁺ as discontinued operations. In addition, by the end of 2021, we sold BEST Express; accordingly, BEST Express has been deconsolidated from our company, and its historical financial results are reflected in our consolidated financial statements 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, 2022, we had in aggregate outstanding options with respect to 2,683,345 ordinary shares and outstanding restricted share units with respect to 8,555,072 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, 2022, we had issued options to purchase 40,614,340 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 13.6%, 15.6% and 13.5% of our total cost of revenue from continuing operations in 2019, 2020 and 2021, 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 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, 2021, over 17,304 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), “百世快运” (BEST Freight), “百世国际” (BEST Global), “百世金融” (BEST Capital) and “百世优货” (BEST UCargo). 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. For example, the PRC Data Security Law, which was promulgated by the Standing Committee of the National People's Congress on June 10, 2021, and certain other recently promulgated rules and regulations (i.e. the Regulations on the Protection of the Security of Critical Information Infrastructure, which became effective on September 1, 2021) impose data security and privacy obligation on entities involved in data activities, which may vary based upon the importance of data and the harm it may cause. We mainly engage in logistics and ancillary business and our business operation generally involve data related to logistics business operation. Such data have not been specifically categorized as important data or core data as by the PRC Data Security Law. As of the date of this annual report, we are not the operator of critical information infrastructure under the Regulations on the Protection of the Security of Critical Information Infrastructure. We believe that the PRC Data Security Law would not impose any substantial difficulties on us. However, we could not rule out the possibility that our data may be deemed as important data/core data or we may be deemed to be a critical information infrastructure operator, which would subject us to additional supervisory requirements. Any incompliance on such additional supervisory requirements may subject us to fines, order to rectify, suspension of users registration, revocation of business certificate and other penalties, which may have material adverse effect on our business, operations and financial condition as well as the price of our securities. For further details please see "Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Regulations Relating to Internet Security."

In addition, we could become subject to enhanced cybersecurity review or investigations launched by PRC regulators in the future. The PRC Data Security Law provides that the state shall establish a data security review mechanism on data processing activities that do or may affect national security. Cybersecurity Review is conducted by an office under the Cyberspace Administration of China, or the CAC, pursuant to the Cybersecurity Review Measures, which became effective on June 1, 2020. Any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with the cybersecurity related laws and regulations may result in fines or other penalties, including suspension of business, website closure, removal of app from the relevant app stores, and revocation of prerequisite licenses, as well as reputational damage or legal proceedings or actions against us, which may have material adverse effect on our business, financial condition or results of operations. On December 28, 2021, the CAC, the NDRC, the SAMR, the MIIT and certain other PRC governmental authorities, jointly released the revised Cybersecurity Review Measures, which took effect on February 15, 2022. The revised Cybersecurity Review Measures provides that operators of critical information infrastructure that intend to purchase network products and services that affect or may affect national security shall file for cybersecurity review with the Cybersecurity Review Office under the CAC. As of the date of this annual report, we have not been informed by any PRC governmental authority of any requirement that we file for a cybersecurity review. We have not been involved in any investigations on cybersecurity review initiated by the CAC or other competent authorities nor do we expect that current PRC laws on cybersecurity or data security would have a material adverse impact on our business operations, and we have not received any inquiry, notice, warning, or sanction in such respect. However, the scope of network products or data processing activities that affect or may affect national security is still unclear, and there remains significant uncertainty in the interpretation and enforcement of relevant PRC cybersecurity laws and regulations. For further details please see "Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Regulations Relating to Internet Security."

On August 20, 2021, the Standing Committee of the National People's Congress of China promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. The Personal Information Protection Law sets forth detailed rules on processing personal information, clarifies the relevant rights of the individuals and the obligations of the personal information processors, and further strengthens the liabilities for illegal process of personal information. We do not collect any sensitive personal information or other excessive personal information that is not related to the corresponding business services. We update our privacy policies from time to time to meet the latest regulatory requirements of the CAC and other authorities and adopt technical measures to protect data and ensure cybersecurity in a systematic way. Nonetheless, the Personal Information Protection Law raises the protection requirements for processing personal information, and many specific requirements of the Personal Information Protection Law remain to be clarified by the CAC, other regulatory authorities, and courts in practice. We may be required to make further adjustments to our business practices to comply with the personal information protection laws and regulations. For further details please see "Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Regulations Relating to Internet Security."

We believe that we are in compliance with the regulations and policies that have been issued by the CAC and other competent PRC regulatory authorities on cybersecurity as of the date of this annual report. However, as uncertainties remain regarding the interpretation and implementation of applicable PRC laws and regulations, we cannot assure you that we will comply with such laws and regulations in all respects and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities. We may also become subject to fines and/or other sanctions which may have material adverse effect on our business, operations and financial condition as well as price of our securities. 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 2019, 2020 and 2021, we incurred capital expenditures for our continuing operations of RMB200.4 million, RMB311.0 million and RMB160.0 million (US\$25.1 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 and long-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, road transportation operation permit and the value-added telecommunication service license concerning Internet information service, or the ICP license.

Under PRC laws, 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 two of our PRC subsidiaries are engaging in road freight transportation, and both subsidiaries 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.

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.

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 the 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 the 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 Freight and Cloud OFC services as of December 31, 2021, 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, 2021, 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 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, 2021, some lessors 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, 2021, 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% and 2.3%, respectively, against the U.S. dollar in 2020 and 2021. 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, in July 2021, the operations of the hubs and sortation centers for our Freight business were impacted by severe flooding in Zhengzhou, Henan Province, which led to a decrease in freight volume due to backlogs. Furthermore, from September to December 2021, government-mandated electrical power outages in China led to temporary closures of our sortation centers, which then struggled with resulting decreases in volume. As the COVID-19 was ongoing in 2021, deliveries for our freight and supply chain businesses were affected by driver absences, due to COVID-19 infections and quarantine, as well as by road closures as part of transportation control policies implemented by the government in response to COVID-19 outbreaks. As the COVID-19 outbreak has further spread outside China, there have been COVID-19 flare ups in China as well as globally due to the Delta and Omicron variants, and the future course of the COVID-19 outbreak remains uncertain, 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, 2021. 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, 2021. 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 ADSs

Trading in our ADSs may be prohibited under the HFCA Act.

On December 16, 2021, pursuant to the HFCA Act the PCAOB issued its report notifying the SEC of its determination that it is unable to inspect or investigate completely accounting firms headquartered in China or Hong Kong, including our independent registered public accounting firm, Ernst & Young Hua Ming LLP. See “—Risks Related to Doing Business in the People’s Republic of China—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.” Accordingly, trading in our ADSs may be prohibited under the HFCA Act, and the NYSE may determine to delist our ADSs as a result. The market prices of our ADSs and/or other securities could be adversely affected as a result of anticipated negative impacts of the HFCA Act upon, as well as negative investor sentiment towards, China-based companies listed in the United States, regardless of our actual operating performance.

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, 2022, we had 397,514,399 ordinary shares outstanding, comprising 255,648,452 Class A ordinary shares (including 7,909,938 Class A ordinary shares issued to our depository 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 184,730,333 Class A ordinary shares represented by ADSs (including 7,909,938 ADSs held by our depository 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 depository. However, the depository 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 depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository 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.

Our ordinary shares and ADSs are equity securities of a Cayman Islands holding company rather than equity securities of our subsidiaries and the VIEs that have substantive business operations in China. As a result, 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 with no business operations. Substantially all of our assets are located outside the U.S. Our business is mainly conducted through our wholly-foreign owned enterprises and the VIEs in the PRC. We do not and are not, and holders of our ordinary shares and ADSs do not and are not, legally permitted to have any, or more than the permitted percentage of, equity interest in the VIEs as current PRC laws and regulations restrict foreign ownership and investment in, among other areas, domestic mail delivery services, value-added telecommunication business as well as tobacco retail business. As a result, we provide the services that may be subject to such restrictions in the PRC through the VIEs, and we operate our businesses in the PRC through certain contractual arrangements with the VIEs. For a summary of such contractual arrangements, see “Item 4. Information on the Company—Variable Interest Entity Contractual Arrangements.” Our ordinary shares and ADSs are equity securities of a Cayman Islands holding company rather than equity securities of our subsidiaries and the VIEs. 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; (iii) have regularly scheduled executive sessions with only independent directors each year; or (iv) have a minimum of three members on our audit committee. 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.

If we are a passive foreign investment company for United States federal income tax purposes for any taxable year, United States holders of our ADSs or Class A ordinary shares could be subject to adverse United States federal income tax consequences.

A non-United States corporation will be a passive foreign investment company, or PFIC, for United States federal income tax purposes for any taxable year if either (i) at least 75% of its gross income for such year is passive income or (ii) at least 50% of the value of its assets (generally determined based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income. Based on the past and projected composition of our income and assets, and the valuation of our assets, including goodwill (which we have determined based on the trading price of our ADSs), we believe there is a significant risk that we were a PFIC in 2021, we will be a PFIC for the current taxable year, and that we may be a PFIC in future taxable years. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that our PFIC status may change due to changes in our asset or income composition. For these purposes, fluctuations in the market price of our ADSs (which may be volatile) may affect the value of our goodwill, and thus the composition of our assets. Therefore, any such fluctuations may affect our PFIC status.

If we are a PFIC for any taxable year during which a United States person holds ADSs or Class A ordinary shares, certain adverse United States federal income tax consequences could apply to such United States person. For example, if we are a PFIC, our United States investors may become subject to increased tax liabilities under United States federal income tax laws and regulations and will become subject to burdensome reporting requirements. See “Item 10. Additional Information — E. Taxation — Certain United States Federal Income Tax Considerations—Passive Foreign Investment Company.”

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.

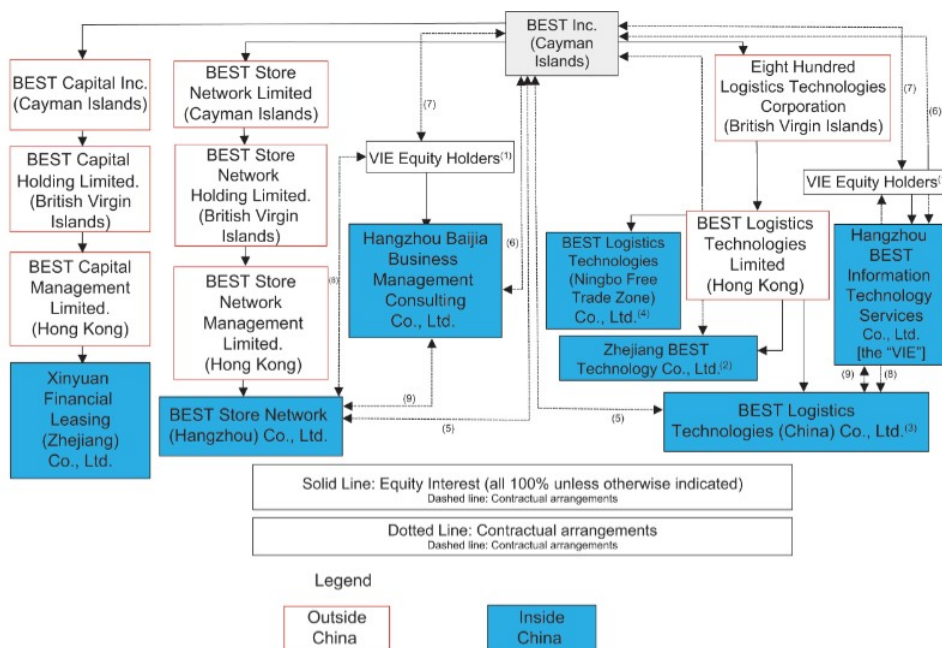
ITEM 4. INFORMATION ON THE COMPANY

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%.

We disposed of Hangzhou BEST Network as part of our sale and transfer of BEST Express to J&T Express China, which sale was completed in December 2021.

The relationship between us and the VIEs as illustrated in this diagram is governed by contractual arrangements and does not constitute equity ownership.



Notes:

(1) Two PRC individuals, Wei Chen and Lili He, who are relatives of Mr. Shao-Ning Johnny Chou, hold 50% and 50%, respectively, equity interest in the VIE.

(2) Primarily involved in the provision of BEST Cloud services.

(3) Primarily involved in the provision of BEST Supply Chain Management and BEST Freight.

(4) Primarily involved in the provision of BEST Supply Chain Management services.

(5) Shareholders' Voting Rights Proxy Agreement; Exclusive Call Option Agreement.

(6) Shareholders' Voting Rights Proxy Agreement; Exclusive Call Option Agreement.

(7) Shareholders' Voting Rights Proxy Agreement; Exclusive Call Option Agreement.

(8) Loan Agreements; Exclusive Call Option Agreement; Shareholders' Voting Rights Proxy Agreement; Equity Pledge Agreement.

(9) 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 IT Information Technology Services Co., Ltd., or Hangzhou BEST IT, and Hangzhou Baijia Business Management Consulting Co., Ltd., or Hangzhou Baijia, the VIEs, all of which are incorporated in the PRC and 100% owned by PRC legal persons. Two PRC individuals, Wei Chen and Lili He, who are relatives of Mr. Shao-Ning Johnny Chou, each holds 50% equity interest in each of Hangzhou BEST IT and Hangzhou Baijia.

The currently effective contractual arrangements by and among us, our wholly-owned PRC subsidiaries, the VIEs, and the VIEs' shareholders include (i) certain equity pledge agreements, shareholders' voting rights proxy agreements, exclusive call option agreements and certain loan agreements, which provide us with effective control over the VIEs; (ii) certain exclusive technical services agreements, which allow us to receive substantially all of the economic risks and benefits generated from the operations of the VIEs and their subsidiaries. As a result of our contractual arrangements with the VIEs and their shareholders, we are the primary beneficiary of the VIEs, and, therefore, 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.

These contractual arrangements may not be as effective as direct ownership in providing us with control over the VIEs. If the VIEs or their shareholders fail to perform their respective obligations under these contractual arrangements, our recourse to the assets held by the VIEs is indirect and we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies under PRC law. These remedies may not always be effective, particularly in light of uncertainties regarding the interpretation and enforcement of the relevant laws and regulations. The enforceability of the agreements under the contractual arrangements has not been tested in a court of law. Furthermore, in connection with litigation, arbitration or other judicial or dispute resolution proceedings, assets under the name of any record holder of equity interest in the 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 pursuant to the contractual arrangement or ownership by the record holder of the equity interest.

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.

We generated 27% of our revenue from continuing operations through the VIEs for the year ended December 31, 2021. The following is a summary of the contractual arrangements that provide us with effective control of the VIEs and their respective subsidiaries and that enable us to receive substantially all of the economic benefits from their operations.

Contracts that give us effective control of Hangzhou BEST IT

Loan Agreement

BEST Logistics China entered into a loan agreement with Wei Chen and Lili He in 2020, which replaced the original loan agreement entered into in 2019. Pursuant to this loan agreement, BEST Logistics China has granted an interest-free loan to each of Hangzhou BEST IT's equity holders, which may only be used for the purpose of a capital contribution to Hangzhou BEST IT. BEST Logistics China agreed not to ask the Hangzhou BEST IT's equity holders to repay the loans unless the relevant equity holder violates its undertakings provided in the loan agreements. Hangzhou BEST IT's equity holders undertook, among others, not to transfer any of its equity interests in Hangzhou BEST IT to any third party. The loans are repayable by such equity holders through a transfer of their equity interests in Hangzhou BEST IT to BEST Logistics China 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 BEST Logistics China relinquishes its rights under the relevant loan agreements.

Exclusive Call Option Agreement

Pursuant to the exclusive call option agreement among us, BEST Logistics China, Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST IT) and its equity holders, dated October 23, 2019, Hangzhou BEST IT's equity holders have granted BEST Logistics China and us, or a party designated by us or BEST Logistics China, the exclusive and irrevocable call option rights to purchase part or all of their equity interests in Hangzhou BEST IT at an exercise price equal to the minimum price as permitted by applicable PRC laws. Hangzhou BEST IT has further granted BEST Logistics China and us, or a party designated by us or BEST Logistics China, 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, BEST Logistics China or a party designated by us. Each of Hangzhou BEST IT's equity holders may not, among other things, transfer any part of their equity interests to any party other than to us or BEST Logistics China, or a party designated by us or BEST Logistics China, 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 IT, terminate or cause to terminate any material contracts of Hangzhou BEST IT, or cause Hangzhou BEST IT 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 IT in order to meet the cash flow requirements of its ordinary operations and to offset any loss from such operations. We and BEST Logistics China are not entitled to request repayment if Hangzhou BEST IT or its equity holders are unable to repay such financial support. The 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 BEST Logistics China, or a party designated by us or BEST Logistics China, or if we or BEST Logistics China unilaterally terminate the agreement with 30 days' prior written notice. Unless otherwise provided by law, Hangzhou BEST IT and its equity holders are not entitled to unilaterally terminate this agreement under any circumstances.

Shareholders' Voting Rights Proxy Agreement

Pursuant to the shareholders' voting rights proxy agreement among us, BEST Logistics China, Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST IT) and its equity holders, dated October 23, 2019, each of Hangzhou BEST IT's equity holders has irrevocably authorized any person designated by BEST Logistics China, with our consent, to exercise its rights as an equity holder of Hangzhou BEST IT 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 proxy agreement remains effective until such time as the relevant equity holder no longer holds any equity interest in Hangzhou BEST IT.

Equity Pledge Agreement

Pursuant to the equity pledge agreement among BEST Logistics China, Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST IT) and its equity holders, dated October 23, 2019, the relevant equity holders of Hangzhou BEST IT have pledged all of their equity interests in Hangzhou BEST IT as a continuing first priority security interest in favor of BEST Logistics China to secure the outstanding amounts advanced under the relevant loan agreements described above and to secure the performance of obligations by Hangzhou BEST IT and/or its equity holders under the other contractual arrangements. BEST Logistics China is entitled to exercise its right to dispose of the pledged interests held by Hangzhou BEST IT's equity holders in the equity of Hangzhou BEST IT 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 equity pledge agreement will expire when all obligations under this equity pledge agreement or under the aforementioned loan agreement, exclusive call option agreement, shareholders' voting rights proxy agreement and exclusive technical services agreement have been satisfied.

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

Exclusive Technical Services Agreement

On October 23, 2019, Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST IT) entered into an exclusive technical services agreement with BEST Logistics China, pursuant to which BEST Logistics China provides exclusive technical services to Hangzhou BEST IT. In exchange, Hangzhou BEST IT pays a service fee to BEST Logistics China that is based on a predetermined formula based on the financial performance of Hangzhou BEST IT. During the term of this agreement, BEST Logistics China is entitled to adjust the service fee at its sole discretion without the consent of Hangzhou BEST IT. BEST Logistics China will exclusively own any intellectual property arising from the performance of this agreement. This exclusive technical services agreement has an initial contract term of 20 years and may be automatically renewed for another 20 years unless BEST Logistics China notifies Hangzhou BEST IT of its intent not to renew with at least three months' prior notice. BEST Logistics China is entitled to terminate the agreement unilaterally with 30 days' prior written notice, while Hangzhou BEST IT is not entitled to unilaterally terminate this agreement under any circumstances.

Contracts that give us effective control of Hangzhou Baijia

Loan Agreement

BEST Store Network entered into a loan agreement with Wei Chen and Lili He in 2020, which agreement was terminated in November 2021 to facilitate the sale of WOWO. After we completed the sale of WOWO, BEST Store Network then reentered into the same form of loan agreement with Wei Chen and Lili He in December 2021. Pursuant to this loan agreement, BEST Store Network has granted an interest-free loan to each of Hangzhou Baijia's equity holders, which may only be used for the purpose of a capital contribution to Hangzhou Baijia. BEST Store Network agreed not to ask Hangzhou Baijia's equity holders to repay the loans unless the relevant equity holder violates its undertakings provided in the loan agreements. Hangzhou Baijia's equity holders undertook, among others, not to transfer any of its equity interests in Hangzhou Baijia to any third party. The loans are repayable by such equity holders through a transfer of their equity interests in Hangzhou Baijia to BEST Store Network 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 BEST Store Network relinquishes its rights under the relevant loan agreements.

Exclusive Call Option Agreement

Pursuant to the exclusive call option agreement among us, BEST Store Network, Hangzhou Baijia and its equity holders, dated December 15, 2021, Hangzhou Baijia's equity holders have granted BEST Store Network and us, or a party designated by us or BEST Store Network, the exclusive and irrevocable call option rights to purchase part or all of their equity interests in Hangzhou Baijia at an exercise price equal to the minimum price as permitted by applicable PRC laws. Hangzhou Baijia has further granted BEST Store Network and us, or a party designated by us or BEST Store Network, 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, BEST Store Network or a party designated by us. Each of Hangzhou Baijia's equity holders may not, among other things, transfer any part of their equity interests to any party other than to us or BEST Store Network, or a party designated by us or BEST Store Network, 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 Baijia, terminate or cause to terminate any material contracts of Hangzhou Baijia, or cause Hangzhou Baijia to declare or distribute profits, bonuses or dividends. We are obligated, to the extent permitted by PRC laws, to provide financing support to Hangzhou Baijia in order to meet the cash flow requirements of its ordinary operations and to offset any loss from such operations. We and BEST Store Network are not entitled to request repayment if Hangzhou Baijia or its equity holders are unable to repay such financial support. The 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 BEST Store Network, or a party designated by us or BEST Store Network, or if we or BEST Store Network unilaterally terminate the agreement with 30 days' prior written notice. Unless otherwise provided by law, Hangzhou Baijia and its equity holders are not entitled to unilaterally terminate this agreement under any circumstances.

Shareholders' Voting Rights Proxy Agreement

Pursuant to the shareholders' voting rights proxy agreement among us, BEST Store Network, Hangzhou Baijia and its equity holders, dated December 15, 2021, each of Hangzhou Baijia's equity holders has irrevocably authorized any person designated by BEST Store Network, with our consent, to exercise its rights as an equity holder of Hangzhou Baijia 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 proxy agreement remains effective until such time as the relevant equity holder no longer holds any equity interest in Hangzhou Baijia.

Equity Pledge Agreement

Pursuant to the equity pledge agreement among BEST Store Network, Hangzhou Baijia and its equity holders, dated December 15, 2021, the relevant equity holders of Hangzhou Baijia have pledged all of their equity interests in Hangzhou Baijia as a continuing first priority security interest in favor of BEST Store Network to secure the outstanding amounts advanced under the relevant loan agreements described above and to secure the performance of obligations by Hangzhou Baijia and/or its equity holders under the other contractual arrangements. BEST Store Network is entitled to exercise its right to dispose of the pledged interests held by Hangzhou Baijia's equity holders in the equity of Hangzhou Baijia 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 equity pledge agreement will expire when all obligations under this equity pledge agreement or under the aforementioned loan agreement, exclusive call option agreement, shareholders' voting rights proxy agreement and exclusive technical services agreement have been satisfied.

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

Exclusive Technical Services Agreement

On May 13, 2020, Hangzhou Baijia entered into an exclusive technical services agreement with BEST Store Network, which agreement was terminated in November 2021 to facilitate the sale of WOWO. After we completed the sale of WOWO, BEST Store Network then re-entered into the same form of exclusive technical services agreement with Wei Chen and Lili He in December 2021. Pursuant to this agreement, BEST Store Network provides exclusive technical services to Hangzhou Baijia. In exchange, Hangzhou Baijia pays a service fee to BEST Store Network that is based on a predetermined formula based on the financial performance of Hangzhou Baijia. During the term of this agreement, BEST Store Network is entitled to adjust the service fee at its sole discretion without the consent of Hangzhou Baijia. BEST Store Network will exclusively own any intellectual property arising from the performance of this agreement. This exclusive technical services agreement has an initial contract term of 20 years and may be automatically renewed for another 20 years unless BEST Store Network notifies Hangzhou Baijia of its intent not to renew with at least three months' prior notice. BEST Store Network is entitled to terminate the agreement unilaterally with 30 days' prior written notice, while Hangzhou Baijia 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."

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.

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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 “—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.

In October 2021, we agreed to sell BEST Express to J&T Express Co., Ltd, or J&T Express China. The sale closed and was completed in December 2021. Since then, BEST Express has been deconsolidated from the Company, and its historical financial results are reflected in our consolidated financial statements as discontinued operations.

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.

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.”

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.

Sale of WOWO

In November 2021, we completed the sale of WOWO by Hangzhou Baijia Business Management Consulting Co., Ltd., a variable interest entity, to Chongqing Lawson Convenience Store Co., Ltd., for a cash consideration of RMB250 million (US\$39.2 million).

Sale of BEST Express

In October 2021, we agreed to sell BEST Express, our express delivery business in China, to J&T Express Co., Ltd., or J&T Express China, at approximately RMB6.8 billion (US\$1.1 billion) enterprise value. The sale did not include any of our other businesses, namely, Supply Chain Management, Freight, UCargo and Global. The sale closed and was completed in December 2021, following approval by relevant regulatory agencies of the definitive agreement entered into by the parties. The final transaction was completed pursuant to the terms of the agreement, and BEST Express was transferred to J&T Express China. Since December 2021, BEST Express has been deconsolidated from our company, and its historical financial results are reflected in our consolidated financial statements as discontinued operations. The share and asset purchase agreement entered into by the parties has been incorporated by reference in this annual report as exhibit 4.31.

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, 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.

In December 2021, we completed the sale of BEST Express, our express delivery business in China, and since then we have started to reflect the historical financial results of BEST Express for the periods prior to the sale 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 Express.

Our Integrated Logistics and Supply Chain Services and Solutions

BEST Freight: We achieved a 58% CAGR in freight volume between 2012 and 2021. Our nationwide freight network covers 100% of China’s provinces and 100% of China’s cities as of December 31, 2021.

BEST Supply Chain Management: Since its establishment, BEST Supply Chain has always integrated the “gene” of scientific and technological innovation into the development of enterprises, constantly innovating business models, using information technology, artificial intelligence and big data to build comprehensive online and offline logistics services and supply chain service capabilities. We are committed to establishing a more intelligent and efficient supply chain through the innovation of technology and business model in order to provide our customers with full-link digital and intelligent solutions and landing services from the finished product to the end delivery.

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, 2021, the BEST UCargo platform had over 429,187 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 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, 2021, we had approximately 9,888 franchisee partners in China who operated over 67,200 service stations in our 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 595 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 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 non-standard addresses and maps international express parcels (excluding China) to appropriate service stations at an accuracy rate of over 99.99% 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 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 Freight which allows it to provide on-time delivery while reducing costs. Transportation service providers are able to use the BEST UCargo mobile application to bid on truckload jobs, which may be sourced from our BEST Freight franchisee partners.

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. 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 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, 2021, our franchisee partners operated 59.9% of our Cloud OFCs and 98% 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, 2021, 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, 2021, we had a team of 408 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 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 Freight

Our total freight volume increased from 6,980 thousand tonnes in 2019 to 9,218 thousand tonnes in 2021, representing a CAGR of 14.92%. Our nationwide freight network covers 100% of China's cities as of December 31, 2021.

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

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. 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,		
	2019	2020	2021
Number of Cloud OFCs:			
Self-Operated	108	82	78
Franchised	293	358	350
Total	401	440	428
GFA of Cloud OFCs ('000 sq m)	3,253	3,546	3,221
Number of total orders fulfilled ('000) ⁽¹⁾	356,905	433,224	448,202
Self-Operated	198,914	218,554	179,925
Franchised	157,990	214,670	268,276

Note:

(1) Includes orders fulfilled by franchised Cloud OFCs.

BEST Supply Chain Management services

BEST Supply Chain has a full-scenario integrated logistics service system, which can integrate omni-channel supply chain management, warehousing services, LTL and vehicle express, terminal distribution, cross-border e-commerce logistics, and supply chain information services. We provide customers with comprehensive digital, intelligent, customized, one-stop integrated supply chain solutions, and are a reliable provider of intelligent supply chain solutions and services.

BEST Supply Chain Management services include the following categories:

- *Digital and intelligent supply chain solutions and information services.*

We insist on using technology to promote the transformation of logistics and supply chain industries. After more than ten years of development and accumulation, we have created a digital and intelligent supply chain system cluster "Skynet" (EM, OMS, TMS, WMS and other logistics systems) with omni-channel coverage, and a "ground network" consists of Cloud OFCs, cloud transportation network and freight network. We target to provide customers with efficient digital information services and full-link digital solutions, relying on "information technology + network service".

For the logistics operation layer, we can realize digital operations and real-time data collection of the whole process; for the operation management layer, the omni-channel management system is opened to realize data interactive application; for the decision-making layer, we can use big data and algorithm models to realize the scientific layout of the supply chain, improve forecasting and planning accuracy, and improve production and sales coordination. Based on big data analysis, we can also provide customers with more intelligent decision, which can meet the personalized needs of enterprises and merchants in all scenarios, and help enterprises to achieve intelligent management in all aspects of production, distribution and marketing.

- *The application of advanced technology in logistics industry--- supply chain (transportation) paperless blockchain solution*

To solve the problem of fetching paper documents slowly and of difficulty in settlement in the process of transportation business, BEST Supply Chain builds up the BEST Supply Chain blockchain certification platform by taking the advantages of the fully-developed TMS system combined with blockchain technology so that BEST Supply Chain can achieve the goal to apply the paperless transactions through the whole chain and to provide top-notch customer service. The supply chain (transportation) blockchain solution greatly reduces the printing cost and makes transportation management environmentally friendly, green, convenient and efficient; with that said, we endeavor to achieve carbon peak and carbon neutrality practice. BEST Supply Chain plays a role model for the development of green logistics in the supply chain industry. As the first company to apply blockchain technology to logistics scenarios domestically, we have applied for related patents of this technology.

- *BEST Cloud Warehouse*

BEST Cloud Warehouse is a professional warehouse and distribution integrated service brand under BEST Supply Chain. It mainly relies on the nationwide warehouse and distribution network system, integrates and manages transportation and express resources, and applies the self-developed digital supply chain system to provide customers with omni-channel integrated logistics services for all-scenario warehousing and distribution.

As the core product of BEST Supply Chain, BEST Cloud Warehouse has been deeply involved in beauty, shoes and apparel, fast-moving consumer goods and other industries for many years since its establishment in 2013, and continue to deepen the layout of the warehouse network across the country, to provide customers with warehouse services such as self-operated warehouses, franchised warehouses, and collaborative warehouses to meet the needs of warehouse distribution services in different scenarios and levels. With the support of cloud-based WMS, TMS systems and big data analysis applications, BEST Cloud Warehouse has also derived intelligent applications such as intelligent warehouse division, intelligent order division, intelligent wave, intelligent scheduling, intelligent customer service, etc., which can fully meet the personalized needs of enterprise merchants, small and medium-sized merchants, B2B, and B2C businesses in all scenarios.

Whether it is considered from the dimensions of order complexity, process complexity, digitalization degree or supply chain planning capability, BEST Cloud Warehouse has reached the true level of "smart supply chain". At present, Best Cloud Warehouse has provided smart supply chain services for more than 3,000 brand enterprises. With the increasing diversification of business formats, the transformation of traditional distribution supply chains into digital and integrated supply chains is the general trend of the market. In the next ten years, Best Cloud Warehouse will continue to consolidate the construction of the underlying warehouse network, complete the cloud warehouse network coverage in third- and fourth-tier cities, deepen the integrated digital network, and build an industry-leading digital service platform for warehouse and distribution integration to serve more customers. Industry customers provide omni-channel and omni-scenario comprehensive logistics services.

- *BEST Cloud Delivery*

BEST Cloud Delivery is a professional B2B delivery network within the provinces under BEST Supply Chain. The network provides customers with "one-day delivery" in provincial capital cities and "next-day delivery" in other cities in same provinces, with the advantage of trunk transport resources and destination landing sites. We are committed to being a new choice for regional B2B distribution services in the footwear and apparel industry.

BEST Cloud Delivery currently serves nearly 11,000 clothing stores per day, with an average monthly shipment of 980,000 pieces, and its business scope has expanded to 17 provinces across the country. At the same time, with the strong technical advantages of BEST and the Beidou satellite positioning system, it has realized the operational visibility, stability and controllable trajectory throughout the whole process. BEST supply chain can meet tailored made demand from key accounts and help them to achieve their business goal with lower cost and higher efficiency.

- *BEST Cross-border Service*

In addition to domestic market, we also actively expand the international market to provide supply chain cross-border e-commerce services, taking solid steps in globalization. By now, we operate our business in 11 countries overseas such as the United States, Thailand, the United Kingdom, France, South Korea, Malaysia, Italy, Vietnam, Laos, Singapore, and Cambodia, providing one-stop all-round smart supply chain solutions and landing services for customers at home and abroad.

Since 2018, we began to deploy warehousing and express delivery networks in Southeast Asia. At the beginning of 2019, we have successively completed the layout of local express delivery networks in five countries: Thailand, Vietnam, Malaysia, Singapore and Cambodia. At the end of 2020, we launched a full-scenario "door-to-door" delivery service between China and five Southeast Asian countries. Among them, B2B and B2C businesses focus on providing cross-border e-commerce customers with omni-channel, door-to-door, and integrated cross-border logistics services, to fully promote Chinese brands to the international market. Up to now, we have a total of 30 transit centers, more than 1,400 sites, and 16,000 square meters of overseas warehouse management area in five countries: Thailand, Vietnam, Malaysia, Singapore and Cambodia. Our daily order volume has exceeded 700,000 orders. Our volume increased by more than 7 times on a year-on-year basis in the year of 2021.

BEST Supply Chain Management Service Pricing

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

- As a one-stop supply chain solution provider, we are able to serve our customers' entire supply chain. Most of our customers are well-known brands in the international/Asia-Pacific region. We normally sign service contracts with customers on an annual basis. According to the different operational requirements of the customer's products and the different storage conditions required for storage in stock, we will communicate with the customer to nail down service details. In the contract, we will indicate the unit price of each service. Taking the venue fee as an example, when the service is provided at our Cloud Warehouse rather than our customer's premises, the price will be calculated using the floor area of the Cloud Warehouse. Therefore, the amount of revenue we generate depends on the unit price of each service we provide and the detailed business volume of each type of service we provide. Our service types include but not limited to: various operation services in warehouses nationwide, system docking and various operational report support services, supply chain data visualization services, domestic and foreign vehicles, LTL, express, and other transportation business with 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 services, we charge them our normal rates for such services, and such revenue is recognized by BEST Freight.
- 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 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, 2021, 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, 2021, we provided financing lease related services for the purchase of over 8,282 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, 2021, over 429,187 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 and BEST Freight operations. As of December 31, 2021, 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 (BEST Cloud Warehouse)

BEST Cloud Warehouse are warehouses with direct order fulfillment functions, which allow us to manage inventory for our customers and dispatch products from warehouse directly to our customers. As of December 31, 2021, we had 428 Cloud Warehouse with an aggregate gross floor area of approximately 3.2 million square meters. Among these Cloud Warehouse, 78 were directly operated by us and 350 were operated by our franchisee partners.

BEST Cloud Delivery

Across the country, our landing distribution network covers 17 provinces, 100% of prefecture-level cities, and 100% of over 1,900 districts and counties.

Collaborative Network—BEST International Express Network

By the end of December 2021, we have 30 self-operated express distribution centers and more than 1,017 sites in Southeast Asia.

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, 2021, BEST Freight had 47 hubs and 48 sortation centers. We directly operate all of these hubs and sortation centers as they are critical to ensuring the service quality of our network. 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, 2021, we had over 18,898 BEST Freight service stations. BEST Freight service stations cover 100% of China's provinces, 100% of China's cities and 96% of China's districts and counties. As of December 31, 2021, 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, 2021, our network had over 2,164 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.

- 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, 2021, four of our Cloud OFCs used 87 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 30.9 million orders during the Singles' Day promotion period in 2021.

As of December 31, 2021, we had 163 sorting lines in our hubs and sortation centers, some of which in warehouses can achieve a sorting accuracy of over 99.6%, 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 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 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 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 Freight and Cloud OFC services directly through us. Merchants are customers of our franchisee partners when they use BEST Freight and Cloud OFC services through our franchisee partners.

After more than 10 years of development and accumulation, our business has expanded rapidly and has served more than 3,000 domestic brand enterprises and top 500 foreign enterprises, including COFCO, Unilever, L'Oreal, 3M, Johnson & Johnson, Procter & Gamble, Schneider, CHINA FAW GROUP, CONTINENTAL, etc., involving FMCG, shoes and clothing, daily chemicals, internet electronics, telecommunications, electrical and other industries. Our largest merchant customers include brands such as 3M, Li Ning, hotwind, Cainiao Network and other large online and offline retailers. Additionally, many of our merchant clients conduct business in China's major e-commerce platforms.

Consumers

When individual consumers 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 BEST Freight and our 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 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 351 personnel as of December 31, 2021. 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.

In the process of providing customer service, we implement our corporate culture of “customer respect” and “adherence to responsibility”, emphasize the integration, guidance, and management of data and intelligence of core supply chain service, and continuously improve our own services. We provide customers with efficient, high-quality, cost-reducing logistics services, and have earned recognition from many customers in our industry.

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, 2021, we had 630 trademark registrations in China, including those of “百世” and “百世物流” and were in the process of making 33 trademark applications in China. As of December 31, 2021, we had 54 trademark registrations outside China and were in the process of making 44 trademark applications outside China. We have also been granted 71 copyrights in China in respect of our proprietary information systems. We are the registered holder of 188 domain names, including best-inc.com. We have 179 issued patents and 73 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.

In December 2021, we completed the sale of BEST Express, our express delivery business in China, and we are still in the process of transferring ownership of intellectual properties relating to BEST Express according to the share and asset purchase agreement. Such agreement has been incorporated by reference in this annual report as exhibit 4.31.

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, 2019, 2020 and 2021, we had a total of 8,423, 6,927 and 4,381 employees, respectively. 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, 2021 by function:

Function	Number of Employees	% of Total
BEST Supply Chain Management	940	21.46 %
BEST Freight	1,293	29.51 %
BEST Global	655	14.95 %
BEST Capital	52	1.19 %
BEST UCargo	131	2.99 %
Technology	595	13.58 %
Management, Administration and Others ⁽¹⁾	715	16.32 %
Total	<u>4,381</u>	<u>100.0 %</u>

(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, 2021, over 17,304 outsourced personnel were active in our operations, including approximately 17,304 for our continuing 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, 2021, our headquarters had an aggregate gross area of approximately 12,835.46 square meters. In addition, we had leased an aggregate of 3.22 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, 2021.

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, 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; DEPPON Logistics and ANE Logistics for freight services; and 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 are principally governed by the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2021 Version), or the Negative List 2021, and the Encouraged Foreign Investment Catalogue (2020 version), or the Encouraged Industry Catalogue 2020, both of which were promulgated by the NDRC and the MOFCOM and took effect in January 2022 and January 2021 respectively.

Pursuant to the Encouraged Industry Catalogue 2020 and the Negative List 2021, foreign-invested projects are categorized as encouraged, restricted and prohibited. Industries that are not listed in either of the Negative List 2021 and Encouraged Industry Catalogue 2020 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 2021.

Pursuant to the Negative List 2021, foreign investments in 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 value-added telecommunications services in connection with our BEST UCargo business through Hangzhou BEST IT, the VIE, and its subsidiaries in China.

Our PRC subsidiaries also operate in certain industries which are industries listed in the Encouraged Industry Catalogue 2020, 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 2020.

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 the 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, the MOFCOM, the 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 the 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 amended on February 6, 2016. On March 29, 2022, the State Council promulgated the Decision of the State Council on Amending and Abolishing Certain Administrative Regulations, or the Amending and Abolishing Decision, which further amends the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises and will take effect on May 1, 2022. According to the Amending and Abolishing Decision, a foreign investor's beneficial equity ownership in an entity providing value-added telecommunications services in China is not permitted to exceed 50%, unless otherwise stipulated by the government. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating the value-added telecommunications business in China, and who is a major one among the foreign investors, will be no longer required to must demonstrate a good track record and experience in operating a value-added telecommunications business. However, foreign investors that meet the requirements shall still 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 the 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 the MIIT for the establishment or change of telecommunication operating permits.

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, has obtained a road transportation operation permit to operate general road freight transportation while BEST Chi Cheng (Hangzhou) Logistics Service Co., Ltd., another one of our PRC subsidiaries, has also obtained a general road transportation operation permit. 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 and was amended on August 11, 2021, 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 the 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 the 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. The 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 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 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 the VIE, Hangzhou Baijia, which has obtained the requisite licenses. Certain subsidiaries of the 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 CAC 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 CAC further announced the Measures for the Security Assessment of Personal Information to be Transmitted Abroad (consultation draft). Both drafts are still under consultation.

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the Data Security Law, which took effect on September 1, 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the level of importance of the data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data shall designate the personnel and the management body responsible for data security, carry out risk assessments for its data processing activities and file the risk assessment reports with the competent authorities. In addition, the Data Security Law provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information. No entity or individual within the territory of the PRC may provide foreign judicial or law enforcement authorities with the data stored within the territory of the PRC without the approval of the competent PRC authorities.

On April 13, 2020, the CAC and several other administrations jointly promulgated the Cybersecurity Review Measures, which became effective on June 1, 2020. The Cybersecurity Review Measures establish the basic framework for national security reviews of network products and services, and provide the principal provisions for undertaking cyber security reviews. On December 28, 2021, the CAC, the NDRC, the SAMR, the MIIT and certain other PRC governmental authorities, jointly released the revised Cybersecurity Review Measures, which took effect on February 15, 2022. The revised Cybersecurity Review Measures provide, among others, that operators of critical information infrastructure that intend to purchase network products and services that affect or may affect national security shall file for cybersecurity review with the Cybersecurity Review Office under the CAC. The cybersecurity review will evaluate, among others, (i) the risk of critical information infrastructure being illegally controlled, interfered, or destructed, (ii) the risk of core data, important data, or a large amount of personal information being stolen, disclosed, damaged, or illegally used or exported, and (iii) the risk of critical information infrastructure, core data, important data, or a large amount of personal information being influenced, controlled, or maliciously used by foreign governments after public listing, and cyber information security risk. However, the scope of network products or data processing activities that affect or may affect national security is still unclear, and there remains significant uncertainty in the interpretation and enforcement of relevant PRC cybersecurity laws and regulations.

On July 30, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure, which took effect on September 1, 2021. The Critical Information Infrastructure Regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the revised Cybersecurity Review Measures. The regulations provide that, among others, critical information infrastructure, or the CII, means important network facilities and information systems in important industries such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government, defense technology industry and others that may seriously harm national security, national economy, people's livelihood and public interests once damaged, disabled or its data leaked. Operators shall, based on leveled system for cybersecurity protection, adopt technical protection measures and other necessary measures to deal with cybersecurity security events, defend against cyber attack and criminal activities, to ensure the safe and stable operation of CII, maintain data integrity, confidentiality, and availability pursuant to relevant laws, regulations and the mandatory requirements of national standards. Moreover, the competent supervisory departments of relevant important industries abovementioned shall organize the recognition of the CII and promptly notify the operators and Public Security Department of the State Council of the results of the identification.

On August 20, 2021, the Standing Committee of the National People's Congress of China promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. The Personal Information Protection Law sets forth detailed rules on processing personal information, clarifies the relevant rights of the individuals and the obligations of the personal information processors, and further strengthens the liabilities for illegal process of personal information. In addition to other rules and principles of personal information processing, the Personal Information Protection Law specifically provides rules for processing sensitive personal information. Sensitive personal information refers to personal information that, once leaked or illegally used, could easily lead to the infringement of human dignity or harm to the personal or property safety of an individual, including biometric recognition, religious belief, specific identity, medical and health, financial account, personal whereabouts and other information of an individual. Only where there is a specific purpose and sufficient necessity, and under circumstances where strict protection measures are taken, may personal information processors process sensitive personal information. A personal information processor shall inform the individual of the necessity of processing such sensitive personal information and the impact thereof on the individual's rights and interest. Nonetheless, the Personal Information Protection Law raises the protection requirements for processing personal information, and many specific requirements of the Personal Information Protection Law remain to be clarified by the CAC, other regulatory authorities, and courts in practice.

On October 29, 2021, the CAC released the Data Outbound Transfer Security Assessment Measures (Draft for Comments) (the "Draft Security Assessment Measures") for public comment. The Draft Security Assessment Measures provide that, among others, data processors shall apply to competent authorities for security assessment when transferring important data abroad or when, in the case of a personal information processor that has processed personal information of more than one million people, transferring personal information abroad.

On November 14, 2021, the CAC published for public comment the Regulations on Network Data Security Management (Draft for Comments) (the “Draft Network Data Security Regulations”), which applies to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. In accordance with the Draft Network Data Security Regulations, data processors shall apply for a cybersecurity review for the following activities: (i) merger, reorganization or division of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests to the extent that affects or may affect national security; (ii) overseas listing of data processors which process over one million users’ personal information; (iii) the listing of data processors in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. The Draft Network Data Security Regulations also provide that operators of large internet platforms that set up headquarters, operation centers or R&D centers overseas shall report to the national cyberspace administration and competent authorities. In addition, the Draft Regulations also require that data processors processing important data or going public overseas shall conduct an annual data security self-assessment or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of CAC before January 31 each year. As of the date of this annual report, the Draft Network Data Security Regulations has not been formally adopted and its final content, interpretation, implementation and effective date may be subject to change with substantial uncertainty.

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 2008, and the Labor Contract Law, promulgated by Standing Committee of the National People’s Congress in June 2007 and amended in December 2008, 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 2008, 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 discretionary 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 Overseas Listing and M&A Rules

On December 24, 2021, the China Securities Regulatory Commission, or the CSRC, released Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (the “Draft Administration Provisions of Overseas Listing”), and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (the “Draft Filing Measures for Overseas Listings”), which are open for public comments.

The Draft Administration Provisions of Overseas Listing and the Draft Filing Measures for Overseas Listings lay out a new filing-based regime to regulate overseas offerings and listings by domestic companies. According to the Draft Administration Provisions of Overseas Listing and the Draft Filing Measures for Overseas Listings, an overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. In addition, the Draft Filing Measures for Overseas Listings require the issuer or its affiliated domestic company, as the case may be, to file with the CSRC, among others, for its follow-on offering and other equivalent offering activities. Particularly, the issuer shall submit the filing with respect to its follow-on offering within three business days after completion of the follow-on offering. Failure to comply with the filing requirements may result in fines on the relevant domestic companies, suspension of their businesses, revocation of their business licenses and operation permits and fines on the controlling shareholder and other responsible persons.

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

Please refer to “Item 4. Information on the Company—Our Corporate Structure” for our corporate structure diagram and “Item 4. Information on the Company—Variable Interest Entity Contractual Arrangements” for a discussion of the VIE contractual arrangements.

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.”

In December 2021, we completed the sale of BEST Express, our express delivery business in China. As a result, our China express business has been deconsolidated from our company, and its historical financial results are reflected 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 Express.

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 from RMB10,481.0 million in 2019 to RMB10,528.2 million in 2020, and further increased by 8.5% to RMB11,425.8 million (US\$1,793.0 million) in 2021. We had net losses from continuing operations of RMB412.4 million, RMB1,028.4 million and RMB1,263.9 million (US\$198.3 million) in 2019, 2020 and 2021, respectively. Our gross margin for continuing operations decreased from 5.3% in 2019 to 2.3% in 2020, and further decreased to negative 1.7% in 2021.

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, 2019	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020	Sep. 30, 2020	Dec. 31, 2020	Mar. 31, 2021	Jun. 30, 2021	Sep. 30, 2021	Dec. 31, 2021
BEST Supply Chain Management												
Number of orders fulfilled by self-operated Cloud OFCs (in thousands) ⁽¹⁾	39,462	50,014	45,848	63,590	43,159	57,677	48,686	69,031	47,981	47,349	35,662	48,933
Number of orders fulfilled by franchised Cloud OFCs (in thousands)	22,502	36,648	40,523	58,317	40,436	53,654	53,485	67,095	52,804	73,121	67,975	74,376
BEST Freight												
Freight volume (tonnage in thousands) ⁽¹⁾	1,268	1,730	1,885	2,097	1,074	2,230	2,464	2,623	1,945	2,438	2,427	2,408

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.”

Selected Operating Data

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

	For the year ended December 31,		
	2019	2020	2021
BEST Supply Chain Management			
Number of orders fulfilled by self-operated Cloud OFCs (in thousands) ⁽¹⁾	198,914	218,554	179,925
Number of orders fulfilled by franchised Cloud OFCs (in thousands)	157,990	214,670	268,276
BEST Freight			
Freight volume (tonnage in thousands) ⁽¹⁾	6,980	8,392	9,218

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 “—A. Operating Results—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 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.

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,					
	2019		2020		2021	
	RMB	% of Revenue	RMB (in thousands)	% of Revenue	RMB	US\$ Revenue
Revenue:						
Freight	5,249,479	50.1 %	5,175,830	49.1 %	5,435,354	852,926 47.6 %
Supply chain management	2,195,759	20.9 %	1,912,323	18.2 %	1,815,104	284,829 15.9 %
Global	336,874	3.2 %	777,656	7.4 %	1,193,855	187,342 10.4 %
Others	2,698,889	25.8 %	2,662,425	25.3 %	2,981,523	467,866 26.1 %
Total revenue	10,481,001	100 %	10,528,234	100 %	11,425,836	1,792,963 100 %

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

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.

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 outside China.

Others

Others mainly represents Ucargo business and Capital business we provided to customers.

For Ucargo business, 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.

For Capital business, 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,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Cost of revenue				
Freight	4,934,937	5,063,236	5,557,115	872,033
Supply chain management	2,052,006	1,846,901	1,741,832	273,331
Global	371,404	875,733	1,258,511	197,488
Others	2,569,643	2,500,082	3,067,766	481,399
Total cost of revenue	<u>9,927,990</u>	<u>10,285,952</u>	<u>11,625,224</u>	<u>1,824,251</u>

Freight

Cost of revenue for our freight 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 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 to provide that we are directly responsible for last-mile delivery services. Other cost of revenue for freight services includes costs for materials, depreciation of property and equipment, and utility and maintenance payments related to our operations.

Cost of revenue for our freight 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.

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.

Others

Others mainly represents Ucargo business and Capital business we provided 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,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
			(in thousands)	
Selling expenses	225,098	235,419	260,219	40,834
General and administrative expenses	642,173	867,517	881,498	138,326
Research and development expenses	146,614	136,065	180,204	28,278
Total operating expenses	<u>1,013,885</u>	<u>1,239,001</u>	<u>1,321,921</u>	<u>207,438</u>

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.

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,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Revenue				
Freight	5,249,479	5,175,830	5,435,354	852,926
Supply chain management	2,195,759	1,912,323	1,815,104	284,829
Global	336,874	777,656	1,193,855	187,342
Others	2,698,889	2,662,425	2,981,523	467,866
Total revenue	10,481,001	10,528,234	11,425,836	1,792,963
Cost of revenue				
Freight	(4,934,937)	(5,063,236)	(5,557,115)	(872,033)
Supply chain management	(2,052,006)	(1,846,901)	(1,741,832)	(273,331)
Global	(371,404)	(875,733)	(1,258,511)	(197,488)
Others	(2,569,643)	(2,500,082)	(3,067,766)	(481,399)
Total cost of revenue	(9,927,990)	(10,285,952)	(11,625,224)	(1,824,251)
Gross profit/(loss)	553,011	242,282	(199,388)	(31,288)
Selling expenses	(225,098)	(235,419)	(260,219)	(40,834)
General and administrative expenses	(642,173)	(867,517)	(881,498)	(138,326)
Research and development expenses	(146,614)	(136,065)	(180,204)	(28,278)
Other operating income/(expense), net	19,789	24,777	58,337	9,154
Loss from operations	(441,085)	(971,942)	(1,462,972)	(229,572)
Interest income	84,493	55,527	49,658	7,792
Interest expense	(46,746)	(119,177)	(142,751)	(22,401)
Foreign exchange loss	(4,375)	(8,243)	44,556	6,992
Other income	20,831	47,536	321,075	50,384
Other expense	(6,832)	(14,402)	(70,171)	(11,011)
Loss before income tax and share of net loss of equity investees	(393,714)	(1,010,701)	(1,260,605)	(197,816)
Income tax expense	(18,326)	(17,553)	(3,198)	(502)
Loss before share of net loss of equity investees	(412,040)	(1,028,254)	(1,263,803)	(198,318)
Share of net loss of equity investees	(355)	(180)	(58)	(9)
Net loss from continuing operations	(412,395)	(1,028,434)	(1,263,861)	(198,327)
Net income/(loss) from discontinued operations	193,327	(1,022,790)	1,473,489	231,223
Net (loss)/income	(219,068)	(2,051,224)	209,628	32,896
Net loss from continuing operations attributable to non-controlling interests	(16,652)	(25,716)	(52,279)	(8,204)
Net (loss)/income attributable to BEST Inc.	(202,416)	(2,025,508)	261,907	41,100

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,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net loss from continuing operations	(412,395)	(1,028,434)	(1,263,861)	(198,327)
Add:				
Depreciation and amortization	150,151	157,495	191,365	30,030
Interest expense	46,746	119,177	142,751	22,401
Income tax expense	18,326	17,553	3,198	502
Subtract:				
Interest income	(84,493)	(55,527)	(49,658)	(7,792)
EBITDA from continuing operations	(281,665)	(789,736)	(976,205)	(153,186)
Add				
Share-based compensation expenses	78,886	115,463	107,681	16,898
Subtract:				
Fair value change of equity investments	(14,155)	(18,687)	(58,643)	(9,202)
Adjusted EBITDA from continuing operations	(216,934)	(692,960)	(927,167)	(145,490)

Year-over-Year Comparisons of Results of Operations

The results presented below exclude discontinued operations related to each of BEST Store⁺ and BEST Express.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 8.5% to RMB11,425.8 million (US\$1,793.0 million) in 2021 from RMB10,528.2 million in 2020 primarily due to increased volume in Freight and Global, partially offset by a decrease in Freight average selling price.

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Freight. Our freight service revenue increased by 5.0% to RMB5,435.4 million (US\$852.9 million) in 2021 from RMB5,175.8 million in 2020. This increase in revenue was primarily due to 9.8% increase in freight volume, partially offset by a 4.2% decrease in ASP per tonne.

Supply Chain Management. Our supply chain management service revenue decreased by 5.1% to RMB1,815.1 million (US\$284.8 million) in 2021 from RMB1,912.3 million in 2020. Such decrease was primarily due to discontinuation of certain legacy key account customers, partially offset by a 3.5% increase in the total number of orders fulfilled by Cloud OFCs

Global. Revenue from our BEST Global services increased by 53.5% to RMB1,193.9 million (US\$187.3 million) in 2021 from RMB777.7 million in 2020, primarily due to strong growth in parcel volumes in Southeast Asia.

Others. Revenue from our others services increased by 12.0% to RMB2,981.5 million (US\$467.9 million) in 2021 from RMB2,662.4 million in 2020, primarily due to the increased volume of our BEST UCargo business in the first three quarters of 2021.

Cost of Revenue

Our cost of revenue increased by 13.0% to RMB11,625.2 million (US\$1,824.3 million) in 2021 from RMB10,286.0 million in 2020. The increase was primarily attributable to increase in cost of revenue in our Freight, Global and Others service, as discussed below. Cost of revenue as a percentage of revenue increased to 101.7% in 2021 from 97.7% in 2020, which was primarily due to attributable to additional costs resulting from higher oil price and labor costs.

Freight. Cost of revenue for our freight services increased by 9.8% to RMB5,557.1 million (US\$872.0 million) in 2021 from RMB5,063.2 million in 2020. This increase in cost of revenue was primarily attributable to increased freight volume, which increased by 9.8% to 9.2 million tonnes from 8.4 million tonnes in 2020, partially offset by a decrease in unit cost per tonne. Cost of revenue as a percentage of revenue from our freight services increased to 102.2% in 2021 from 97.8% in 2020, 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 5.7% to RMB1,741.8 million (US\$273.3 million) in 2021 from RMB1,846.9 million in 2020. This decrease in cost of revenue generally in line with the decrease of revenue. Cost of revenue as a percentage of revenue from our supply chain management services decreased to 96.0% in 2021 from 96.6% in 2020, primarily due to the operation improvement after the discontinuation of certain legacy key account customers.

Global. Cost of revenue for our BEST Global services increased by 43.7% to RMB1,258.5 million (US\$197.5 million) in 2021 from RMB875.7 million in 2020 primarily due to BEST Global's expanded operations in Southeast Asia.

Others. Cost of revenue for our others services increased by 22.7% to RMB3,067.8 million (US\$481.4 million) in 2021 from RMB2,500.1 million in 2020. Cost of revenue as a percentage of revenue increased to 102.9% in 2021 from 93.9% in 2020, primarily due to the wind-down of UCargo business in the fourth quarter of 2021.

Operating Expenses

Operating expenses increased by 6.7% to RMB1,321.9 million (US\$207.4 million) in 2021 from RMB1,239.0 million in 2020. Operating expenses as a percentage of our total revenue decreased slightly to 11.6% in 2021 from 11.8% in 2020.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by 3.5% to RMB 1,141.7 million (US\$179.2 million) in 2021 from RMB1,102.9 million in 2020. This increase was primarily attributable to increased staff related expenditure to support the business especially in Southeast Asia.

Research and Development Expenses. Research and development expenses increased by 32.4% to RMB180.2 million (US\$28.3 million) in 2021 from RMB136.1 million in 2020. This increase was primarily due to expenses to support BEST Global's business expansion in Southeast Asia.

Other operating income

Other operating income increased to RMB58.3 million (US\$9.2 million) in 2021 from RMB24.8 million in 2020, primarily due to the increase of government subsidies.

Interest Income

Our interest income decreased by 10.6% to RMB49.7 million (US\$7.8 million) in 2021 from RMB55.5 million in 2020, primarily due to the changes in average short-term investments balance during 2021 compared with 2020.

Interest Expense

Our interest expenses increased by 19.8% to RMB142.8 million (US\$22.4 million) in 2021 from RMB119.2 million in 2020, primarily a result of the interest incurred due to the issuances of convertible senior notes June 2020.

Foreign Exchange Loss

We recorded a foreign exchange income of RMB 44.6 million (US\$7.0 million) in 2021 as compared to exchange loss of RMB8.2 million in 2020, which mainly reflected the fluctuation in exchange rates between Renminbi and U.S. dollars during the respective years.

Other Income

Other income increased to RMB321.1 million (US\$50.4 million) in 2021 from RMB47.5 million in 2020, primarily due to the realized gain of selling our certain equity investments of RMB 241.6 million in 2021.

Other Expense

Other expenses increased to RMB70.2 million (US\$11.0 million) in 2021 from RMB14.4 million in 2020, primarily reflecting various miscellaneous expenses.

Income Tax Expense

Income tax expense decreased to RMB3.2 million (US\$0.5 million) in 2021 from RMB17.6 million in 2020, reflecting decreased taxable income from certain of our PRC subsidiaries.

Net Loss from continuing operations.

As a result of the foregoing, net loss from continuing operations increased to RMB1,263.9 million (US\$198.3 million) in 2021 from net loss from continuing operations of RMB1,028.4 million in 2020.

Net Income.

Net income was RMB209.6 million (US\$32.9 million) in 2021, compared to net loss of RMB2,051.2 million in 2020. The increase was primarily due to the gain related to the sale of our China express business.

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

Revenue

Our revenue increased slightly by 0.5% to RMB10,528.2 million in 2020 from RMB10,481.0 million in 2019.

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 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 freight services and supply chain management services. 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 risks related to natural disasters, extreme weather conditions, health epidemics and other catastrophic incidents, which could significantly disrupt our operations."

Freight. Our freight service revenue decreased by 1.4% to RMB5,175.8 million in 2020 from RMB5,249.5 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 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 in 2020 from RMB336.9 million in 2019, primarily due to strong growth in parcel volumes in Southeast Asia.

Others. Revenue from our others services decreased slightly by 1.4% to RMB2,662.4 million in 2020 from RMB2,698.9 million in 2019, primarily due to the revenue decrease in BEST UCargo services line.

Cost of Revenue

Our cost of revenue increased by 3.6% to RMB10,286.0 million in 2020 from RMB9,928.0 million in 2019. The increase was primarily attributable to increases in cost of revenue in our Freight and Global service lines, partially offset by the decreases in our Supply Chain Management service line, as discussed below. Cost of revenue as a percentage of revenue increased to 97.7% in 2020 from 94.7% in 2019, which was primarily due to a pricing lag after the PRC government reinstated highway tolls. As a result, the decrease in ASP outpaced reduction in unit cost in our Freight business.

Freight. Cost of revenue for our freight services increased by 2.6% to RMB5,063.2 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 97.8% in 2020 from 94.0% 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 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 in 2020 from RMB371.4 million in 2019 primarily due to BEST Global's expanded operations in Southeast Asia.

Others. Revenue from our others services decreased slightly by 2.7% to RMB2,500.1 million in 2020 from RMB2,569.6 million in 2019, generally in line with the decrease of revenue in others service line.

Operating Expenses

Operating expenses increased by 22.2% to RMB1,239.0 million in 2020 from RMB1,013.9 million in 2019. Operating expenses as a percentage of our total revenue increased to 11.8% in 2020 from 9.7% 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 27.2% to RMB1,102.9 million in 2020 from RMB867.3 million in 2019. This increase was primarily attributable to an increase in staff costs of Southeast Asia business and additional accrued provision for certain trade receivables due to the pandemic.

Research and Development Expenses. Research and development expenses decreased by 7.2% to RMB136.1 million in 2020 from RMB146.6 million in 2019. This decrease was primarily due to capitalization of certain research and development expenditures to intangible assets.

Other operating income

Other operating income increased to RMB24.8 million in 2020 from RMB19.8 million in 2019, primarily due to the increase of government subsidies.

Interest Income

Our interest income decreased by 34.3% to RMB55.5 million in 2020 from RMB84.5 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 154.9% to RMB119.2 million in 2020 from RMB46.7 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 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 RMB47.5 million in 2020 from RMB20.8 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.

Other Expense

Other expenses decreased to RMB14.4 million in 2020 from RMB6.8 million in 2019, primarily reflecting various miscellaneous expenses.

Income Tax Expense

Income tax expense increased to RMB17.6 million in 2020 from RMB18.3 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 RMB1,028.4 million in 2020 from RMB412.4 million in 2019.

Variable Interest Entity Financial Information

Set forth below is the selected consolidated statements of operations and cash flows information for the fiscal years ended December 31, 2019, 2020 and 2021, and selected consolidated balance sheet information as of December 31, 2020 and 2021 showing financial information for parent company Best Inc., non-VIE subsidiaries, the VIE and VIE's subsidiaries, eliminating entries and consolidated information (RMB in thousands). In the tables below, the column headings correspond to the following entities in the organizational diagram on page 46.

- “Parent” refers to BEST Inc., a Cayman company, which is an investment holding company and the primary beneficiary of the VIEs.
- “Other subsidiaries” refer to the sum of non-VIE subsidiaries, which mainly include holding companies in Cayman, BVI and Hong Kong, the overseas subsidiaries providing global business, and the wholly foreign owned enterprises (“WFOE”) of the VIEs and other WFOEs, such as (1) Zhejiang BEST Technology Co., Ltd., an entity providing technology support to the Group and the WFOE of Hangzhou BEST Network Technologies Co., Ltd. (2) BEST Logistics Technologies (China) Co., Ltd., an entity providing freight and supply chain management business and the WFOE of Hangzhou BEST Information Technology Services Co., Ltd. (3) BEST Store Network (Hangzhou) Co., Ltd., an entity providing Store+ business and the WFOE of Hangzhou Baijia Commercial consulting Co., Ltd, and (4) Xinyuan Financial Leasing (Zhejiang) Co., Ltd., an entity providing capital business and the primary beneficiary of the Plans.
- “VIEs and VIEs’ subsidiaries” refer to the sum of (1) Hangzhou BEST Network Technologies Co., Ltd., one of the VIEs providing the express delivery business and its subsidiaries, which was discontinued in 2021; (2) Hangzhou BEST Information Technology Services Co., Ltd., one of the VIEs providing the Ucargo business, and its subsidiaries; and (3) Hangzhou Baijia Commercial consulting Co., Ltd, one of the VIEs providing Store+ business and its subsidiaries, which was discontinued in 2020. (4) Xinyuan Leasing Asset Backed Special Plan I and Plan II (collectively the “ABS Plans”) as well as the Yunnan Trust Plan created by Yunnan International Trust Co., Ltd., (the “Trust Plan”) which are vehicles holding securitized lease rental and other financing receivables transferred by Xinyuan Financial Leasing (Zhejiang) Co., Ltd., one of our subsidiaries and the primary beneficiary of the Plans.

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	For the year ended December 31, 2021				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
Revenue from third parties					
Freight delivery	—	5,435,354	—	—	5,435,354
Supply chain management	—	1,476,743	—	—	1,476,743
Global	—	992,518	—	—	992,518
Others	—	319,584	2,661,939	—	2,981,523
	—	8,224,199	2,661,939	—	10,886,138
Revenue from related parties					
Supply chain management	—	338,361	—	—	338,361
Global	—	201,337	—	—	201,337
Inter-company revenues (1)	—	420,337	534,689	(955,026)	—
Total revenue	—	9,184,234	3,196,628	(955,026)	11,425,836
Cost of revenue					
Freight delivery	—	(5,557,115)	—	—	(5,557,115)
Supply chain management	—	(1,741,832)	—	—	(1,741,832)
Global	—	(1,258,511)	—	—	(1,258,511)
Others	—	(420,304)	(2,647,462)	—	(3,067,766)
Inter-company cost (1)	—	(381,126)	(573,900)	955,026	—
Total cost of revenue	—	(9,358,888)	(3,221,362)	955,026	(11,625,224)
Operating expenses	(44,897)	(1,157,365)	(61,322)	—	(1,263,584)
(Loss)/income from non-operations	(80,044)	295,861	(13,450)	—	202,367
Loss from VIEs and VIEs' subsidiaries (2)	(99,506)	—	—	99,506	—
Loss from subsidiaries (2)	(987,135)	—	—	987,135	—
Income tax expense	—	(3,198)	—	—	(3,198)
Share of net loss of equity investees	—	(58)	—	—	(58)
Net loss from continuing operations	(1,211,582)	(1,039,414)	(99,506)	1,086,641	(1,263,861)
Revenue from third parties					
Express delivery	—	25,728	15,618,517	—	15,644,245
Store*	—	5,598	534,896	—	540,494
	—	31,326	16,153,413	—	16,184,739
Revenue from related parties					
Express delivery	—	—	149,624	—	149,624
Inter-company revenues	—	—	183,770	(183,770)	—
Revenue from discontinued operations		31,326	16,486,807	(183,770)	16,334,363
Express delivery	—	—	(16,949,375)	—	(16,949,375)
Store*	—	(5,943)	(357,789)	—	(363,732)
Inter-company cost (1)	—	—	(285,244)	285,244	—
Total cost of revenue from discontinued operations		(5,943)	(17,592,408)	285,244	(17,313,107)
Operating expenses	—	34,652	(636,648)	(101,474)	(703,470)
Income/(loss) from non-operations	—	136,646	(160,266)	—	(23,620)
Loss from VIEs and VIEs' subsidiaries (2)	(1,936,791)	—	—	1,936,791	—
Income from subsidiaries (2)	196,681	—	—	(196,681)	—
Gains/(Losses) on disposal, net of tax	3,213,599	—	(34,276)	—	3,179,323
Net Income/(Loss) from discontinued operations	1,473,489	196,681	(1,936,791)	1,740,110	1,473,489
Net Income/(Loss)	261,907	(842,733)	(2,036,297)	2,826,751	209,628
Net loss from continuing operations attributable to non-controlling interests	—	(52,279)	—	—	(52,279)
Net Income/(Loss) attributable to BEST Inc.	261,907	(790,454)	(2,036,297)	2,826,751	261,907

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	For the year ended December 31, 2020				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
Revenue from third parties					
Freight delivery	—	5,175,830	—	—	5,175,830
Supply chain management	—	1,391,686	—	—	1,391,686
Global	—	616,934	—	—	616,934
Others	—	678,757	1,983,668	—	2,662,425
	—	7,863,207	1,983,668	—	9,846,875
Revenue from related parties					
Supply chain management	—	520,637	—	—	520,637
Global	—	160,722	—	—	160,722
Inter-company revenues (1)	—	93,519	259,162	(352,681)	—
Total revenue	—	8,638,085	2,242,830	(352,681)	10,528,234
Cost of revenue					
Express delivery	—	—	—	—	—
Freight delivery	—	(5,063,236)	—	—	(5,063,236)
Supply chain management	—	(1,846,901)	—	—	(1,846,901)
Global	—	(875,733)	—	—	(875,733)
Others	—	(543,899)	(1,956,183)	—	(2,500,082)
Inter-company cost (1)	—	(63,009)	(258,299)	321,308	—
Total cost of revenue	—	(8,392,778)	(2,214,482)	321,308	(10,285,952)
Operating expenses	(8,620)	(1,193,116)	(43,861)	31,373	(1,214,224)
(Loss)/income from non-operations	(64,986)	31,348	(5,121)	—	(38,759)
Loss from VIEs and VIEs' subsidiaries (2)	(20,634)	—	—	20,634	—
Loss from subsidiaries (2)	(908,478)	—	—	908,478	—
Income tax expense	—	(17,553)	—	—	(17,553)
Share of net loss of equity investees	—	(180)	—	—	(180)
Net loss from continuing operations	(1,002,718)	(934,194)	(20,634)	929,112	(1,028,434)
Revenue from third parties					
Express delivery	—	49,236	19,165,049	—	19,214,285
Store ⁺	—	1,563,967	636,592	—	2,200,559
	—	1,613,203	19,801,641	—	21,414,844
Revenue from related parties					
Express delivery	—	—	252,510	—	252,510
Inter-company revenues	—	205,856	186,457	(392,313)	—
Revenue from discontinued operations	—	1,819,059	20,240,608	(392,313)	21,667,354
Express delivery	—	—	(19,470,937)	—	(19,470,937)
Store ⁺	—	(1,451,574)	(466,888)	—	(1,918,462)
Inter-company cost (1)	—	(205,856)	(217,817)	423,673	—
Total cost of revenue from discontinued operations	—	(1,657,430)	(20,155,642)	423,673	(21,389,399)
Operating expenses	—	(406,455)	(867,600)	(31,360)	(1,305,415)
Income/(loss) from non-operations	—	141,815	(134,059)	—	7,756
Loss from VIEs and VIEs' subsidiaries (2)	(915,208)	—	—	915,208	—
Loss from subsidiaries (2)	(107,582)	—	—	107,582	—
Income tax benefits	—	(4,571)	1,485	—	(3,086)
Net loss from discontinued operations	(1,022,790)	(107,582)	(915,208)	1,022,790	(1,022,790)
Net loss	(2,025,508)	(1,041,776)	(935,842)	1,951,902	(2,051,224)
Net loss from continuing operations attributable to non-controlling interests	—	(25,716)	—	—	(25,716)
Net loss attributable to BEST Inc.	(2,025,508)	(1,016,060)	(935,842)	1,951,902	(2,025,508)

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	For the year ended December 31, 2019				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
Revenue from third parties					
Freight delivery	—	5,249,479	—	—	5,249,479
Supply chain management	—	1,661,747	—	—	1,661,747
Global	—	319,602	—	—	319,602
Others	—	2,387,873	311,016	—	2,698,889
	—	9,618,701	311,016	—	9,929,717
Revenue from related parties					
Supply chain management	—	534,012	—	—	534,012
Global	—	17,272	—	—	17,272
Inter-company revenues (1)	—	430,734	12,193	(442,927)	—
Total revenue	—	10,600,719	323,209	(442,927)	10,481,001
Cost of revenue					
Express delivery	—	—	—	—	—
Freight delivery	—	(4,934,937)	—	—	(4,934,937)
Supply chain management	—	(2,052,006)	—	—	(2,052,006)
Global	—	(371,404)	—	—	(371,404)
Others	—	(2,263,032)	(306,611)	—	(2,569,643)
Inter-company cost (1)	—	(432,942)	(12,194)	445,136	—
Total cost of revenue	—	(10,054,321)	(318,805)	445,136	(9,927,990)
Operating expenses	(2,698)	(979,358)	(9,831)	(2,209)	(994,096)
(Loss)/income from non-operations	(10,756)	57,980	147	—	47,371
Loss from VIEs and VIEs' subsidiaries (2)	(5,884)	—	—	5,884	—
Loss from subsidiaries (2)	(376,405)	—	—	376,405	—
Income tax expense	—	(18,326)	—	—	(18,326)
Share of net income/(loss) of equity investees	—	249	(604)	—	(355)
Net loss from continuing operations	(395,743)	(393,057)	(5,884)	382,289	(412,395)
Revenue from third parties					
Express delivery	—	55,244	21,548,174	—	21,603,418
Store ⁺	—	2,109,896	707,306	—	2,817,202
	—	2,165,140	22,255,480	—	24,420,620
Revenue from related parties					
Express delivery	—	—	274,268	—	274,268
Inter-company revenues (1)	—	386,810	194,938	(581,748)	—
Revenue from discontinued operations	—	2,551,950	22,724,686	(581,748)	24,694,888
Express delivery	—	—	(20,793,370)	—	(20,793,370)
Store ⁺	—	(1,993,389)	(502,114)	—	(2,495,503)
Inter-company cost (1)	—	(48,717)	(532,874)	581,591	—
Total cost of revenue from discontinued operations	—	(2,042,106)	(21,828,358)	581,591	(23,288,873)
Operating expenses	—	(466,094)	(778,744)	157	(1,244,680)
Income/(loss) from non-operations	—	98,689	(66,733)	—	31,956
Income from VIEs and VIEs' subsidiaries (2)	52,588	—	—	(52,588)	—
Income from subsidiaries (2)	140,739	—	—	(140,739)	—
Income tax benefits	—	(1,701)	1,737	—	36
Net income from discontinued operations	193,327	140,739	52,588	(193,327)	193,327
Net (loss)/income	(202,416)	(252,318)	46,704	188,962	(219,068)
Net loss from continuing operations attributable to non-controlling interests	—	(16,652)	—	—	(16,652)
Net (loss)/income attributable to BEST Inc.	(202,416)	(235,666)	46,704	188,962	(202,416)

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The following tables set forth the condensed consolidated cash flows for our company, our consolidated variable interest entities, and eliminations, for the years ended December 31, 2019, 2020 and 2021.

	For the year ended December 31, 2021				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
Net cash used in continuing operating activities	(111,208)	(567,230)	(212,697)	—	(891,135)
Net cash generated from/(used in) discontinued operating activities	—	25,628	(1,938,454)	—	(1,912,826)
Net cash generated from/(used in) continuing investing activities	82,099	4,921,416	(582,998)	570,217	4,990,734
Loans to VIEs and VIEs' subsidiaries (4)	—	(1,118,676)	—	1,118,676	—
Repayment of loans to VIEs and VIEs' subsidiaries (4)	—	1,009,120	—	(1,009,120)	—
Other investing activities	82,099	5,030,972	(582,998)	460,601	4,990,734
Net cash used in discontinued investing activities	—	(2,199,038)	(448,016)	2,199,038	(448,016)
Loans to VIEs and VIEs' subsidiaries (4)	—	(4,882,089)	—	4,882,089	—
Repayment of loans to VIEs and VIEs' subsidiaries (4)	—	2,683,051	—	(2,683,051)	—
Other investing activities	—	—	(448,016)	—	(448,016)
Net cash generated from/ (used in) continuing financing activities	2,604	(28,655)	358,346	(570,217)	(237,922)
Borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	1,118,676	(1,118,676)	—
Repayment of borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	(1,009,120)	1,009,120	—
Other financing activities	2,604	(28,655)	248,790	(460,661)	(237,922)
Net cash (used in)/generated from discontinued financing activities	—	(274,999)	2,136,199	(2,199,038)	(337,838)
Borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	4,882,089	(4,882,089)	—
Repayment of borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	(2,683,051)	2,683,051	—
Other financing activities	—	(274,999)	(62,839)	—	(337,838)

	For the year ended December 31, 2020				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' Subsidiaries	Eliminations	Consolidated Total
Net cash (used in)/generated from continuing operating activities	(11,320)	(11,777)	93,624	—	70,527
Net cash used in discontinued operating activities	—	(142,990)	(158,772)	—	(301,762)
Net cash (used in)/generated from continuing investing activities	(812,649)	1,135,404	(260,024)	205,744	268,475
Loans to VIEs and VIEs' subsidiaries (4)	—	(214,400)	—	214,400	—
Repayment of loans to VIEs and VIEs' subsidiaries (4)	—	243,225	—	(243,225)	—
Other investing activities	(812,649)	1,106,579	(260,024)	234,569	268,475
Net cash used in discontinued investing activities	—	(751,816)	(1,141,564)	751,972	(1,141,408)
Loans to VIEs and VIEs' subsidiaries (4)	—	(4,934,979)	—	4,934,979	—
Repayment of loans to VIEs and VIEs' subsidiaries (4)	—	4,183,007	—	(4,183,007)	—
Other investing activities	—	156	(1,141,564)	—	(1,141,408)
Net cash generated from continuing financing activities	847,346	655,243	261,868	(205,744)	1,558,713
Borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	214,400	(214,400)	—
Repayment of borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	(243,225)	243,225	—
Other financing activities	847,346	655,243	290,693	(234,569)	1,558,713
Net cash (used in)/generated from discontinued financing activities	—	(203,404)	944,847	(751,972)	(10,529)
Borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	4,934,979	(4,934,979)	—
Repayment of borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	(4,183,007)	4,183,007	—
Other financing activities	—	(203,404)	192,875	—	(10,529)

	For the years ended December 31, 2019				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
Net cash (used in)/generated from continuing operating activities	(9,236)	51,608	(21,686)	—	20,686
Net cash (used in)/generated from discontinued operating activities	—	(192,070)	1,024,217	—	832,147
Net cash (used in)/generated from continuing investing activities	(1,210,695)	600,416	(274,014)	278,345	(605,948)
Loans to VIEs and VIEs' subsidiaries (4)	—	(19,945)	—	19,945	—
Repayment of loans to VIEs and VIEs' subsidiaries (4)	—	38,945	—	(38,945)	—
Other investing activities	(1,210,695)	581,416	(274,014)	297,345	(605,948)
Net cash used in discontinued investing activities	—	(1,069,580)	(1,317,284)	1,080,330	(1,306,534)
Loans to VIEs and VIEs' subsidiaries (4)	—	(4,240,747)	—	4,240,747	—
Repayment of loans to VIEs and VIEs' subsidiaries (4)	—	3,160,417	—	(3,160,417)	—
Other investing activities	—	10,750	(1,317,284)	—	(1,306,534)
Net cash generated from continuing financing activities	1,224,514	953,711	335,013	(278,345)	2,234,893
Borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	19,945	(19,945)	—
Repayment of borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	(38,945)	38,945	—
Other financing activities	1,224,514	953,711	354,013	(297,345)	2,234,893
Net cash (used in)/generated from discontinued financing activities	—	(175,360)	1,032,609	(1,080,330)	(223,081)
Borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	4,240,747	(4,240,747)	—
Repayment of borrowings of VIEs and VIE subsidiaries from Group companies (4)	—	—	(3,160,417)	3,160,417	—
Other financing activities	—	(175,360)	(47,721)	—	(223,081)

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The following tables set forth the balance sheets depicting the financial position for our company, our consolidated variable interest entities, and eliminations, as of December 31, 2020 and 2021.

	As at December 31, 2021				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	6,805	3,402,910	162,030	—	3,571,745
Restricted cash	—	675,159	—	—	675,159
Accounts and notes receivables, net	—	713,931	113,700	—	827,631
Inventories	—	25,611	11	—	25,622
Prepayments and other current assets	4,166	1,118,088	50,218	—	1,172,472
Short-term investments	—	147,359	—	—	147,359
Lease rental receivables	—	298,364	—	—	298,364
Amounts due from related parties	—	125,198	—	—	125,198
Amount due from Group companies (3)	—	574,176	331,952	(906,128)	—
Total current assets	10,971	7,080,796	657,911	(906,128)	6,843,550
Non-current assets:					
Restricted cash	—	1,069,244	—	—	1,069,244
Property and equipment, net	—	677,443	85,199	—	762,642
Intangible assets, net	—	55,632	52	—	55,684
Goodwill	—	54,135	—	—	54,135
Long-term investments	—	219,171	—	—	219,171
Non-current deposits	—	92,866	—	—	92,866
Operating lease right-of-use assets	—	1,899,334	188	—	1,899,522
Lease rental receivables	—	235,429	—	—	235,429
Amount due from Group companies (3)	—	417,085	41,248	(458,333)	—
Investment in subsidiaries and VIEs (2)	4,684,363	—	—	(4,684,363)	—
Other non-current assets	1,646	109,994	—	—	111,640
Total non-current assets	4,686,009	4,830,333	126,687	(5,142,696)	4,500,333
Total assets	4,696,980	11,911,129	784,598	(6,048,824)	11,343,883

	As at December 31, 2021				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
LIABILITIES					
Current liabilities:					
Short-term bank loans	—	409,995	120,500	—	530,495
Long-term borrowings-current portion	—	203,808	84,006	—	287,814
Accounts and notes payable	—	1,292,481	60,669	—	1,353,150
Accrued expenses and other liabilities	38,387	1,535,001	18,251	—	1,591,639
Customer advances and deposits and deferred revenue	—	298,012	341	—	298,353
Operating lease liabilities	—	517,368	880	—	518,248
Financing lease liabilities	—	1,851	—	—	1,851
Convertible senior notes held by a related party-current	633,475	—	—	—	633,475
Convertible senior notes held by third parties-current	633,475	—	—	—	633,475
Amounts due to related parties	—	2,763	—	—	2,763
Amount due to Group companies (3)	—	331,952	574,176	(906,128)	—
Income tax payable	—	587	—	—	587
Liabilities held for sale	—	—	—	—	—
Total current liabilities	1,305,337	4,593,818	858,823	(906,128)	5,851,850
Non-current liabilities:					
Convertible senior notes held by a related party	955,097	—	—	—	955,097
Operating lease liabilities	—	1,456,843	—	—	1,456,843
Financing lease liabilities	—	2,121	—	—	2,121
Amount due to Group companies (3)	365,586	41,248	51,499	(458,333)	—
Long-term bank loan	—	769,767	—	—	769,767
Long-term borrowings	—	67,080	—	—	67,080
Other non-current liabilities	—	24,261	—	—	24,261
Total non-current liabilities	1,320,683	2,361,320	51,499	(458,333)	3,275,169
Total liabilities	2,626,020	6,955,138	910,322	(1,364,461)	9,127,019
Total mezzanine equity	—	191,865	—	—	191,865
BEST Inc. shareholders' equity	2,070,960	4,810,087	(125,724)	(4,684,363)	2,070,960
Non-controlling interests	—	(45,961)	—	—	(45,961)
Total shareholders' equity (2)	2,070,960	4,764,126	(125,724)	(4,684,363)	2,024,999
Total liabilities, mezzanine equity and shareholders' equity	4,696,980	11,911,129	784,598	(6,048,824)	11,343,883

	As at December 31, 2020				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	33,310	1,084,507	62,970	—	1,180,787
Restricted cash	—	1,998,323	—	—	1,998,323
Accounts and notes receivables, net	—	769,750	55,950	—	825,700
Inventories	—	28,265	4	—	28,269
Prepayments and other current assets	6,295	1,373,995	223,157	—	1,603,447
Short-term investments	—	228,371	—	—	228,371
Lease rental receivables	—	497,127	—	—	497,127
Amounts due from related parties	—	182,409	—	—	182,409
Amount due from Group companies (3)	—	3,763,158	399,021	(4,162,179)	—
Assets held for sale	—	—	2,823,278	—	2,823,278
Total current assets	39,605	9,925,905	3,564,380	(4,162,179)	9,367,711
Non-current assets:					
Restricted cash	—	243,313	90,000	—	333,313
Property and equipment, net	—	745,096	77,018	—	822,114
Intangible assets, net	—	43,810	87	—	43,897
Goodwill	—	54,135	—	—	54,135
Long-term investments	—	221,426	—	—	221,426
Non-current deposits	—	94,496	3,393	—	97,889
Operating lease right-of-use assets	—	1,860,073	18,239	—	1,878,312
Lease rental receivables	—	647,678	—	—	647,678
Assets held for sale-non current	—	—	5,895,325	—	5,895,325
Amount due from Group companies (3)	—	541,874	230,000	(771,874)	—
Investment in subsidiaries and VIEs (2)	4,230,471	—	—	(4,230,471)	—
Other non-current assets	1,686	507,168	169	—	509,023
Total non-current assets	4,232,157	4,959,069	6,314,231	(5,002,345)	10,503,112
Total assets	4,271,762	14,884,974	9,878,611	(9,164,524)	19,870,823

	As at December 31, 2020				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
LIABILITIES					
Current liabilities:					
Short term bank loans	—	2,128,287	5,000	—	2,133,287
Long-term borrowings-current	—	(1,680)	96,829	—	95,149
Accounts and notes payable	—	1,448,806	61,088	—	1,509,894
Accrued expenses and other liabilities	39,302	1,213,099	154,852	—	1,407,253
Customer advances and deposits and deferred revenue	—	271,085	10,213	—	281,298
Operating lease liabilities	—	523,632	8,104	—	531,736
Financing lease liabilities	—	1,581	—	—	1,581
Amounts due to related parties	—	29,247	—	—	29,247
Amount due to Group companies (3)	—	177,147	3,985,032	(4,162,179)	—
Income tax payable	—	14,546	4	—	14,550
Liabilities held for sale-current	—	—	6,630,254	—	6,630,254
Total current liabilities	39,302	5,805,750	10,951,376	(4,162,179)	12,634,249
Non current liabilities:					
Convertible senior notes held by a related party	1,617,846	—	—	—	1,617,846
Convertible senior notes held by third parties	642,121	—	—	—	642,121
Operating lease liabilities	—	1,384,475	7,043	—	1,391,518
Financing lease liabilities	—	2,698	—	—	2,698
Amount due to Group companies (3)	221,874	230,000	320,000	(771,874)	—
Long-term bank loan	—	77,587	961	—	78,548
Deferred tax liabilities	—	(102)	102	—	—
Liabilities held for sale-non current	—	—	1,671,476	—	1,671,476
Other non current liabilities	—	1,143	106,620	—	107,763
Total non current liabilities	2,481,841	1,695,801	2,106,202	(771,874)	5,511,970
Total liabilities	2,521,143	7,501,551	13,057,578	(4,934,053)	18,146,219
BEST Inc. shareholders' equity	1,750,619	7,409,438	(3,178,967)	(4,230,471)	1,750,619
Non-controlling interests	—	(26,015)	—	—	(26,015)
Total shareholders' equity (2)	1,750,619	7,383,423	(3,178,967)	(4,230,471)	1,724,604
Total liabilities and shareholders' equity	4,271,762	14,884,974	9,878,611	(9,164,524)	19,870,823

- (1) It represents the elimination of the intercompany service charge at the consolidation level.
- (2) It represents the elimination of the investment among the Parent, other subsidiaries, VIEs and VIEs' subsidiaries and the Plans.
- (3) It represents the elimination of intercompany balances among the Parent, other subsidiaries, VIEs and VIEs' subsidiaries and the Plans.
- (4) It represents the elimination of the cash support from the other subsidiaries to VIEs and VIEs' subsidiaries and the repayment from VIEs and VIEs' subsidiaries through our inter-company cash pool. For the years ended December 31, 2019, 2020 and 2021, subsidiaries of our company provided cash support to the VIEs in the amounts of RMB4.3 billion, RMB5.1 billion and RMB6.0 billion, respectively, through our inter-company cash pool. During the same periods, the VIEs made repayments to said subsidiaries in the amounts of RMB3.2 billion, RMB4.4 billion and RMB3.7 billion, respectively, through the inter-company cash pool.

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, 2021, we had cash and cash equivalents of RMB3571.7 million (US\$560.5 million) and restricted cash (current portion) of RMB675.2 million (US\$105.9 million). As of December 31, 2021, we had short-term bank loans of RMB530.5 million (US\$83.2 million), of which RMB490.5 million (US\$77.0 million) were cash-collateralized. The weighted average interest rate for the outstanding short-term bank loans as of December 31, 2021 was 3.84%. We also had borrowing from third party financing lease companies of RMB0.4 million (US\$0.06 million), long-term borrowings of RMB287.8 million (US\$45.2 million) as well as convertible senior notes of RMB1,267.0 million (US\$198.8 million), which are due within the next 12 months as of December 31, 2021.

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.

Material Cash Requirements. Our material cash requirements include: (1) capital expenditures for construction of warehouse and equipment for our freight delivery, global logistic service and supply change management service (see Note 26 of the Notes to the Financial Statements); (2) rental payment to landlord for our hubs, sortation centers and warehouses under operating lease agreements(see Note 10 of the Notes to the Financial Statements) ; (3) payment to our fleet suppliers for transportation services and payment to labor suppliers for outsource personnel needed in our normal business practice;(4) repayments of short-term and long-term bank loans(see Note 13 of the Notes to the Financial Statements); (5) repayment of long-term borrowings, including asset backed plans(see Note 15 of the Notes to the Financial Statements); (6) repayment of convertible senior notes, including 2024 Convertible Notes and 2025 Convertible Notes(see Note 16 of the Notes to the Financial Statements). In addition, subject to approval by our Board of Directors, shareholder distributions in the form of dividend payments and/or a share repurchase program may require the expenditure of a material amount of cash. Moreover, we may be subject to additional material cash requirements that are contingent upon the occurrence of certain events, e.g., legal contingencies, uncertain tax positions, and other matters.

Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2021:

	Payment due by period		
	Total	Less than 1	More than 1 year
		year	
	In thousands of RMB		
Short-term bank loans	530,495	530,495	—
Long-term bank loan	769,767	—	769,767
Convertible senior notes	2,231,495	1,275,140	956,355
Capital expenditure commitments	117,289	117,289	—
Operating lease obligations	2,356,166	606,740	1,749,426
Long-term borrowings	491,350	416,890	74,460
Borrowings from third party financing lease companies	4,277	1,877	2,400
Total	6,500,839	2,948,431	3,552,408

As a holding company with no material operations of our own, we are a corporation separate and apart from our subsidiaries and the 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."

Our main sources of cash funding for the VIEs have included short-term loans from local banks and financial institutions, cash generated from operations, and inter-company loans provided by other subsidiaries of our company. As of December 31, 2020 and 2021, the VIEs held cash and cash equivalents of RMB265.5 million and RMB162.0 million (US\$25.4 million), respectively.

For the years ended December 31, 2019, 2020 and 2021, subsidiaries of our company provided cash support to the VIEs in the amounts of RMB4.3 billion, RMB5.1 billion and RMB6.0 billion, respectively, through our inter-company cash pool. During the same periods, the VIEs made repayments to said subsidiaries in the amounts of RMB3.2 billion, RMB4.4 billion and RMB3.7 billion, respectively, through the inter-company cash pool. Other than the aforementioned cash transfers, there was no other asset transfer between our subsidiaries, the VIEs and our company.

No dividend or distribution was made through the VIEs to our company during the years ended December 31, 2019, 2020 and 2021.

During the years ended December 31, 2019, 2020 and 2021, there was no restriction or limitation on our company's ability to receive earnings from our subsidiaries or to distribute them to U.S. investors. Likewise, there was no restriction or limitation on the VIEs to settle obligations under the VIE contractual arrangements. Historically, no distribution of earnings has been made due to the fact that a majority of our subsidiaries and the VIEs were still in a cumulative loss financial position.

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,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash generated from/(used in) operating activities for continuing operations	20,686	70,527	(891,135)	(139,839)
Net cash generated from/(used in) operating activities for discontinued operations	832,147	(301,762)	(1,912,826)	(300,164)
Net cash generated from/(used in) operating activities	852,833	(231,235)	(2,803,961)	(440,003)
Net cash (used in)/generated from investing activities for continuing operations	(605,948)	268,475	4,990,734	783,155
Net cash used in investing activities for discontinued operations	(1,306,534)	(1,141,408)	(448,016)	(70,303)
Net cash (used in)/generated from investing activities	(1,912,482)	(872,933)	4,542,718	712,852
Net cash generated from/(used in) financing activities for continuing operations	2,234,893	1,558,713	(237,922)	(37,335)
Net cash used in financing activities for discontinued operations	(223,081)	(10,529)	(337,838)	(53,014)
Net cash generated from/(used in) financing activities	2,011,812	1,548,184	(575,760)	(90,349)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	5,644	(192,110)	(55,970)	(8,783)
Net increase in cash, cash equivalents and restricted cash	957,807	251,906	1,107,027	173,717
Cash, cash equivalents and restricted cash at the beginning of the year	2,999,408	3,957,215	4,209,121	660,503
Cash, cash equivalents and restricted cash at the end of the year	3,957,215	4,209,121	5,316,148	834,220

Operating Activities

Net cash used in operating activities for continuing operations was RMB891.1 million in 2021, compared to RMB70.5 million generated from operating activities for continuing operations in 2020. This decrease was primarily due to extending the payment term due to the pandemic in 2020, which gradually became normalized in 2021, as well as the increase of RMB235.4 million in net loss from continuing operations, which was mainly attributable to the competitive market dynamics and pricing lag.

Net cash generated from operating activities for continuing operations was RMB70.5 million in 2020, compared to RMB20.7 million generated from operating activities for continuing operations in 2019. This increase was primarily due to extending the payment term due to the outbreak of COVID-19 in 2020, partially offset by the increase of RMB 616.0 million in net loss from continuing operations.

Investing Activities

Net cash generated from investing activities for continuing operations was RMB4,990.7 million in 2021, which was primarily due to (i) payments for purchase of property and equipment of RMB160.0 million, which property and equipment were used in the expansion and optimization of our freight service and global logistics services in Southeast Asia; (ii) origination of lease rental and other financing receivables of RMB45.7 million, mainly for financing lease related services provided to franchisee partners and transportation service providers, partially offset by receipt of repayment on lease rental and other financing receivables—principal portion in an aggregate amount of RMB1,165.8 million; (iii) a net change in short-term investments of RMB75.9 million, which were proceeds from maturities of short-term investments of RMB425.1 million offset by purchase of short-term investments of RMB349.2 million, and (iv) proceeds from disposal of subsidiaries and long-term investments of RMB3,904.3 million, mainly including the proceeds from BEST express business.

Net cash generated from investing activities for continuing operations was RMB268.5 million in 2020, which was primarily due to (i) payments for purchase of property and equipment of RMB311.0 million, which property and equipment were used in the expansion and optimization of our 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, 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 RMB671.1 million, which were proceeds from maturities of short-term investments of RMB913.1 million offset by purchase of short-term investments of RMB242.0 million.

Financing Activities

Net cash used in financing activities for continuing operations was RMB237.9 million in 2021, which was mainly due to (i) proceeds from issuance of series A preferred shares of RMB191.9 million in our Asia subsidiary; (ii) proceeds from short-term and long-term bank loans of RMB1,607.4 million, partially offset by repayment of short-term bank loans of RMB2,245.1 million; (iii) proceeds from issuance of asset-backed securities and long-term borrowings of RMB585.5 million, partially offset by repayment of asset-backed securities and long-term borrowings of RMB378.8 million.

Net cash generated from financing activities for continuing operations was RMB1,558.7 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 RMB2,120.1 million, partially offset by repayment of short-term bank loans of RMB1,401.5 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.

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, 2019, 2020 and 2021, 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,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Revenue:				
Freight	5,258,666	5,183,161	5,445,311	854,488
Supply Chain Management	2,198,271	1,912,323	1,820,239	285,635
Global	336,874	777,657	1,194,146	187,388
Others	3,130,117	2,893,014	3,347,777	525,339
Inter-segment eliminations	(442,927)	(237,921)	(381,637)	(59,887)
Total revenue	10,481,001	10,528,234	11,425,836	1,792,963
Cost of revenue:				
Freight	4,944,124	5,070,567	5,567,072	873,595
Supply Chain Management	2,058,937	1,846,901	1,746,967	274,137
Global	371,404	875,734	1,258,802	197,534
Others	2,998,661	2,730,658	3,434,020	538,872
Inter-segment eliminations	(445,136)	(237,908)	(381,637)	(59,887)
Total cost of revenue	9,927,990	10,285,952	11,625,224	1,824,251
Gross profit:				
Freight	314,542	112,594	(121,761)	(19,107)
Supply Chain Management	139,334	65,422	73,272	11,498
Global	(34,530)	(98,077)	(64,656)	(10,146)
Others	131,456	162,356	(86,243)	(13,533)
Inter-segment eliminations	2,209	(13)	—	—
Total gross profit	553,011	242,282	(199,388)	(31,288)
Net (loss)/income:				
Freight	38,608	(188,184)	(457,451)	(71,784)
Supply Chain Management	(122,312)	(175,072)	(103,387)	(16,223)
Global	(167,600)	(251,511)	(267,902)	(42,040)
Others	11,804	(103,710)	(341,117)	(53,529)
Unallocated	(172,895)	(309,957)	(94,004)	(14,751)
Total net loss from continuing operations	(412,395)	(1,028,434)	(1,263,861)	(198,327)

Since January 1, 2021, together with the strategic refocusing plan executed from late 2020, we grouped Capital service and UCargo service into “Others” segment. Also after the disposal of Express business in December 2021, we report our financial results in four operating segments: (i) freight delivery services, or the Freight segment, (ii) supply chain management services, or the Supply Chain Management segment, (iii) Global logistics services, or the Global segment, (iv) Other 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 (i) Store⁺ services, and (ii) Express services, each 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 Freight segment provided to the Supply Chain Management segment, and (ii) segment revenue of the Other segment provided to our Freight segment, all of which were eliminated as intergroup transactions as a result of consolidation.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue by Segment

Segment revenue of our Supply Chain Management segment decreased from 2020 to 2021 primarily due to a decrease in segment revenue from external customers. Segment revenue of our Freight segment, Global segment and Other segments increased from 2020 to 2021 primarily due to an increase in segment revenue from external customers. For additional information regarding these trends, please see “—Year-over-Year Comparisons of Results of Operations—Year Ended December 31, 2021 Compared to Year Ended December 31, 2020.”

Cost of Revenue by Segment

Segment cost of revenue of our Supply Chain Management segment decreased from 2020 to 2021 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 2020 to 2021 in line with the expansion of our business in Southeast Asia. Segment cost of revenue of Other segments increased in line with the increase in service scale provided to customers. For additional information regarding these trends, please see “—Year-over-Year Comparisons of Results of Operations—Year Ended December 31, 2021 Compared to Year Ended December 31, 2020.”

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

Revenue by Segment

Segment revenue of our Freight segment, Supply Chain Management segment and Other segments 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 “—Year-over-Year Comparisons of 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 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 Other segments decreased in line with the decrease in service scale provided to customers. For additional information regarding these trends, please see “—Year-over-Year Comparisons of Results of Operations—Year Ended December 31, 2020 Compared to Year Ended December 31, 2019.”

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, 2019, 2020 and 2021, our PRC subsidiaries had accumulatively appropriated RMB7,865, RMB8,038 and RMB167 (US\$26), 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 2021. 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. Critical Accounting Policies 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. We consider an accounting estimate to be critical if: (1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. In addition, there are other items within our financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements.

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.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. For further information on our critical accounting policies, see Note 2 to our consolidated financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

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 it has four reporting units (that also represent operating segments) in 2021, which excludes the former Store+ reporting unit and BEST Express which were reported as discontinued operations in the consolidated statements of comprehensive income/(loss) and the corresponding goodwill allocated to the Store+ reporting unit and BEST Express was classified as assets held for sale on the consolidated balance sheets (Note 4) before the subsidiaries disposal. Goodwill was allocated to two reporting units including Freight delivery reporting unit and Global unit as of December 31, 2020 and 2021. 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.

Methodologies and significant estimates utilized in determining the fair value of reporting units

The fair value of each reporting unit was estimated using a discounted cash flow methodology. The discounted cash flow analysis requires significant estimates, including projections of future operating results and cash flows of each reporting unit that are based on internal budgets and strategic plans, expected long-term growth rates, terminal values, weighted average cost of capital and the effects of external factors and market conditions. Changes in these estimates and assumptions could materially affect the estimated fair value of each reporting unit that could result in an impairment charge to reduce the carrying value of goodwill, which could be material to our financial position and results of operations.

The sensitivity analyses on the future cash flows and WACC assumptions are described below. These key assumptions utilized in the discounted cash flow valuation methodology require significant management judgment:

Future cash flow assumptions - The projections for future cash flows utilized in the models are derived from historical experience and assumptions regarding future growth and profitability of each reporting unit. These projections are consistent with our operating budget and strategic plan. Cash flows for the five years subsequent to the date of the quantitative goodwill impairment test were utilized in the determination of the fair value of each reporting unit. The growth rates assumed a gradual increase in revenue based on new customer acquisition and market expansion. Beyond five years a terminal value was determined using a perpetuity growth rate based on inflation and real GDP growth rates. A sensitivity analysis of the revenue growth rates, gross profit and operating expenses were performed on all reporting units. For each reporting unit analyzed, a 10% reduction in the revenue growth rates used, or a 5% increase in operating expense, or 5% reduction in gross profit respectively would not have resulted in its carrying value exceeding its estimated fair value.

WACC - The WACC is the rate used to discount each reporting unit's estimated future cash flows. The WACC is calculated based on the proportionate weighting of the cost of debt and equity. The cost of equity is based on a risk-free interest rate and an equity risk factor, which is derived from public companies similar to the reporting unit and which captures the perceived risks and uncertainties associated with the reporting unit's cash flows. The cost of debt component is calculated as the weighted average cost associated with all of the Company's outstanding borrowings as of the date of the impairment test and was immaterial to the computation of the WACC. The cost of debt and equity is weighted based on the debt to market capitalization ratio of publicly traded companies with similarities to the reporting unit being tested. The WACC for Global reporting unit is 15% as of December 31, 2021. A sensitivity analysis of the WACC was performed as of December 31, 2021. An increase in the WACC of ten percentage would not result in the carrying value of the reporting unit exceeding its fair value.

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

We evaluate our long-lived assets, including fixed assets, intangible assets with finite lives and operating lease right-of-use assets, 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.

The calculation of undiscounted cash flow analysis requires significant estimates and judgement, in particular, these estimates are sensitive to significant assumptions, including revenue growth rate, operating margin and operating expenses, which can be affected by expectations about internal budgets and strategic plans and expected long-term growth rates. Changes in these estimates and assumptions could materially affect the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition, which could result in an impairment charge to reduce the carrying value of long-lived assets, and could be material to our financial position and results of operations.

The sensitivity analyses on the future cash flows are described below. These key assumptions utilized in the undiscounted cash flow valuation methodology require significant management judgment:

Future cash flow assumptions - The projections for future cash flows utilized in the models are derived from historical experience and assumptions regarding future growth and profitability of long lived asset group. These projections are consistent with our operating budget and strategic plan. We also make assumptions about our cost levels (e.g., capacity utilization, cost performance in various volume level) based on our historical operating results to drive our future operating margin. Cash flows for estimated useful lives of the long lived asset group subsequent to the balance sheet date of the impairment test were utilized in the determination of recoverability of long lived asset group. The growth rates assumed a gradual increase in revenue based on new customer acquisition and market expansion. A sensitivity analysis of the revenue growth rates, gross profit margin and operating expenses were performed on all reporting units. For each reporting unit analyzed, a 10% reduction in the revenue growth rates used or gross profit margin, or a 10% increase in operating expense respectively would not have resulted in its carrying value exceeding its estimated fair value.

Accounts receivable and notes receivable, and allowance for credit losses

On January 1, 2020, we 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, we 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.

Prior to our adoption of ASU 2016-13, accounts and notes receivables 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, we consider 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.

After the adoption of ASU 2016-13, we maintain 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)/income. We assess 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 we identify specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, we consider historical collectability based on past due status, the age of the accounts receivable balances and contract assets balances, credit quality of our customers based on ongoing credit evaluations, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect our ability to collect from customers.

We estimate the allowance for credit losses for receivables that share similar risk characteristics based on a collective assessment using a combination of measurement models and management judgment. The models consider factors such as historical trends in credit losses, recent portfolio performance, and forward-looking macroeconomic conditions. If we do not believe the models reflect lifetime expected credit losses for the portfolio, an adjustment is made to reflect management judgment regarding qualitative factors including economic uncertainty, observable changes in portfolio performance, and other relevant factors.

Assumptions Used. Our allowance for credit losses is based on its assumptions regarding:

- Probability of default. The expected probability of payment and time to default, which include assumptions about macroeconomic factors and recent performance; and
- Loss given default. The percentage of the expected balance due at default that is not recoverable. The loss given default takes into account expected collateral value and future recoveries.

Fair value measurement of equity investments without readily determinable fair value

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. 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 us. 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 fair value information 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. When our assessment indicates that an impairment exists, we write down the investment to its fair value.

Income tax

We follow 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. We record 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.

We 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)/income as income tax expense.

We recognize 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. Our estimated liability for unrecognized tax benefits included in “Other noncurrent 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 Company’s estimates. As each audit is concluded, adjustments, if any, are recorded in the Company’s consolidated financial statements. Additionally, in future periods, changes in facts, circumstances, and new information may require the Company 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.

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:

Freight delivery services

We provide freight services that comprise of sorting, line-haul and feeder transportation services mainly to our franchisees, which are also our customers. We offer 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 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 consolidated balance sheets. The transaction price we earn from its 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, 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.

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 as well as international and local express delivery services outside China. 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.

Other services

Our company mainly provides Capital services and 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.

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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.

Express delivery services (now disclosed as discontinued operations)

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.

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 our 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 ASC 842 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.

Other Estimates

In addition to the critical accounting estimates described above, there are other accounting estimates within our consolidated financial statements. Management believes the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations or financial condition. See Note 2 to the consolidated financial statements for further information on significant accounting policies that impact us.

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	60	Director, chairman and chief executive officer
Lin Wan	46	Director
Xiao Hu	42	Director
Mark Qiu	57	Director
George Chow	54	Director, chief strategy and investment officer
Wenbiao Li	55	Director
Gloria Fan	57	Chief financial officer
Mangli Zhang	65	Senior vice president, general manager of supply chain management service line
Xiaoqing Wang	41	Vice president, general manager of global service line
Tao Liu	45	Senior vice president, general manager of freight service line
Xingjun Yuan	47	Vice president, general manager of UCargo service line
Feng Dong	39	General manager of financial service line
Yanbing Zhang	46	Senior vice president of engineering, general manager of cloud service line
Jimei Liu	50	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.

Ms. Xiao Hu has been a director of our company since February 2022. Ms. Hu is a managing director of Strategic Investments at Alibaba Group Holding Limited. She joined Alibaba in 2017 and previously served as an investment director of Strategic Investments. She served as vice president and then director at Merrill Lynch (Asia Pacific) Limited from 2012 to 2017 and associate and then vice president at Citigroup Global Markets Asia Limited from 2008 to 2012. She also served as an assistant equity research analyst at China International Capital Corporation Limited from 2003 to 2006 and an auditor with KPMG Huazhen LLP from 2002 to 2003. Ms. Hu holds an MBA degree from the Hong Kong University of Science and Technology and a bachelor's degree from Peking University.

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.

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 global service line. Prior to that, he had been general manager of our express service line since the end of 2020, 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, 2021, we paid an aggregate of approximately US\$3.66 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, 2022, we had outstanding options with respect to 2,683,345 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.

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The table below summarizes, as of February 28, 2022, 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 the total number of Class A ordinary shares issued and outstanding 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 maximum aggregate number of Class A ordinary shares which may be subject to awards granted under the plan does not exceed 10% of the total number of Class A ordinary shares issued and outstanding at the end of the preceding calendar year. As a result, as of January 1, 2022, the maximum aggregate number of Class A ordinary shares which may be issued pursuant to all awards under the 2017 equity incentive plan has been increased to 25,564,845. 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, 2022, we had outstanding restricted share units with respect to 8,555,072 ordinary shares that have been granted to our directors, officers, employees and consultants under the 2017 equity incentive plan.

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The table below summarizes, as of February 28, 2022, 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, 2022	Various dates from June 1, 2028 to January 1, 2032
Mark Qiu	*	Various dates from February 1, 2018 to February 1, 2022	Various dates from February 1, 2028 to February 1, 2032
George Chow	*	Various dates from March 1, 2018 to March 1, 2021	Various dates from March 1, 2028 to March 1, 2031
Wenbiao Li	*	Various dates from February 1, 2018 to February 1, 2022	Various dates from February 1, 2028 to February 1, 2032
Gloria Fan	*	Various dates from November 30, 2019 to March 1, 2021	Various dates from November 30, 2029 to March 1, 2031
Mangli Zhang	*	Various dates from March 1, 2018 to March 1, 2021	Various dates from March 1, 2028 to March 1, 2031
Xiaoqing Wang	*	Various dates from March 1, 2018 to March 1, 2021	Various dates from March 1, 2028 to March 1, 2031
Tao Liu	*	Various dates from March 1, 2018 to March 1, 2021	Various dates from March 1, 2028 to March 1, 2031
Xingjun Yuan	*	Various dates from March 1, 2018 to March 1, 2021	Various dates from March 1, 2028 to March 1, 2031
Feng Dong	*	Various dates from March 1, 2018 to March 1, 2021	Various dates from March 1, 2028 to March 1, 2031
Yanbing Zhang	*	Various dates from March 1, 2018 to March 1, 2021	Various dates from March 1, 2028 to March 1, 2031
Jimei Liu	*	Various dates from March 1, 2018 to March 1, 2021	Various dates from March 1, 2028 to March 1, 2031

* 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, 2022, 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 currently consists of six 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 Ms. Xiao Hu, or collectively, the Alibaba Directors, who were nominated by Alibaba (including Cainiao Network); and (iii) 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 Mr. Mark Qiu and Mr. Wenbiao Li. Mr. Mark Qiu is the chairman of our audit committee. Mr. Mark Qiu satisfies the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. Each of 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 owe to our 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. 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 assets (present and future) and uncalled capital or any part thereof, and issue debentures, debenture stock, bonds or other securities whenever outright or as collateral 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, 2022 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) 247,738,514 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, 2022. The aforesaid 247,738,514 Class A ordinary shares excludes the 7,909,938 Class A ordinary shares issued to our depository bank as of February 28, 2022 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		Voting Power****
	Number	Percentage	Number	Percentage	Number	Percentage	
Shao-Ning Johnny Chou	*	*	—	—	47,790,698	100.0	46.4
Lin Wan	—	—	—	—	—	—	—
Jun Chen	—	—	—	—	—	—	—
Mark Qiu	*	*	—	—	—	—	**
George Chow	6,625,407	2.7	—	—	—	—	**
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	8,764,746	3.6	—	—	48,624,563	100.0	46.7
Alibaba Group Holding Limited ⁽¹⁾	48,900,357	19.1	94,075,249	100.0	—	—	46.7
Shao-Ning Johnny Chou	*	*	—	—	47,790,698	100.0	46.4
CR Entities ⁽²⁾	33,548,304	13.1	—	—	—	—	1.1
The Goldman Sachs Group, Inc. ⁽³⁾	12,443,429	4.9	—	—	—	—	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 after 30 consecutive trading days after May 27, 2020 at the option of Alibaba.com Hong Kong Limited, the holder of such senior notes issued by us in June 30, 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, 2022, 182,731,790 Class A ordinary shares or 73.76% of our outstanding Class A ordinary shares were held by six record holders in the United States, including our ADS depository bank, which held 176,820,395 Class A ordinary shares or 71.37% of our outstanding Class A ordinary shares (excluding 7,909,938 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, 2022, 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, 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 our non-compete undertaking to Alibaba Investment Limited, or 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.

Sale of Equity in Yizhan

In July 2021, our subsidiary, BEST Logistics Technologies (China) Co., Ltd. transferred 1% equity interest in 浙江驿栈网络科技有限公司 (“Yizhan”) to Zhejiang Cainiao Supply Chain Management Co. Ltd, an affiliate of Alibaba, for a cash consideration of RMB219,999,955.

Bridge Loan from Alibaba

In August 2021, BEST Logistics technologies (China) Co., Ltd. entered into a facility agreement with Alibaba (China) Network Technology Co., Ltd, a company affiliated with Alibaba and drew down a bridge loan in the principal amount of RMB600,000,000 (US\$94,153,093) from such company. The bridge loan was repaid in December 2021 in accordance with the terms of the facility agreement.

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 services to Cainiao Network, and the related service fees amounted to RMB540.6 million, RMB555.8 million and RMB418.8 (US\$65.7 million) for the years ended December 31, 2019, 2020 and 2021, respectively. As of December 31, 2020 and 2021, we had balances of RMB140.1 million and RMB76.7 million (US\$12.0 million), respectively, due from Cainiao Network, which represent service fees payable to us.

Cainiao Network leased warehouses to us resulting in rental expense of nil, RMB18.0 million and nil for the years ended December 31, 2019, 2020 and 2021, respectively. Cainiao Network introduced customers to us and we incurred commission fees of RMB0.2 million, nil and nil to Cainiao Network for the years ended December 31, 2019, 2020 and 2021, respectively. As of December 31, 2020 and 2021, we had a balance of nil and nil, respectively, due to Cainiao Network.

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 RMB9.7 million, RMB14.9 million and RMB13.6 million (US\$2.1 million) for the years ended December 31, 2019, 2020 and 2021, respectively. Ali Cloud also paid on our behalf certain operating costs of nil, RMB 2.8 million and nil for the years ended December 31, 2019, 2020 and 2021, respectively. As of December 31, 2020 and 2021, we had a balance of nil and RMB0.45 million (US\$0.07 million), respectively, due from Ali Cloud, which represents service fees prepaid to Ali Cloud; and we had a balance of RMB1.0 million and nil, 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 RMB10.7 million, RMB125.6 million and RMB120.9 million (US\$19.0 million) for the years ended December 31, 2019, 2020 and 2021, respectively. As of December 31, 2020 and 2021, we had a balance of RMB42.3 million and RMB48.0 million (US\$7.5 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 which became effective immediately prior to the completion of the initial public offering of our company's ADSs representing its Class A ordinary shares.

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 and other than those described in “Item 4. Information on the Company” or 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 Act (As Revised) 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 Act (As Revised).

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.

Certain United States Federal Income Tax Considerations

The following discussion describes certain United States federal income tax consequences of the purchase, ownership and disposition of our ADSs and Class A ordinary shares.

This discussion deals only with ADSs and Class A ordinary shares that are held as capital assets by a United States Holder (as defined below).

As used herein, the term “United States Holder” means a beneficial owner of our ADSs or Class A ordinary shares that is, for United States federal income tax purposes, any of the following:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This discussion is based upon 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. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. In addition, this discussion assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

This discussion does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer or broker in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our ADSs or Class A 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 owns or is deemed to own 10% or more of our stock by vote or value;

- a partnership or other pass-through entity for United States federal income tax purposes;
- a person required to accelerate the recognition of any item of gross income with respect to our ADSs or Class A ordinary shares as a result of such income being recognized on an applicable financial statement; or
- a person whose “functional currency” is not the United States dollar.

If an entity or other arrangement treated as a partnership for United States federal income tax purposes holds our ADSs or Class A 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 Class A ordinary shares, you should consult your tax advisors.

As discussed below under "Passive Foreign Investment Company," we believe there is a significant risk that we were classified as a passive foreign investment company, or PFIC, for 2021, that we will be classified as a PFIC for the current taxable year, and that we may be a PFIC in future taxable years. Accordingly, United States Holders are urged to review the discussion below under "Passive Foreign Investment Company," and to consult with their tax advisors regarding the tax consequences to them if we were classified as a PFIC for 2021, or are classified as a PFIC in our current taxable year or future taxable years.

This discussion does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net investment income, United States federal estate and gift taxes or the effects of any state, local or non-United States tax laws. If you are considering the purchase of our ADSs or Class A ordinary shares, you should consult your tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of our ADSs or Class A ordinary shares, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.

ADSs

If you hold ADSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying Class A ordinary shares that are represented by such ADSs. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs will not be subject to United States federal income tax.

Taxation of Dividends

Subject to the discussion under “—Passive Foreign Investment Company” below, the gross amount of distributions on the ADSs or Class A ordinary shares (including any amounts withheld to reflect PRC withholding taxes, as discussed above under “—E. Taxation — People’s Republic of China Taxation”) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital, causing a reduction in the tax basis of the ADSs or Class A ordinary shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain recognized on a sale or exchange. We do not, however, expect to determine earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be reported as a dividend.

Any dividends that you receive (including any 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 Class A ordinary shares, or by the depository, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

Subject to applicable limitations (including a minimum holding period requirement), dividends received by non-corporate United States Holders from a qualified foreign corporation may be treated as “qualified dividend income” that is subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive income tax treaty with the United States which the United States Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision or (ii) with respect to dividends received from that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our ADSs (which are listed on the NYSE), but not our Class A ordinary shares, are readily tradable on an established securities market in the United States. Therefore, we do not believe that dividends that we pay on our Class A ordinary shares that are not represented by ADSs currently meet the conditions required for these reduced rates of taxation. In addition, dividends received from us by non-corporate United States Holders will not be treated as “qualified dividend income” that is subject to reduced rates of taxation if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. As discussed below under “—Passive Foreign Investment Company,” we believe that there is a significant risk that we were a PFIC in 2021, we may be a PFIC for the current taxable year, and that we may be a PFIC in future taxable years. Therefore, if you are a non-corporate United States Holder, you should not assume that any dividends will be taxed at a preferential rate. You should consult your tax advisors regarding the application of these rules given your particular circumstances.

Subject to certain conditions and limitations (including a minimum holding period requirement), any PRC withholding taxes on dividends will generally be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the ADSs or Class A ordinary shares will generally be treated as income from sources outside the United States and will generally constitute passive category income. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances. Instead of claiming a foreign tax credit, you may, at your election, deduct such otherwise creditable PRC withholding taxes in computing your taxable income, but only for a taxable year in which you elect to do so with respect to all foreign income taxes and subject to generally applicable limitations under United States law.

Distributions of ADSs, Class A ordinary shares or rights to subscribe for ADSs or Class A ordinary shares that are received as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax.

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 (generally determined 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, gains from the sale or exchange of investment property, 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). Cash is generally treated as an asset that produces or is held for the production of passive income. If we own at least 25% (by value) of the stock of another corporation, for purposes of determining whether we are a PFIC, we will be treated as owning our proportionate share of the other corporation’s assets and receiving our proportionate share of the other corporation’s income. However, there is uncertainty as to the treatment of our corporate structure and ownership of the VIEs for United States federal income tax purposes. For United States federal income tax purposes, we consider ourselves to own the equity of the VIEs. If it is determined, contrary to our view, that we do not own the equity of the VIEs for United States federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), there would be an increased risk that we are a PFIC (as discussed below).

Based on the past and projected composition of our income and assets, and the valuation of its assets, including goodwill (which we have determined based on trading price of our ADSs), we believe there is a significant risk that we were a PFIC in 2021, we will be a PFIC for the current taxable year, and that we may be a PFIC in future taxable years. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that our PFIC status may change due to changes in our asset or income composition. For these purposes, fluctuations in the market price of our Class A ordinary shares and ADSs (which may be volatile) may affect the value of our goodwill, and thus the composition of its assets. Therefore, any such fluctuations may affect our PFIC status. The composition of our assets and income may also be affected by how, and how quickly, we use the cash and liquid assets that we currently hold. If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary 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 Class A 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 and a deemed sale discussed in the following paragraph, of ADSs or Class A ordinary shares. Distributions received in a taxable year, other than the taxable year in which your holding period in the ADSs or Class A ordinary shares begins, will be treated as excess distributions to the extent that they are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the portion of your holding period for the ADSs or Class A ordinary shares that preceded the taxable year of the distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or Class A 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 individuals or corporations, as applicable, for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

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 Class A 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 Class A ordinary shares (even if we do not qualify as a PFIC in such 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 Class A 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 tax advisor about this election.

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 Class A ordinary shares provided such ADSs or Class A ordinary shares are treated as “marketable stock.” The ADSs or Class A ordinary shares generally will be treated as marketable stock if the ADSs or Class A ordinary shares are regularly traded on a “qualified exchange or other market” (within the meaning of the applicable Treasury regulations). The ADSs are listed on the NYSE, 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.

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 tax basis in the ADSs. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax 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. Your adjusted tax 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. In addition, upon the sale or other disposition of your ADSs in a year that we are a PFIC, any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election, and any gain will be treated as ordinary income. If you make a mark-to-market election, any distributions that we make would generally be subject to the tax rules discussed above under “—Taxation of Dividends.”

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 Internal Revenue Service, or the IRS, consents to the revocation of the election. 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.

Alternatively, U.S. taxpayers can sometimes avoid the special tax rules described above by electing to treat a PFIC as a “qualified electing fund” under Section 1295 of the Code. However, this option is not available to you because we do not intend to prepare or provide you with the tax information necessary to permit you to make this election.

If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares and any of our non-United States 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 the PFIC rules. You will not be able to make the mark-to-market election described above in respect of any lower-tier PFIC. 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 Class A ordinary shares in any year in which we are a PFIC. You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding ADSs or Class A ordinary shares if we are a PFIC for any taxable year.

Sale, Exchange or Other Disposition of ADSs or Class A Ordinary Shares

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale, exchange or other disposition of the ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized for the ADSs or Class A ordinary shares and your tax basis in the ADSs or Class A ordinary shares, both determined in U.S. dollars. 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 Class A ordinary shares for more than one year. Long-term capital gains of non-corporate United States Holders (including individual) 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 United States source gain or loss. However, if PRC tax is imposed on any gain (for instance, because we are treated as a PRC resident enterprise for PRC tax purposes), and if you are eligible for the benefits of the income tax treaty between the United States and the PRC, or the Treaty, you may elect to treat such gain as PRC source gain under the Treaty. If you are not eligible for the benefits of the Treaty or if you fail to make the election to treat any gain as PRC source, then you generally would not be eligible for a foreign tax credit for any PRC tax imposed on the disposition of ADSs or Class A ordinary shares unless such credit can be applied (subject to applicable limitations) against tax due on other income derived from foreign sources. However, pursuant to recently issued Treasury regulations that apply to taxes paid or accrued in taxable years beginning on or after December 28, 2021, if you do not claim the benefits of the Treaty, any such PRC tax would generally not be a foreign income tax eligible for a foreign tax credit (regardless of any other income that you may have that is derived from foreign sources). You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Information Reporting and Backup Withholding

In general, information reporting will apply to distributions in respect of our ADSs or Class A ordinary shares and the proceeds from the sale, exchange or other disposition of our ADSs or Class A ordinary shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of exempt status or (in the case of dividend payments) if you fail to certify that you are not subject to backup withholding or fail to report in full dividend and interest income.

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 United States federal income tax liability provided the required information is timely furnished to the IRS.

Certain United States Holders are required to report information relating to our ADSs or Class A ordinary shares, subject to certain exceptions (including an exception for ADSs or Class A ordinary shares held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold the ADSs or Class A ordinary shares. You are urged to consult your tax advisors regarding information reporting requirements relating to your ownership of our ADSs or Class A ordinary shares.

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 2.9%, 2.5% and 0.9% in 2019, 2020 and 2021, 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:

<u>Service</u>	<u>Fees</u>
• 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

During and for the year 2021, we did not receive any payment from Citibank, the depositary bank for our ADR program, for reimbursement of investor relations expenses and other program-related expenses.

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, 2021, we used approximately all the proceeds from our initial public offering to expand and optimize our express, freight and supply chain service network and further expand our global logistics service in Southeast Asia 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, 2021. 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, 2021 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, 2021.

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, 2021, 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 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,	
	2020	2021
Audit Fees ⁽¹⁾	1,618	2,546
All Other Fees ⁽²⁾	19	17
Total	1,637	2,563

(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 2021.

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. We did not repurchase any ADSs in 2021.

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.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

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	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).
4.6	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).
4.7	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).
4.8	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).

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Exhibit Number	Description of Exhibits
4.9	<u>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).</u>
4.10	<u>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).</u>
4.11	<u>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).</u>
4.12	<u>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).</u>
4.13	<u>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).</u>
4.14	<u>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).</u>
4.15	<u>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).</u>
4.16	<u>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).</u>
4.17	<u>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).</u>
4.18	<u>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).</u>
4.19	<u>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).</u>
4.20	<u>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 (incorporated by reference to Exhibit 4.24 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2020, initially filed with the Securities and Exchange Commission on April 16, 2021).</u>

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Exhibit Number	Description of Exhibits
4.21	<u>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 (incorporated by reference to Exhibit 4.25 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2020, initially filed with the Securities and Exchange Commission on April 16, 2021).</u>
*4.22	<u>Facility Agreement, between Alibaba (China) Technology Co., Ltd. and BEST Logistics Technologies (China) Co., Ltd., dated August 19, 2021, in respect of two facilities in an aggregate principal amount of RMB 600,000,000 (English Translation).</u>
*4.23	<u>Letter of Undertaking, to Alibaba (China) Technology Co., Ltd., from Zhejiang BEST Technology Co., Ltd., dated August 19, 2021 (English Translation).</u>
*4.24	<u>Share Pledge Agreement, among BEST Freight Network Technology Management Limited, BEST Chi Cheng (Hangzhou) Logistics Service Co., Ltd. and Alibaba (China) Technology Co., Ltd., dated August 19, 2021 (English Translation).</u>
*4.25	<u>Share Pledge Agreement, among BEST Logistics Technologies Limited, BEST Logistics Technology (China) Co., Ltd. and Alibaba (China) Technology Co., Ltd., dated August 19, 2021 (English Translation).</u>
4.26	<u>Share and Asset Purchase Agreement, among BEST Inc., J&T Global Express Limited and other parties thereto, dated October 29, 2021 (English Translation) (incorporated by reference to Exhibit 10.1 to our Current Report on Form 6-K for the month of December 2021, initially filed with the Securities and Exchange Commission on December 17, 2021).</u>
*4.27	<u>Loan Agreement between BEST Store Network (Hangzhou) Co., Ltd., Wei Chen and Lili He, dated December 15, 2021 (English Translation).</u>
*4.28	<u>Exclusive Services Agreement between Hangzhou Baijia Business Management Consulting Co., Ltd. and BEST Store Network (Hangzhou) Co., Ltd., dated December 15, 2021 (English Translation).</u>
*4.29	<u>Equity Pledge Agreement for 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 December 15, 2021 (English Translation).</u>
*4.30	<u>Shareholders' Voting Rights Proxy Agreement for 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 December 15, 2021 (English Translation).</u>
*4.31	<u>Exclusive Call Option Agreement for 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 December 15, 2021 (English Translation).</u>
*8.1	<u>List of Subsidiaries.</u>
11.1	<u>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).</u>
*12.1	<u>Certification of our Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
*12.2	<u>Certification of our Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
**13.1	<u>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</u>
**13.2	<u>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</u>
*15.1	<u>Consent of Independent Registered Public Accounting Firm</u>
*15.2	<u>Consent of King and Wood Mallesons</u>
*101.INS	XBRL Instance Document.

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Exhibit Number	Description of Exhibits
*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 18, 2022

BEST INC.
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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, 2021 and 2020, the related consolidated statements of comprehensive (loss) income, shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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, 2021, 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 18, 2022 expressed an unqualified opinion thereon.

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.

Impairment assessment of long-lived assets

Description of the Matter

At December 31, 2021, the Company's long-lived assets in the Company's business, comprising of property and equipment, intangible assets and operating lease right-of-use assets were RMB2,718 million. As discussed in Note 2 to the consolidated financial statements, the Company groups long-lived assets at the lowest level of identifiable cash flows and assesses the asset group for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be fully recoverable. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Company recognizes an impairment loss based on the excess of the carrying amount of the asset group over its fair value. The Company concluded no impairment existed as of December 31, 2021 as the estimated future undiscounted cash flows of its long-lived asset groups exceeded their carrying values.

Auditing management's impairment assessment of long-lived assets was complex due to the significant estimates and judgments involved in the projection of future cash flows of the asset groups used in the quantitative test of impairment. In particular, these estimates are sensitive to significant assumptions, including revenue growth rate, operating margin and operating expenses, which can be affected by expectations about future market and economic conditions.

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 long-lived assets impairment assessment process. For example, we tested the controls over management's review of the significant assumptions described above used to develop the undiscounted cash flows projections.

To test the Company's impairment assessment of the asset groups, our audit procedures included, among others, evaluating the significant assumptions used to develop the future undiscounted cash flows of the asset groups and testing the completeness and accuracy of the underlying data used by the Company. We assessed the significant assumptions used in the calculations which included, amongst others, the revenue growth rate, operating margin and operating expenses, by analyzing the historical accuracy of management's estimates and comparing to current industry and economic trends against external industry outlook reports. We also performed sensitivity analyses by assessing the changes to the future undiscounted cash flows of the asset groups resulting from changes in the revenue growth rate, operating margin and operating expenses.

/s/ Ernst & Young Hua Ming LLP

We have served as the Company's auditor since 2016.
Shanghai, The People's Republic of China
April 18, 2022

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, 2021, 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, 2021, 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, 2021 and 2020, the related consolidated statements of comprehensive (loss) income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and our report dated April 18, 2022 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 18, 2022

BEST INC.
CONSOLIDATED BALANCE SHEETS
(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		
		2020 RMB	2021 RMB	2021 US\$
ASSETS				
Current assets:				
Cash and cash equivalents (including cash and cash equivalents of the consolidated VIEs that can be used only to settle obligations of the consolidated VIEs of nil and RMB26,166 (US\$4,106) as of December 31, 2020 and 2021, respectively)		1,180,787	3,571,745	560,485
Restricted cash		1,998,323	675,159	105,947
Short-term investments		228,371	147,359	23,124
Accounts and notes receivable, net of allowance of RMB204,124 and RMB227,593 (US\$35,714) as of December 31, 2020 and 2021, respectively	6	825,700	827,631	129,873
Prepayments and other current assets (including prepayments and other current assets of the consolidated VIEs that can be used only to settle obligations of the consolidated VIEs of nil and RMB12,046 (US\$1,890) as of December 31, 2020 and 2021, respectively)	7	1,603,447	1,172,472	183,985
Lease rental receivables	10	497,127	298,364	46,820
Amounts due from related parties	23	182,409	125,198	19,646
Inventories		28,269	25,622	4,021
Assets held-for-sale - current	4	2,823,278	—	—
Total current assets		9,367,711	6,843,550	1,073,901
Non-current assets:				
Restricted cash		333,313	1,069,244	167,788
Non-current deposits		97,889	92,866	14,573
Operating lease right-of-use assets	10	1,878,312	1,899,522	298,076
Lease rental receivables	10	647,678	235,429	36,944
Long-term investments	11	221,426	219,171	34,393
Property and equipment, net	8	822,114	762,642	119,675
Intangible assets, net	9	43,897	55,684	8,738
Goodwill	12	54,135	54,135	8,495
Other non-current assets		509,023	111,640	17,519
Assets held-for-sale – non-current	4	5,895,325	—	—
Total non-current assets		10,503,112	4,500,333	706,201
Total assets		19,870,823	11,343,883	1,780,102
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts and notes payable (including accounts and notes payable of the consolidated VIEs without recourse to the primary beneficiary of RMB61,088 and RMB60,669 (US\$9,521) as of December 31, 2020 and 2021, respectively)		1,509,894	1,353,150	212,340
Accrued expenses and other liabilities (including accrued expenses and other liabilities of the consolidated VIEs without recourse to the primary beneficiary of RMB154,852 and RMB18,251 (US\$2,865) as of December 31, 2020 and 2021, respectively)	14	1,407,253	1,591,639	249,763
Customer advances and deposits and deferred revenue (including customer advances and deposits and deferred revenue of the consolidated VIEs without recourse to the primary beneficiary of RMB10,213 and RMB341 (US\$54) as of December 31, 2020 and 2021, respectively)		281,298	298,353	46,818
Operating lease liabilities (including operating lease liabilities of the consolidated VIEs without recourse to the primary beneficiary of RMB8,104 and RMB880(US\$138) as of December 31, 2020 and 2021, respectively)	10	531,736	518,248	81,324
Financing lease liabilities	10	1,581	1,851	290
Amounts due to related parties	23	29,247	2,763	434
Income tax payable (including income tax payable of the consolidated VIEs without recourse to the primary beneficiary of RMB4 and nil as of December 31, 2020 and 2021, respectively)	17	14,550	587	92
Short-term bank loans (including short-term bank loans of the consolidated VIEs without recourse to the primary beneficiary of RMB5,000 and RMB120,500 (US\$18,909) as of December 31, 2020 and 2021, respectively)	13	2,133,287	530,495	83,246
Long-term borrowings - current portion (including long-term borrowings - current portion of the consolidated VIEs without recourse to the primary beneficiary of RMB96,829 and RMB84,006(US\$13,182) as of December 31, 2020 and 2021, respectively)	15	95,149	287,814	45,164
Convertible senior notes held by a related party-current	16, 23	—	633,475	99,406
Convertible senior notes held by third parties-current	16	—	633,475	99,406
Liabilities held-for-sale - current (including liabilities held-for-sale of the consolidated VIEs without recourse to the primary beneficiary of RMB6,630,254 and nil as of December 31, 2020 and 2021, respectively)	4	6,630,254	—	—
Total current liabilities		12,634,249	5,851,850	918,283

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.
CONSOLIDATED BALANCE SHEETS (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		
		2020 RMB	2021 RMB	2021 US\$
Non-current liabilities				
Operating lease liabilities (including operating lease liabilities of the consolidated VIEs without recourse to the primary beneficiary of RMB7,043 and nil as of December 31, 2020 and 2021, respectively)	10	1,391,518	1,456,843	228,610
Financing lease liabilities	10	2,698	2,121	333
Long-term bank loans (including long-term bank loan of the consolidated VIEs without recourse to the primary beneficiary of RMB961 and nil as of December 31, 2020 and 2021, respectively)	13	78,548	769,767	120,793
Long-term borrowings	15	—	67,080	10,526
Convertible senior notes held by a related party	16, 23	1,617,846	955,097	149,876
Convertible senior notes held by third parties	16	642,121	—	—
Other non-current liabilities (including other non-current liabilities of the consolidated VIEs without recourse to the primary beneficiary of RMB106,620 and nil as of December 31, 2020 and 2021, respectively)		107,763	24,261	3,807
Liabilities held-for-sale – non-current (including liabilities held-for-sale of the consolidated VIEs without recourse to the primary beneficiary of RMB1,671,476 and nil as of December 31, 2020 and 2021, respectively)	4	1,671,476	—	—
Total non-current liabilities		5,511,970	3,275,169	513,945
Total liabilities		18,146,219	9,127,019	1,432,228
Commitments and contingencies	26			
Mezzanine Equity:				
Convertible non-controlling interests	22, 23	—	191,865	30,108
Total mezzanine equity		—	191,865	30,108
Shareholders' equity:				
Class A ordinary shares (par value of US\$0.01 per share as of December 31, 2020 and 2021; 1,858,134,053 shares authorized as of December 31, 2020 and 2021; 250,648,452 shares issued and outstanding as of December 31, 2020; 255,648,452 shares issued and outstanding as of December 31, 2021)	21	16,532	16,532	2,594
Class B ordinary shares (par value of US\$0.01 per share as of December 31, 2020 and 2021; 94,075,249 shares authorized, issued and outstanding as of December 31, 2020 and 2021, respectively)	21	6,178	6,178	970
Class C ordinary shares (par value of US\$0.01 per share as of December 31, 2020 and 2021; 47,790,698 shares authorized, issued and outstanding as of December 31, 2020 and 2021, respectively)	21	3,278	3,278	514
Treasury shares	21	(211,352)	(113,031)	(17,737)
Statutory reserves	21	8,038	167	26
Additional paid-in-capital		19,487,232	19,522,173	3,063,455
Accumulated deficit		(17,710,964)	(17,471,716)	(2,741,694)
Accumulated other comprehensive income	28	151,677	107,379	16,850
BEST Inc. shareholders' equity		1,750,619	2,070,960	324,978
Non-controlling interests		(26,015)	(45,961)	(7,212)
Total shareholders' equity		1,724,604	2,024,999	317,766
Total liabilities, mezzanine equity and shareholders' equity		19,870,823	11,343,883	1,780,102

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(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,			
		2019	2020	2021	2021
		RMB	RMB	RMB	US\$
Revenue from third parties					
Freight delivery		5,249,479	5,175,830	5,435,354	852,926
Supply chain management		1,661,747	1,391,686	1,476,743	231,733
Global		319,602	616,934	992,518	155,748
Others		2,698,889	2,662,425	2,981,523	467,866
		9,929,717	9,846,875	10,886,138	1,708,273
Revenue from related parties					
Supply chain management	23	534,012	520,637	338,361	53,096
Global	23	17,272	160,722	201,337	31,594
		551,284	681,359	539,698	84,690
Total revenue		10,481,001	10,528,234	11,425,836	1,792,963
Cost of revenue					
Freight delivery		(4,934,937)	(5,063,236)	(5,557,115)	(872,033)
Supply chain management		(2,052,006)	(1,846,901)	(1,741,832)	(273,331)
Global		(371,404)	(875,733)	(1,258,511)	(197,488)
Others		(2,569,643)	(2,500,082)	(3,067,766)	(481,399)
Total cost of revenue		(9,927,990)	(10,285,952)	(11,625,224)	(1,824,251)
Gross profit					
		553,011	242,282	(199,388)	(31,288)
Selling expenses					
General and administrative expenses		(225,098)	(235,419)	(260,219)	(40,834)
Research and development expenses		(642,173)	(867,517)	(881,498)	(138,326)
Other operating income		(146,614)	(136,065)	(180,204)	(28,278)
		19,789	24,777	58,337	9,154
Total operating expenses		(994,096)	(1,214,224)	(1,263,584)	(198,284)
Loss from operations					
		(441,085)	(971,942)	(1,462,972)	(229,572)
Interest income					
		84,493	55,527	49,658	7,792
Interest expense					
		(46,746)	(119,177)	(142,751)	(22,401)
Foreign exchange (loss) gain					
		(4,375)	(8,243)	44,556	6,992
Other income					
		20,831	47,536	321,075	50,384
Other expense					
		(6,832)	(14,402)	(70,171)	(11,011)
Loss before income taxes and share of net loss of equity investees					
		(393,714)	(1,010,701)	(1,260,605)	(197,816)
Income tax expense					
	17	(18,326)	(17,553)	(3,198)	(502)
Loss before share of net loss of equity investees					
		(412,040)	(1,028,254)	(1,263,803)	(198,318)
Share of net loss of equity investees					
		(355)	(180)	(58)	(9)
Net loss from continuing operations					
		(412,395)	(1,028,434)	(1,263,861)	(198,327)
Net income (loss) from discontinued operations, net of tax					
	4	193,327	(1,022,790)	1,473,489	231,223
Net (loss) income					
		(219,068)	(2,051,224)	209,628	32,896
Net loss from continuing operations attributable to non-controlling interests					
		(16,652)	(25,716)	(52,279)	(8,204)
Net (loss) income attributable to BEST Inc.					
		(202,416)	(2,025,508)	261,907	41,100
Net (loss) earnings per Class A, Class B and Class C ordinary share:					
Basic					
Continuing operations	19	(1.02)	(2.59)	(3.12)	(0.49)
Discontinued operations	19	0.50	(2.64)	3.80	0.60
Diluted					
Continuing operations	19	(1.02)	(2.59)	(3.12)	(0.49)
Discontinued operations	19	0.50	(2.64)	3.80	0.60
Basic net (loss) earnings per share attributable to Class A, Class B and Class C ordinary shareholders					
	19	(0.52)	(5.23)	0.68	0.11
Diluted net (loss) earnings per share attributable to Class A, Class B and Class C ordinary shareholders					
	19	(0.52)	(5.23)	0.68	0.11
Shares used in net (loss) earnings per share computation:					
Class A ordinary shares:					
Basic	19	246,614,615	245,626,959	246,207,464	
Diluted	19	388,480,562	387,492,906	388,073,411	
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					
		39,273	(11,519)	(44,298)	(6,951)
Comprehensive loss from continuing operations					
		(373,122)	(1,039,953)	(1,308,159)	(205,278)
Comprehensive income (loss) from discontinued operations					
	4	193,327	(1,022,790)	1,473,489	231,223
Comprehensive loss from continuing operations attributable to non-controlling interests					
		(16,652)	(25,716)	(52,279)	(8,204)
Comprehensive loss (income) attributable to BEST Inc.					
		(163,143)	(2,037,027)	217,609	34,149

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”))

	Notes	For the Years ended December 31,			
		2019	2020	2021	2021
		RMB	RMB	RMB	US\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Net (loss) income		(219,068)	(2,051,224)	209,628	32,896
Less: Net income (loss) from discontinued operations, net of tax		193,327	(1,022,790)	1,473,489	231,223
Net loss from continuing operations		(412,395)	(1,028,434)	(1,263,861)	(198,327)
Adjustments to reconcile net loss to net cash generated from (used in) operating activities:					
Share of net loss of equity investees		355	180	58	9
Fair value change of equity investments without readily determinable fair values under the measurement alternative	11	(14,155)	(18,687)	(58,643)	(9,202)
Deferred income tax	17	2,187	(828)	—	—
Change in fair value change of derivative liabilities		—	—	14,918	2,341
Impairment of long-term investments	11	—	—	10,691	1,678
Depreciation and amortization		150,151	157,495	191,365	30,030
Lease expense to reduce operating lease right-of-use assets		188,871	600,923	769,005	120,674
Share-based compensation	20	78,886	115,463	107,681	16,898
Accretion on secured bank borrowings and convertible senior notes held by third parties		6,457	13,461	81,290	12,756
Accretion on convertible senior notes held by a related party		1,818	7,876	5,949	934
Allowance for credit losses		88,263	112,142	64,366	10,100
Loss on disposal of property and equipment		4,154	21,624	10,386	1,630
Gain on disposal of long-term investments	11	(22)	(5,658)	(247,145)	(38,782)
Gain on disposal of the subsidiaries	5	(4,040)	—	—	—
Foreign exchange loss (gain)		4,375	8,243	(44,556)	(6,992)
Changes in operating assets and liabilities:					
Accounts and notes receivable		(378,351)	3,107,415	(2,796,772)	(438,877)
Inventories		(2,754)	(4,510)	2,647	415
Prepayment and other current assets		189,272	393,718	(1,391,552)	(218,365)
Amounts due from related parties		(74,752)	(49,982)	57,211	8,978
Non-current deposits		(7,218)	(24,647)	3,850	604
Other non-current assets		(69,911)	16,584	11,166	1,752
Lease rental receivables - interest portion		(6,738)	(5,648)	(10,885)	(1,708)
Accounts and notes payable		488,196	(3,081,236)	2,697,827	423,348
Income tax payable		992	7,192	(13,963)	(2,191)
Customer advances and deposits and deferred revenue		(18,990)	70,235	17,672	2,773
Accrued expenses and other liabilities		22,601	311,243	1,626,075	255,167
Amounts due to related parties		(14,446)	(20,462)	(972)	(153)
Other non-current liabilities		1,425	(3,003)	—	—
Operating lease liabilities		(203,545)	(630,172)	(734,943)	(115,329)
Net cash generated from (used in) continuing operating activities		20,686	70,527	(891,135)	(139,839)
Net cash generated from (used in) discontinued operating activities		832,147	(301,762)	(1,912,826)	(300,164)
Net cash generated from (used in) operating activities		852,833	(231,235)	(2,803,961)	(440,003)

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”))

	Notes	For the Years ended December 31,			
		2019	2020	2021	2021
		RMB	RMB	RMB	US\$
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(200,392)	(311,026)	(160,012)	(25,109)
Origination of lease rental and other financing receivables		(850,150)	(1,071,963)	(45,671)	(7,167)
Receipt of repayment on lease and other financing receivables- principal portion		697,380	876,230	1,165,834	182,945
Disposal of property and equipment and intangible assets		4,130	4,156	17,913	2,811
Cash paid for business acquisitions (net of cash acquired of RMB5,176, RMB562 and nil for the years ended December 31, 2019, 2020 and 2021, respectively)	5	(14,817)	(12,628)	(1,749)	(274)
Acquisition of intangible assets		(4,711)	(35,940)	(19,355)	(3,037)
Disposal of long-term investments	11	450	26,896	354,018	55,553
Acquisition of long-term investments		(3,144)	—	(50,000)	(7,846)
Proceeds from disposal of subsidiaries (net of cash disposed of nil, nil and RMB576,051 (US\$90,395) for the years ended December 31, 2019, 2020 and 2021, respectively)		100	—	3,550,235	557,109
Proceeds from maturities of short-term investments		2,282,477	913,099	425,120	66,711
Purchase of short-term investments		(2,311,544)	(242,026)	(349,212)	(54,799)
Other investing activities, net		(205,727)	121,677	103,613	16,258
Net cash (used in) generated from continuing investing activities		(605,948)	268,475	4,990,734	783,155
Net cash used in discontinued investing activities		(1,306,534)	(1,141,408)	(448,016)	(70,303)
Net cash (used in) generated from investing activities		(1,912,482)	(872,933)	4,542,718	712,852
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from short-term bank loans		1,999,807	2,044,227	906,341	142,225
Proceeds from long-term bank loans		—	75,838	701,085	110,016
Repayment of short-term bank loans		(1,099,586)	(1,401,500)	(2,245,093)	(352,304)
Repayment of long-term bank loans		—	—	(2,797)	(439)
Proceeds from loan from a related party		—	—	600,000	94,153
Repayment of loan from a related party		—	—	(600,000)	(94,153)
Proceeds from issuance of series A preferred shares of a subsidiary, net of issuance cost		—	—	191,865	30,108
Proceeds from convertible senior notes held by a related party, net of issuance costs	16	687,677	1,061,421	—	—
Proceeds from convertible senior notes held by third parties, net of issuance costs	16	687,677	—	—	—
Purchase of capped calls	16	(159,138)	—	—	—
Proceeds from long-term borrowings, net of issuance costs	15	262,316	198,074	585,529	91,882
Principal repayment of long-term borrowings	15	(157,417)	(210,991)	(378,829)	(59,447)
Proceeds from other financing activities	10	1,054	2,024	2,440	383
Principal repayment of financing lease liabilities	10	(1,215)	(1,179)	(1,481)	(232)
Contributions from non-controlling interest shareholders		8,318	—	415	65
Proceeds from the exercise of share options		5,400	2,151	2,603	408
Repurchase of ordinary shares	21	—	(211,352)	—	—
Net cash generated from (used in) continuing financing activities		2,234,893	1,558,713	(237,922)	(37,335)
Net cash used in generated from discontinued financing activities		(223,081)	(10,529)	(337,838)	(53,014)
Net cash generated from (used in) financing activities		2,011,812	1,548,184	(575,760)	(90,349)
Exchange rate effect on cash, cash equivalents and restricted cash		5,644	(192,110)	(55,970)	(8,783)
Net increase in cash, cash equivalents and restricted cash		957,807	251,906	1,107,027	173,717
Cash, cash equivalents and restricted cash at the beginning of the year		2,999,408	3,957,215	4,209,121	660,503
Cash, cash equivalents and restricted cash at the end of the year		3,957,215	4,209,121	5,316,148	834,220

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”))

Reconciliation of cash, cash equivalents and restricted cash:

	For the Years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Cash and cash equivalents	1,392,339	1,180,787	3,571,745	560,485
Restricted cash – current	1,374,698	1,998,323	675,159	105,947
Restricted cash – non-current	137,604	333,313	1,069,244	167,788
Cash and cash equivalents held-for-sale	602,344	216,060	—	—
Restricted cash – current included in assets held-for-sale	412,134	104,103	—	—
Restricted cash – non-current included in assets held-for-sale	38,096	376,535	—	—
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>3,957,215</u>	<u>4,209,121</u>	<u>5,316,148</u>	<u>834,220</u>

	For the Years ended December 31,				
	Notes	2019 RMB	2020 RMB	2021 US\$	2021
Supplemental disclosures of cash flow information:					
Income taxes paid		16,249	15,760	17,161	2,693
Interest expense paid		36,106	47,353	152,348	23,907
Supplemental disclosures of non-cash investing and financing activities:					
Purchase of property and equipment included in accrued expenses and other liabilities	14	36,890	40,530	29,545	4,636
Acquisition of property and equipment through financing leases		3,435	4,279	3,972	623
Purchase consideration for business acquisitions included in accrued expenses and other liabilities	14	7,989	1,502	—	—

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US\$"), except for number of shares)

	Attributable to BEST Inc.							
	Ordinary Shares		Additional paid-in capital	Statutory Reserves	Accumulated other		Non- controlling interests	Total shareholders' equity
	Number of shares	Amount			comprehensive income	Accumulated deficit		
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	
Balance as of January 1, 2019	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	(2,056,804)	—	—	—	—	—	—	—
Exercise of share options and vesting of restricted shares	2,056,804	—	6,574	—	—	—	—	6,574
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

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US\$"), except for number of shares)

	Attributable to BEST Inc.								
	Ordinary Shares		Treasury shares	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	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	—	—	—	—	—	—	(55,746)	(42)	(55,788)
Net loss for the year	—	—	—	—	—	—	(2,025,508)	(25,716)	(2,051,224)
Other comprehensive loss	—	—	—	—	—	(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	(2,869,291)	—	—	—	—	—	—	—	—
Exercise of share options and vesting of restricted shares	2,869,291	—	—	505	—	—	—	—	505
Balance as of December 31, 2020	<u>386,119,349</u>	<u>25,988</u>	<u>(211,352)</u>	<u>19,487,232</u>	<u>8,038</u>	<u>151,677</u>	<u>(17,710,964)</u>	<u>(26,015)</u>	<u>1,724,604</u>

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US\$"), except for number of shares)

	Attributable to BEST Inc.								
	Ordinary Shares		Treasury shares	Additional paid-in capital	Statutory Reserves	Accumulated other comprehensive income	Accumulated deficit	Non-controlling interests	Total shareholders' equity
	Number of shares	Amount							
Balance as of December 31, 2020	386,119,349	25,988	(211,352)	19,487,232	8,038	151,677	(17,710,964)	(26,015)	1,724,604
Net income (loss) for the year	—	—	—	—	—	261,907	—	(21,749)	240,158
Other comprehensive loss	—	—	—	—	—	(44,298)	—	—	(44,298)
Reversal of statutory reserves	—	—	—	—	(7,871)	—	7,871	—	—
Share-based compensation	—	—	—	134,926	—	—	—	—	134,926
Adjustment of convertible non-controlling interests	—	—	—	—	—	—	(30,530)	—	(30,530)
Purchase from non-controlling interest shareholders	—	—	—	(4,269)	—	—	—	1,262	(3,007)
Contributions from non-controlling interest shareholders	—	—	—	—	—	—	—	541	541
Newly deposited and issued to depository bank-Citibank, N.A. ("Citi")	5,000,000	—	—	—	—	—	—	—	—
Settlement of exercised share options and vested restricted shares with shares held by Citi	(170,492)	—	—	—	—	—	—	—	—
Settlement of exercised share options and vested restricted shares with treasury shares	(2,974,987)	—	98,321	(98,321)	—	—	—	—	—
Exercise of share options and vesting of restricted shares	3,145,479	—	—	2,605	—	—	—	—	2,605
Balance as of December 31, 2021	391,119,349	25,988	(113,031)	19,522,173	167	107,379	(17,471,716)	(45,961)	2,024,999
Balance as of December 31, 2021 in US\$	—	4,078	(17,737)	3,063,455	26	16,850	(2,741,694)	(7,212)	317,766

The accompanying notes are an integral part of the consolidated financial statements.

BEST INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(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”.

On September 20, 2017, the Company completed its initial public offering (“IPO”) on the New York Stock Exchange (Note 21).

Prior to December 2021, the Group was principally engaged in the business of providing express delivery services, freight delivery services, supply chain management services, Store+ services, global logistic services and other value-added services. The Group’s principal geographic market is in the PRC.

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. In November 2021, the Company completed the disposal transaction of Sichuan Wowo.

In October 2021, the Company entered into a series of agreements with J&T Global Express Limited (“J&T”), a PRC limited liability company and a logistics services provider in China to sell its express delivery business in China. On December 9, 2021, the disposal was completed and Hangzhou BEST Network Technologies Co., Ltd. (“BEST Network”) and its’s subsidiaries were sold to J&T.

As a result, the related historical financial results of Store+ services and BEST Express delivery services (“BEST Express”) are reflected in the Company’s consolidated statements of comprehensive loss (income) as discontinued operations and the related assets and liabilities are reclassified as assets held-for-sale and liabilities held-for-sale on the Company’s consolidated balance sheets accordingly. See additional disclosures regarding the discontinued operation in Note 4 to the consolidated financial statements.

Subsequent to December 2021, the Group is principally engaged in the business of providing freight delivery services, supply chain management services, global logistic services and other value-added services.

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Details of the Company’s principal subsidiaries, VIEs and VIEs’ subsidiaries as of December 31, 2021 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	May 16, 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 Information Technology Services Co., Ltd. (“BEST Information Technology”)	PRC	October 23, 2019	Nil	Ucargos transportation services
Hangzhou Baijia Business Management Consulting Co., Ltd. (“Hangzhou Baijia”)	PRC	December 20, 2019	Nil	Convenience store operations
Xinyuan Leasing Asset Backed Special Plan I	PRC	June 1, 2019	Nil	Asset Backed Special Plan
Xinyuan Leasing Asset Backed Special Plan II (collectively the “ABS Plans”)	PRC	September 29, 2020	Nil	Asset Backed Special Plan
Yunnan Trust Plan (“Trust Plan”)	PRC	March 11, 2021	Nil	Trust Plan
VIEs’ subsidiaries:				
BEST UCargo Technologies (Hangzhou) Co., Ltd. (“BEST UCargo”)	PRC	September 8, 2017	Nil	Ucargos transportation services

BEST INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))
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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

To comply with 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, the Company provides the services that may be subject to such restrictions in the PRC through the VIEs, namely BEST Network (prior to the disposal in December 2021), BEST Information Technology, and Hangzhou Baijia, which are all incorporated in the PRC and 100% owned by PRC individuals (the “nominee shareholders”).

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 the Company’s comprehensive service offerings. Certain subsidiaries of BEST Information Technology have obtained ICP licenses that would allow them to provide value-added telecommunication services in connection with the BEST UCargo business. Sichuan Wowo Supermarket Chain Co., Ltd. (“Sichuan 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.

The contractual arrangements entered into among the Company, the wholly-owned PRC subsidiaries, the VIEs, and the VIEs’ shareholders include (i) certain equity pledge agreements, shareholders’ voting rights proxy agreements, exclusive call option agreements and certain loan agreements, which provide the Company with effective control over our VIEs; and (ii) certain exclusive technical services agreements, which allow the Company to receive substantially all of the economic risks and benefits generated from the operations of the VIEs and their subsidiaries (the “Contractual Agreements”). As a result of these Contractual Agreements, the Company has the power to direct the activities of the VIEs and their subsidiaries that most significantly impact their economic performance and is entitled to substantially all of the economic benefits from their operations. Therefore, the Company is the primary beneficiary of the VIEs and consolidates the VIEs and their subsidiaries 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.

BEST Network

Contracts that give the Company effective control of BEST Network

Loan Agreements

BEST Technology entered into loan agreements with the nominee shareholders of BEST Network on October 12, 2011 and February 15, 2015 respectively. Pursuant to this loan agreement, BEST Technology has granted an interest-free loans with an aggregate amount of RMB13,780 to the nominee shareholders of BEST Network, which may only be used for the purpose of a capital injection of BEST Network. The nominee shareholders of BEST Network undertook, among others, not to transfer any of its equity interests in BEST Network to any third party. The loans are only repayable by the nominee shareholders through a transfer of their 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.

BEST INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))
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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Exclusive Call Option Agreement

Pursuant to the exclusive call option agreement among BEST Technology, BEST Network and nominee shareholders of BEST Network dated June 21, 2017, the nominee shareholders of BEST Network have granted BEST Technology (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 call 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 call 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.

Shareholders’ Voting Rights Proxy Agreement

Pursuant to the shareholders’ voting rights proxy agreement among BEST Technology, BEST Network and its nominee shareholders dated June 21, 2017, 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 shareholders’ voting rights 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 shareholders’ voting rights proxy agreement is valid as long as the nominee shareholders remain shareholders of BEST Network. The nominee shareholders may not terminate the shareholders’ voting rights proxy agreement or revoke the appointment of the AIF without BEST Technology’s prior written consent.

BEST INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))
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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Equity Pledge Agreement

Pursuant to the equity pledge agreement among BEST Technology, BEST Network and its nominee shareholders dated June 21, 2017 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 service agreement, loan agreements and exclusive call option agreement. 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. All of the equity pledges have been registered with the relevant office of the Administration for Market Regulation in China. The equity pledge agreement will expire when all obligations under this equity pledge agreement or under the aforementioned loan agreement, exclusive call option agreement, shareholders’ voting rights proxy agreement and exclusive technical services agreement have been satisfied.

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

Exclusive Technical Service Agreement

Pursuant to the exclusive technical service agreement between BEST Technology and BEST Network dated June 21, 2017, 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 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.

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.

On December 9, 2021, the Company closed the sale of the BEST Network to J&T. BEST Network was no longer the VIE of the Company and the related contractual agreements were terminated as of December 8, 2021. The operation results and cashflows of BEST Network and its subsidiaries prior to the disposal date on December 9, 2021 are reflected as discontinued operations (Note 4) in the consolidated statements of comprehensive loss (income) and cash flows for all periods presented.

BEST INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))
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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

BEST Information Technology

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 BEST Information Technology through BEST China. As a result, the Company is the primary beneficiary of BEST Information Technology and consolidates the entity in accordance with ASC 810-10. 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.

Contracts that give the Company effective control of BEST Information Technology

Loan Agreements

BEST China entered into loan agreements with the nominee shareholders of BEST Information Technology in 2020, which replaced the original loan agreement entered into in 2019. Pursuant to this loan agreement, BEST China has granted an interest-free loan to each of BEST Information Technology’s nominee shareholders, which may only be used for the purpose of a capital contribution to BEST Information Technology. BEST China agreed not to ask the BEST Information Technology’s nominee shareholders to repay the loans unless the relevant nominee shareholder violates its undertakings provided in the loan agreements. BEST Information Technology’s equity holders undertook, among others, not to transfer any of its equity interests in BEST Information Technology to any third party. The loans are repayable by such equity holders through a transfer of their equity interests in BEST Information Technology to BEST China 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 BEST China relinquishes its rights under the relevant loan agreements.

BEST INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))
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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Exclusive Call Option Agreement

Pursuant to the exclusive call option agreement among the Company, BEST China, Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as BEST Information Technology) and its equity holders, dated October 23, 2019, BEST Information Technology’s equity holders have granted BEST China and the Company, or a party designated by the Company or BEST China, the exclusive and irrevocable call option rights to purchase part or all of their equity interests in BEST Information Technology at an exercise price equal to the minimum price as permitted by applicable PRC laws. BEST Information Technology has further granted BEST China and the Company, or a party designated by the Company or BEST China, 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 the Company’s sole discretion, the Company has the right to decide whether the option and other rights granted under the agreement will be exercised by the Company, BEST China or a party designated by the Company. Each of BEST Information Technology’s equity holders may not, among other things, transfer any part of their equity interests to any party other than the Company or BEST China, or a party designated by the Company or BEST China, 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 BEST Information Technology, terminate or cause to terminate any material contracts of BEST Information Technology, or cause BEST Information Technology to declare or distribute profits, bonuses or dividends. The Company is obligated, to the extent permitted by PRC laws, to provide financing support to BEST Information Technology in order to meet the cash flow requirements of its ordinary operations and to offset any loss from such operations. The Company and BEST China are not entitled to request repayment if BEST Information Technology or its equity holders are unable to repay such financial support. The exclusive call option agreement remains in effect until all the equity interests or assets that are the subject of the agreement are transferred to the Company or BEST China, or a party designated by the Company or BEST China, or if the Company or BEST China unilaterally terminate the agreement with 30 days’ prior written notice. Unless otherwise provided by law, BEST Information Technology and its equity holders are not entitled to unilaterally terminate this agreement under any circumstances.

Shareholders’ Voting Rights Proxy Agreement

Pursuant to the shareholders’ voting rights proxy agreement among the Company, BEST China, Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as BEST Information Technology) and its equity holders, dated October 23, 2019, each of BEST Information Technology’s equity holders has irrevocably authorized any person designated by BEST China, with the Company’s consent, to exercise its rights as an equity holder of BEST Information Technology in a manner approved by the Company, including but not limited to the rights to attend and vote at equity holders’ meetings and appoint directors and senior management. The proxy agreement remains effective until such time as the relevant equity holder no longer holds any equity interest in BEST Information Technology.

BEST INC.
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(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))
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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Equity Pledge Agreement

Pursuant to the equity pledge agreement among BEST China, Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as BEST Information Technology) and its equity holders, dated October 23, 2019, the relevant equity holders of BEST Information Technology have pledged all of their equity interests in BEST Information Technology as a continuing first priority security interest in favor of BEST China to secure the outstanding amounts advanced under the relevant loan agreements described above and to secure the performance of obligations by BEST Information Technology and/or its equity holders under the other contractual arrangements. BEST China is entitled to exercise its right to dispose of the pledged interests held by BEST Information Technology’s equity holders in the equity of BEST Information Technology 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. The equity pledge agreement will expire when all obligations under this equity pledge agreement or under the aforementioned loan agreement, exclusive call option agreement, shareholders’ voting rights proxy agreement and exclusive technical services agreement have been satisfied.

Contract that enables the Company to receive substantially all of the economic benefits from BEST Information Technology

Exclusive Technical Services Agreement

On October 23, 2019, Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as BEST Information Technology) entered into an exclusive technical services agreement with BEST China, pursuant to which BEST China provides exclusive technical services to BEST Information Technology. In exchange, BEST Information Technology pays a service fee to BEST China that is based on a predetermined formula based on the financial performance of BEST Information Technology. During the term of this agreement, BEST China is entitled to adjust the service fee at its sole discretion without the consent of BEST Information Technology. BEST China will exclusively own any intellectual property arising from the performance of this agreement. This exclusive technical services agreement has an initial contract term of 20 years and may be automatically renewed for another 20 years unless BEST China notifies BEST Information Technology of its intent not to renew with at least three months’ prior notice. BEST China is entitled to terminate the agreement unilaterally with 30 days’ prior written notice, while BEST Information Technology is not entitled to unilaterally terminate this agreement under any circumstances.

Hangzhou Baijia

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, 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 Hangzhou Baijia through BEST Store. 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 Sichuan Wowo and Shanxi Wowo Supermarket Chain Co., Ltd. (“Shanxi Wowo”) to Hangzhou Baijia. BEST Store, together with Sichuan Wowo and Shanxi Wowo, constituted the former Store+ reporting unit. 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.

BEST INC.
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(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)

Contracts that give the Company effective control of Hangzhou Baijia

Loan Agreement

BEST Store entered into a loan agreement with the nominee shareholders of Hangzhou Baijia in 2020. Pursuant to this loan agreement, BEST Store has granted an interest-free loan to each of Hangzhou Baijia’s nominee shareholders, which may only be used for the purpose of a capital contribution to Hangzhou Baijia. BEST Store agreed not to ask Hangzhou Baijia’s equity holders to repay the loans unless the relevant equity holder violates its undertakings provided in the loan agreements. Hangzhou Baijia’s nominee shareholders undertook, among others, not to transfer any of its equity interests in Hangzhou Baijia to any third party. The loans are repayable by such equity holders through a transfer of their equity interests in Hangzhou Baijia to BEST Store 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 BEST Store relinquishes its rights under the relevant loan agreements.

Exclusive Call Option Agreement

Pursuant to the exclusive call option agreement among the Company, BEST Store, Hangzhou Baijia and its nominee shareholders, dated May 13, 2020, Hangzhou Baijia’s nominee shareholders have granted BEST Store and the Company, or a party designated by the Company or BEST Store, the exclusive and irrevocable call option rights to purchase part or all of their equity interests in Hangzhou Baijia at an exercise price equal to the minimum price as permitted by applicable PRC laws. Hangzhou Baijia has further granted BEST Store and the Company, or a party designated by us or BEST Store, 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 the Company’s sole discretion, the Company has the right to decide whether the option and other rights granted under the agreement will be exercised by us, BEST Store or a party designated by us. Each of Hangzhou Baijia’s nominee shareholders may not, among other things, transfer any part of their equity interests to any party other than to us or BEST Store, or a party designated by us or BEST Store, 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 Baijia, terminate or cause to terminate any material contracts of Hangzhou Baijia, or cause Hangzhou Baijia to declare or distribute profits, bonuses or dividends. The Company is obligated, to the extent permitted by PRC laws, to provide financing support to Hangzhou Baijia in order to meet the cash flow requirements of its ordinary operations and to offset any loss from such operations. The Company and BEST Store are not entitled to request repayment if Hangzhou Baijia or its equity holders are unable to repay such financial support. The 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 BEST Store, or a party designated by us or BEST Store, or if the Company or BEST Store unilaterally terminate the agreement with 30 days’ prior written notice. Unless otherwise provided by law, Hangzhou Baijia and its equity holders are not entitled to unilaterally terminate this agreement under any circumstances.

Shareholders’ Voting Rights Proxy Agreement

Pursuant to the shareholders’ voting rights proxy agreement among us, BEST Store, Hangzhou Baijia and its equity holders, dated May 13, 2020 each of Hangzhou Baijia’s nominee shareholders has irrevocably authorized any person designated by BEST Store, with the Company’s consent, to exercise its rights as an equity holder of Hangzhou Baijia in a manner approved by the Company, including but not limited to the rights to attend and vote at equity holders’ meetings and appoint directors and senior management. The proxy agreement remains effective until such time as the relevant equity holder no longer holds any equity interest in Hangzhou Baijia.

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Contracts that give the Company effective control of Hangzhou Baijia (Continued)

Equity Pledge Agreement

Pursuant to the equity pledge agreement among BEST Store, Hangzhou Baijia and its equity holders, dated May 13, 2020, the relevant equity holders of Hangzhou Baijia have pledged all of their equity interests in Hangzhou Baijia as a continuing first priority security interest in favor of BEST Store to secure the outstanding amounts advanced under the relevant loan agreements described above and to secure the performance of obligations by Hangzhou Baijia and/or its nominee shareholders under the other contractual arrangements. BEST Store is entitled to exercise its right to dispose of the pledged interests held by Hangzhou Baijia’s nominee shareholders in the equity of Hangzhou Baijia 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 equity pledge agreement will expire when all obligations under this equity pledge agreement or under the aforementioned loan agreement, exclusive call option agreement, shareholders’ voting rights proxy agreement and exclusive technical services agreement have been satisfied.

Contract that enables the Company to receive substantially all of the economic benefits from Hangzhou Baijia

Exclusive Technical Services Agreement

On May 13, 2020, Hangzhou Baijia entered into an exclusive technical services agreement with BEST Store, pursuant to which BEST Store provides exclusive technical services to Hangzhou Baijia. In exchange, Hangzhou Baijia pays a service fee to BEST Store that is based on a predetermined formula based on the financial performance of Hangzhou Baijia. During the term of this agreement, BEST Store is entitled to adjust the service fee at its sole discretion without the consent of Hangzhou Baijia. BEST Store will exclusively own any intellectual property arising from the performance of this agreement. This exclusive technical services agreement has an initial contract term of 20 years and may be automatically renewed for another 20 years unless BEST Store notifies Hangzhou Baijia of its intent not to renew with at least three months’ prior notice. BEST Store is entitled to terminate the agreement unilaterally with 30 days’ prior written notice, while Hangzhou Baijia is not entitled to unilaterally terminate this agreement under any circumstances.

On November 19, 2021 and December 8, 2021, the Company completed the disposal of Sichuan Wowo and legally deregistered Shanxi Wowo, the subsidiaries of Hangzhou Baijia, respectively. As a result, Sichuan Wowo and Shanxi Wowo were no longer the VIE’s subsidiaries of the Company as of December 31, 2021. The operation results and cashflows of Sichuan Wowo prior to the disposal date on November 19, 2021 for all periods presented are now reflected as discontinued operations (Note 4) in the consolidated statements of comprehensive loss (income) and cash flows for all periods presented. To facilitate the disposal, the Company cancelled the equity pledge of Sichuan Wowo, terminated the aforementioned original contractual arrangements and resigned a new set of contractual arrangements on December 15, 2021 with no changes in the key terms. The Company is still the primary beneficiary of Hangzhou Baijia.

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 (prior to the sale of BEST Network), 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.

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

The carrying amounts of the assets, liabilities and the results of operations of the VIEs and VIEs’ subsidiaries are presented in aggregate due to the similarity of the purpose and design of the VIEs and VIEs’ subsidiaries, the nature of the assets in these VIEs and VIEs’ subsidiaries and the type of the involvement of the Company in these VIEs and VIEs’ subsidiaries. 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) income are as follows:

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
ASSETS			
Current assets:			
Cash and cash equivalents	62,970	135,864	21,320
Accounts and notes receivable, net	55,950	113,700	17,842
Prepayments and other current assets	223,157	38,172	5,990
Amounts due from Group companies	97,107	156,699	24,589
Inventories	4	11	2
Assets held-for-sale - current	2,823,278	—	—
Total current assets	3,262,466	444,446	69,743
Non-current assets:			
Non-current deposits	3,393	—	—
Operating lease right-of-use assets	18,239	188	30
Property and equipment, net	77,018	85,199	13,370
Intangible assets, net	87	52	8
Other non-current assets	169	—	—
Assets held-for-sale - non-current	5,895,325	—	—
Total non-current assets	5,994,231	85,439	13,408
Total assets	9,256,697	529,885	83,151
LIABILITIES			
Current liabilities:			
Accounts and notes payable	61,088	60,669	9,521
Accrued expenses and other liabilities	154,852	17,294	2,714
Customer advances and deposits and deferred revenue	10,213	341	54
Operating lease liabilities	8,104	880	138
Amounts due to Group companies	3,779,947	455,925	71,545
Income tax payable	4	—	—
Short-term bank loans	5,000	120,500	18,909
Liabilities held-for-sale - current	6,630,254	—	—
Total current liabilities	10,649,462	655,609	102,881
Operating lease liabilities	7,043	—	—
Long-term bank loan	961	—	—
Deferred tax liabilities	102	—	—
Other non-current liabilities	106,620	—	—
Liabilities held-for-sale - non-current	1,671,476	—	—
Total non-current liabilities	1,786,202	—	—
Total liabilities	12,435,664	655,609	102,881

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

The revenue producing assets that are held by the VIEs comprise mainly of machinery and electronic equipment. The VIEs contributed an aggregate of 3%, 21% and 27% of the Group’s consolidated revenue for the years ended December 31, 2019, 2020 and 2021 respectively, after elimination of intercompany transactions. As of December 31, 2020 and 2021, except for the VIE’s assets of Trust Plan previously mentioned, there are no other assets of the consolidated VIEs that can be used only to settle obligations of the consolidated VIEs.

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,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Revenue from continuing operations	323,209	2,242,830	3,116,599	489,062
Revenue from discontinued operations	22,724,686	20,240,608	16,486,807	2,587,140
Total revenue	23,047,895	22,483,438	19,603,406	3,076,202
Net loss from continuing operations	(5,884)	(20,634)	(104,999)	(16,477)
Net income (loss) from discontinued operations	52,588	(915,208)	(1,936,791)	(303,925)
Net cash (used in) generated from continuing operating activities	(21,686)	93,624	(266,070)	(41,752)
Net cash generated from (used in) discontinued operating activities	1,024,217	(158,772)	(1,938,454)	(304,186)
Net cash generated from (used in) continuing investing activities	23,331	(25,455)	(349,795)	(54,890)
Net cash used in discontinued investing activities	(1,317,284)	(1,141,564)	(448,016)	(70,303)
Net cash (used in) generated from continuing financing activities	(2,332)	(22,701)	242,350	38,030
Net cash generated from discontinued financing activities	1,032,069	944,847	2,136,199	335,216
Exchange rate effect on cash, cash equivalents and restricted cash in continuing operating activities	—	—	(18)	(3)

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Consolidated ABS Plans and Trust Plan

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 “ABS Plans”), respectively. In March 2021, BEST Finance transferred certain lease rental receivables to Yunnan International Trust Co., Ltd., a third party, which then created Yunnan Trust Plan (the “Trust Plan”). The ABS Plan I and ABS Plan II was due and repaid during the years ended December 31, 2020 and 2021, respectively.

The Company provides payment collection services for the underlying lease rental and other financing receivables. The Company consolidates the ABS Plans and Trust Plan as it has the power to direct the activities that most significantly impacts their economic performance, the right to share residual profits and the obligation to absorb losses of the ABS Plans and Trust Plan that potentially could be significant to the ABS Plans and Trust Plan.

The table sets forth the assets and liabilities of the consolidated ABS Plans and Trust Plan included in the Company’s consolidated balance sheets:

	As at December 31,		
	2020	2021	2021
	RMB	RMB	US\$
Cash and cash equivalents	—	26,166	4,106
Amounts due from related parties	301,914	175,253	27,501
Prepayments and other current assets	—	12,046	1,890
Total current assets	301,914	213,465	33,497
Restricted cash	90,000	—	—
Amounts due from related parties	230,000	41,248	6,473
Total non-current assets	320,000	41,248	6,473
Total assets	621,914	254,713	39,970
Long-term borrowings – current portion	96,829	84,006	13,182
Amounts due to related parties	205,085	118,251	18,556
Accrued expenses and other liabilities	—	957	151
Total current liabilities	301,914	203,214	31,889
Amounts due to related parties	320,000	51,499	8,081
Total non-current liabilities	320,000	51,499	8,081
Total liabilities	621,914	254,713	39,970

	For the years ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$
Revenue from third parties	—	—	80,029	12,558
Cost of revenue	—	—	64,312	10,092
Net income	—	—	5,493	862

	For the years ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$
Net cash generated from operating activities	—	—	53,373	8,375
Net cash used in investing activities	(297,345)	(234,569)	(233,203)	(36,595)
Net cash generated from financing activities	337,345	284,569	115,996	18,202

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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.

Liquidity and Going Concern

As reflected in the Company’s financial statements for the year ended December 31, 2020, the Company has incurred total net losses of RMB2,051,224 and generated negative cash flows from operating activities of RMB231,235, 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 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 Company had a working capital deficiency and an accumulated deficit. Given the prolonged price war, the Company’s cash on hand and cash provided by operating activities may be insufficient to cover its liquidity needs that would become due within one year after the date on which the financial statements of 2020 were issued. The above adverse conditions indicate there was substantial doubt about the Company’s ability to continue as a going concern as of December 31, 2020. However, with the completion of the disposal of BEST Network in December 2021, the substantial doubt about the Company’s ability to continue as a going concern was resolved as of December 31, 2021.

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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 Company 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 assessment of long-lived assets and goodwill, realization of deferred tax assets, uncertain tax positions, share-based compensation, fair value of financial instruments and contingent liabilities. 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 Company 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 Company 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 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.

The Company 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

Classification and Measurement - The Company 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 Company’s operations and its financial results.

The Company 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) income and consolidated statements of cash flows, respectively.

The Company recognized the difference of sale price and carrying value allocated to the discontinued operation as disposal gain or loss in net income (loss) from discontinued operations, net of tax in the consolidated statements of comprehensive (loss) income.

Allocation of Interest Expense to Discontinued Operations – The Company elects to allocate the interest on debt that is to be assumed by the buyer and interest on debt that is required to be repaid as a result of a disposal transaction to discontinued operations. The allocation of the interest expense based on the actual amount for each business during each period.

Convenience translation

Amounts in U.S. dollars are presented for the convenience of the reader and are translated at the noon buying rate of RMB 6.3726 per US\$1.00 on December 30, 2021 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’ subsidiaries located in the PRC determined their functional currency to be RMB. The Company uses the RMB as its reporting currency.

Each entity in the Company 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. Nonmonetary 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) income.

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 Company’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) deposits held in designated bank accounts for the issuance of ABS Plans and Trust Plan; and (c) security deposits required by the Company’s operating leases for sortation centers and warehouses.

As of December 31, 2020 and 2021, the restricted cash related to the deposits held in designated bank accounts as pledged security of notes payable was RMB424,645 and RMB198,350 (US\$31,125), respectively. As of December 31, 2020 and 2021, the restricted cash related to the deposits held in designated bank accounts for the issuance of ABS Plans and Trust Plan was RMB90,000 and RMB16,650 (US\$2,613), respectively. As of December 31, 2020 and 2021, restricted cash related to the security deposit required by the Company’s operating leases for sortation centers and warehouses was RMB158,076 and RMB166,082 (US\$26,062), respectively.

Short-term investments

The Company’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.

Accounts and notes receivable, and allowance for credit losses

Accounts and notes receivables are recognized and carried at the original invoiced or note amount less an allowance of credit losses. The Company maintains an allowance for credit losses in accordance with ASC 326, *Credit Losses* (“ASC 326”) and records the allowance for credit losses as an offset to accounts and notes receivable and the estimated credit losses charged to the allowance is classified as “General and administrative expenses” in the consolidated statements of comprehensive (loss) income. The Company assesses collectability by reviewing accounts and notes receivable 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 notes receivable 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) income.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Combinations

The Company 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 Company 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 Company 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 Company 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 Company has determined it has four reporting units (that also represent operating segments) in 2021, excluding the former Store+ reporting unit and BEST Express reporting unit which were reported as discontinued operations in the consolidated statements of comprehensive (loss) income and the corresponding goodwill allocated to the Store+ reporting unit and BEST Express reporting unit was classified as assets held-for-sale on the consolidated balance sheets prior to their disposals (Note 4). As of December 31, 2020 and 2021, goodwill was allocated to two reporting units including Freight delivery reporting unit and Global reporting unit (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 is required. Otherwise, no further testing is required.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	3.36 years

The Company capitalizes salaries and benefits of research and development personnel and other expenses that are directly attributable to the development of new technology system for internal use pursuant to ASC350-40, *Intangibles—Goodwill and Other—Internal use software*. The Company capitalizes the costs during the development of the project, when it is determined that it is probable that the project will be completed, and the software will be used as intended. Costs related to preliminary project activities, post-implementation activities, training and maintenance are expensed as incurred. Internal use software is amortized on a straight-line basis over its estimated useful life when the assets are ready for their intended use, which is generally three years.

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

The Company evaluates its long-lived assets, including fixed assets, intangible assets with finite lives and operating lease right-of-use assets, 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 Company evaluates its long-lived asset groups 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. The future undiscounted cash flows are sensitive to significant assumptions, including revenue growth rate, operating margin and operating expenses, which can be affected by expectations about future market and economic conditions. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Company recognizes an impairment loss based on the excess of the carrying amount of the assets over their fair value. The Company identifies each business unit as an asset group at the lowest level of identifiable cash flows. Impairment losses, if any, are included in general and administrative expense.

Transfer of financial assets

The Company 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 Company’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 Company’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 Company. Therefore, these transactions are accounted for as borrowings on the consolidated balance sheets and the financial assets are not derecognized.

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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, derivative liabilities, long-term bank loans, long-term borrowings, 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 excluding derivative 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 as the related interest rates approximate market rates for similar debt instruments of comparable maturities. The fair value of the Company’s derivatives liabilities is determined utilizing market observable forward exchange rates (Note 25).

Non-controlling interests

Non-controlling interests are recognized to reflect the portion of the equity of majority-owned subsidiaries and VIEs which is not attributable, directly or indirectly, to the controlling shareholder.

Non-controlling interests are presented as a separate component of equity in the consolidated balance sheets. Consolidated net loss on the consolidated statements of comprehensive (loss) income includes the net income (loss) attributable to non-controlling interests. The cumulative results of operations attributable to non-controlling interests are recorded as non-controlling interests in the consolidated balance sheets.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible Non-controlling Interests

Convertible non-controlling interests are recognized to reflect the portion of the equity of majority-owned subsidiaries and VIEs which is not attributable, directly or indirectly, to the controlling shareholder.

Convertible non-controlling interests represent redeemable equity interests issued by the Company’s subsidiary to certain investors (Note 22) and have been classified as mezzanine equity in the consolidated balance sheets as these redeemable interests are contingently redeemable upon the occurrence of certain conditional event, which is not solely within the control of the Company. Convertible non-controlling interests are initially measured at fair value at issuance date and recorded at issuance price, net of issuance cost. Net income or loss of the subsidiary attributable to the convertible non-controlling interests was subsequently recorded pursuant to ASC 810, *Consolidation*. After the attribution, the Company considers the provisions of ASC 480, *Distinguish Liabilities from Equity* (“ASC 480”) to determine whether any further adjustments are necessary to increase the carrying value of the convertible non-controlling interests. Adjustments to the carrying amount of the convertible non-controlling interests are recorded through retained earnings.

Revenue recognition

Revenue is recognized when control of promised goods or services is transferred to the Company’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 Company 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 Company recognizes revenue at the amount to which it has the right to invoice for services performed.

The Company’s revenue recognition policies are as follows:

Freight delivery services

The Company provides freight services that comprise of sorting, line-haul and feeder transportation services mainly to its franchisees, which are also the Company’s customers. The Company 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 Company’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 Company records such amounts as “Customer advances and deposits and deferred revenue” in the consolidated balance sheets. The transaction price the Company earns from its customers are based on the shipment’s weight and route to the end recipient’s destination.

The Company’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 Company recognizes revenue over time as customers receive the benefit of the Company’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 Company 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 Company’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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Supply chain management services

The Company provide warehouse management, order fulfillment services and transportation services to its offline and online enterprise customers (“enterprise customers”). The Company 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 Company. 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 Company accounts 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. The Company is the primary obligor and does not outsource any portion of the order fulfillment services to supply chain franchisee partners. The Company recognizes warehouse management and order fulfillment services revenue upon completion of the services as that is when the Company transfers control of the services and has right to payment.

For transportation services, the Company 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 Company 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 Company 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 Company’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 Company’s supply chain network. The initial non-refundable fees and system usage fees were insignificant for all periods presented.

Global logistics services

The Company 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Other services

Other services mainly represent Ucargo service and Capital service the Company provided to customers.

Ucargo service

The Company services as a truckload capacity brokerage platform to provide truckload capacity sourcing solutions via real-time bidding to transportation service providers and customers. The Company 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. For the years ended December 31, 2019, 2020 and 2021, the revenue recognized from Ucargo service was RMB2,574,054, RMB2,519,919, and RMB2,809,081 (US\$440,806), respectively.

Capital service

The Company 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. For the years ended December 31, 2019, 2020 and 2021, the revenue recognized from Capital service was RMB124,835, RMB142,506, and RMB117,622 (US\$18,457), respectively.

Express delivery services

Prior to the disposal of BEST Network in December 2021, the Company provides express services in China that comprise of sorting, line-haul and feeder transportation services to its franchisee service stations, which are also the Company’s customers, when parcels (under 15 kg) are dropped off by the Company’s franchisee service station customers at the Company’s first hub or sortation center.

The Company 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 Company’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 Company records such amounts as “customer advances and deposits and deferred revenue” in the consolidated balance sheets. The transaction price the Company earns from its customers are based on the parcel’s weight and route to the end recipient’s destination. In addition, the Company 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 Company 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 Company’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 Company recognizes revenue over time as customers receive the benefit of the Company’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 Company uses an output method of progress based on time-in-transit as it best depicts the transfer of control to the customer.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Express delivery services (continued)

A minor percentage of the Company’s express delivery services are performed by the Company through its integrated express delivery service network for direct customers (“direct customer express delivery services”), who are the senders of the parcels. The Company 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 Company’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.

Contract assets and liabilities

The Company 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 Company’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 Company 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 Company 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, 2020 and 2021.

Contract liabilities are included in “Customer advances and deposits and deferred revenue” in the 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 Company classifies contract liabilities as current based on the timing of when the Company 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, 2020 and 2021 were as follows:

	Balance at December 31, 2020 RMB	Balance at December 31, 2021 RMB	Balance at December 31, 2021 US\$
Contract liabilities	99,637	98,411	15,443

Revenue recognized in the years ended December 31, 2019, 2020 and 2021 that was included in the contract liability balance at the beginning of the period was RMB91,858, RMB35,287 and RMB81,951 (US\$12,860), respectively. This revenue was driven primarily by freight delivery performance obligations being satisfied.

For contract costs associated with obtaining a contract such as commissions incurred with obtaining a contract, the Company 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, 2020 and 2021 and the related amortization for the years ended December 31, 2019, 2020 and 2021 was insignificant.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of revenue

Cost of revenue consists primarily of transportation costs including cost of freight delivery accessories, operating costs for the delivery platforms, hubs and sortation centers, operating costs for the supply chain management network, last-mile delivery service fees, 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) income. For the years ended December 31, 2019, 2020 and 2021, advertising expenses were RMB16,707, RMB18,886 and RMB16,871 (US\$2,647), 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 “Other operating income” if the subsidies are of operating nature, or as non-operating income in “Other income” if the subsidies are of 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 operating income” or “Other income” or as a reduction of specific cost or expenses when the conditions are met.

Leases

The Company determines whether an arrangement is or contains a lease at inception.

Sales-type, direct financing and operating leases as Lessor

The Company 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Sales-type, direct financing and operating leases as Lessor (continued)

For sales-type leases, when collectability is probable at lease commencement, the Company 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 Company classifies a lease as either a direct financing lease or an operating lease. The Company 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 Company equals or exceeds substantially all the fair value of the underlying asset; and (ii) it is probable that the Company 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 Company 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, 2019, 2020 and 2021, total cash originations of sales-type and direct financing leases were RMB365,525, RMB91,343 and RMB45,606 (US\$7,157), respectively. For the year ended December 31, 2019, 2020 and 2021, total cash receipts from sales-type and direct financing leases were RMB620,896, RMB380,187 and RMB546,221 (US\$85,714), respectively.

Sale-leaseback transactions as Lessor

When the Company 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 Company, 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 Company, it is a failed sales-leaseback transaction which is accounted for as a financing. The Company 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 consolidated balance sheets.

Financing lease and operating lease as Lessee

The Company 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 Company classifies a lease as an operating lease.

For both operating and financing leases, the Company 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 Company 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 Company 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 Company considers its credit rating and publicly available data of borrowing rates for loans of similar amount, currency and term as the lease.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Financing lease and operating lease as Lessee (continued)

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 Company.

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 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 Company enters 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 the Company transfers the control of an asset to the buyer-lessee, 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 Company does not transfer the control of an asset to the buyer-lessee, the failed sale-leaseback transaction is accounted for as a financing. The Company 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 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 Company expenses research and development costs as they are incurred, except for the costs incurred in the development phase for the development of internal use software that fulfill the capitalization criteria under ASC 350-40. The Company amortizes the capitalized costs over their estimated useful lives. The amount of the capitalized research and development expenses during the years ended December 31, 2019, 2020 and 2021 was nil, RMB34,926 and RMB16,477(US\$2,586), respectively, which was recorded in “Intangible Assets – net” on the consolidated balance sheets.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive (loss) income

Comprehensive (loss) income is defined as the changes in equity of the Company 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 Company’s comprehensive loss includes net loss and foreign currency translation adjustments and is presented in the consolidated statements of comprehensive (loss) income.

Income taxes

The Company 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 Company 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 Company 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 are recognized in accordance with ASC 740 as income tax expense in the consolidated statements of comprehensive (loss) income.

The Company 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 Company’s estimated liability for unrecognized tax benefits included in “Other non-current liabilities” in the 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 Company’s estimates. As each audit is concluded, adjustments, if any, are recorded in the Company’s consolidated financial statements. Additionally, in future periods, changes in facts, circumstances, and new information may require the Company 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.

The Company adopted ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* on January 1, 2021 and was no material impact to the Company’s consolidated financial statements upon adoption.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based compensation

Awards granted to employees and non-employees

The Company had granted awards to employees and non-employees and the Company's subsidiary had granted awards that are exercisable in the underlying entity's ordinary shares. The Company determines whether an award should be classified and accounted for as a liability award or equity award. All the Company'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 Company 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 Company uses the accelerated method for awards granted with graded vesting. The Company accounts for forfeitures as they occur.

Awards granted to employees and non-employees

The Company, 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 by the Company to employees and non-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, the Company recognizes incremental compensation cost in the period the modification occurs. For unvested awards, the Company 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 Company recognizes is the cost of the original award.

Long-term investments

The Company accounts for investments in an investee over which the Company 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 Company 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 Company estimates the investment's fair value in accordance with ASC 820. If the fair value is less than the investment's carrying value, the Company recognizes an impairment loss equal to the difference between the carrying value and fair value.

Investments in entities in which the Company 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 Company initially records its investments at cost. The Company subsequently adjusts the carrying amount of the investments to recognize the Company's proportionate share of each equity investee's net income (loss) into earnings after the date of investments. The Company 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.

The Company accounts for long-term held-to-maturity debt securities in accordance with ASC 320, *Investments-Debt Securities* (“ASC 320”). Long-term held-to-maturity debt securities include time deposits in financial institutions, with maturities of greater than twelve months, that the Company has positive intent and ability to hold to maturity, which are stated at amortized cost.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative liabilities

ASC 815, *Derivatives and Hedging* (“ASC 815”) requires all contracts that meet the definition of a derivative to be recognized on the balance sheet as either assets or liabilities and recorded at fair value. The Group’s derivative liabilities represent freestanding forward exchange rate contracts that do not qualify for hedge accounting in accordance with ASC 815. The derivative liabilities are recorded in “Accrued liabilities and other payables” and measured at fair value in the consolidated balance sheets. Changes in the fair value of derivative liabilities is recognized in “Other expense” in the consolidated statements of comprehensive (loss) income. The notional amount of the derivative contracts related to the forward exchange rate were US\$10,500 and US\$120,500 as of December 31, 2020 and 2021, respectively. Changes in fair value of derivative liabilities were nil and a loss of RMB14,918 (US\$2,341) for the years ended December 31, 2020 and 2021, respectively. The fair value of the Company’s derivatives was determined utilizing market observable forward exchange rates.

The Company adopted 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* on January 1, 2021. 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. The adoption of this standard does not have impact on the Company’s consolidated financial statements.

Earnings (Loss) per share

In accordance with ASC 260, *Earnings Per Share* (“ASC 260”), basic earnings (loss) per share is computed by dividing net earnings (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 Company’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.

Diluted earnings (loss) per share is calculated by dividing net earnings (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 Company’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 antidilutive. Income (loss) from continuing operations is the control number for determining whether including potential common shares in the diluted EPS computation would be antidilutive. The control number applies to the denominator for the per-share amounts relating to discontinued operations.

Preferred shares issued by the Company's subsidiary, which are classified as convertible non-controlling interests in mezzanine equity, do not affect the Company's basic earnings per share. The Company includes its subsidiary's diluted earnings per share in the Company's diluted earnings per share only when the effect is dilutive.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Company’s CODM is the Chief Executive Officer and each of its major service lines is a discrete operating and reportable segment. There were changes to the Company’s disclosure for reportable segments in 2021 and prior period segment information were retrospectively revised to conform to current period presentation (Note 24).

Impact of COVID-19

The COVID-19 pandemic continues to evolve. 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 Delta and Omicron outbreak, 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 small and medium enterprises, 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.

Comparatives

Certain prior period amounts have been reclassified to conform to the current period presentation.

Adoption of new accounting standards in 2021

The Company early adopted 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)* on January 1, 2021 using the modified retrospective transition method, which eliminates the beneficial conversion and cash conversion accounting models in ASC 470-20 that require separate accounting for embedded conversion features. As a result of adoption of ASU 2020-06, the Company is no longer required to apply the beneficial conversion feature model for the convertible senior notes which existed as of January 1, 2021, the preferred shares issued by the subsidiary and the bridge loan borrowed during the year ended December 31, 2021. The adoption had no impact on the opening balance of accumulated deficit and had no effect on earnings per share information in the period of adoption.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent accounting pronouncements

In May 2021, the FASB issued ASU No. 2021-04, *Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40)* to clarify and reduce diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. The Company is still evaluating the impact of this standard on its consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08)*, which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. The new amendments are effective for us are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments, with early adoption permitted. The Company is still evaluating the impact of this standard on its consolidated financial statements.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. This update requires certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. This update is effective for annual periods beginning after December 15, 2021, and early application is permitted. This guidance should be applied either prospectively to all transactions that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application or retrospectively to those transactions. 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 Company to significant concentration of credit risk primarily consist of cash and cash equivalents, restricted cash, short-term investments, accounts and notes receivable and lease rental and other financing receivables. As of December 31, 2020 and 2021, RMB2,759,216 and RMB5,167,085 (US\$810,828), respectively, of the Company’s cash and cash equivalents and restricted cash and notes receivable 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. Notes receivable represents notes receivable issued by reputable financial institutions from which the Company is entitled to receive the full face amount at its maturity. The risk is mitigated by credit evaluations the Company performs on its customers and its ongoing monitoring process of outstanding balances. The Company maintains reserves for estimated credit losses, which have generally been within its expectations.

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3. CONCENTRATION OF RISKS (CONTINUED)

Concentration of credit risk (Continued)

The Company is exposed to default risk on its lease rental and other financing receivables amounting to RMB2,331,109 and RMB1,049,416 (US\$164,677) as of December 31, 2020 and 2021, respectively. The Company regularly reviews the creditworthiness and lease rental and other financing receivables are fully collateralized by assets the Company can repossess in the event of default. The Company 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 Company maintains reserves for estimated credit losses, which have generally been within its expectations.

The Company 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 Company provides financial services are the Company’s ecosystem participants, the Company 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 Company 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 Company’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 Company’s ability to attract and retain employees necessary to support its growth. The Company’s operations could be also adversely affected by significant political, economic and social uncertainties in the PRC.

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 Company 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, 2019, 2020 and 2021.

Currency convertibility risk

The Company 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.

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3. CONCENTRATION OF RISKS (CONTINUED)

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 approximately 1.6%, appreciation of approximately 6.5% and appreciation of approximately 2.3% in the years ended December 31, 2019, 2020 and 2021, 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.

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) income for the current year and all comparative periods in accordance with ASC 210-05, *Discontinued Operations* (“ASC 210-05”) as the disposal plan of the Store+ segment represented a strategic shift that had a major effect on the Company'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 as at December 31, 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.

On November 18, 2021, the Company completed the disposal transaction of Sichuan Wowo with a cash consideration of RMB250,000 (US\$39,230) and recognized a corresponding loss on disposal of RMB34,276 (US\$5,379) in net income (loss) from discontinued operations in the consolidated statements of comprehensive (loss) income for the year ended December 31, 2021.

In October 2021, the Company approved a disposal plan to sell BEST Network. All of the components of the Express segment are reported as discontinued operations in the consolidated statements of comprehensive (loss) income for the current year and all comparative periods in accordance with ASC 210-05 as the disposal plan of the express segment represented a strategic shift that had a major effect on the Company's operations and financial results. Further, the related current and non-current assets and liabilities associated with the express disposal group are reflected as held-for-sale in the consolidated balance sheets as at December 31, 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.

On December 9, 2021, the Company completed the disposal transaction of BEST Network with cash consideration of RMB3,876,286 (US\$608,274) and liabilities assumed by the buyer of RMB5,612,888 (US\$880,785). The Company recognized a gain on disposal of BEST Express of RMB3,213,599 (US\$504,284) in net income (loss) from discontinued operations in the consolidated statements of comprehensive (loss) income for the year ended December 31, 2021.

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4. DISCONTINUED OPERATIONS (CONTINUED)

The following tables set forth the assets, liabilities, statement of operations and cash flows of discontinued operations of Store+ services and BEST Express (“Discontinued Operations”) which were included in the Company’s consolidated financial statements:

	As at December 31
	2020
	RMB
Cash and cash equivalents	216,060
Restricted cash	104,103
Short-term investments	40,276
Accounts and notes receivable, net	157,901
Prepayments and other current assets	1,722,782
Amounts due from related parties	91,986
Inventories	49,879
Non-current deposits	4,753
Operating lease right-of-use assets	126,937
Property and equipment, net	11,699
Intangible Assets, net	95,234
Goodwill	201,668
Total current assets classified as held-for-sale	2,823,278
Restricted cash	376,535
Non-current deposits	31,756
Operating lease right-of-use assets	1,985,063
Property and equipment, net	3,257,121
Intangible assets, net	3,227
Goodwill	241,623
Total non-current assets classified as held-for-sale	5,895,325

	As at December 31
	2020
	RMB
Accounts and notes payable	2,675,514
Accrued expenses and other liabilities	1,118,806
Customer advances and deposits and deferred revenue	1,246,268
Operating lease liabilities	610,547
Amounts due to related parties	6,376
Short-term bank loans	949,250
Other non-current liabilities	23,493
Total current liabilities classified as held-for-sale	6,630,254
Operating lease liabilities	1,603,655
Other non-current liabilities	67,821
Total non-current liabilities classified as held-for-sale	1,671,476

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4. DISCONTINUED OPERATIONS (CONTINUED)

	For the years ended December 31,			
	2019	2020	2021***	2021***
	RMB	RMB	RMB	US\$
Revenue	24,694,888	21,667,354	16,334,363	2,563,218
Cost of revenue	(23,288,873)	(21,389,399)	(17,313,107)	(2,716,804)
Gross profit (loss)	1,406,015	277,955	(978,744)	(153,586)
Selling expenses	(706,816)	(687,328)	(364,917)	(57,263)
General and administrative expenses	(467,372)	(566,169)	(530,479)	(83,244)
Research and development expenses	(96,778)	(87,671)	(51,465)	(8,076)
Other operating income	26,286	35,753	243,391	38,193
Total operating expenses	(1,244,680)	(1,305,415)	(703,470)	(110,390)
Income (loss) from discontinued operations	161,335	(1,027,460)	(1,682,214)	(263,976)
Interest income	10,947	19,200	15,099	2,369
Interest expenses	(32,740)	(55,430)	(32,613)	(5,118)
Foreign exchange loss	(2,045)	(3,715)	(2,367)	(371)
Gains on disposal	—	—	3,179,323	498,905
Other income	77,564	56,315	37,570	5,896
Other expense	(21,770)	(8,614)	(41,309)	(6,482)
Income (loss) before income taxes	193,291	(1,019,704)	1,473,489	231,223
Income tax expense	36	(3,086)	—	—
Net income (loss) from discontinued operations	193,327	(1,022,790)	1,473,489	231,223

*** Including the financial results of discontinued operations of Store+ and BEST Express delivery services from January 1, 2021 to November 30, 2021 and from January 1, 2021 to December 8, 2021, respectively.

During the year ended December 31, 2021, total financial results presented in the Company’s continuing operations from the Discontinued Operations after the disposals transactions as intra-entity transactions are as follows:

	For the years ended December 31,	
	2021	2021
	RMB	US\$
Revenue		
Freight delivery	6,271	984
Supply chain management	4,500	706
Others	42,162	6,616
Total revenue	52,933	8,306
Cost of revenue		
Freight delivery	(4,274)	(671)
Supply chain management	(3,390)	(532)
Others	(4,036)	(633)
Total cost of revenue	(11,700)	(1,836)
Interest income	4,671	733

During the year ended December 31, 2021, the net cash inflows received by the Company’s continuing operations from the Discontinued Operations after the disposal transactions were RMB43,678 (US\$6,854).

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5. BUSINESS COMBINATIONS

During the years ended December 31, 2019 and 2020, the Company 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 Company’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.

During the year ended December 31, 2021, there were no new acquisitions.

6. ACCOUNTS AND NOTES RECEIVABLE, NET

Accounts and notes receivable, net, consists of the following:

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Accounts receivable	981,078	1,046,060	164,149
Notes receivable	48,746	9,164	1,438
Allowance for credit losses	(204,124)	(227,593)	(35,714)
Accounts and notes receivable, net	<u>825,700</u>	<u>827,631</u>	<u>129,873</u>

The movements in the allowance for credit losses were as follows:

	As at December 31			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Balance at beginning of the year	(16,613)	(70,861)	(204,124)	(32,031)
Adoption of ASU 2016-13	—	(35,752)	—	—
Additions	(79,069)	(108,151)	(31,291)	(4,910)
Write-offs	24,821	10,640	7,822	1,227
Balance at end of the year	<u>(70,861)</u>	<u>(204,124)</u>	<u>(227,593)</u>	<u>(35,714)</u>

As of December 31, 2020 and 2021, the Company derecognized notes receivable transferred to a bank but not yet due of nil and RMB163,000 (US\$25,578), respectively.

The maximum exposure to loss from the Company’s continuing involvement in the derecognized notes receivable and the undiscounted cash flows to repurchase these derecognized notes receivable is equal to their carrying amounts. The fair values of the Company’s continuing involvement in the derecognized notes receivable are not significant.

For the years ended December 31, 2019, 2020 and 2021, the Company has not recognized any gain or loss on the date of transfer of the derecognized notes receivable. No gains or losses were recognized from the continuing involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

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7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consist of the following:

	As at December 31		
	2020	2021	2021
	RMB	RMB	US\$
Receivables from failed sale-leaseback transactions (1)	701,210	428,810	67,290
Value-added taxes (“VAT”) recoverable	178,778	305,524	47,943
Factoring receivables (2)	321,668	212,582	33,359
Government grant	57,317	19,000	2,981
Rental and other deposits	67,260	66,786	10,480
Interest receivables	23,618	26,068	4,090
Others	265,792	147,448	23,137
Allowance for credit losses (3)	(12,196)	(33,746)	(5,295)
	<u>1,603,447</u>	<u>1,172,472</u>	<u>183,985</u>

(1) Failed sale-leaseback transactions as buyer-lessor

The Company has certain failed sales-leaseback transactions of certain motor vehicles and logistic equipment in which the Company acts as buyer-lessor but the seller-lessee does not transfer the control of the leased asset to the Company. The Company uses effective interest rate method in the computation of interest income which is recorded as Capital services revenues in “Revenue – Others” in the consolidated statements of comprehensive (loss) income. Interest income was insignificant for the years ended December 31, 2019, 2020 and 2021. As of December 31, 2020 and 2021, the Company recorded receivables from failed sale-leaseback transactions due within one year of RMB701,210 and RMB428,810 (US\$67,290), respectively, under the “Prepayments and other current assets”. As of December 31, 2020 and 2021, the Company recorded receivables from failed sale-leaseback transactions due over one year of RMB496,851 and RMB109,295 (US\$17,151), net of allowance for credit losses of RMB6,090 and RMB4,752 (US\$746), respectively, under “Other non-current assets”.

(2) Factoring receivables

The Company provides factoring service to provide capital as a lender to certain third-party suppliers who transfer their rights to future cash receipts from accounts receivable with recourse through a factoring arrangement to fund their operations and improve their credit position within one year. The Company uses effective interest rate method in the computation of interest income which is recorded as Capital services revenues in “Revenue – Others” in the consolidated statements of comprehensive (loss) income. Interest income was RMB34,269, RMB32,308 and RMB34,956 (US\$5,485) for the years ended December 31, 2019, 2020 and 2021, respectively. As of December 31, 2020 and 2021, the allowance for credit losses of factoring receivables were RMB4,895 and RMB10,781 (US\$1,692), respectively.

(3) Allowance for credit losses

The movements in the allowance for credit losses were as follows:

	As at December 31			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$
Balance at beginning of the year	—	—	(12,196)	(1,914)
Adoption of ASU 2016-13	—	(3,793)	—	—
Additions	—	(8,403)	(21,550)	(3,381)
Write-offs	—	—	—	—
Balance at end of the year	—	<u>(12,196)</u>	<u>(33,746)</u>	<u>(5,295)</u>

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8. PROPERTY AND EQUIPMENT, NET

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Machinery and electronic equipment	580,170	585,524	91,881
Leasehold improvements	682,311	682,489	107,097
Motor vehicles	119,317	138,876	21,793
Construction in progress	61,741	105,146	16,500
	<u>1,443,539</u>	<u>1,512,035</u>	<u>237,271</u>
Less: accumulated depreciation	(621,425)	(749,393)	(117,596)
	<u>822,114</u>	<u>762,642</u>	<u>119,675</u>

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 RMB8,139 and RMB4,167, respectively, as of December 31, 2020 and RMB9,632 (US\$1,511) and RMB5,460 (US\$857), respectively, as of December 31, 2021. Future minimum lease payments are disclosed in Note 10. Depreciation expense of property and equipment, including assets under financing leases, was RMB130,871, RMB145,161 and RMB183,332 (US\$28,769) for the years ended December 31, 2019, 2020 and 2021, respectively.

As of December 31, 2020 and 2021, the balances of construction in progress were RMB61,741 and RMB105,146 (US\$16,500), respectively, which were related to the construction of warehouses, hubs and sortation centers and related equipment.

9. INTANGIBLE ASSETS, NET

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Customer relationships	10,449	10,449	1,640
Software	61,227	65,001	10,200
Capitalized internal use software in progress	34,926	50,582	7,937
	<u>106,602</u>	<u>126,032</u>	<u>19,777</u>
Less: accumulated amortization	(62,705)	(70,348)	(11,039)
	<u>43,897</u>	<u>55,684</u>	<u>8,738</u>

Amortization expense of intangible assets was RMB19,280, RMB12,334 and RMB8,033 (US\$1,261) for the years ended December 31, 2019, 2020 and 2021, respectively. Estimated amortization expense relating to the existing intangible assets with finite lives for each of the next five years is as follows:

	RMB	US\$
2022	3,253	511
2023	1,706	268
2024	121	19
2025	22	3
2026	—	—
	<u>5,102</u>	<u>801</u>

No impairment losses were recognized for the years ended December 31, 2019, 2020 and 2021, respectively.

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10. LEASES

Leases of motor vehicles and logistic equipment as Lessor

The Company provides direct financing and sales-type leases of motor vehicles and logistic equipment, primarily to transportation service providers that meet the Company’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 Company 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 Company 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		
	2020 RMB	2021 RMB	2021 US\$
Current assets:			
Direct financing leases	369,147	175,708	27,572
Sales-type leases	127,980	122,656	19,248
	<u>497,127</u>	<u>298,364</u>	<u>46,820</u>
Non-current assets:			
Direct financing leases	344,425	134,010	21,029
Sales-type leases	303,253	101,419	15,915
	<u>647,678</u>	<u>235,429</u>	<u>36,944</u>
Total	<u>1,144,805</u>	<u>533,793</u>	<u>83,764</u>

For the years ended December 31, 2019, 2020 and 2021, the Company recorded RMB106,040, RMB85,285 and RMB45,644 (US\$7,163) of interest income from direct financing and sales-type leases as a lessor in “Revenue – Others” on the consolidated statements of comprehensive (loss) income.

The net investment in direct financing and sales-type leases consisted of:

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Total minimum lease payments receivable	1,296,869	605,285	94,982
Less: Executory costs	—	—	—
Minimum lease payments receivable	1,296,869	605,285	94,982
Less: Allowance for credit losses	(14,296)	(27,159)	(4,262)
Net minimum lease payments receivable	1,282,573	578,126	90,720
Unguaranteed residuals	—	—	—
Less: Unearned income	(137,768)	(44,333)	(6,956)
Net investment in financing leases	1,144,805	533,793	83,764
Current portion	497,127	298,364	46,820
Non-current portion	647,678	235,429	36,944

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10. LEASES (CONTINUED)

Leases of motor vehicles and logistic equipment as Lessor (continued)

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, 2021 are as follows:

	As at December 31	
	2021	
	RMB	US\$
For the year ending December 31, 2022	320,954	50,365
For the year ending December 31, 2023	145,909	22,895
For the year ending December 31, 2024	71,624	11,239
For the year ending December 31, 2025	30,759	4,827
For the year ending December 31, 2026	8,225	1,291
Thereafter	655	103
Total minimum lease payments	<u>578,126</u>	<u>90,720</u>
Unearned income	<u>(44,333)</u>	<u>(6,956)</u>
Net investment in direct financing and sales-type leases	<u>533,793</u>	<u>83,764</u>

Financing and operating leases as Lessee

The Company 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 Company’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 Company’s leases do not contain restrictions or covenants that restrict the Company from incurring other financial obligations. The Company’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	2021	2021
	RMB	RMB	RMB	US\$
Operating lease cost	674,593	685,771	674,892	105,905
Short-term lease cost	82,509	126,846	100,766	15,812
Financing lease cost:				
Amortization of ROU assets	588	2,519	1,293	203
Interest	304	245	169	27
Total lease cost	<u>757,994</u>	<u>815,381</u>	<u>777,120</u>	<u>121,947</u>

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10. LEASES (CONTINUED)

Financing and operating leases as Lessee (continued)

	For the years ended December 31			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$
Other information				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	739,505	869,129	745,032	116,912
Operating cash flows from financing leases	304	245	169	27
Financing cash flows from financing leases	1,215	1,179	1,481	232
ROU assets obtained in exchange for new operating lease liabilities	783,965	537,302	780,576	122,489
ROU obtained in exchange for new finance lease liabilities	1,078	2,023	1,493	234
Weighted-average remaining lease term (in years):				
Operating leases	5.21	4.13	5.03	
Financing leases	2.75	3.16	2.79	
Weighted-average discount rate:				
Operating leases	7.64 %	7.68 %	7.67 %	
Financing leases	7.38 %	5.16 %	5.19 %	

For the year ended December 31, 2019, total lease costs of RMB713,814, RMB15,473, and RMB27,815 were recorded in cost of revenue, selling expenses, general and administrative expenses, respectively.

For the year ended December 31, 2020, total lease costs of RMB772,731, RMB642, and RMB39,244 were recorded in cost of revenue, selling expenses, general and administrative expenses, respectively.

For the year ended December 31, 2021, total lease costs of RMB740,554 (US\$116,209), RMB1,035 (US\$162), and RMB34,069 (US\$5,346) 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, 2021 are as follows:

	Operating Leases		Financing leases	
	RMB	US\$	RMB	US\$
For the year ended December 31, 2022	606,740	95,210	1,877	294
For the year ended December 31, 2023	508,047	79,724	1,234	194
For the year ended December 31, 2024	435,817	68,389	956	150
For the year ended December 31, 2025	293,076	45,990	163	26
For the year ended December 31, 2026	174,942	27,452	47	7
Thereafter	337,544	52,968	—	—
Total minimum lease payments	2,356,166	369,733	4,277	671
Less: imputed interest	381,075	59,799	305	48
Total lease liability balance	1,975,091	309,934	3,972	623
Minimum payments related to leases not yet commenced as of December 31, 2021	94,615	14,847	—	—

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11. LONG-TERM INVESTMENTS

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Equity investments without readily determinable fair value	215,677	169,171	26,547
Equity method investments	5,749	—	—
Long-term time deposits	—	50,000	7,846
Total Long-term Investments	<u>221,426</u>	<u>219,171</u>	<u>34,393</u>

Equity investments without readily determinable fair value

The total carrying value of equity investments without readily determinable fair value as of December 31, 2020 and 2021 were as follows:

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Initial cost basis	140,053	57,241	8,982
Cumulative unrealized gains	75,624	116,930	18,349
Cumulative unrealized losses (including impairment)	—	(5,000)	(784)
Total carrying value	<u>215,677</u>	<u>169,171</u>	<u>26,547</u>

During the years ended December 31, 2020 and 2021, 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 RMB110,677 and RMB86,977 (US\$13,649) as of December 31, 2020 and 2021, respectively.

Total unrealized and realized gains and losses of equity securities without readily determinable fair values for the years ended December 31, 2019, 2020 and 2021 were as follows:

	For the years ended December 31			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Gross unrealized gains	14,155	18,687	58,643	9,202
Gross unrealized losses (including impairment) (1)	—	—	(5,000)	(784)
Net unrealized gains on equity securities held	14,155	18,687	53,643	8,418
Net realized gains on equity securities sold	—	5,658	247,145	38,782
Total net gains recognized	<u>14,155</u>	<u>24,345</u>	<u>300,788</u>	<u>47,200</u>

(1) Nil gross unrealized losses (downward adjustments excluding impairment) were recognized for the years ended December 31, 2019, 2020 and 2021. In 2021, the Company believed that there was a decline in value that was other-than-temporary and recorded a full impairment of RMB5,000 (US\$784) in “Other expense” in the consolidated statements of comprehensive (loss) income. Impairment losses of nil, nil and RMB5,000 (US\$784) were recognized for the years ended December 31, 2019, 2020 and 2021, respectively.

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11. LONG-TERM INVESTMENTS (CONTINUED)

Equity investments without readily determinable fair value (Continued)

In 2020 and 2021, the Company disposed partial equity interests in the equity investments without readily determinable fair value with the carrying amount of RMB27,937 and RMB100,149 (US\$15,716) for a cash consideration of RMB33,595 and RMB347,294 (US\$54,498) and realized a gain on disposal of RMB5,658 and RMB247,145 (US\$38,782), respectively, which was included in “Other income” in the consolidated statement of comprehensive (loss) income for the years ended December 31, 2020 and 2021. Among which, the Company sold 1.0% share of equity investment without readily determinable fair value with the carrying amount of RMB71,667 (US\$11,246) to Zhejiang Cainiao Supply Chain Management Co. Ltd (“Cainiao”), a related party of the Company, with cash consideration RMB220,000 (US\$34,523) and realized a gain on disposal of RMB148,333 (US\$23,277).

Equity method investments

The carrying amount of the equity method investment were RMB5,749 and RMB5,691 (US\$ 894) as of December 31, 2020 and 2021, respectively, which represented to the Company’s 13.04% equity interest in Hangzhou Jinye Technology Co., Ltd. (“Jinye”) invested in 2018. The Company accounts for the investment in Jinye as an equity method investment due to its significant influence over the entity, as the Company has one board seat out of five in Jinye. In 2021, the Company believed that there was a decline in value that was other-than-temporary and recorded a full impairment of RMB 5,691 (US\$894) in “Other expense” in the consolidated statements of comprehensive (loss) income. Impairment losses of nil, nil and RMB5,691 (US\$894) were recognized for the years ended December 31, 2019, 2020 and 2021, respectively. Selected financial information of the equity method investees was not presented as the effects were not material.

Long-term time deposits

Long-term time deposits mainly represent the time deposit made in a financial institution in 2021 which has a principal amount of RMB50,000 (US\$7,846) and maturity term of three years. Interest income recognized in the consolidated statements of comprehensive (loss) income were nil, nil and was RMB1,371 (US\$215) for the year ended December 31, 2019, 2020 and 2021, respectively.

12. GOODWILL

	Freight delivery	Global	Total
Balance as of December 31, 2020	5,580	48,555	54,135
Balance as of December 31, 2021	5,580	48,555	54,135
Balance as of December 31, 2021 (US\$)	876	7,619	8,495

The Company performed a qualitative assessment for the Freight delivery services reporting unit for the years ended December 31, 2019, 2020 and 2021 based on the requirements of ASC 350-20. The Company evaluated all relevant factors, weighed all factors in their entirety and concluded that it was not more-likely-than-not that the fair value of the Freight delivery services reporting unit was less than its carrying amount. Therefore, further impairment testing on goodwill was unnecessary as of December 31, 2020 and 2021.

For the years ended December 31, 2019, 2020 and 2021, the Company performed a quantitative assessment for the Global reporting unit by estimating the fair value of the reporting unit 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 value of the reporting unit exceeded its carrying value and therefore, goodwill related to the Global reporting unit was not impaired.

No impairment losses were recognized for the years ended December 31, 2019, 2020 and 2021.

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13. SHORT-TERM AND LONG-TERM BANK LOANS

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Short-term bank loans guaranteed by subsidiaries within the Group	485,000	40,000	6,277
Pledged short-term bank loans	1,293,287	369,995	58,060
Secured bank borrowings	355,000	120,500	18,909
	<u>2,133,287</u>	<u>530,495</u>	<u>83,246</u>
Long-term bank loans pledged by deposits	78,548	769,767	120,793
Total	<u>2,211,835</u>	<u>1,300,262</u>	<u>204,039</u>

During the years ended 2019, 2020 and 2021, the Group factored certain intercompany notes receivables with a total face value of RMB142,500, RMB462,287 and RMB475,491 (US\$74,615) to several domestic banks for total proceeds of RMB138,989, RMB446,652 and RMB462,170 (US\$72,525), respectively, at effective interest rates ranging from 1.84% to 5.19%. As these 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 were recognized as secured bank borrowings included in “Short-term bank loans”.

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 RMB1,575,727 and RMB510,056 (US\$80,039) as of December 31, 2020 and 2021, respectively. The total accounts receivable pledged for short-term bank loans was RMB77,287 and RMB194,995 (US\$30,599) as of December 31, 2020 and 2021, respectively. The weighted average interest rate for the outstanding borrowings as of December 31, 2020 and 2021, was 4.76% and 3.84%, respectively. The total intercompany notes receivable pledged for secured bank borrowings was RMB355,000 and RMB120,500 (US\$18,909) as of December 31, 2020 and 2021, respectively.

Long-term bank loans were denominated in US\$. The deposits in restricted cash pledged for long-term bank loans was RMB81,500 and RMB847,300 (US\$132,960) as of December 31, 2020 and 2021, respectively. The weighted average interest rate for the outstanding borrowings as of December 31, 2020 and 2021, was 4.02% and 4.03%, respectively.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Salary and welfare payable	752,800	769,761	120,792
Customer deposits	337,889	282,666	44,357
Accrued contingent liabilities	—	200,114	31,402
Accrual for purchases of property and equipment	40,530	29,545	4,636
Accrued expenses	79,419	73,545	11,541
Other tax payables	60,171	40,741	6,393
Payable for business acquisitions	1,502	—	—
Others	134,942	195,267	30,642
	<u>1,407,253</u>	<u>1,591,639</u>	<u>249,763</u>

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15. LONG-TERM BORROWINGS

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
<i>Long-term borrowings-current:</i>			
Xinyuan Leasing Asset-Backed Securities	95,149	—	—
Yunnan Trust Plan-Senior level debts	—	84,006	13,182
Secured borrowings from Houfu	—	118,250	18,556
Secured borrowings from Chengdu Gongtuo	—	85,558	13,426
	<u>95,149</u>	<u>287,814</u>	<u>45,164</u>
<i>Long-term borrowings-non-current:</i>			
Xinyuan Leasing Asset-Backed Securities	—	—	—
Secured borrowings from Houfu	—	46,496	7,296
Secured borrowings from Chengdu Gongtuo	—	20,584	3,230
	<u>—</u>	<u>67,080</u>	<u>10,526</u>

Xinyuan Leasing Asset Backed Special Plans

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 “ABS 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 ABS Plan I, net of issuance costs for the securitization transaction of RMB6,684. The ABS Plan I consists of three tranches: Series A tranche with a stated interest of 5.5% matured by end of 2020, Series B tranche with a stated interest of 6.5% matured by end of 2020 and a subordinated tranche maturing by end of 2023. The Company also provided a guarantee to the ABS Plan I to secure the full repayment of the principal and interest of the Series A and B tranches of the ABS Plan I issued to external investors.

In September 2020, BEST Finance transferred certain lease rental and other financing receivables totaling RMB751,469 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 “ABS 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 under the ABS Plan II, net of issuance costs for the securitization transaction of RMB1,926. The ABS Plan II consists of three tranches: Series A tranche with a stated interest of 4.95% matured by end of 2021, Series B tranche with a stated interest of 6.0% maturing by end of 2022 and a subordinated tranche maturing by end of 2023. The Company also provided a guarantee to the ABS Plan II to secure the full repayment of the principal and interest of the Series A tranche of the ABS Plan II issued to external investors.

The Company acts as the servicer of the both ABS Plans by providing payment collection services for the underlying lease rental receivables and holds significant variable interests in the ABS 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 Company has the obligation to absorb losses of the ABS Plans that could potentially be significant to the ABS Plans. Accordingly, the Company is considered the primary beneficiary of the Plans and has consolidated the ABS Plans’ assets, liabilities, results of operations, and cash flows in the accompanying consolidated financial statements.

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15. LONG-TERM BORROWINGS (CONTINUED)

Xinyuan Leasing Asset Backed Special Plans (continued)

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 long-term borrowings to external investors, net of issuance costs” on the consolidated statements of cash flows. Repayments on the borrowings totaled RMB157,417, RMB210,991 and RMB96,829 (US\$15,195) during the years ended 2019, 2020 and 2021 from external investors were made according to the payment schedule. As of December 31, 2020, the ABS Plan I was fully repaid with no outstanding balances from external investors. As of December 31, 2020 and 2021, the total outstanding borrowings from external investors of ABS Plan II were RMB95,149 and nil, respectively. The weighted average effective interest rate for the outstanding Xinyuan Leasing Asset-Backed Securities under ABS Plan II was 7.17% and nil as of December 31, 2020 and 2021, respectively.

Yunnan Trust Plan

In March 2021, BEST Finance transferred certain lease receivables with remaining lease terms ranging from 18 months to 36 months originated from its finance leasing services business with future cash flows of RMB577,347 (US\$90,598) at a discount price of RMB449,671 (US\$70,653) to Yunnan International Trust Co., Ltd., a third party, which then created Yunnan Trust Plan (the “Trust Plan”). The Trust Plan contemporaneously issued Senior and Junior level debt securities of RMB319,610 (US\$50,154) and RMB130,061 (US\$20,409) respectively. The annual yield of the Senior securities is 8% and was all acquired by Sinolink Yong Fu Assets management (“Sinolink”), a related party of Yunnan International Trust Co., Ltd., BEST Finance acquired all the Junior securities which are exposed to all expected losses and entitled to receive all residual returns of the Trust Plan. The Senior debt securities mature in 14 months and the Junior debt securities mature in 33 months. BEST Finance repays the cash collected from the individual lessee of the lease receivables to the Trust Plan, with the principal amount of Senior debt securities and interest of Junior debt securities paid firstly in installments and then the principal amount of Junior debt securities in installments. The residual returns will be repaid to Junior debt securities holders at the end of the Trust Plan.

BEST Finance is responsible to provide management and collection services over the transferred lease receivable assets and the Company provides guarantees to Yunnan Trust to secure the full repayment of the principal and interest of the holder of the Senior securities and the expected interest return rate of the Trust Plan.

The Company has the power to direct the activities that most significantly impacts the economic performance of the Trust Plan and provides payment collection services for the underlying lease rental receivables and holds significant variable interests in the Trust Plan through the Junior debt securities and the guarantee provided, from which the Company has the obligation to absorb losses of the Trust Plan that could potentially be significant to the Trust Plan. Accordingly, the Company is considered the primary beneficiary of the Trust Plan and consolidates the Trust Plan’s assets, liabilities, results of operations, and cash flows in the consolidated financial statements.

As a result of the series of transactions described above, the Senior level debt securities of the Trust Plan issued to external investors were considered borrowings from external investors. During the year ended December 31, 2021, the Company made repayments on the borrowings totaled RMB248,844 (US\$39,049) to Yunnan Trust according to the payment schedule. As of December 31, 2021, the total outstanding borrowings related to the Senior level debt securities were RMB84,006 (US\$13,182), which were repayable within one year. The weighted average effective interest rate for the outstanding Senior level debt securities borrowings was 14.86% for the as of December 31, 2021.

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15. LONG-TERM BORROWINGS (CONTINUED)*Secured borrowings from Houfu*

Concurrently with the set-up of the Trust Plan, BEST Finance transferred the beneficial rights of another set of lease rental receivables with future cash flows of RMB166,149 (US\$26,072) to Ningbo Houfu Business management consulting partnership (“Houfu”), a related party of Sinolink, at a discounted price of RMB133,200 (US\$29,902). The proceeds received from Houfu were used by BEST Finance to acquire the Junior debt securities of the Trust Plan. BEST Finance agreed to transfer all the benefits it received from the Junior debt securities in the Trust Plan including the principal and interest of the Junior debt securities to repay its obligations to Houfu in installments over 33 months with BEST Finance’s rights in Junior debt securities as collateral.

Since the Company has continuing involvement with the lease receivables transferred to Houfu by providing guarantee to the performance of the transferred lease receivables and the transferred financial assets are not legally isolated from the Company, the transferred lease receivables were not derecognized and are accounted for as secured borrowings in the consolidated financial statements.

During the year ended December 31, 2021, the Company made nil repayments on the borrowings to Houfu according to the payment schedule. The weighted average effective interest rate for the outstanding secured borrowings from Houfu was 32.21% as of December 31, 2021.

The future payment schedule for the secured borrowings from Houfu is as follows:

	Future cash flow	
	RMB	US\$
For the year ending December 31, 2022	245,388	38,507
For the year ending December 31, 2023	52,539	8,245
Total future cash flows	<u>297,927</u>	<u>46,752</u>

Secured borrowings from Chengdu Gongtou

In August 2021, BEST Finance transferred the beneficial rights of certain lease receivables with future cash flows of RMB161,031 (US\$25,269) to Chendu Gongtou Finance Lease Limited (“Chendu Gongtou”) at their present value of RMB135,858 (US\$21,319).

Since the Company has continuing involvement with the lease receivables transferred to Chengdu Gongtou by providing guarantee to the performance of the transferred lease receivables and the transferred financial assets are not legally isolated from the Company, the transferred lease receivables were not derecognized and are accounted for as secured borrowings in the consolidated financial statements. The Company will repay the secured borrowings to Chengdu Gongtou in installments of 33 months. During the year ended December 31, 2021, the Company made repayments totaled RMB33,156 (US\$5,203) according to the payment schedule. The weighted average effective interest rate for the outstanding secured borrowings from Gongtou was 17.16% as of December 31, 2021.

The future payment schedule for the secured borrowings from Chengdu Gongtou is as follows:

	Future cash flows	
	RMB	US\$
For the year ending December 31, 2022	87,496	13,730
For the year ending December 31, 2023	21,531	3,379
For the year ending December 31, 2024	390	61
Total future cash flows	<u>109,417</u>	<u>17,170</u>

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16. CONVERTIBLE SENIOR NOTES

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
<i>Current liabilities:</i>			
Convertible Senior Notes held by a related party-current			
2024 Convertible Notes	—	633,475	99,406
Convertible Senior Notes held by third parties-current			
2024 Convertible Notes	—	633,475	99,406
	—	1,266,950	198,812
<i>Non-current liabilities:</i>			
Convertible Senior Notes held by a related party-non-current			
2024 Convertible Notes	642,121	—	—
2025 Convertible Notes	975,725	955,097	149,876
Convertible Senior Notes held by third parties-non-current			
2024 Convertible Notes	642,121	—	—
	2,259,967	955,097	149,876

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, of which US\$100,000 were issued 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 US\$100,000 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.

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16. CONVERTIBLE SENIOR NOTES (CONTINUED)

1) 2024 Convertible Notes (continued)

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, 2020 and 2021 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, 2020 and 2021. The Company will continue to assess the accrual for these additional interest payment liabilities at each reporting date.

In accounting for the 2024 Convertible Notes prior to the adoption of ASU 2020-06, the Company determined that 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. The Company early adopted ASU 2020-06 on January 1, 2021, which eliminated the beneficial conversion feature and the adoption had no impact in the accounting for the 2024 Convertible Notes.

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.

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16. CONVERTIBLE SENIOR NOTES (CONTINUED)

1) 2024 Convertible Notes (continued)

As of December 31, 2020 and 2021, the principal amount of the 2024 Convertible Notes was RMB1,304,980 and RMB1,275,140 (US\$200,000) respectively, unamortized debt discount was RMB20,688 and RMB8,190 (US\$1,188) respectively, and the net carrying amount of the 2024 Convertible Notes was RMB1,284,292 and RMB1,266,950 (US\$198,812) respectively.

For the years ended December 31, 2020 and 2021, the amount of interest cost recognized relating to both the contractual interest coupon and amortization of the discount on the 2024 Convertible Notes was RMB37,103 and RMB34,758 (US\$5,454), respectively. As of December 31, 2021, the 2024 Convertible Notes will be accreted up to the principal amount of US\$200,000 (equivalent to RMB1,275,140) over a remaining period of 0.75 years.

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”).

The initial conversion rate for the 2025 Convertible Notes is 16,474.46 of the Company’s American depository 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).

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16. CONVERTIBLE SENIOR NOTES (CONTINUED)

2) 2025 Convertible Notes (Continued)

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, 2021 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, 2021. The Company will continue to assess the accrual for these additional interest payment liabilities at each reporting date.

In accounting for the 2025 Convertible Notes prior to the adoption of ASU 2020-06, the Company determined that 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 Company early adopted ASU 2020-06 on January 1, 2021, which eliminated the beneficial conversion feature and the adoption had no impact in the accounting for the 2025 Convertible Notes.

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).

As of December 31, 2020, the principal amount of the 2025 Convertible Notes was RMB978,735, unamortized debt discount was RMB3,010 and the net carrying amount of the 2025 Convertible Notes was RMB975,725. As of December 31, 2021, the principal amount of the 2025 Convertible Notes was RMB956,355 (US\$150,000), unamortized debt discount was RMB1,258 (US\$124) and the net carrying amount of the 2025 Convertible Notes was RMB955,097 (US\$149,876).

For the years ended December 31, 2020 and 2021, 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 and RMB45,508 (US\$7,141), respectively. As of December 31, 2021, the 2025 Convertible Notes will be accreted up to the principal amount of US\$150,000 (equivalent to RMB956,355) over a remaining period of 1.42 years.

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.

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17. TAXATION (CONTINUED)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, 2019, 2020 and 2021, the Company 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.

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, 2021, 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 Company 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 Company’s subsidiaries, 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 nonresident 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 tax 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 Income in August 2006, dividends paid by a 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 Company’s loss before income taxes and share of net loss of equity investees consists of the following:

	For the years ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$
PRC	(381,205)	(758,737)	(954,592)	(149,796)
Non-PRC	(12,509)	(251,964)	(306,013)	(48,020)
	<u>(393,714)</u>	<u>(1,010,701)</u>	<u>(1,260,605)</u>	<u>(197,816)</u>

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17. TAXATION (CONTINUED)

The current and deferred components of income tax expense appearing in the consolidated statements of comprehensive (loss) income are as follows:

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Current income tax	(18,776)	(18,381)	(3,198)	(502)
Deferred income tax	450	828	—	—
	<u>(18,326)</u>	<u>(17,553)</u>	<u>(3,198)</u>	<u>(502)</u>

A reconciliation of the differences between the PRC statutory tax rate and the Company’s effective tax rate for enterprise income tax from continuing operations is as follows:

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Loss before income taxes and share of net loss of equity investees	<u>(393,714)</u>	<u>(1,010,701)</u>	<u>(1,260,605)</u>	<u>(197,816)</u>
Income tax computed at the statutory tax rate of 25%	98,429	252,675	315,151	49,454
Non-deductible expenses	(19,869)	(46,106)	(112,363)	(17,633)
Effect of different tax rates in different jurisdictions and preferential tax rate	(9,949)	(48,650)	447,053	70,152
Research and development expenses deduction	19,552	21,834	25,756	4,042
Non-taxable income	17,489	11,152	6,525	1,024
Provision to return	39	(5,776)	14,568	2,286
Deferred tax expense	1,529	828	(21,245)	(3,334)
Tax rate change	(4,578)	18,594	2,890	454
Expired tax loss	—	(37,469)	(112,725)	(17,689)
Change in valuation allowance	<u>(120,968)</u>	<u>(184,635)</u>	<u>(568,808)</u>	<u>(89,258)</u>
	<u>(18,326)</u>	<u>(17,553)</u>	<u>(3,198)</u>	<u>(502)</u>

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17. TAXATION (CONTINUED)

Deferred tax

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Deferred tax assets, non-current			
Accrued expenses	174,536	295,568	46,381
Customer advances and deposits	17	1,255	197
Allowance for credit losses and inventory provision	61,845	87,264	13,694
Depreciation and amortization expense	15,000	21,997	3,452
Net operating losses carrying forward	962,636	1,365,724	214,312
Lease liabilities	480,813	493,773	77,484
Total deferred tax assets	1,694,847	2,265,581	355,520
Valuation allowance*	(1,200,743)	(1,756,168)	(275,582)
Total deferred tax assets net of valuation allowance	494,104	509,413	79,938

* 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, 2020 and 2021. 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		
	2020 RMB	2021 RMB	2021 US\$
Deferred tax liabilities			
Fair value changes of equity investments	(18,900)	(29,232)	(4,587)
Accrued revenue recognition difference	(5,626)	(5,300)	(832)
Operating lease right-of-use assets	(469,578)	(474,881)	(74,519)
Total deferred tax liabilities	(494,104)	(509,413)	(79,938)

As of December 31, 2020 and 2021, the Company has net operating losses from continuing operations of RMB3,941,444 and RMB5,702,254 (US\$894,808) 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, 2021 expire at various periods through 2031, but the majority expires by 2026, if not utilized. As of December 31, 2021, the Company intends to permanently reinvest the undistributed earnings from foreign subsidiaries to fund future operations. As of December 31, 2021, the total amount of undistributed earnings from its PRC subsidiaries as well as VIEs was RMB29,874 (US\$4,688). 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, 2020 and 2021, the Company recorded an unrecognized tax benefit of RMB48,966 and RMB78,800 (US\$12,365) respectively, of which nil and 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, 2020 and 2021, unrecognized tax benefits of RMB27,044 and RMB50,451 (US\$7,917), respectively, if ultimately recognized, will impact the effective tax rate. A rollforward of unrecognized tax benefits is as follows:

	As at December 31		
	2020	2021	2021
	RMB	RMB	US\$
Beginning balance	15,613	48,966	7,684
Additions	34,597	30,263	4,748
Decreases	(1,244)	(429)	(67)
Ending balance	<u>48,966</u>	<u>78,800</u>	<u>12,365</u>

During the years ended December 31, 2019, 2020 and 2021, 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, 2016 through December 31, 2021 of the PRC subsidiaries, 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 the subsidiaries of the VIEs 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 the subsidiaries of the VIEs 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 the subsidiaries of the VIEs. 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, 2019 and 2020, the Company’s PRC subsidiaries had appropriated RMB4,094 and RMB173 of statutory reserves, respectively, and had reversed RMB7,871 (US\$1,235) of statutory reserves for the year ended December 31, 2021, which are included in shareholder’s equity.

Under PRC laws and regulations, there are restrictions on the Company’s PRC subsidiaries, the VIEs and the subsidiaries of the VIEs 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 the subsidiaries of the VIEs, totaling RMB5,272,231 (US\$827,328) as of December 31, 2021; therefore in accordance with Rules 504 and 4.08(e)(3) of Regulation SX, the condensed parent company only financial statements as of December 31, 2020 and 2021 and for each of the three years in the period ended December 31, 2021 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 earnings (loss) per share for each of the years presented are calculated as follows:

	2019			2020			2021					
	Class A RMB	Class B RMB	Class C RMB	Class A RMB	Class B RMB	Class C RMB	Class A RMB	Class A US\$	Class B RMB	Class B US\$	Class C RMB	Class C US\$
Basic loss per share:												
Numerator:												
Net loss from continuing operations attributable to ordinary shareholders—basic	(251,226)	(95,833)	(48,684)	(635,610)	(243,440)	(123,668)	(768,670)	(120,621)	(293,707)	(46,088)	(149,205)	(23,414)
Net income (loss) from discontinued operations, net of tax	122,728	46,816	23,783	(648,334)	(248,312)	(126,144)	934,833	146,696	357,198	56,052	181,458	28,475
Net (loss) income attributable to ordinary shareholders—basic	(128,498)	(49,017)	(24,901)	(1,283,944)	(491,752)	(249,812)	166,163	26,075	63,491	9,964	32,253	5,061
Denominator:												
Weighted average number of ordinary shares outstanding—basic	246,614,615	94,075,249	47,790,698	245,626,959	94,075,249	47,790,698	246,207,464	246,207,464	94,075,249	94,075,249	47,790,698	47,790,698
Continuing operations	(1.02)	(1.02)	(1.02)	(2.59)	(2.59)	(2.59)	(3.12)	(0.49)	(3.12)	(0.49)	(3.12)	(0.49)
Discontinued operations	0.50	0.50	0.50	(2.64)	(2.64)	(2.64)	3.80	0.60	3.80	0.60	3.80	0.60
Basic (loss) income per share	(0.52)	(0.52)	(0.52)	(5.23)	(5.23)	(5.23)	0.68	0.11	0.68	0.11	0.68	0.11

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19. EARNINGS (LOSS) PER SHARE (CONTINUED)

	2019			2020			2021					
	Class A RMB	Class B RMB	Class C RMB	Class A RMB	Class B RMB	Class C RMB	Class A RMB	Class A US\$	Class B RMB	Class B US\$	Class C RMB	Class C US\$
Diluted loss per share:												
Numerator:												
Net loss from continuing operations attributable to ordinary shareholders—basic	(251,226)	(95,833)	(48,684)	(635,610)	(243,440)	(123,668)	(768,670)	(120,621)	(293,707)	(46,088)	(149,205)	(23,414)
Net income(loss) from discontinued operations, net of tax	122,728	46,816	23,783	(648,334)	(248,312)	(126,144)	934,833	146,696	357,198	56,052	181,458	28,475
Net (loss) income attributable to ordinary shareholders—basic	(128,498)	(49,017)	(24,901)	(1,283,944)	(491,752)	(249,812)	166,163	26,075	63,491	9,964	32,253	5,061
Reallocation of net loss 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)	(144,517)	—	—	(367,108)	—	—	(442,912)	(69,502)	—	—	—	—
Reallocation of net income (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)	70,599	—	—	(374,456)	—	—	538,656	84,527	—	—	—	—
Reallocation of net (loss) income attributable to ordinary shareholders as a result of conversion of Class C and Class B to Class A ordinary shares (Note 21)	(73,918)	—	—	(741,564)	—	—	95,744	15,025	—	—	—	—
Net (loss) income attributable to ordinary shareholders—diluted	(202,416)	(49,017)	(24,901)	(2,025,508)	(491,752)	(249,812)	261,907	41,100	63,491	9,964	32,253	5,061
Denominator:												
Weighted average number of ordinary shares outstanding—basic	246,614,615	94,075,249	47,790,698	245,626,959	94,075,249	47,790,698	246,207,464	246,207,464	94,075,249	94,075,249	47,790,698	47,790,698
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	388,480,562	94,075,249	47,790,698	387,492,906	94,075,249	47,790,698	388,073,411	388,073,411	94,075,249	94,075,249	47,790,698	47,790,698
Weighted average number of ordinary shares for discontinued operations outstanding - diluted	388,480,562	94,075,249	47,790,698	387,492,906	94,075,249	47,790,698	388,073,411	388,073,411	94,075,249	94,075,249	47,790,698	47,790,698
Weighted average number of ordinary shares outstanding - diluted	388,480,562	94,075,249	47,790,698	387,492,906	94,075,249	47,790,698	388,073,411	388,073,411	94,075,249	94,075,249	47,790,698	47,790,698
Continuing operations	(1.02)	(1.02)	(1.02)	(2.59)	(2.59)	(2.59)	(3.12)	(0.49)	(3.12)	(0.49)	(3.12)	(0.49)
Discontinued operations	0.50	0.50	0.50	(2.64)	(2.64)	(2.64)	3.80	0.60	3.80	0.60	3.80	0.60
Diluted (loss) income per share	(0.52)	(0.52)	(0.52)	(5.23)	(5.23)	(5.23)	0.68	0.11	0.68	0.11	0.68	0.11

For the years ended December 31, 2019, 2020 and 2021, 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, convertible senior notes were excluded from the computation of diluted loss per share relating to the continuing operation and discontinued operations for the years ended December 31, 2019, 2020 and 2021, as the effects would be antidilutive on the loss from continuing operations.

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 Company 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.

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20. SHARE-BASED PAYMENTS (CONTINUED)

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 Company (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 of 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.

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 US\$	Weighted- average grant-date fair value US\$	Weighted- average remaining contractual term Years	Aggregate intrinsic Value US\$
Outstanding, December 31, 2020	1,804,456	0.75	6.93	11.05	2,329
Granted	—	—	—	—	—
Exercised	(542,353)	0.75	7.08	—	—
Forfeited/Expired	(12,668)	0.75	8.96	—	—
Outstanding, December 31, 2021	<u>1,249,435</u>	0.75	6.86	10.02	128
Vested as at December 31, 2021	<u>17,237,222</u>	0.67	2.37	6.67	3,194
Exercisable as at December 31, 2021	<u>1,249,435</u>	0.75	6.86	10.02	128

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20. SHARE-BASED PAYMENTS (CONTINUED)

The aggregate intrinsic value in the table above represents the difference between the closing share price on the last trading day in 2021 and the option’s respective exercise price. Total intrinsic value of options exercised for the years ended December 31, 2019, 2020 and 2021 was RMB860,607, RMB881,376 and RMB884,679 (US\$138,825) respectively.

No share option awards were granted to employees during the years ended December 31, 2019, 2020 and 2021. The total fair value of the equity awards vested under 2008 Plan during the years ended December 31, 2019, 2020 and 2021 were RMB48,452, RMB34,671 and RMB8,583 (US\$1,347), respectively.

There were no new grants of share option awards during the years ended December 31, 2019, 2020 and 2021 or any outstanding share options under the 2017 Plan as of December 31, 2020 and 2021, respectively.

As of December 31, 2021, there were no remaining unrecognized employee share-based compensation expenses.

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 US\$	Weighted- average grant-date fair value US\$	Weighted- average remaining contractual term Years	Aggregate intrinsic Value US\$
Outstanding, December 31, 2020	1,441,177	0.70	2.46	7.67	1,929
Granted	—	—	—	—	—
Exercised	(2,000)	0.50	0.12	—	—
Forfeited	—	—	—	—	—
Outstanding, December 31, 2021	<u>1,439,177</u>	0.70	2.47	6.65	216
Vested at December 31, 2021	<u>1,838,173</u>	0.65	2.43	6.32	377
Exercisable at December 31, 2021	<u>1,439,177</u>	0.70	2.47	6.65	216

The aggregate intrinsic value in the table above represents the difference between the closing stock price on the last trading day in 2021 and the option’s respective exercise price. Total intrinsic value of options exercised for the years ended December 31, 2019, 2020 and 2021 was RMB19,677, RMB20,448 and RMB20,457 (US\$3,210), respectively.

No share option awards were granted to non-employees during the years ended December 31, 2019, 2020 and 2021. The total fair value of the equity awards vested during the years ended December 31, 2019, 2020 and 2021 were RMB770, nil and nil, respectively.

There were no new grants of non-employee share option awards during the years ended December 31, 2020 and 2021 or any outstanding non-employee share options under the 2017 Plan as of December 31, 2020 and 2021, respectively.

As of December 31, 2021, there were no remaining unrecognized non-employee share-based compensation expenses.

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20. SHARE-BASED PAYMENTS (CONTINUED)

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, 2020	8,288,140	6.14
Granted	4,102,500	2.17
Vested	(3,757,022)	5.71
Forfeited	(725,192)	5.27
Outstanding, December 31, 2021	7,908,426	4.36
Vested and expected to vest as at December 31, 2021	<u>14,315,799</u>	

The weighted average grant-date fair value of Restricted Shares granted during the year ended December 31, 2019, 2020 and 2021 was US\$5.65, US\$5.23 and US\$2.17, which was derived from the fair value of the underlying ordinary shares. As of December 31, 2021, there was RMB152,946 (US\$24,001) 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 2.10 years. Total unrecognized compensation cost may be adjusted for actual forfeitures occurring in the future. During the year ended December 31, 2019, 2020 and 2021, the Company granted 9,413, 189,715 and 80,000 Restricted Shares to non-employees, which were fully vested and issued during the year.

Modification of Restricted Shares related to the disposal of BEST Network

On November 16, 2021, the Board of Directors of the Company approved the 1,235,896 RSUs granted but not vested upon certain BEST Express employees shall be accelerated and to be vested all at once upon the closing of the disposal of BEST Network. There is no incremental compensation cost immediately before and after the modification date of November 16, 2021. The Company recognized the remaining unrecognized share-based compensation expenses related to these RSUs of RMB18,181 (US\$ 2,818) during the year ended December 31, 2021 for the accelerated vesting of RSUs due to the disposal.

The following table summarizes the total share-based compensation expense recognized by the Company:

	For the years ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$
Cost of revenue	842	1,190	345	54
Selling expenses	8,788	7,715	9,654	1,515
General and administrative expenses	62,047	98,795	88,361	13,866
Research and development expenses	7,209	7,763	9,321	1,463
Share-based compensation expenses from continuing operations	78,886	115,463	107,681	16,898
Share-based compensation expenses from discontinued operations	19,618	22,738	27,245	4,276
Total share-based compensation expenses	<u>98,504</u>	<u>138,201</u>	<u>134,926</u>	<u>21,174</u>

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20. SHARE-BASED PAYMENTS (CONTINUED)

Options granted by subsidiaries

On December 31, 2020, the shareholders and Board of Directors of BEST Asia Inc. (“BEST Asia”) approved the 2020 Equity Incentive Plan (the “2020 Plan”), which is administrated by the Board of Directors of BEST Asia. Under the 2020 Plan, BEST Asia reserved 75,000,000 ordinary shares of BEST Asia to its eligible employees, directors and officers of BEST Asia and consultants. The purpose of the 2020 Plan is to attract and retain key employees, directors and officers of outstanding ability and to motivate them to exert their best efforts on behalf of BEST Asia by providing incentives through granting awards.

The options granted under the 2020 Plan have a contractual term of 10 years and will become vested 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. Under the 2020 Plan, all share options granted are not exercisable until the completion of BEST Asia’s IPO.

The options granted to employees are accounted for as equity awards and measured at their grant date fair values. Given that the inability of the grantees to exercise these options until the completion of the IPO constitutes a performance condition that is not considered probable until the IPO completion date, no share-based compensation expenses was recognized for the year ended December 31, 2021. Upon the IPO completion date, the Company will immediately recognize the deferred compensation expenses associated with options that are vested as the IPO completion date and recognize the remaining compensation expenses over the remaining service requisite period using the accelerated method.

A summary of the employee equity award activity under the 2020 Plan is stated below:

	Number of options	Weighted- average exercise price US\$	Weighted- average grant-date fair value US\$	Weighted- average remaining contractual term Years	Aggregate intrinsic Value US\$
Outstanding, December 31, 2020	—	—	—	—	—
Granted	41,169,000	0.01	0.06	—	—
Forfeited	(2,555,000)	0.01	0.06	—	—
Outstanding, December 31, 2021	<u>38,614,000</u>	0.01	0.06	9.05	32,494
Vested and expected to vest as at December 31, 2021	<u>38,614,000</u>	0.01	0.06	9.05	32,494
Exercisable as at December 31, 2021	<u>—</u>				

The aggregate intrinsic value in the table above represents the difference between the fair value of the BEST Asia's ordinary share as of December 31, 2021 and the option’s respective exercise price.

As of December 31, 2021, there was RMB3,764(US\$591) of total unrecognized employee share-based compensation expenses, related to vested but not exercisable share-based awards. 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 by subsidiaries (continued)

Grant date fair value of BEST Asia's employee share options

The grant date fair value of share options granted by BEST Asia was determined using the binomial option valuation model, which requires the input of various assumptions including risk-free interest rate, time to exit events, expected share price volatility and early exercise factor. For expected share price volatilities, the Company has made reference to historical volatilities of several comparable companies. The 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 options is based on the market yield of U.S. Treasury Bonds in effect at the time of grant. The estimated fair value of the ordinary shares, at the option grant dates, was determined with the assistance from an independent third-party appraiser. The Company's management is ultimately responsible for the determination of the estimated fair value of its ordinary shares.

The assumptions used to estimate the grant date fair value of BEST Asia's share options granted to employees are as follows:

	2021
Risk-free interest rate	0.92% ~ 1.51%
Expected share price volatility	40.5% ~ 49.1%
Multiple of early exercise	2.5x
Fair value per ordinary shares as at valuation date	0.07

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.

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\$100,000 from the open market over a period of 18 months in accordance with applicable securities laws from time to time. During the years ended December 31, 2019 and 2021, the Company did not repurchase any ADSs under the 2019 Share Repurchase Program. During the year ended 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 repurchased shares are intended to be used for grants under the 2017 Plan. The remaining shares are recorded as Treasury shares on the consolidated balance sheets.

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22. CONVERTIBLE NON-CONTROLLING INTERESTS

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Balance at beginning of the year	—	—	—
Issuance of BEST Asia Series A preferred shares, net of issuance cost	—	191,865	30,108
Net loss attributable to convertible non-controlling interests	—	(30,530)	(4,791)
Adjustment of convertible non-controlling interests	—	30,530	4,791
Balance at end of the year	<u>—</u>	<u>191,865</u>	<u>30,108</u>

On June 30, 2021, BEST Asia, a wholly owned-subsiidiary of the Company, issued 150,000,000 convertible series A preferred shares (the “BEST Asia Series A Preferred Shares”) to Taobao China Holding Limited, a related party investor, at a price of US\$0.20 per share for a total cash consideration of US\$ 30,000 (equivalent to RMB193,803). The BEST Asia Series A Preferred Shares holder have the rights, at its option, to convert the outstanding principal amount of the BEST Asia Series A Preferred Shares to the ordinary shares of BEST Asia at any time with the initial conversion price of US\$0.20 per share subject to certain anti-dilution adjustment.

The BEST Asia Series A Preferred Shares are redeemable upon the occurrence of a deemed liquidation event, which is not solely within the control of the Company. Therefore, the BEST Asia Series A Preferred Shares are contingently redeemable and are classified as convertible non-controlling interests in mezzanine equity. As the underlying shares of BEST Asia are not publicly traded, the embedded conversion features do not qualify for bifurcation accounting and recognized as part of the convertible non-controlling interests.

The Company initially recognized US\$29,700 (equivalent to RMB191,865) of convertible non-controlling interests at issuance price, net of issuance costs of US\$300 (equivalent to RMB1,938). Since the management determined that the conditional event is not probable to occur, no accretion is subsequently made to the redemption value.

During the year ended December 31, 2021, the Company recorded RMB30,530 (US\$4,791) net loss attributable to the convertible non-controlling interests. Pursuant to ASC 480, the amount in mezzanine equity should not be less than the convertible non-controlling interests’ initial amount reported in mezzanine equity. Therefore, adjustments of RMB30,530 (US\$4,791) was made to increase the carrying amount of convertible non-controlling interests and charged to accumulated deficit.

23. 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
Alibaba (China) Network Technology Co., Ltd (“Alibaba Technology”)	Entity controlled by a principal shareholder of the Group
Lazada Express Limited (“Lazada”)	Entity controlled by a principal shareholder of the Group
Taobao China Holding Limited (“Taobao”)	Entity controlled by a principal shareholder of the Group

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23. RELATED PARTY TRANSACTIONS (CONTINUED)

b) *The Group had the following related party transactions:*

	For the years ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$
Rendering of express delivery and supply chain management services:				
Cainiao	540,587	555,798	418,806	65,720
Lazada	10,697	125,561	120,892	18,970
	<u>551,284</u>	<u>681,359</u>	<u>539,698</u>	<u>84,690</u>
Rental of warehouse as a lessee:				
Cainiao	<u>—</u>	<u>18,011</u>	<u>—</u>	<u>—</u>
Operating costs paid on behalf of the Company:				
Ali Cloud	<u>—</u>	<u>2,768</u>	<u>—</u>	<u>—</u>
Commission fee paid to related party:				
Cainiao	<u>160</u>	<u>—</u>	<u>—</u>	<u>—</u>

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23. RELATED PARTY TRANSACTIONS (CONTINUED)

b) *The Group had the following related party transactions:(continued)*

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Operating costs paid to related party:				
Ali Cloud	9,669	14,861	13,608	2,135

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Issue convertible senior notes to related party (Note 16):				
Alibaba.com	687,677	1,061,421	—	—

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Interest expense of convertible senior notes accrued to related party (Note 16):				
Alibaba.com	5,447	46,460	62,887	9,868

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Borrowings received from related party:				
Alibaba Technology	—	—	600,000	94,153

On August 19, 2021, BEST China signed a bridge loan agreement with Alibaba (China) Network Technology Co., Ltd. (“Alibaba Technology”) with a total principal amount of RMB600,000 (US\$94,153) with a term of one year and payable upon the completion of disposal of BEST Network. The effective interest rate per annum of the Bridge Loan is 0.36%. The Group repaid the borrowings on December 17, 2021.

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Borrowings repaid to related party:				
Alibaba Technology	—	—	600,000	94,153

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Interest expense of borrowings accrued to related party:				
Alibaba Technology	—	—	674	106

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23. RELATED PARTY TRANSACTIONS (CONTINUED)

b) *The Group had the following related party transactions:(continued)*

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Cash proceeds from the disposal of an equity investment (Note 11):				
Cainiao	—	—	220,000	34,523

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Issuance of BEST Asia Series A Preferred Shares to a related party (Note 22):				
Taobao	—	—	193,803	30,412

c) *The Group had the following related party balances at the end of the year:*

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Amounts due from related parties:			
Cainiao	140,132	76,730	12,041
Ali Cloud	—	454	71
Lazada	42,277	48,014	7,534
	<u>182,409</u>	<u>125,198</u>	<u>19,646</u>

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Amounts due to related parties:			
Alibaba.com	28,275	2,763	434
Ali Cloud	972	—	—
	<u>29,247</u>	<u>2,763</u>	<u>434</u>

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Convertible senior notes held by a related party – current:			
Alibaba.com	—	633,475	99,406
Convertible senior notes held by a related party – non-current:			
Alibaba.com	<u>1,617,846</u>	<u>955,097</u>	<u>149,876</u>

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23. RELATED PARTY TRANSACTIONS (CONTINUED)

	As at December 31		
	2020	2021	2021
	RMB	RMB	US\$
Convertible non-controlling interests held by related parties:			
Taobao	—	191,865	30,108

24. SEGMENT REPORTING

Prior to December 31, 2019, the Company has determined that it operates in five operating segments: (1) Supply chain management services, (2) Express delivery services, (3) Freight delivery services ("Freight delivery"), (4) Store+ services, and (5) Others. The "Others" category principally relates to finance leasing services, cross border logistic coordination services and Ucargo transportation services.

On January 1, 2020, the Company 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. The results from Store+ service business formerly reported as a separate reportable segment are reflected in the consolidated financial statements as discontinued operations, they are not reflected in the segment disclosures. As a result, the Company reported segments as six operating segments: (1) Express delivery services, (2) Freight delivery, (3) Supply chain management services ("Supply chain management"), (4) Global logistic services ("Global"), (5) Ucargo services ("Ucargo"), and (6) Capital services ("Capital").

Since January 1, 2021, together with the strategic refocusing plan executed from late 2020, the Company combined Capital service and UCargo service into "Others" segment. In addition, the Express business was disposed in December 2021 and are reflected in the consolidated financial statements as discontinued operations, it is not reflected in the segment disclosures. Since then, the Company reports its financial results in four operating segments: (1) Freight delivery, or the Freight segment, (2) Supply chain management, or the Supply Chain Management segment, (3) Global logistics, or the Global segment, (4) Others segment. To refocus the Company's core segments and better present the financial results in the certain segments, prior year's comparative figures related to Capital services revenue of RMB80,368 under "Revenue - Others" for the years ended December 31, 2019 have been reclassified to "Revenue - Freight delivery" and "Revenue - Express delivery" of RMB25,124 and RMB55,244 to conform to the current year's presentation. Prior year's comparative figures related to Capital services revenue of RMB68,515 under "Revenue - Others" for the years ended December 31, 2020 have been reclassified to "Revenue - Freight delivery" and "Revenue - Express delivery" of RMB19,279 and RMB49,236 to conform to the current year's presentation.

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, gross profit and net profit. These changes in segment reporting aligns with the manner in which the Company'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 Company 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 Company's long-lived assets are located in the PRC and most of the Company's revenues are derived from the PRC, no geographical information is presented. The Company retrospectively revised prior period segment information to conform to current period presentation.

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24. SEGMENT REPORTING (CONTINUED)

The table below provides a summary of the Company’s operating segment results for the years ended December 31, 2019, 2020 and 2021:

	For the years ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$
Revenue:				
Freight delivery	5,258,666	5,183,161	5,445,311	854,488
Supply chain management	2,198,271	1,912,323	1,820,239	285,635
Global	336,874	777,657	1,194,146	187,388
Others	3,130,117	2,893,014	3,347,777	525,339
Inter-segment*	(442,927)	(237,921)	(381,637)	(59,887)
Total revenue	10,481,001	10,528,234	11,425,836	1,792,963
Cost of revenue:				
Freight delivery	4,944,124	5,070,567	5,567,072	873,595
Supply chain management	2,058,937	1,846,901	1,746,967	274,137
Global	371,404	875,734	1,258,802	197,534
Others	2,998,661	2,730,658	3,434,020	538,872
Inter-segment*	(445,136)	(237,908)	(381,637)	(59,887)
Total cost of revenue	9,927,990	10,285,952	11,625,224	1,824,251
Gross profit (loss):				
Freight delivery	314,542	112,594	(121,761)	(19,107)
Supply chain management	139,334	65,422	73,272	11,498
Global	(34,530)	(98,077)	(64,656)	(10,146)
Others	131,456	162,356	(86,243)	(13,533)
Inter-segment*	2,209	(13)	—	—
Total gross profit (loss)	553,011	242,282	(199,388)	(31,288)
Net (loss) profit:				
Freight	38,608	(188,184)	(457,451)	(71,784)
Supply Chain	(122,312)	(175,072)	(103,387)	(16,223)
Global	(167,600)	(251,511)	(267,902)	(42,040)
Others	11,804	(103,710)	(341,117)	(53,529)
Unallocated**	(172,895)	(309,957)	(94,004)	(14,751)
Total net loss from continuing operations	(412,395)	(1,028,434)	(1,263,861)	(198,327)

(*) The inter segment eliminations mainly consist of services provided by Others to the Freight delivery services and Supply chain management services segment, for the years ended December 31, 2019, 2020 and 2021, 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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25. FAIR VALUE MEASUREMENTS

The following tables illustrate the fair value measurement hierarchy of the Company’s financial instruments:

	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		Fair value adjustment	Impairment
	RMB	RMB	RMB	RMB	US\$	RMB	RMB
Non-recurring fair value measurement for:							
Equity investments without readily determinable fair value	—	—	110,677	110,677		18,687	—

There is no recurring fair value measurement as of December 31, 2020.

	Fair value measurements as at December 31, 2021 using									
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total		Fair value adjustment		Impairment		
	RMB	RMB	RMB	RMB	US\$	RMB	US\$	RMB	US\$	
Recurring fair value measurement for:										
Derivative liabilities	—	(14,918)	—	(14,918)	(2,341)	(14,918)	(2,341)	—	—	
Non-recurring fair value measurement for:										
Equity investments without readily determinable fair value	169,171	—	—	169,171	26,547	58,643	9,202	(5,000)	(784)	
Equity method investments	—	—	—	—	—	—	—	(5,691)	(894)	
	<u>169,171</u>	<u>(14,918)</u>	<u>—</u>	<u>154,253</u>	<u>24,206</u>	<u>43,725</u>	<u>6,861</u>	<u>(10,691)</u>	<u>(1,678)</u>	

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25. FAIR VALUE MEASUREMENTS (CONTINUED)

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 Group recognized unrealized gain of RMB14,155, RMB18,687 and RMB58,643 (US\$9,202) for measuring equity investments at fair value using the measurement alternative resulting from the observable price changes occurring in the years ended December 31, 2019, 2020 and 2021, respectively.

Derivative liabilities represent the Group’s freestanding forward exchange rate contracts with Huaxia Bank to reduce volatility in the Company’s economic value caused by foreign currency fluctuations. The freestanding forward exchange rate contracts did not qualify for hedge accounting. The derivative liability of RMB14,918 (US\$2,341) is recorded in "Accrued expense and other payables" and measured at fair value in the consolidated statements balance sheets as of December 31, 2021. For the year ended December 31, 2021, changes in the fair value of derivative liabilities of RMB14,918 (US\$2,341) is recognized in "Other expense" in the consolidated statements of comprehensive (loss) income.

26. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

The Group has commitments for the construction of warehouses and equipment of RMB117,289(US\$18,405) at December 31 2021, 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.

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27. 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 RMB166,894, RMB133,271 and RMB181,689 (US\$28,511) for the years ended December 31, 2019, 2020 and 2021, respectively.

28. ACCUMULATED OTHER COMPREHENSIVE INCOME

	RMB
Balance as of January 1, 2019	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
Foreign currency translation adjustments, net of tax of nil	(44,298)
Balance as of December 31, 2021	107,379
Balance as of December 31, 2021 (US\$)	16,850

There have been no reclassifications out of accumulated other comprehensive income to net loss for all the periods presented.

29. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

Condensed Balance Sheets

	As at December 31		
	2020 RMB	2021 RMB	2021 US\$
Current assets:			
Cash	33,310	6,805	1,068
Prepayments and other current assets	6,295	4,166	654
Total current assets	39,605	10,971	1,722
Non-current assets:			
Other non-current assets	1,686	1,646	258
Investments in subsidiaries and VIEs	4,230,471	4,684,363	735,079
Total non-current assets:	4,232,157	4,686,009	735,337
Total assets	4,271,762	4,696,980	737,059
Current liabilities:			
Accrued liabilities and other payables	39,302	38,387	6,024
Convertible senior notes held by a related party-current	16, 23	—	633,475
Convertible senior notes held by third parties-current	16	—	633,475
Total current liabilities	39,302	1,305,337	204,836
Non-current liabilities:			
Long-term payable due to subsidiaries	221,874	365,586	57,369
Convertible senior notes held by a related party	1,617,846	955,097	149,876
Convertible senior notes held by third parties	642,121	—	—
Total non-current liabilities	2,481,841	1,320,683	207,245
Total liabilities	2,521,143	2,626,020	412,081

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29. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

Condensed Balance Sheets (continued)

	Notes	As at December 31		
		2020	2021	2021
		RMB	US\$	
Shareholders' equity				
Class A ordinary shares (par value of US\$0.01 per share as of December 31, 2020 and 2021; 1,858,134,053 shares authorized as of December 31, 2020 and 2021; 250,648,452 shares issued and outstanding as of December 31, 2020; 255,648,452 shares issued and outstanding as of December 31, 2021)	21	16,532	16,532	2,594
Class B ordinary shares (par value of US\$0.01 per share as of December 31, 2020 and 2021; 94,075,249 shares authorized, issued and outstanding as of December 31, 2020 and 2021, respectively)	21	6,178	6,178	970
Class C ordinary shares (par value of US\$0.01 per share as of December 31, 2020 and 2021; 47,790,698 shares authorized, issued and outstanding as of December 31, 2020 and 2021, respectively)	21	3,278	3,278	514
Treasury shares		(211,352)	(113,031)	(17,737)
Statutory reserves		8,038	167	26
Additional paid in capital		19,487,232	19,522,173	3,063,455
Accumulated deficit		(17,710,964)	(17,471,716)	(2,741,694)
Accumulated other comprehensive income		151,677	107,379	16,850
Total shareholders' equity		1,750,619	2,070,960	324,978
Total liabilities and shareholders' equity		4,271,762	4,696,980	737,059

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29. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

Condensed Statements of Comprehensive (Loss) Income

	For the years ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$
Operating expenses				
General and administrative expenses	(2,698)	(8,620)	(44,897)	(7,045)
Operating loss	(2,698)	(8,620)	(44,897)	(7,045)
Share of (losses) of subsidiaries and VIEs	(188,962)	(1,951,902)	(2,826,751)	(443,578)
Gain on disposal	—	—	3,213,599	504,284
Interest expense	(10,756)	(64,986)	(80,044)	(12,561)
Net (loss) income attributable to ordinary shareholders	(202,416)	(2,025,508)	261,907	41,100
Other comprehensive income (loss), net of tax of nil				
Foreign currency translation adjustments	39,273	(11,519)	(44,298)	(6,951)
Comprehensive (loss) income	(163,143)	(2,037,027)	217,609	34,149

Condensed Statements of Cash Flows

	For the years ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$
Net cash used in operating activities	(9,236)	(11,320)	(111,208)	(17,451)
Net cash generated from (used in) investing activities	(1,210,695)	(812,649)	82,099	12,883
Net cash generated from financing activities	1,224,514	847,346	2,604	409
Net increase (decrease) in cash and cash equivalents	4,583	23,377	(26,505)	(4,159)
Cash and cash equivalents at beginning of the year	5,350	9,933	33,310	5,227
Cash and cash equivalents at end of the year	9,933	33,310	6,805	1,068

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) income.

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.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2021, BEST Inc. (the “company”, “we”, “us” and “our”) had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
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 Act (As Revised) of the Cayman Islands, which we refer to as the Cayman Companies Act, 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, 2021 is provided on the cover of our annual report on Form 20-F for the year ended December 31, 2021.

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 or 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 Act. 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 Act 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 calendar 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 an exempted company with “limited liability” incorporated under the Cayman Companies Act, and under the Cayman Companies Act, 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 Act, 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 Act 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 and each shareholder shall (subject to receiving at least fourteen calendar days' notice specifying the time or times of payment) pay to our company at the time or times so specified the amount called on such shares. 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 Act 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 Act 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 Act to inspect or obtain copies of our list of shareholders or our 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). 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 Act. The Cayman Companies Act 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 Act 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 Act and the current Companies Act of England. In addition, the Cayman Companies Act 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 Act applicable to us and the laws applicable to companies incorporated in the State of Delaware.

Mergers and Similar Arrangements

The Cayman Companies Act 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 if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. 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 Act. 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 Act 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 Act.

The Cayman Companies Act 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 Act does not limit the extent to which a company's memorandum and 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 acts 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 Islands 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 Act 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 Act, 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 Act 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.
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- 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
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- 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
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any payment received as part of those transactions.

Pre-Release Transactions

Subject to the terms and conditions of the deposit agreement, the depository 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 depository 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 depository 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 depository 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 depository 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 depository 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 depository bank and to the custodian proof of taxpayer status and residence and such other information as the depository bank and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depository bank and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Foreign Currency Conversion

The depository 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 depository 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.

BEST LOGISTICS TECHNOLOGIES (CHINA) CO., LTD. (百世物流科技(中国)有限公司)

as **Borrower**

ALIBABA (CHINA) TECHNOLOGY CO., LTD. (阿里巴巴(中国)网络技术有限公司)

as **Lender**

RMB 600,000,000
FACILITY AGREEMENT

Dated August 19, 2021

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Facility Agreement

No. _____

between:

ALIBABA (CHINA) TECHNOLOGY CO., LTD. (阿里巴巴(中国)网络技术有限公司) (Uniform Social Credit Code: 91330100716105852F), which has a registered address at 699 Wangshang Road, Binjiang District, Hangzhou, Zhejiang Province, the PRC (the “**Lender**”), as the one side;

and

BEST LOGISTICS TECHNOLOGIES (CHINA) CO., LTD. (百世物流科技(中国)有限公司) (Uniform Social Credit Code: 913300006738906938), which has a registered address at Room 2310, F23, 588 Jiangnan Avenue, Changhe Street, Binjiang District, Hangzhou, Zhejiang Province, the PRC (the “**Borrower**”), as the other side.

THIS FACILITY AGREEMENT (this “Agreement”) is made and entered into this day of August 19, 2021 by and between the Lender and the Borrower in Hangzhou in respect of the granting by the Lender of two facilities in an aggregate principal amount of RMB 600,000,000 to the Borrower upon friendly negotiations:

1 Definitions

“**Facility A Loan**” means a loan made or to be made under Facility A or the principal amount outstanding for the time being of that loan;

“**Facility A**” means the term loan facility made available under this Agreement as described in clause 2(a) (*The Facilities*);

“**Facility B Loan**” means a loan made or to be made under Facility B or the principal amount outstanding for the time being of that loan;

“**Facility B**” means the term loan facility made available under this Agreement as described in clause 2(b) (*The Facilities*);

“**BEST Express**” means the companies listed in Schedule I hereto;

“**Sale of BEST Express**” means the transaction in which Zhejiang BEST Technology Co., Ltd. (浙江百世技术有限公司) or any other member(s) of its group sell BEST Express directly or indirectly owned by them;

“**Consideration for Sale of BEST Express**” means any net proceeds (exclusive of taxes) to be received by Zhejiang BEST Technology Co., Ltd. (浙江百世技术有限公司) or any other member(s) of its group in cash as consideration for Sale of BEST Express;

“**BEST Freight BVI**” means BEST Freight Network Technology Holding Limited, which has a registered address at the offices of Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands;

“**BEST Freight Reorganization**” means the completion of reorganization of BEST Freight Business and formation of an ownership structure satisfactory to the Lender in accordance with the reorganization plan set out in Schedule II hereto, specifically including but not limited to:

- (a) that at least 95% of BEST Freight Business existing as of the date hereof, as calculated in terms of EBITDA, consolidated total assets, net assets, operating revenue and net profits, of which the financial statements have actually been consolidated with those of BEST Freight Cayman Islands, BEST Freight BVI, BEST Freight Hong Kong and New BEST Freight WFOE (such BEST Freight Business, “**Reorganized BEST Freight Business**”) and a properly executed certificate of such consolidation has been received;
- (b) that BEST Freight Cayman Islands, BEST Freight BVI, BEST Freight Hong Kong and New BEST Freight WFOE directly or indirectly own the whole Reorganized BEST Freight Business;
- (c) that neither the constitutional documents (including but not limited to memorandum and articles of association and amendments thereto, as well as shareholders’ agreements) of BEST Freight Cayman Islands and the Borrower nor any agreement on option to purchase or issue shares (if any) will preclude the Investor from exercising the Stock Warrant or the Lender from exercising the Conversion Option in any ways;
- (d) that BEST Freight Cayman Islands holds 100% of the shares in BEST Freight BVI;
- (e) that BEST Freight BVI holds 100% of the shares in BEST Freight Hong Kong; and
- (f) that BEST Freight Hong Kong holds all shares in New BEST Freight WFOE;

“**BEST Freight Business**” means the less-than-truckload freight business of 30kg and above (classified per the average weight of conventional goods transportation service orders) directly or indirectly owned by BEST Logistics Hong Kong prior to the commencement of BEST Freight Reorganization. For the avoidance of doubt, “BEST Freight Business” does not include supply chain business;

“**New BEST Freight WFOE Share Pledge Agreement**” means the share pledge agreement executed among the Lender, BEST Freight Hong Kong and New BEST Freight WFOE pursuant to which BEST Freight Hong Kong pledges 23.26% of the shares it holds in New BEST Freight WFOE to the Lender;

“**New BEST Freight WFOE**” means BEST Chi Cheng (Hangzhou) Logistics Service Co., Ltd. (百世驰橙(杭州)物流服务有限公司), which has a registered address at Room 307, F3, Hengxin Building, 588 Jiangnan Avenue, Changhe Street, Binjiang District, Hangzhou, Zhejiang Province, the PRC;

“**BEST Freight Hong Kong**” means BEST Freight Network Technology Management Limited, which has a registered address at 2701, 27th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong;

“**BEST Freight Cayman Islands**” means BEST Freight Network Technology Inc., which has a registered address at the offices of Maples Corporate Services Limited, PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands;

“**BEST Freight Group**” means BEST Freight Cayman Islands and its direct or indirect Subsidiaries, as well as their respective branches (if any);

“**BEST Logistics Hong Kong**” means BEST Logistics Technologies Limited, which has a registered address at Unit 12, 19/F, Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong;

“**BEST Inc.**” means BEST Inc. (百世集团), a company listed on New York Stock Exchange (Stock Code: BEST);

“**Financial Indebtedness**” means any obligation (whether incurred as principal or as surety) for the payment or repayment of money of financial accommodation nature to any financial or non-financial institution, regardless of the nature or form thereof and whether actual or contingent, due or not;

“**Letter of Undertaking**” means the letter of undertaking issued by Zhejiang BEST Technology Co., Ltd. in favor of the Lender, confirming that the Consideration for Sale of BEST Express will first be applied towards the payment of the amounts payable by the Borrower under this Agreement;

“**Plegors**” mean BEST Freight Hong Kong and (unless where the Borrower Share Pledge Agreement has been terminated pursuant to the relevant provisions hereof) BEST Logistics Hong Kong and “**Pledgor**” means each or either of them;

“**Loans**” means, collectively, Facility A Loan and Facility B Loan and “**Loan**” means each or either of Facility A Loan and Facility B Loan (as the case may be);

“**Security**” means any mortgage, charge, pledge, lien, security deposit, guarantee or any agreement or arrangement of similar effect or purpose as that of security/guarantee (whether such agreement or arrangement is entered into or construed in accordance with the PRC Laws or not);

“**Security Documents**” means the Share Pledge Agreements and other documents designated as such by the Lender and the Borrower;

“**Security Perfection Requirements**” means the pledge registrations required under the Share Pledge Agreements, as well as all appropriate registrations, necessary authorisations and other actions required under any Security Documents in connection with the Security thereunder;

“**Statutory Reservation**” means (i) a statutory restriction on enforcement relating to insolvency law, reorganization law or any other law affecting creditor’s rights generally; or (ii) expiration of time of validity of claim pursuant to statute of limitations;

“**Escrow Agreement**” means the escrow agreement executed among the Borrower, the Lender and the Account Bank in respect of the Escrow Account;

“**Escrow Account**” means the bank account opened by the Borrower with the Account Bank which is used for receiving the proceeds from Facility B Loan made hereunder and under the joint supervision of the Borrower and the Lender;

“**Affiliate**” means, in relation to any entity, a Subsidiary of that entity or a holding company of that entity or any other Subsidiary of that holding company;

“**Share Pledge Agreements**” means New BEST Freight WFOE Share Pledge Agreement and (unless where it has been terminated pursuant to the relevant provisions hereof) Borrower Share Pledge Agreement and “**Share Pledge Agreement**” means each or either of them;

“**Borrower Share Pledge Agreement**” means the share pledge agreement executed among the Lender, BEST Logistics Hong Kong and the Borrower pursuant to which BEST Logistics Hong Kong pledges 23.26% of the shares it holds in the Borrower to the Lender;

“**Group**” means BEST Inc. and its direct or indirect Subsidiaries, as well as their respective branches (if any);

“**Borrower Group**” means the Borrower and its direct or indirect Subsidiaries, as well as their respective branches (if any);

“**Change of Control**” means that Mr. Shao-Ning Johnny Chou no longer participates in any material decisions concerning the business development and operations of the Group actually or no longer holds, whether directly or indirectly, at least 25% of the voting rights in BEST Inc.;

“**Warrant Issue Agreement**” means the agreement executed between (i) BEST Freight Cayman Islands and (ii) the Investor pursuant to which BEST Freight Cayman Islands shall issue a warrant to the Investor;

“**Stock Warrant Exercise Date**” means the date when the Investor acquires stock equity in BEST Freight Cayman Islands upon exercise of the Stock Warrant pursuant to the Warrant Issue Agreement, i.e. the Warrant Exercise Date under the Warrant Issue Agreement;

“**Stock Warrant**” means the option to subscribe for shares available to the Investor under the Warrant Issue Agreement;

“**Finance Documents**” means this Agreement, the Warrant Issue Agreement, the Security Documents, the Letter of Undertaking, the Escrow Agreement and other documents designated as such by the Borrower and the Lender;

“**Initial Utilisation Date**” means the date of the first utilisation made under this Agreement;

“**Restricted Party**” means a person that is: (i) listed on any Sanctions List; or (ii) otherwise a target of Sanctions (“**target of Sanctions**” means a person with whom a national of a Sanction Authority would be prohibited or restricted by law from engaging in trade, business or other activities);

“**Tax**” or “**Taxation**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);

“**Availability Period**” means the period from and including the date of this Agreement up to and including the expiration date of three (3) months following the date of this Agreement;

“**Investor**” means the Lender or any entity designated by it;

“**Event of Default**” means any of the events listed in clause 17.1 hereof;

“**Permitted Security**” means (i) the Security provided under the Finance Documents; (ii) the Existing Security; (iii) any Security provided for trade financing procured in the ordinary course of business from the date hereof, provided, however, that the aggregate amount of such trade financing procured by the Obligors, the Borrower Group, the BEST Freight Group and the Group shall not exceed RMB 20,000,000 at any time during the term of the Loans hereunder; (iv) any Security provided from the date hereof for the financing procured by the Obligors, the Borrower Group, the BEST Freight Group or the Group from banks and other financial institutions, provided, however, that the proceeds from such financing shall be used solely for meeting the working capital requirements of the Obligors, the Borrower Group, the BEST Freight Group or the Group; and (v) any other Security approved by the Lender in writing;

“**Permitted Financial Indebtedness**” means (i) any indebtedness incurred or permitted to be incurred under the Finance Documents; (ii) the Existing Financial Indebtedness; (iii) any Financial Indebtedness incurred in the ordinary course of business from the date of this Agreement; and (iv) any other Financial Indebtedness approved by the Lender in writing;

“**Existing Security**” means the Security listed in Part I of Schedule IV hereto;

“**Existing Financial Indebtedness**” means the financial indebtedness listed in Part II of Schedule IV hereto;

“**Conditions Precedent**” means the conditions set out in clause 4.1 hereof;

“**Obligors**” means the Borrower, the Pledgors and the parties (other than the Lender and the Investor) to any Finance Documents and “**Obligor**” means each or any one of them;

“**Business Day**” means a day on which the banks in the PRC are open for general corporate business (other than a Saturday or Sunday (unless such banks are required by the day-off provisions in the PRC to be open on such day) or a statutory holiday);

“**Account Bank**” means China Citic Bank, Hangzhou Sijiqing Specialty Sub-branch for Small and Micro Businesses (中信银行杭州四季青小微企业专营支行);

“**Material Adverse Effect**” means a material adverse effect on (i) the property, financial condition or operations of any Obligor or of the Borrower Group, the BEST Freight Group or the Group taken as a whole; or (ii) the ability of any Obligor to perform its obligations under any Finance Document;

“**Conversion Option**” means the conversion option available to the Lender under clause 7 hereof;

“**Conversion Option Exercise Date**” means the date when the Investor acquires direct stock equity in the Borrower upon the conversion by the Lender of the Converted Amount pursuant to the provisions of clause 7 hereof;

“**Sanctions**” means the economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by the United Nations, the PRC, the United States, the European Union and other applicable government or international organizations (collectively, the “**Sanction Authorities**”);

“**Sanctions List**” means any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanction Authorities;

“**Subsidiary**” means in relation to any company or legal entity, a company or legal entity (a) which is controlled, directly or indirectly, by the first mentioned company or legal entity; (b) more than half the issued shares/share capital of which is beneficially owned, directly or indirectly by the first mentioned company or legal entity; or (c) which is a Subsidiary of another Subsidiary of the first mentioned company or legal entity;

“**Final Maturity Date**” means the expiration date of twelve (12) months from the Initial Utilisation Date.

2 The Facilities

Subject to the terms of this Agreement, the Lender makes available to the Borrower:

- (a) Facility A in an aggregate amount up to RMB 500,000,000 (in words: RMB Five Hundred Million); and
- (b) Facility B in an aggregate amount up to RMB 100,000,000 (in words: RMB One Hundred Million).

3 Utilisation

3.1 During the Availability Period, the Borrower may make drawing under the Loans only upon having submitted to the Lender a properly executed utilisation request (“**Utilisation Request**”) in such form as set out in Schedule III hereto. Upon receipt of each Utilisation Request, the Lender shall remit the proceeds from the drawing requested therein into a bank account designated by the Borrower on the proposed utilisation date (as specified in the Utilisation Request) in accordance with the provisions hereof. The date when said proceeds have been received into the bank account designated by the Borrower shall be the actual utilisation date (“**Actual Utilisation Date**”).

3.2 Each Utilisation Request will not be regarded as having been duly completed and submitted unless:

- (a) all Conditions Precedent have been satisfied at the time of submission of the Utilisation Request;

- (b) the Utilisation Request shall be submitted to the Lender no later than 10:00 a.m. on a Business Day at least five (5) Business Days (or such shorter period as may be agreed by the Lender) prior to the proposed utilisation date;
- (c) the proposed utilisation date is a Business Day within the Availability Period;
- (d) only one Loan may be requested in each Utilisation Request;
- (e) the Utilisation Request identifies the Facility to be utilised;
- (f) the amount of the proposed drawing shall not exceed Facility A or Facility B, as the case may be;
- (g) the account specified in the Utilisation Request for the receipt of the proceeds from the proposed drawing complies with the provisions of clause 12.1 (*drawing account*);
- (h) the currency specified in the Utilisation Request shall be RMB; and
- (i) all blanks contained in the Utilisation Request have been properly filled out.

3.3 Unless otherwise agreed by the Lender, the Borrower may submit only one Utilisation Request for the utilisation of Facility A and only one Utilisation Request for the utilisation of Facility B.

4 Conditions of Utilisation

4.1 Conditions precedent for utilisation of Facility A

Unless and until all of the following conditions have been satisfied or waived by the Lender, the Lender shall be under no obligation to make any advance under Facility A Loan to the Borrower, and the Borrower shall not submit any Utilisation Request for the utilisation of Facility A:

(a) **Obligors**

The Borrower shall provide the Lender with the copies of:

- (i) the current constitutional documents (including but not limited to business license, legal representative and members of board of directors, as well as articles of association and amendments thereto) of each Obligor incorporated in the PRC;
- (ii) the current constitutional documents (including but not limited to certificate of incorporation, certificate(s) of incorporation on change of name (if any), memorandum and articles of association and amendments thereto, register of directors, register of members, register of mortgages and charges (if any), and certificate of incumbency and certificate of good standing (both to be issued within thirty (30) days prior to the date of the Utilisation Request) (if applicable)) of each Obligor incorporated outside the PRC; and

- (iii) the resolution adopted by the competent authority of each Obligor (as determined in accordance with its memorandum and articles of association and other constitutional documents)
 - (A) approving the terms of the Finance Documents to which it is a party and authorizing it to execute and perform such Finance Documents;
 - (B) authorizing one or more persons to execute the Finance Documents to which it is a party on its behalf; and
 - (C) authorizing one or more persons to execute all documents and notices under the Finance Documents to which it is a party on its behalf; and
- (iv) the specimen signature of each authorized person mentioned in (iii) above;

(b) **Finance Documents**

The following documents have been duly executed and made effective:

- (i) this Facility Agreement;
- (ii) the Warrant Issue Agreement;
- (iii) the Letter of Undertaking; and
- (iv) the Share Pledge Agreements.

(c) **Pledge registration**

The relevant parties to each Share Pledge Agreement has properly completed the registration procedures in connection with the share pledge thereunder with the competent administration for market regulation and provided the Lender with a certificate of such share pledge registration issued by the competent administration for market regulation.

(d) **Other conditions**

- (i) The Borrower has provided the Lender with the unaudited financial statements (i.e. profit statements) for 2020 and management accounts containing the major financial data for Q1 2021 of BEST Freight Business immediately preceding the completion of BEST Freight Reorganization;
- (ii) The representations made by the Obligor under the Finance Documents are true and accurate in all material aspects with reference to the facts and circumstances existing at the time of the making of such representations;
- (iii) No Event of Default has occurred or is continuing and the utilisation of such Facility will not result in any Event of Default; and
- (iv) No event having a Material Adverse Effect has occurred.

4.2 **Conditions precedent for utilisation of Facility B**

Unless and until all of the following conditions have been satisfied or waived by the Lender, the Lender shall be under no obligation to make any advance under Facility B Loan to the Borrower, and the Borrower shall not submit any Utilisation Request for the utilisation of Facility B:

(a) **Conditions precedent for utilisation of Facility A**

All of the conditions precedent for utilisation of Facility A set out in clause 4.1 shall have been satisfied or waived by the Lender. Any such condition precedent which has been satisfied or waived by the Lender in accordance with the provisions of clause 4.1 above shall be deemed to have been satisfied or waived by the Lender under this clause 4.2(a), and the Borrower does not have to provide any further evidence of satisfaction or waiver of such condition precedent in connection with the utilisation of Facility B.

(b) **Finance Documents**

The Escrow Agreement has been duly executed and made effective.

(c) **Escrow Account**

The Escrow Account has been properly opened.

4.3 **Termination of Borrower Share Pledge Agreement**

Once BEST Freight Reorganization has closed by the Final Maturity Date, then upon the Borrower's written notice, the Lender shall cooperate with BEST Logistics Hong Kong in terminating the Borrower Share Pledge Agreement and cancelling all share pledge registrations related thereto within ten (10) Business Days.

However, the Lender shall in no way be liable for any delay in such termination or cancellation which is attributable to the Borrower.

- 4.4 Within six (6) months following the Initial Utilisation Date, the Borrower shall provide the Lender with the audited financial statements for 2020 of BEST Freight Business immediately preceding the completion of BEST Freight Reorganization. For the avoidance of doubt, if the value of net assets of BEST Freight Business immediately preceding the completion of BEST Freight Reorganization as stated in the audited financial statements for 2020 provided pursuant to this clause 4.4 is less than the value of net assets stated in the unaudited financial statements for 2020 provided pursuant to clause 4.1(d), then the Lender shall be entitled to require that the fair market value of BEST Freight Cayman Islands or the Borrower directly or indirectly owning the Reorganized BEST Freight Business under the clause 6 (*Stock Option*) and clause 7 (*Conversion Option*) should be calculated by reference to the audited financial statements for 2020, other than the unaudited financial statements for 2020.
- 4.5 The Borrower shall procure that (1) BEST Freight Hong Kong shall, within one (1) month from the execution date of the New BEST Freight WFOE Share Pledge Agreement, have the share pledge agreement and the pledge thereunder registered with Hong Kong Companies Registry and provide the Lender with a certificate of such pledge registration issued by Hong Kong Companies Registry; and that (2) BEST Logistics Hong Kong shall, within one (1) month from the execution date of the Borrower Share Pledge Agreement, have the share pledge agreement and the pledge thereunder registered with Hong Kong Companies Registry and provide the Lender with a certificate of such pledge registration issued by Hong Kong Companies Registry.

5 Loan Term and Repayment

- 5.1 The term of each Loan described above shall last from the Initial Utilisation Date through the Final Maturity Date. On the Final Maturity Date, the Borrower shall pay off all Loan principal and all unpaid interest, default interest and other amounts (if any) payable in respect of such Loan in a lump sum.
- 5.2 The Borrower shall procure that the Consideration for Sale of BEST Express shall first be applied towards the payment of the amounts payable under this Agreement.
- 5.3 In the event that the Borrower fails or declares that it is unable to pay off all amounts payable hereunder by the Final Maturity Date in accordance with the provisions hereof, without prejudice to any other rights available to it hereunder, the Lender has the right (but not the obligation) to take any one or more of the following acts:

- (a) to require that the Borrower continue to perform its obligations hereunder and pay off all amounts payable hereunder;
- (b) to instruct the Investor to exercise its rights under the Warrant Issue Agreement and require BEST Freight Cayman Islands and the Borrower to apply all proceeds received under the Warrant Issue Agreement and clause 6 (*Stock Option*) below towards the payment of all amounts payable hereunder which remain outstanding at that time; and/or
- (c) to exercise the Conversion Option in respect of all outstanding debts owing to it hereunder pursuant to clause 7 (*Conversion Option*) below,

and if there are still any amounts payable hereunder remaining outstanding following the exercise by the Lender of the rights provided in this clause 5.3, the Borrower shall have the obligation to pay off such outstanding amounts to the Lender.

6 Stock Warrant

- 6.1 If the Lender exercises the right under clause 5.3(b) above, without prejudice to any other rights available to it hereunder and subject to clause 6.2 below, the Lender has the right to, upon at least ten (10) Business Days' prior written notice to the Borrower, instruct the Investor to subscribe for the direct stock equity in BEST Freight Cayman Islands with an amount ("**Share Subscription Price**") up to the aggregate amount of all outstanding principal, interest and default interest accrued on the Loan(s) hereunder as of date of giving of a stock warrant exercise notice (which has the meaning set out in the Warrant Issue Agreement for "Warrant Exercise Notice") pursuant to the provisions of this Agreement and the Warrant Issue Agreement.

The number of shares the Investor will acquire in BEST Freight Cayman Islands with the Share Subscription Price upon the exercise of the Stock Warrant pursuant to the preceding paragraph shall be the higher of:

- (a) $x = (\text{the total number of shares (calculated on fully-diluted basis) in BEST Freight Cayman Islands as of the date of giving of the stock warrant exercise notice} + x) * 11.63\% * \text{Share Subscription Price} / \text{the aggregate amount of all outstanding principal, interest and default interest accrued on the Loan(s) hereunder as of date of giving of the stock warrant exercise notice}$; and

(b) $y = (\text{the total number of shares (calculated on fully-diluted basis) in BEST Freight Cayman Islands as of the date of giving of the stock warrant exercise notice} + y) * \text{Share Subscription Price} / \text{the fair market value (calculated by reference to (without limitation) the post-money valuation of BEST Freight Cayman Islands following the latest round of financing and other customary valuation methods) of BEST Freight Cayman Islands as of date of giving of the stock warrant exercise notice}$; provided, however, that if the fair market value of BEST Freight Cayman Islands as calculated above is less than USD 1,000,000,000, then reference to the fair market value of BEST Freight Cayman Islands in said computational formula shall mean 80% of such fair market value so calculated; provided, however, that BEST Freight Cayman Islands shall not issue any new shares or make any share subscription plan or similar arrangement (whether such offering has actually closed or not) at any time during the period from the date of giving of the stock warrant exercise notice through the Stock Warrant Exercise Date (both inclusive) (“**Period for Determination of Number of Subscribed Shares in BEST Freight Cayman Islands**”), and that if BEST Freight Cayman Islands has issued any new shares or made any share subscription plan or similar arrangement at any time during the Period for Determination of Number of Subscribed Shares in BEST Freight Cayman Islands, references to the total number of shares in BEST Freight Cayman Islands as of the date of giving of the stock warrant exercise notice in (a) and (b) above shall include such new shares or any shares covered in such share subscription plan or similar arrangement (whether such offering has actually closed or not).

6.2 If there are still any amounts payable hereunder remaining outstanding following the exercise by the Lender of the Stock Warrant pursuant to clause 6.1 above, the Lender still has the right to take any one or more of the other acts set out in clause 5.3.

6.3 The Borrower shall procure that BEST Freight Cayman Islands shall issue shares to the Investor pursuant to the provisions of this Agreement and the Warrant Issue Agreement so as to ensure the realization of the Investor’s Stock Warrant under this clause 6.

6.4 If the Investor exercises the Stock Warrant against BEST Freight Cayman Islands pursuant to the provisions of this Agreement and the Warrant Issue Agreement, the Borrower shall ensure that (1) the amount of the outstanding Loan principal incurred hereunder shall not exceed RMB 500,000,000 before the Investor has paid any Share Subscription Price pursuant to the provisions of the Warrant Issue Agreement and that (2) subject to applicable laws, each instalment (which has the meaning set out in the Warrant Issue Agreement for “Instalment”) of Share Subscription Price paid by the Investor to BEST Freight Cayman Islands upon the exercise of the Stock Warrant shall be applied in the following order:

(a) by BEST Freight Cayman Islands in a form permitted by applicable laws to make investment in or provide lending to BEST Freight BVI/BEST Freight Hong Kong;

(b) by BEST Freight BVI/BEST Freight Hong Kong in a form permitted by applicable laws to make investment in or provide lending to New BEST Freight WFOE with all funds received from BEST Freight Cayman Islands under (a) above;

- (c) by New BEST Freight WFOE in a form permitted by applicable laws to make payment to the Borrower with all funds received from BEST Freight BVI/BEST Freight Hong Kong under (b) above; and
- (d) by the Borrower to pay all Loan principal, interest, default interest and liquidated damages incurred hereunder which remain outstanding at that time with all funds received under (c) above according to the Lender's requirements.

For the avoidance of doubt, (1) provided that all governmental approvals, filings, registrations and other formalities required to be obtained or completed in connection with the execution of the steps set out in the 1st paragraph of this clause 6.4 have been obtained or completed (and the Borrower shall procure that related members of the BEST Freight Group shall through their best efforts complete such formalities), the Borrower shall ensure that each instalment of Share Subscription Price paid by the Investor to BEST Freight Cayman Islands upon the exercise of the Stock Warrant shall be forwarded to the Borrower and applied towards the payment of the Loan principal, interest, default interest and liquidated damages incurred hereunder which remain outstanding at that time; (2) said instalment of Share Subscription Price shall in all cases be forwarded to the Borrower and applied towards the payment of the Loan principal, interest, default interest and liquidated damages incurred hereunder which remain outstanding at that time within twenty (20) Business Days ("**Share Subscription Price Recovery Period**") following the Investor's payment thereof, and immediately upon the payment of any portion of such outstanding Loan principal, interest, default interest and liquidated damages in this way, the Lender shall issue a written confirmation to the Borrower, confirming the payment of such portion; and (3) the Borrower shall procure that any inter-company lending occurring within the Group as a result of or in connection with the application of said Share Subscription Price (including any and all instalments thereof) in accordance with the steps set out in the 1st paragraph of this clause 6.4 shall (i) be repaid timely upon reasonable request by the Lender and not be released by the relevant member of the Group in any ways or (ii) shall be converted into shares in the borrower within the time limit reasonably requested by the Lender.

- 6.5 For the avoidance of doubt, if all instalments of Share Subscription Price are applied towards the payment of any outstanding amounts due hereunder within the respective Share Subscription Price Recovery Periods in accordance with clause 6.4 above, then during the period from the time when the Lender elects to exercise the right provided in clause 5.3(b) (subject to the giving of a stock warrant exercise notice) through the time when the Share Subscription Price Recovery Periods for all such instalments have expired, the obligation to pay interest, default interest and liquidated damages set out herein shall be suspended or terminated. If any instalment of Share Subscription Price has not been applied towards the payment of any outstanding amounts due hereunder within the respective Share Subscription Price Recovery Period in accordance with clause 6.4 above, then in relation to such instalment, the obligation to pay interest, default interest and liquidated damages set out herein shall not be suspended or terminated pursuant to the preceding sentence.

6.6 For the avoidance of doubt, if the Lender instructs the Investor to exercise the Stock Warrant by giving a stock warrant exercise notice to the Borrower pursuant to clause 6.1 hereof, then the aggregate stock warrant exercise price (which has the meaning set out in the Warrant Issue Agreement for “Aggregate Warrant Exercise Price”) the Lender instructs the Investor to pay for subscribing for direct stock equity in BEST Freight Cayman Islands shall not exceed the aggregate amount of all outstanding principal, interest and default interest accrued on the Loan(s) hereunder as of date of giving of such stock warrant exercise notice, and once such stock warrant exercise notice has been given, neither the aggregate stock warrant exercise price specified in such stock warrant exercise notice nor the number of shares the Investor is entitled to acquire in BEST Freight Cayman Islands upon the exercise of the Stock Warrant pursuant to the stock warrant exercise notice shall be affected in any ways even if the Borrower has thereafter paid off any outstanding amounts due hereunder.

7 Conversion Option

7.1 If the Lender exercises the right under clause 5.3(c) above, without prejudice to any other rights available to it hereunder and subject to clause 7.2 below, (to the extent permitted by applicable laws) the Lender has the right to, upon at least ten (10) Business Days’ prior written notice (“**Conversion Option Exercise Notice**”) to the Borrower, instruct the Investor to convert up to the aggregate amount of any outstanding principal, interest and default interest accrued on the Loan(s) hereunder as of date of giving of the Conversion Option Exercise Notice (“**Converted Amount**”) into the Investor’s direct equity investment in the Borrower pursuant to the provisions of this Agreement.

The number of shares the Investor will acquire in the Borrower upon the exercise of the Conversion Option pursuant to the preceding paragraph shall be the higher of:

- (a) $m = (\text{the total number of shares (calculated on fully-diluted basis) in the Borrower as of the date of giving of the Conversion Option Exercise Notice} + m) * 11.63\% * \text{Converted Amount} / \text{the aggregate amount of all outstanding principal, interest and default interest accrued on the Loan(s) hereunder as of the date of giving of the Conversion Option Exercise Notice};$ and
- (b) $n = (\text{the total number of shares (calculated on fully-diluted basis) in the Borrower as of the date of giving of the Conversion Option Exercise Notice} + n) * \text{Converted Amount} / \text{the fair market value (calculated by reference to (without limitation) the post-money valuation of the Borrower following the latest round of financing and other customary valuation methods) of the Borrower as of the date of giving of the Conversion Option Exercise Notice};$ provided, however, that if the fair market value of the Borrower as calculated above is less than USD 1,000,000,000, then reference to the fair market value of the Borrower in said computational formula shall mean 80% of such fair market value so calculated;

provided, however, that the Borrower shall not issue any new shares or make any share subscription plan or similar arrangement (whether such offering has actually closed or not) at any time during the period from the date of giving of the Conversion Option Exercise Notice through the Conversion Option Exercise Date (both inclusive) (“**Period for Determination of Number of Converted Shares in Borrower**”), and that if the Borrower has issued any new shares or made any share subscription plan or similar arrangement at any time during the Period for Determination of Number of Converted Shares in Borrower, references to the total number of shares in the Borrower as of the date of giving of the Conversion Option Exercise Notice in (a) and (b) above shall include such new shares or any shares covered in such share subscription plan or similar arrangement (whether such offering has actually closed or not).

- 7.2 To the extent permitted by applicable laws, if there are still any amounts payable hereunder remaining outstanding following the exercise by the Lender of the Conversion Option pursuant to clause 7.1 above, the Lender still has the right to take any one or more of the other acts set out in clause 5.3.
- 7.3 To the extent permitted by applicable laws, if the Lender exercises the Conversion Option against the Borrower pursuant to this clause 7, within one (1) month following the giving by the Lender of a Conversion Option Exercise Notice (or such longer period as may be agreed by the Lender):
- (a) the Borrower and the Investor shall (and the Borrower shall procure that its shareholders shall) execute a capital increase and subscription agreement (“**Subscription Agreement**”) in a form agreed upon by all parties thereto in respect of the capital contribution to be made by the Investor to the Borrower upon the exercise of the Conversion Option under this clause 7. The Subscription Agreement shall be drafted based on the Converted Amount specified in the Conversion Option Exercise Notice and the shareholding ratio to be held by the Investor in the Borrower upon the exercise of the Conversion Option;
 - (b) the Borrower shall cause its internal competent authority to adopt a resolution or decision authorizing capital contribution to be made by the Investor to the Borrower upon the exercise of the Conversion Option under this clause 7 and approving the amended or newly drafted memorandum and articles of association and shareholders’ agreement (if any) of the Borrower reflecting said capital contribution. For the avoidance of doubt, if it is proposed that any new shareholder be admitted into the Borrower following the execution of this Agreement, the Borrower shall, subject to compliance with this Agreement and upon having obtained the Investor’s prior written consent, fully inform such new shareholder of the existence of the Investor’s right hereunder and require it to make the same undertaking to waive any pre-emptive right it may have with respect to the capital increase in the Borrower (upon the Investor’s exercise of the Conversion Option) as if it were among the existing shareholders of the Borrower prior to be formally being admitted into the Borrower as shareholder;

- (c) the Borrower shall enter the Investor's name in its register of shareholders in respect of the shares the Investor is entitled to acquire in the Borrower upon the exercise of the Conversion Option;
- (d) the Borrower shall complete the registration procedures in connection with said capital increase with the competent administration for market regulation and provide the Investor with a certificate of change or similar certificate issued by the competent administration for market regulation in respect of such registration, certifying that the Investor's name has been entered in the Borrower's register of shareholders in respect of the shares the Investor is entitled to acquire in the Borrower upon the exercise of the Conversion Option; and
- (e) the Borrower shall ensure that all other internal approvals (including but not limited to shareholder's consent, as well as waiver of pre-emptive right and right of first refusal) and other governmental authorisations, consents, approvals and registrations required of it to give effect to the exercise of the Conversion Option under this clause 7 are obtained, and related parties shall fully cooperate with each other in timely obtaining and completing such authorisations, consents, approvals and registrations.

8 WFOE Share Transfer

If (i) the Borrower fails to make repayment pursuant to the provisions of this Agreement; (ii) BEST Freight Cayman Islands fails to issue shares to the Investor pursuant to the provisions of this Agreement and the Warrant Issue Agreement, or the Borrower fails to apply the Share Subscription Price paid by the Investor against the issuance of shares to the Investor by BEST Freight Cayman Islands in accordance with the provisions of this Agreement and the Warrant Issue Agreement towards the payment of the amounts payable hereunder; or (iii) the Borrower fails to issue shares to the Investor pursuant to the provisions of this Agreement:

- (a) subject to applicable laws and regulations, the Lender shall have the right to, upon at least ten (10) Business Days' advance notice to the Borrower, have the shares in New BEST Freight WFOE and/or (at the Lender's option) (unless where the Borrower Share Pledge Agreement has been terminated pursuant to the provisions hereof) the Borrower which are pledged under the Share Pledge Agreements and of a fair market value equal to 120% of the aggregate amount of all outstanding principal, interest and default interest accrued on the Loan(s) hereunder as of the WFOE Share Transfer Date (as defined below) transferred to the Lender or a person designated by it ("**WFOE Share Transfer**"); and
- (b) the Borrower shall procure that New BEST Freight WFOE, the Borrower, BEST Freight Hong Kong and BEST Logistics Hong Kong shall cooperate with said share transfer.

The term “**WFOE Share Transfer Date**” above shall mean the date when the WFOE Share Transfer has been completed and all authorisations, consents, approvals, resolutions, permits, filings, notarization or registrations required in connection therewith have been obtained or such other date as may be designated as such by the Lender.

9 Cancellation of Unutilised Facilities

Unless otherwise agreed by the Parties, any part of the Facilities which remains undrawn at the end of the Availability Period shall be automatically and immediately cancelled and may not be reinstated thereafter.

10 Prepayment

10.1 Voluntary prepayment

- (a) The Borrower may prepay all or part of the Loan principal and interest by giving the Lender a notice of prepayment (“**Notice of Voluntary Prepayment**”) at least ten (10) Business Days (or such shorter period as may be agreed by the Lender) prior to the proposed prepayment date. For the avoidance of doubt, (save and except for the amounts payable under clause 10.1(c)) the Borrower shall be under no obligation to pay any default interest or liquidated damages in respect of any voluntary prepayment made prior to the Final Maturity Date.
- (b) Each Notice of Voluntary Prepayment shall specify the amount and date of the proposed prepayment.
- (c) All interest and/or default interest (if any) and other amount (if any) payable and incurred in connection with any Loan principal proposed to be prepaid as at the proposed prepayment date shall be paid together with such Loan principal.

10.2 Compulsory prepayment

If (i) the Sale of BEST Express closes prior to the Final Maturity Date of any Loan made hereunder; (ii) in addition to BEST Freight Reorganization, the Group also sells, transfers, assigns or otherwise disposes of any assets owned by it of which the total market value reaches or exceeds 5% of the value of net assets of the Group on December 31, 2020 (as stated in the audited financial statements); or (iii) any Change of Control occurs:

- (a) the Borrower shall immediately notify the Lender of such circumstance; and

- (b) the Lender shall have the right to send a notice (“**Notice of Compulsory Prepayment**”) to the Borrower, requiring the Borrower to pay off all outstanding amounts payable under the Finance Documents within ten (10) Business Days following the giving of the Notice of Compulsory Prepayment or such longer period as may be decided by the Lender.

Provided, however, that in the case of the event described in (ii) above, if (x) the director(s) appointed by Alibaba Investment Limited (阿里巴巴投资公司) and its Affiliates for the board of directors of the Group approve(s) such event, or (y) the Lender gives a written consent to such event, then no compulsory prepayment under this clause 10.2 will be triggered by the occurrence of such event.

10.3 **Basic principles for prepayment**

- (a) Any notice of prepayment given by the Borrower pursuant to this clause 10 is irrevocable. Unless otherwise stated herein, such notice of prepayment shall specify the date and amount of the proposed prepayment and the Borrower shall make the proposed prepayment on the prepayment date specified therein.
- (b) Any repayment or prepayment under this Agreement shall be made together with the interest and default interest (if any) accrued on and other amount (if any) payable in respect of the amount repaid or prepaid.
- (c) No amount prepaid pursuant to this clause 10 will be available for redrawing.

11 **Interest**

11.1 **Loan interest rate and interest payment**

- (a) Subject to the provisions of clause 11.1(b) below, interest shall accrue on the Loans hereunder at 0.36% per annum and the Borrower shall pay all interest accrued on the Loans in a lump sum on the Final Maturity Date.
- (b) If the closing of Sale of BEST Express does not take place within 6 months following the Initial Utilisation Date, then interest shall accrue on the Loans hereunder at 6% per annum (with retroactive effect from the Actual Utilisation Date).

11.2 **Calculation of interest**

Interest payable on each Loan for each year shall be calculated as follows: the sum of the principal amount actually outstanding on that Loan per day in that year * the annual interest rate agreed in this Agreement / 360.

11.3 **Default interest**

- (a) If the Borrower fails to fully pay any amount payable by it on its due date, interest shall accrue on such overdue amount from the due date up to the date of actual payment at a rate which is equal to the higher of 0.05% per diem and the applicable maximum rate then permitted by law (“**Default Interest Rate**”).
- (b) Any interest (“**Default Interest**”) accruing at the Default Interest Rate shall be immediately due and payable. Unpaid Default Interest arising on an overdue amount will be compounded with the overdue amount at the Default Interest Rate.
- (c) The right of the Lender to charge Default Interest shall be without prejudice to any other rights or remedies available to the Lender under any Finance Documents or under applicable laws.

11.4 **Liquidated damages**

If any Obligor fails to fully pay any amount payable by it on its due date, in addition to the Default Interest set out in clause 11.3 above, such Obligor shall pay liquidated damages equal to 20% of such overdue amount to the Lender. Such liquidated damages shall be immediately due and payable. Unpaid liquidated damages arising on an overdue amount will be compounded with the overdue amount at the Default Interest Rate.

12 **Account and Currency**

12.1 **Drawing account**

- (a) When the Borrower makes drawing under Facility A Loan, the Lender shall remit the amount of the principal of that Loan into the following bank account of the Borrower:

Beneficiary’s Bank: China Merchants Bank, Hangzhou Branch

Account Name: BEST Logistics Technologies (China) Co., Ltd. (百世物流科技(中国)有限公司)

A/C No.: 571905546310301

- (b) When the Borrower makes drawing under Facility B Loan, the Lender shall remit the amount of the principal of that Loan into the Escrow Account.

12.2 **Account receiving repayment**

The Borrower shall remit the amount of any repayment of the Loan principal, interest and other sums payable into the account designated by the Lender by a separate notice given to the Borrower.

12.3 **Currency of payment**

Unless otherwise agreed by the Parties, all payments hereunder shall be paid in RMB.

13 **Purpose**

13.1 **Committed purpose**

- (a) The Borrower shall use all amounts borrowed by it under Facility A as its working capital to pay the costs and expenses necessary for the daily operations of the Borrower Group.
- (b) The Borrower shall deposit all amounts borrowed by it under Facility B into the Escrow Account and, subject to clause 15 (*Representations, Warranties and Undertakings*) and other relevant clauses hereof, the Borrower may obtain financing from a bank with said amounts in the Escrow Account to be used as collateral, provided, however, that the tenor of such financing shall not expire later than the Final Maturity Date. The Lender shall provide the Borrower with timely and reasonable support and cooperation in connection with the creation of said Security which complies with the agreement between the Parties.

13.2 **Monitoring**

- (a) The Lender has the right to monitor and verify the application of the amounts borrowed pursuant to this Agreement. The Borrower shall cooperate with the Lender in the management of the disbursement of the Loan proceeds, the post-disbursement management, as well as related inspections. The Lender may carry out said monitoring and verification by (without limitation): (i) requiring the Borrower to provide valid documentation certifying the application of any amount borrowed pursuant to this Agreement; (ii) performing account analysis, voucher verification or onsite investigation with respect to the application of such amount; and (iii) any other ways allowed by applicable laws and regulations.
- (b) Notwithstanding the provisions of paragraph (a) above, the Lender shall in no way be liable to the Borrower or any regulatory authority for any actual use by the Borrower of any amount borrowed pursuant to this Agreement.

14 **Tax**

- (a) All taxes payable in respect of all Loan amounts (including but not limited to principal, interest, default interest, fees, as well as liquidated damages) hereunder will be charged separately from such amounts and shall be for the account of the Borrower (or the Obligors) and paid to the Lender in full.
- (b) Reference to taxes in paragraph (a) above shall mean all applicable taxes under the PRC Laws, including but not limited to value-added tax and related surcharges, (to the extent applicable to this Agreement) and stamp duty.

15 Representations, Warranties and Undertakings

15.1 Obligors' Representations

The Borrower (on behalf of itself and the other Obligors and/or the other members of the Group (as the case may be)) makes the following representations and statements to the Lender with respect to each day until all debts owed under the Finance Documents have been fully paid and discharged:

- (a) Each Obligor is a company duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation.
- (b) Each Obligor has necessary capacity for civil conduct and capacity for civil right to own its assets, carry on its business as it is being conducted, and execute and perform the Finance Documents to which it is a party.
- (c) All internal corporate authorisations required for each Obligor to execute and perform the Finance Documents to which it is a party have been obtained and are in full effect, and such Finance Documents have been validly executed by its legal representative or authorized signatory.
- (d) Save and except for any applicable Statutory Reservation, as well as the Security Perfection Requirements, all necessary approvals, permits, consents, registrations and filings required for each Obligor to lawfully own its assets, carry on its business as it is being conducted, and execute and perform the Finance Documents to which it is a party have been obtained and are in full effect.
- (e) Subject to any applicable Statutory Reservation, as well as the Security Perfection Requirements, the obligations expressed to be assumed by each Obligor in each Finance Document to which it is a party are legal, valid, binding and enforceable.
- (f) The execution and performance by each Obligor of the Finance Documents to which it is a party do not and will not conflict with: (i) any contract, agreement or other instrument binding upon it or its assets; (ii) its shareholders' agreement, memorandum and articles of association and other corporate governance documents; and/or (iii) any laws or regulations.

- (g) No litigation, arbitration, administrative proceeding, judicial or administrative enforcement procedure or other proceeding of similar nature brought against any Obligor, any member of the Borrower Group, any member of the BEST Freight Group or any member of the Group which has or may have a Material Adverse Effect on the performance by it of any Finance Document to which it is party has occurred or exists.
- (h) No winding-up, dissolution, liquidation, bankruptcy, reorganization, composition, restructuring or analogous proceedings are instituted by or against any Obligor, any member of the Borrower Group, any member of the BEST Freight Group or any member of the Group.
- (i) No Event of Default under any Finance Document is continuing.
- (j) The Obligors, the members of the Borrower Group, the members of the BEST Freight Group or the members of the Group comply with all laws and regulations applicable to them in all material aspects and have not violated any laws or regulations concerning their business and operations (except where the violation of such laws or regulations would not have any Material Adverse Effect).
- (k) The payment obligations of each Obligor under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors.
- (l) No event or circumstance having a Material Adverse Effect has occurred.
- (m) Save and except for the Permitted Security, no security interest has been created or subsists over any asset of any Obligor, any member of the Borrower Group, any member of the BEST Freight Group or any member of the Group; and save and except for the Permitted Financial Indebtedness, none of the Obligors, the members of the Borrower Group, the members of the BEST Freight Group and the members of the Group has any Financial Indebtedness.

15.2 **Obligors' Warranties and Undertakings**

The Borrower shall (and shall procure that the other Obligors and/or the other members of the Group (as the case may be) shall) make the following warranties and undertakings to the Lender until all debts owed under the Finance Documents have been fully paid and discharged:

- (a) The payment obligations of each Obligor under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors.
- (b) Each of the Obligors, the members of the Borrower Group, the members of the BEST Freight Group and the members of the Group shall maintain its corporation status legal, continuing and validly existing and ensure that it has necessary capacity for civil conduct and capacity for civil right to perform the Finance Documents to which it is a party.

- (c) Each of the Obligors, the members of the Borrower Group, the members of the BEST Freight Group and the members of the Group shall ensure its compliance with all laws and regulations concerning its business and operations in all aspects, including but not limited to any laws and regulations related to environment protection and taxation, as well as laws and regulations, governmental rules and industry regulatory measures related to energy conservation and emission reduction (except where the non-compliance with such laws or regulations would not have any Material Adverse Effect).
- (d) Each Obligor shall timely obtain, comply with, and maintain in full effect, all necessary approvals, permits, consents, registrations and filings required for it to perform the Finance Documents to which it is a party.
- (e) The Obligors, the Borrower Group, the BEST Freight Group and the Group shall ensure that no security interest (other than the Permitted Security) shall be created or subsist over any of their assets without the Lender's prior written consent.
- (f) Without the Lender's prior written consent, the Obligors, the Borrower Group, the BEST Freight Group and the Group shall not incur any Financial Indebtedness, other than the Permitted Financial Indebtedness.
- (g) Save and except for Sale of BEST Express and BEST Freight Reorganization, each of the Obligors, the Borrower Group, the BEST Freight Group and the Group shall ensure that no assets owned by it of which the total market value reaches or exceeds 5% of its value of net assets on December 31, 2020 (as stated in the audited financial statements) shall be sold, transferred, assigned or otherwise disposed of, whether in a single or multiple transactions or in a series of related transactions, without the Lender's prior written consent.
- (h) Without the Lender's prior written consent, or unless for the purpose of paying any amounts payable hereunder, no Obligor shall distribute or pay any profits or dividends in any ways.
- (i) Save and except for BEST Freight Reorganization and Sale of BEST Express, none of the Obligors, the Borrower Group, the BEST Freight Group and the Group shall enter into any amalgamation, spin-off or contract operation without the Lender's prior written consent.
- (j) Save and except for BEST Freight Reorganization and Sale of BEST Express, none of the Obligors, the Borrower Group, the BEST Freight Group and the Group shall acquire, establish or invest in any company, business, asset or enterprise or make any other external investment or equity investment without the Lender's prior written consent.

- (k) Without the Lender's prior written consent, none of the Obligors, the Borrower Group, the BEST Freight Group and the Group shall make any loan to or enter with any other form of contractual commitment or arrangement of similar effect with any other party, except those external loans made in the ordinary course of business.
- (l) Without the Lender's prior written consent, no Change of Control shall occur.
- (m) Unless and until all debts owed under the Finance Documents have been fully and unconditionally paid and discharged, none of the Obligors, the Borrower Group and the BEST Freight Group shall pay and discharge any other debt with a final maturity date no earlier than that of the debts under the Finance Documents without the Lender's prior written consent, provided, however, that if any Security has been provided for the payment of such other debt, then such Security may be used to pay and discharge such other debt at a price agreed upon with the provider, or may be auctioned or sold, with the proceeds derived therefrom to be used to pay and discharge such other debt.
- (n) Without the Lender's prior written consent, no Obligor shall substantially change its primary business or main business scope as it is being conducted as of the date of this Agreement.
- (o) Without the Lender's prior written consent, no Obligor shall change its shareholders' agreement, memorandum and articles of association or other constitutional documents (except where such change would not have any Material Adverse Effect).
- (p) At any point in time while the Loans remain outstanding:
 - (i) the aggregate fair value (calculated by reference to (without limitation) the post-money valuation of New BEST Freight WFOE and the Borrower following the latest round of financing and other customary valuation methods) of the shares of New BEST Freight WFOE and the Borrower pledged under the Share Pledge Agreements shall not be less than 2 times the outstanding amount due under the Finance Documents ("**Minimum Security Coverage Ratio**");
 - (ii) in case that the Minimum Security Coverage Ratio is not satisfied, and within 10 Business Days upon the Lender's notice, the Borrower shall procure that BEST Freight Hong Kong and/or BEST Logistics Hong Kong shall pledge additional shares in New BEST Freight WFOE and/or the Borrower to the Lender and complete the registration procedures in connection with such additional share pledge so as to satisfy the Minimum Security Coverage Ratio;

provided that the Minimum Security Coverage Ratio has been reached for at least three consecutive months, any additional share pledge in excess of the Minimum Security Coverage Ratio may be released within ten (10) Business Days upon the Borrower's written application and upon the Lender's consent; and

- (iii) the Lender has the right to at any time calculate the fair value of the shares of New BEST Freight WFOE and/or the Borrower pledged under the Share Pledge Agreements, and the Borrower shall provide such materials (including but not limited to audit reports and evaluation reports) in form and substance satisfactory to the Lender as may be reasonably requested by the Lender (at most once quarterly) to perform valuation of such shares.

15.3 **Information undertakings**

The Borrower shall ensure that:

- (a) the records of and information on the use of the Loan proceeds shall be furnished to the Lender timely upon the Lender's request.
- (b) all materials furnished to the Lender shall be true, complete and valid to the best of the Borrower's knowledge.
- (c) each Obligor shall notify the Lender of any of the following circumstances promptly upon becoming aware of the occurrence of such circumstances: (i) any Event of Default it has known or should have known, or any potential Event of Default that could be reasonably expected to occur; and (ii) any litigation, arbitration, administrative proceeding, judicial or administrative enforcement procedure or other proceeding of similar nature brought against any Obligor or any member of the Group, or brought by any Obligor, in which the subject matter has a value equal to or exceeding RMB Ten Million.
- (d) such materials (including but not limited to audit reports and evaluation reports) in form and substance satisfactory to the Lender as may be reasonably requested by the Lender (at most once quarterly) to perform valuation of the shares in BEST Freight Cayman Islands, New BEST Freight WFOE and the Borrower shall be furnished to the Lender.

16 Anti-Money Laundering Clause

- 16.1 Neither the Borrower nor, to the best of the Borrower's knowledge, any of the other Obligor, members of the Borrower Group and members of the Group and their respective employees, representatives and agents has taken or will take any acts in violation of any applicable anti-bribery legislation to directly or indirectly offer, or pay or promise to pay, or authorize or approve the payment of, or give money, property, gifts or anything of value to any Government Officials (including any officials or employees of any government or political subdivisions thereof or of any government-controlled or international public organizations, or any political parties or officials thereof or candidates for public office) with a view to influencing the official actions of such Government Officials or obtaining improper advantage; neither the Borrower nor, to the best of the Borrower's knowledge, any of the other Obligor, members of the Borrower Group and members of the Group and their respective employees, representatives and agents has used or will use, whether directly or indirectly, any such Loan proceeds for any purposes violating any applicable anti-bribery legislation; neither the Borrower nor, to the best of the Borrower's knowledge, any of the other Obligor, members of the Borrower Group and members of the Group and their respective employees, representatives and agents has received notice of or is aware of any claim, action, suit, proceeding or investigation against it with respect to any violation of any applicable anti-bribery legislation. Each of the Borrower and, to the best of the Borrower's knowledge, the other Obligor, members of the Borrower Group and members of the Group and their respective employees, representatives and agents carries out their business in compliance with the applicable anti-bribery legislation in all material aspects and has taken all reasonable and prudent measures to ensure that their management, employees and agents comply with such legislation.
- 16.2 The business operations of each of the Obligor, the members of the Borrower Group and the members of the Group comply in all material aspects with applicable financial recordkeeping and reporting requirements in the jurisdictions where they conduct business, provisions and regulations under the applicable anti-money laundering legislation, as well as relevant provisions, regulations or rules issued, regulated and implemented by any governmental authorities (collectively, "**Anti-Money Laundering Legislation**"). Each of the Obligor, the members of the Borrower Group and the members of the Group carries out business operations in compliance with the Anti-Money Laundering Legislation at all times and has established and maintains policies and procedures to identify and facilitate the compliance with such laws. Neither the Borrower nor, to the best of the Borrower's knowledge, any of the other Obligor, members of the Borrower Group and members of the Group and their respective employees, representatives and agents has engaged or conspired to engage in any transactions intended to avoid or circumvent any Anti-Money Laundering Legislation, or has been involved in any pending or, to the best of the Borrower's knowledge, threatened action, suit or proceeding brought by or before any court or any government agency, authority or department or arbitrator with respect to the Anti-Money Laundering Legislation. The Borrower shall (and shall procure that the other Obligor, members of the Borrower Group or members of the Group shall) deliver to the Lender all certificates or other evidence as may be requested by the Lender from time to time to verify its compliance with this clause 16.2.

- 16.3 Each of the Obligor, the members of the Borrower Group and the members of the Group (including their respective employees, representatives and agents) shall not violate the Anti-Money Laundering Law of the PRC and other relevant laws and regulations, any applicable laws and regulations related to anti-terrorism financing or Sanctions, as well as the Lender's anti-money laundering related provisions; shall not violate the applicable anti-money laundering laws and regulations in any jurisdiction where it was incorporated, has a registered office or a place of business, or conducts business; shall not violate any other applicable anti-money laundering laws or regulations; and shall ensure that the application of any amount borrowed pursuant to this Agreement shall not violate the laws and regulations of the PRC and that the sources of the funds used for advancing or repaying the Loans hereunder shall not involve money laundering, terrorism financing or any other activities in any project subject to Sanctions imposed by the United Nations, the PRC or other international organizations or countries.
- 16.4 To the best of the Borrower's knowledge, none of the Obligor, the members of the Borrower Group and the members of the Group (including their respective employees):
- (a) is a Restricted Party, or is owned or controlled or acting on behalf of any Restricted Party; or
 - (b) is located or was incorporated or resides in a country or territory that is subject to Sanctions (including but not limited to Iran and North Korea) ("**Sanctioned Country**"); or
 - (c) was once or has been or is being involved in any transaction, activity or act which could reasonably be expected to result in it becoming a Restricted Party; or
 - (d) whether directly or indirectly, engages in any transaction, activity or act which could reasonably be expected to result in Sanctions being imposed upon it; or
 - (e) has received notice of or is aware of any action, suit, proceeding or investigation against it with respect to Sanctions.
- 16.5 The Borrower shall not, whether directly or indirectly, use, lend, contribute or otherwise make any such Loan proceeds available to any subsidiary, joint venture partner or any other person to fund or assist in any activities or business of such person in any country or region which is or at the time of the provision of such funding or assistance, is a Sanctioned Country, or in any other manner that would result in any person (including any person participating in the Loans, whether as underwriter, consultant, investor or otherwise) being in breach of any Sanctions.

16.6 The Borrower shall not (and shall procure that the other Obligors, members of the Borrower Group and members of the Group and their respective directors and management shall not), whether directly or indirectly, use any proceeds derived from any transactions or actions involving any persons subject to Sanctions to fund all or part of any repayment or advance payment payable pursuant to or under this Agreement. The Borrower shall (and shall procure that the other Obligors, members of the Borrower Group and members of the Group shall) implement and maintain appropriate policies and procedures to prevent any acts which would breach this provision.

17 Events of Default

17.1 Events of Default

Each of the events or circumstances set out in the following sub-clauses of this clause 17 is an Event of Default:

(a) Non-payment

Any Obligor does not pay on the due date any amount payable pursuant to this Agreement in the currency in and in the method in which it is expressed to be payable unless its failure to pay is caused by administrative or technical error and payment is made within five (5) Business Days following its due date.

(b) Misappropriation of loan proceeds

Any Obligor uses any Loan proceeds for any purpose other than as agreed herein.

(c) Misrepresentation

Any representation or statement made by any Obligor in any Finance Document is incorrect, incomplete or misleading in any material respect, and such misrepresentation fails to be remedied within ten (10) Business Days following the giving by the Lender of a written notice thereof.

(d) Breach of agreements or other obligations

Any Obligor does not comply with the obligations under any Finance Document or does not perform or comply with any other obligations in accordance with the provisions of this Agreement and fails to cure such breach within ten (10) Business Days following the giving by the Lender of a written notice of such breach or upon such Obligor's awareness of such breach (whichever is the earlier).

(e) Cross default

Unless where all debts owed under the Finance Documents have been fully paid and discharged, any bonds and/or Financial Indebtedness of the Obligor, the members of the Borrower Group, the members of the BEST Freight Group or the members of the Group of which the total amount reaches or exceeds RMB 5,000,000 (in words: RMB Five Million) is not paid when due.

(f) Insolvency

Unless where all debts owed under the Finance Documents have been fully paid and discharged:

- (i) a moratorium is declared in respect of any indebtedness of any Obligor, any member of the Borrower Group, any member of the BEST Freight Group or any member of the Group.
- (ii) any Obligor, any member of the Borrower Group, any member of the BEST Freight Group or any member of the Group commences negotiations with any one or more of its creditors with a view to rescheduling or otherwise restructuring any of its indebtedness.
- (iii) any Obligor, any member of the Borrower Group, any member of the BEST Freight Group or any member of the Group ceases to or suspends making payments on any of its debts generally, or is unable or admits inability to pay its debts as they fall due, or is presumed or deemed by any competent governmental authority, court, arbitration institution or other authority or organization to be unable to pay its debts, or declares that it will not pay its debts as they fall due.

(g) Liquidation and bankruptcy

Unless where all debts owed under the Finance Documents have been fully paid and discharged, any winding-up, dissolution, liquidation, bankruptcy, reorganization, composition, restructuring or analogous proceedings are instituted by or against any Obligor, any member of the Borrower Group, any member of the BEST Freight Group or any member of the Group, and such proceedings fail to be lifted within twenty (20) Business Days following their commencement.

(h) Execution

Unless where all debts owed under the Finance Documents have been fully paid and discharged, any assets of any Obligor, any member of the Borrower Group, any member of the BEST Freight Group or any member of the Group of which the total market value or book value whichever is the lower reaches or exceeds RMB Fifty Million (RMB 50,000,000) are subject to any court judgment or arbitral award of damages against it, execution or other similar action, and such action fails to be discharged within twenty (20) Business Days following its commencement.

(i) **Material Adverse Effect**

Unless where all debts owed under the Finance Documents have been fully paid and discharged, any event or circumstance having a Material Adverse Effect occurs and fails to be remedied within twenty (20) Business Days following the giving by the Lender of a written notice thereof.

(j) **Invalidity of Finance Documents**

Any Finance Document becomes invalid or unenforceable.

17.2 Remedies for the Lender

While any Event of Default is continuing, the Lender may take any one or more of the following acts:

- (a) to waive such Event of Default, or to accept the remediation made of such Event of Default;
- (b) to declare that all or part of the Loans, together with accrued interest, default interest and fees, and all other amounts accrued or outstanding under this Agreement be immediately due and payable, whereupon they shall become immediately due and payable without any further notice;
- (c) to require the Borrower to pay liquidated damages in accordance with clause 11.4;
- (d) to enforce the Security Documents;
- (e) to collect and apply the bonuses, dividends or other amounts (“**Distributions**”) payable in respect of the collateral under the Share Pledge Agreements towards the payment of the amounts due and payable under the Finance Documents until all debts owed thereunder have been unconditionally and irrevocably paid and discharged in full; and
- (f) to exercise any other rights available to the Lender at law or under this Agreement (including but not limited to clauses 5.3 and 8).

18 Security Arrangement

- 18.1 As security for the payment of the debts owed by the Obligor to the Lender under the Finance Documents, the Borrower shall procure that the Pledgors shall execute the Share Pledge Agreements as required herein.

18.2 In case of occurrence of any Event of Default, the Obligors shall ensure that the amount of any Distributions received by them in relation to the collateral under the Share Pledge Agreements shall be paid to the Lender or an Affiliate designated by the Lender to pay and discharge the debts owed under the Finance Documents.

19 Notices

19.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or e-mail or letter.

19.2 Addresses

The address, fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

If to the Lender:

Mailing Address: 26/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Attention: Lead Transaction Counsel

E-mail: legalnotice@list.alibaba-inc.com

Telephone: +852 2215 5100

If to the Borrower and other Obligors:

Mailing Address: 5th Floor, Block A, Huaxing Modern Industry Park, No. 18 Tangmiao Road, Xihu District, Hangzhou

Postal Code: 310013

Attention: Shao-Ning Johnny Chou / Gloria Fan / George Chow

E-mail: jchou@best-inc.com / Gloria.Fan@best-inc.com / georgechow@best-inc.com

Telephone: +86-571-88995656

or any substitute address, fax number or department or officer as the Borrower may notify to the Lender (or the Lender may notify to the Borrower, if a change is made by the Lender) by not less than five (5) Business Days' prior notice.

The Borrower undertakes and the other Obligors agree that the Borrower shall be appointed as agent of the Obligors in relation to the service of notices under the Finance Documents, and any such notice served on the Borrower shall be deemed to have been served on the other Obligors, *vice versa*.

19.3 **Delivery**

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will be effective:
 - (i) if by way of fax, only when received in legible form; or
 - (ii) if by way of letter, only when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;and, if a particular department or officer is specified as part of its address details provided under Clause 19.2 (*Addresses*), shall be addressed to that department or officer.
- (b) Any communication or document to be made or delivered to the Lender will be effective only when actually received by the Lender and then only if it is expressly marked for the attention of the department or officer identified with the Lender's signature below (or any substitute department or officer as the Lender shall specify for this purpose).
- (c) Any communication or document made or delivered to the Borrower in accordance with this clause 19 shall be deemed to have been made or delivered to the other Obligors.
- (d) Any communication or document which becomes effective, in accordance with paragraphs above, after 5.00 p.m. in the place of receipt shall be deemed to become effective on the following day.

19.4 **Electronic communication**

- (a) Any communication to be made or delivered between any two parties to any Finance Document under or in connection with such Finance Documents may be made or delivered by electronic mail or other electronic means (including by publishing such communication on a secure website), if the relevant parties:
 - (i) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

- (ii) notify each other of any change to their electronic mail address or any other such information supplied by them at least five Business Days prior to the making of such change.
- (b) Any electronic communication made or document delivered between the parties to any Finance Document will be effective only when actually received (or provided) in readable form and in the case of any electronic communication made or document delivered by the Borrower to the Lender, only if it is addressed in such a manner as the Lender may specify for this purpose.
- (c) Any communication or document sent or provided under or in connection with any Finance Document which becomes effective for the purpose of this Agreement, in accordance with the foregoing provisions, after 5.00 p.m. in the place of receipt shall be deemed to become effective on the following day.

Any reference to communications sent or received or documents served in the Finance Documents shall be construed to include communications or documents provided in accordance with this clause 19.

19.5 **Service of process**

- (a) If any legal document addressed to the Borrower is delivered by hand or registered mail to the Borrower at the address specified in clause 19.2 hereof or at the last known registered office or principal place of business of the Borrower as recorded by the Lender, it shall be deemed to have been duly served on the Borrower even if it was returned to the sender.
- (b) The Borrower further agrees that it accepts legal documents served via e-mail. Any legal document sent via e-mail by a judicial authority to the Borrower at the e-mail address as recorded by the Lender shall be deemed to have been served on the Borrower.
- (c) Without prejudice to the generality of the foregoing, for the purpose of service of process, a legal document returned to the sender shall be deemed to have been delivered on the date of return if such return is attributable to any of the following causes: the address and other contact details provided by the Borrower are inaccurate, or any change of such address and/or other contact details fails to be communicated to the Lender in a timely manner, or the Borrower otherwise fails to sign for such legal document that has been delivered to it at such address for any reason.
- (d) In no event shall the right of the Lender to serve documents in any other ways allowed by any applicable law be affected.

20 Set-off and Order of Payment

- 20.1 The Lender may offset any debts owed to any Obligor by it or any of its Subsidiaries/Affiliates under any other agreement which have become due (“**Set-off Debts**”) against any claims the Lender has to any Obligor under any Finance Document which have become due. If such debts and claims are denominated in different currencies, then for the purpose of said set-off, the Lender may convert any of such debts and claims at the applicable exchange midrate published by the People’s Bank of China on the date of the Lender’s notice of set-off.
- 20.2 The Obligors shall pay any amounts payable under the Finance Documents without any set-off.
- 20.3 If the Lender receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents, the Lender shall apply that payment towards the obligations of that Obligor under the Finance Documents in the following order:
- (a) first, in or towards the payment of any unpaid charges, fees and expenses and other amounts owed to the Lender under the Finance Documents;
 - (b) secondly, in or towards the payment of any accrued fruits, interest, default interest, fees (other than as provided in (a) above) or commission due but unpaid under the Finance Documents;
 - (c) thirdly, in or towards the payment of any principal (other than as provided in (b) above) due but unpaid under the Finance Documents; and
 - (d) fourthly, in or towards the payment of any other sums due but unpaid under the Finance Documents.

The Lender may vary the order set out in paragraphs (a) to (d) above at its sole discretion.

21 Confidentiality

The Parties agree and acknowledge that any oral or written information exchanged between them in connection with this Agreement or required to be exchanged between them under this Agreement shall be confidential information. Each Party shall keep confidential, and without written consent of the other Party, not to disclose to any third parties, any such information, except (1) where such information has been in public domain through no disclosure by the receiving Party; (2) where such information is required to be disclosed by the relevant stock exchange or by a relevant competent authority pursuant to applicable laws, regulations or ordinances; or (3) that the receiving Party may disclose such information to its shareholders, directors, employees, legal counsels, financial advisors or Affiliates which need to know the same for justified business needs; provided, however, that such persons to whom such information has been disclosed shall be bound by the obligations of confidentiality similar to those set out in this clause 21, and that any unauthorized disclosure by any such person of such information shall be deemed to be made by the receiving Party, which shall be held liable for such breach of this Agreement. This clause shall survive any termination of this Agreement.

22 Miscellaneous

22.1 Proof of indebtedness

The Lender shall, in accordance with its conventional business practices, make accounting entries and records related to this Agreement in its books of accounts. The accounting document issued by the Lender certifying the debts owed to the Lender by the Borrower under this Agreement shall, in the absence of manifest error, be the conclusive evidence of such debts.

22.2 Rights cumulative

No failure or delay by the Lender in exercising any of its rights hereunder shall be deemed to be waiver of such right, and no single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right. The rights and remedies provided in this Agreement are cumulative and do not exclude any other rights or remedies available to the Lender at law.

22.3 Severability

If any provision hereof becomes illegal, invalid or unenforceable at any time, the legality, validity or enforceability of the remainder hereof shall not be affected or impaired in any ways.

23 Governing Law and Dispute Resolution

23.1 Governing law

This Agreement and the rights and obligations of the Parties hereunder shall be governed by and construed in accordance with the PRC Laws.

23.2 Dispute resolution

Either Party may bring a lawsuit before any court of competent jurisdiction in the jurisdiction of incorporation of the Lender to resolve any dispute arising out of or in connection with this Agreement, which cannot be settled through negotiation.

24 Costs and Expenses

24.1 Transaction expenses

Within six (6) Business Days upon the Lender's request, the Borrower shall reimburse the Lender for all costs and expenses (including legal fees, as well as external financial and tax adviser fees) reasonably incurred in connection with the negotiation, preparation, printing, execution and perfection of the following documents, provided, however, that the maximum amount of such costs and expenses will not exceed RMB 500,000 (unless otherwise approved by the Borrower in advance in writing):

- (a) this Agreement and any other documents referred to herein; and
- (b) any other Finance Documents executed following the date of this Agreement.

24.2 Amendment costs

If:

- (a) an Obligor makes a request for amendment, waiver or consent; or
- (b) any amendment is required or expressly stated under a Finance Document,

within six (6) Business Days upon the Lender's request, the Borrower shall reimburse the Lender for all costs and expenses (including legal fees, as well as external financial and tax adviser fees) reasonably incurred in connection with responding to, evaluating, negotiating or complying with such request or requirement, provided, however, that no such cost or expense may be incurred without prior written approval of the Borrower.

24.3 Enforcement costs

Within six (6) Business Days upon the Lender's request, the Borrower shall reimburse the Lender for all costs and expenses (including legal fees, as well as external financial and tax adviser fees) reasonably incurred in connection with the enforcement or preservation of any rights under any Finance Documents, or resulting from any legal proceedings brought by or against the Lender which arise out of or in connection with the Lender's execution of any Finance Documents, or taking or holding of any Security, or enforcement of such rights.

25 Novation

25.1 Without prior written consent of the Lender, the Borrower shall not assign any of its rights and obligations hereunder to any third party.

25.2 The Lender has the right to require the Borrower to assign all or any of its financial obligations hereunder in relation to Facility A Loan to New BEST Freight WFOE, and in such case, upon the Lender's request, the Borrower shall (and shall procure that New BEST Freight WFOE shall) take all necessary acts as may be required to consummate such assignment (including but not limited to executing relevant assignment agreement of such financial obligations) and shall procure that New BEST Freight WFOE shall not release the Borrower from any liabilities owing to New BEST Freight WFOE which arise from the assignment of such financial obligations in any ways.

26 Survival

For the avoidance of doubt, even after the Borrower has paid off the Loans and other amounts payable under this Agreement, clauses 6.4, 6.6 and 25.2 of this Agreement shall continue in full force and effect and the Borrower shall still be bound by these clauses.

27 Effectiveness

This Agreement shall become effective as of the date when (i) the Lender has affixed its common seal to it and (ii) the legal representative/authorized signatory of the Borrower has signed and the Borrower has affixed its common seal to it.

The original Agreement has been drawn up in four counterparts with equal legal effect, of which the Parties shall each hold two.

Schedule I BEST Express Companies

Schedule I

Schedule II Reorganization Plan

Schedule II

Schedule III Form of Utilisation Request

Schedule III

Schedule IV Existing Security and Existing Financial Indebtedness

Schedule IV

Signature Page to Facility Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first written above.

Borrower

BEST Logistics Technologies (China) Co., Ltd. (百世物流科技(中国)有限公司) (seal)

By: /s/ Shao-Ning Johnny Chou

Signature Page to Facility Agreement

Signature Page to Facility Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first written above.

Lender

Alibaba (China) Technology Co., Ltd. (阿里巴巴(中国)网络技术有限公司)

(seal)

Signature Page to Facility Agreement

Letter of Undertaking

To: Alibaba (China) Technology Co., Ltd. (阿里巴巴(中国)网络技术有限公司) (“**You or Your Company**”)

From: Zhejiang BEST Technology Co., Ltd. (浙江百世技术有限公司) (“**We or Our Company**”)

Date: August 19, 2021

WHEREAS (1) Your Company, as a Lender, executed with BEST Logistics Technology (China) Co., Ltd., as a Borrower (“**Borrower**”), a Facility Agreement on August 19, 2021 under which the Lender shall provide a loan of RMB600,000,000 for the Borrower (“**Facility Agreement**”), and (2) as a condition precedent under the Facility Agreement, we shall make undertakings hereunder. Therefore, we hereby issue this Letter of Undertaking to you, and undertake as follows:

1. We shall ensure that any cash considerations (net of any tax) received by Our Company or other members in our Group through selling our or their shares in BEST Express (the entities listed in Schedule I to the Facility Agreement) (“**Consideration for Sale of BEST Express**”) shall be first used to pay any debt of the Borrower under the Facility Agreement before the Borrower’s debts thereunder are discharged irrevocably in full;
2. Before the Borrower’s debts are discharged irrevocably in full, we shall ensure that Our Company and other members in our Group shall not use the Consideration for Sale of BEST Express for any purpose not specified in paragraph 1 above without prior written consent of Your Company.

This Letter of Undertaking shall not constitute any warranty or guaranty made to you.

This Letter of Undertaking shall come into effect on the effective date hereof when authorized signatory of the Company sign hereon and affix our company seal hereto. This Letter of Undertaking shall not be canceled or amended without written approvals of the Parties.

Your Company shall be entitled to claim against us for any financial losses you sustain due to our violation of undertakings hereunder, including direct losses and indirect losses.

We acknowledge that this Letter of Undertaking shall constitute a Finance Document as defined in the Facility Agreement, and that breach hereof shall constitute an event of default thereunder.

Unless otherwise agreed herein or the context otherwise indicates, any term used herein shall have the same meaning as that defined or incorporated by reference in the Facility Agreement.

This Letter of Undertaking shall be governed by and construed in accordance with PRC laws. Any dispute arising out of or in connection with this Agreement shall be submitted to the court with jurisdiction in the place of your registered address.

[The remainder of this page is intentionally left blank]

Undertaking made by

Zhejiang BEST Technology Co., Ltd. (浙江百世技术有限公司) (seal)

By: /s/ Shao-Ning Johnny Chou

SHARE PLEDGE AGREEMENT

This SHARE PLEDGE AGREEMENT (this “**Agreement**”) dated as of August 19, 2021 (the “**Execution Date**”) is entered into by and among the following parties in Hangzhou, the PRC:

- (1) BEST Freight Network Technology Management Limited, a limited liability company incorporated and existing according to laws of Hong Kong, China, which has a registered address at 2701, 27th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (“**Pledgor**”);
- (2) BEST Chi Cheng (Hangzhou) Logistics Service Co., Ltd. (百世驰橙(杭州)物流服务有限公司), a limited liability company incorporated and existing according to PRC laws, which has a registered address at Room 307, Floor 3, Hengxin Building, No. 588, Jiangnan Avenue, Changhe Sub-district, Binjiang District, Hangzhou, Zhejiang Province (“**Target Company**”); and
- (3) Alibaba (China) Technology Co., Ltd. (阿里巴巴(中国)网络技术有限公司), a limited liability company incorporated and existing according to PRC laws, which has a registered address at No. 699, Wangshang Road, Binjiang District, Hangzhou, Zhejiang Province (“**Pledgee**”).

Pledgor, Target Company and Pledgee are hereinafter individually referred to as a “Party”, and collectively as the “Parties”.

WHEREAS:

- (1) The Pledgee (as Lender) executed with Best Logistics Technology (China) Co., Ltd. (as Borrower, hereinafter referred to as the “**Borrower**”) a Facility Agreement for the loan of RMB600,000,000 on August 19, 2021 (“**Facility Agreement**”);
- (2) The Pledgor is a shareholder of the Target Company, contributing RMB200,000,000 to the registered capital thereof (representing 100% of shares in the Target Company);
- (3) The Pledgor agrees that it shall provide Pledgee with the registered capital of RMB46,520,000 of the Target Company, which represents 23.26% of shares in the Target Company, as a security for the debts under Facility Agreement; and
- (4) The Parties desire to execute this Agreement to set forth rights and obligations of each Party in connection with the security for the debts and obligations under the Facility Agreement.

NOW, THEREFORE, the Parties, intending to be legally bound, hereby enter into the following agreement upon friendly negotiation:

Definitions

Unless the context otherwise indicates, any term used herein shall have the same meaning as that defined or incorporated by reference in the Facility Agreement.

Each Party agrees and acknowledges that this Agreement shall be a part of Finance Documents.

1 Secured Debts

The Pledgor and the Target Company agree that the pledge of shares under Clause 2 hereof (“**Pledge of Shares**”) shall be completed to secure all obligations and debts assumed by the obligor to the Lender/Pledgee under Finance Documents (whether actual or threatened, and whether incurred by the obligor individually or jointly with others, or otherwise), including, without limitation, the principal, interest, compound interest and default interest, liquidated damages, costs and expenses incurred for realization of the claims under Finance Documents, and costs and expenses incurred for retention and maintenance of the pledge/collateral (collectively, the “**Secured Debts**”). Interest, default interest and compound interest shall be calculated according to the Facility Agreement until the debts are discharged in full. Costs and expenses incurred for realization of the claims under Finance Documents include, without limitation, taxes applicable to transfer of the pledge/collateral, announcement fee, fee for service of process, expert’s fee, attorney’s fee, arbitration cost, legal cost, travel cost, evaluation cost, auction cost, property preservation cost, and specific performance cost. Non-RMB currency shall be converted into RMB at the RMB middle exchange rate published by the People’s Bank of China on the business day prior to the actual date when the specific transaction occurs.

2 Pledge of Shares

- 2.1 The Pledgor hereby agrees that it shall pledge the collateral as a security for the Secured Debts pursuant to the terms and conditions hereunder, which collateral is owned and can be disposed by the Pledgor under laws. The term “**Collaterals**” used herein shall refer to the registered capital of RMB46,520,000.00 of the Target Company owned by the Pledgor, which represents 23.26% of shares and derivative interests thereon (see Annex I hereto for details). “**Derivative Interests**” used in this clause shall refer to dividends and other interests that should be distributed to the holder of the shares pledged.
- 2.2 After this Agreement is executed and before the notice on release of the first installment of loan is sent, the Pledgor and the Target Company undertake that the Pledge of Shares hereunder shall be applied for registration with the competent administration for market regulation in the place of the Target Company, and a notice issued by such authority for establishment of such pledge of shares shall be submitted to the Pledgee.

The Pledgor undertakes that it will file this Agreement and the Pledge of Shares hereunder with Companies Registry, Hong Kong, and provide a pledge registration certificate issued by the authority within one month upon execution hereof.

- 2.3 The Pledgee shall have the right to prioritize the security hereunder over other securities provided by the Pledgor, if any, whether the Obligor provides securities under Finance Documents for the Secured Debts in other forms than the pledge of shares hereunder. Failure to exercise of rights in other securities by the Pledgee shall not be deemed as a waiver by the Pledgee of rights in the security hereunder.
- 2.4 Unless otherwise agreed by the Pledgee, the pledge made by the Pledgor hereunder shall be irrevocable.
- 2.5 The Pledgee shall be entitled to dispose of the Collaterals in the form as set forth in Clause 4.
- 2.6 The Pledgor and the Target Company agree and undertake that if the Minimum Security Coverage Ratio of the security hereunder fails to meet the requirements provided in the Facility Agreement during the term of the loan thereunder, the Pledgor and the Target Company shall, at the request of the Lender, execute a supplemental pledge agreement within ten (10) business days upon a notice sent by the Lender to the Borrower to pledge more shares held by the Pledgor in the Target Company (and such additional shares to be pledged shall be a part of the Collaterals) so that the Minimum Security Coverage Ratio shall comply with the Facility Agreement. The Pledgor and the Target Company shall, as soon as reasonably practicable, obtain and complete any and all authorizations and registrations (including registration with the administration for market regulation and the Companies Registry, Hong Kong) within thirty (30) days upon execution of the said supplemental pledge agreement or a longer period otherwise agreed upon between the Parties.

3 Release of Pledge

- 3.1 Subject to the provisions under Clause 3.2, when the Obligor is fully and irrevocably released from and repays the Secured Debts according to the Facility Agreement, the Pledgee shall, at the request of the Pledgor, jointly discharge the pledge on the Collaterals hereunder and cooperate with the Pledgor in canceling the registration of Pledge of Shares with the administration for market regulation, within five (5) business days after the Pledgor sends a written notice. Any costs incurred in connection with such release of pledge shall be paid by the Pledgor.
- 3.2 During the term of the Facility Agreement, if the Minimum Security Coverage Ratio complies with the requirement in the Facility Agreement for **three (3)** consecutive months, the Parties may discharge the pledge of additional shares that have been used to meet the Minimum Security Coverage Ratio thereunder within ten (10) business days, provided that the Pledgor shall submit an application in writing and such application shall be approved by the Lender. Any costs incurred in connection with such release of pledge shall be paid by the Pledgor.

4 Disposal of Collaterals

- 4.1 The Pledgor, the Target Company and the Pledgee hereby agree that without prejudice to other rights of the Pledgee under Clause 4.3, the Pledgee shall be entitled to dispose the Collaterals as follows in case of any event of default:
- (a) negotiate with the Pledgor to offset the loan facility against the Collaterals, or exercise its right of first refusal in the Collateral offered for auction or sale;
 - (b) exercise the Pledgor's rights in the Collaterals (such as the right in distribution of dividends from the Collaterals, and the right to vote), which shall not be exercised by the Pledgor;
 - (c) recover and receive any and all payments due under or in connection with the Collaterals, and issue the receipt of payment on behalf of Pledgor;
 - (d) at its discretion and with respect to all or any of the Collaterals, take any action or institute any proceeding (whether civil or criminal) as the Pledgee may consider reasonable, and pay for, compromise, release or settle any claim in connection with the Collaterals;
 - (e) take any other appropriate actions in respect of the pledge hereunder to the extent permitted by law;
 - (f) at its discretion, execute all documents and take all acts that are reasonably expected by the Pledgor to be necessary or appropriate for fulfillment of the said purposes.
- 4.2 The Pledgee shall, at its option, exercise its rights in the pledge of the shares held by the Pledgor in the Target Company at the time, before or after it seeks other remedies it is entitled to seek under any of Finance Documents.
- 4.3 If (i) the Borrower fails to pay the loan according to the Facility Agreement; (ii) BEST Freight Cayman fails to issue additional shares to investors according to provisions under the Facility Agreement and the warrant agreement, or the Borrower fails to use the payment for subscription of shares to discharge any debt under the Facility Agreement after additional shares are issued; or (iii) the Borrower fails to issue additional shares to investors according to the Facility Agreement:
- (a) subject to other provisions under application laws and applications, the Pledgee shall be entitled to transfer to itself or to its designee the shares in the Target Company, which are pledged according to this Agreement and have fair value equivalent to 120% of sum of principal of unpaid debts under the Facility Agreement, interests and default interests thereon as of the date of transfer by WFOE, through not less than ten (10) business day prior notice to the Borrower; and
 - (b) the Pledgor and the Target Company shall cooperate with the Pledgee for the foregoing transfer of shares.

5 Representations and Warranties of Pledgor and Target Company

- 5.1 The Pledgor and the Target Company shall make representations, warranties and undertakings under Clause 15 (*Representations, Warranties and Undertakings*) and Clause 18 (*Security Arrangement*) of the Facility Agreement as amended from time to time, on the Execution Date and every day thereafter, based on the fact and situation at the time.
- 5.2 In addition to the representations and warranties under Clause 5.1 above, the Pledgor and the Target Company shall also make the following representations and warranties to the Pledgee on the Execution Date and every day thereafter, based on the fact and situation at the time:
- (a) except for the securities under Finance Documents and unless otherwise agreed in the Facility Agreement, no security interests are created over the Collaterals.
 - (b) on the effective date hereof, the Pledgor shall be the sole legal owner of the Collaterals without actual dispute, charge, hypothecate, lien or other encumbrances on the ownership of the Collaterals. the Collaterals can be pledged by operation of law, and the Pledgor shall have full right and power to pledge the Collaterals according to the terms and conditions hereunder.
 - (c) unless otherwise permitted by Finance Documents, no option plan or similar arrangement is made for any shares in the Target Company, and no valid agreement is made under which the Target Company undertakes to accept additional investment provided by any individual or entity other than the Pledgor in the registered capital of the Target Company;
 - (d) the Pledgor has not taken any act to dilute, change, diminish or damage its right to the Collaterals;
 - (e) the Pledgor has not executed any agreement that would restrict its exercise of voting right in respect of the Collaterals;
 - (f) unless otherwise required by applicable laws and regulations, the Collaterals shall be transferred regardless of restrictions (other than requirements for registration with the administration for market regulation), under which transfer of the Collaterals to the Pledgee, or transfer of the Collaterals by the Pledgee (or its designee) according to this Agreement or each supplemental pledge agreement (if any) shall be restricted or banned; unless otherwise required by laws applicable to performance hereof or of a supplemental pledge agreement (if any), the Pledgee shall be entitled to exercise its right hereunder or under a supplemental pledge agreement (if any) or right in the security created for performance hereof or of a supplemental pledge agreement (if any), or to transfer the Collaterals to itself or any other persons according to this Agreement or a supplemental pledge agreement (if any) without obtaining consent or approval of any person.

- 5.3 In addition to representations and warranties under Clause 5.1, the Pledgor and the Target Company shall further represent and warrant on the Execution Date and every day thereafter, based on the fact and situation at the time, that they shall not:
- (a) create other securities in the form other than the Pledge of Shares hereunder, over all or any of the Collaterals;
 - (b) enter into one or more transactions (whether they are correlated or entered voluntarily) to sell, lease, transfer or otherwise dispose the Collaterals, unless otherwise permitted or required by Finance Documents;
 - (c) take or allow to take any act that would reduce shares of the Target Company they hold at any time to a percentage lower than the percentage of Collaterals in total shares of the Target Company;
 - (d) unless granted written consent by the Pledgee: (i) exempt, release, settle, compromise or waive any claims on the Collaterals or obligations of any other persons to the Collaterals; or (ii) take or omit any act that could affect any other persons in performing any of their obligations, provided, however, that such act or omission would have serious impact on or damage to the Collaterals; and
 - (e) agree on any cancellation or termination of shares they hold.

6 Change of Circumstance

Subject to other provisions of the Facility Agreement and this Agreement, if enactment of or amendment to any applicable law, rule or regulation in China, or change in interpretation or application of such laws, rules or regulations, or change in procedures for registration with the registry, causes the effect hereof and/or disposal of the Collaterals hereunder to become invalid or opposite to such laws, rules or regulations, the Pledgor and the Target Company shall, at the reasonable quest of the Pledgee, take any act and/or execute any agreement or other documents as an addition hereto and to the Facility Agreement, in order to:

- (1) make this Agreement remain in force;
- (2) facilitate the disposal of the Collaterals hereunder; and/or
- (3) maintain or exercise rights in the security created or contemplated hereunder.

7 Effect and Term

- 7.1 This Agreement shall become effective upon being duly signed by the Parties.
- 7.2 This Agreement shall remain in force until the expiration of security term.

8 Notice

- 8.1 Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by fax or e-mail or letter.
- 8.2 Subject to Clause 8.3, the address, fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Agreement is:

If to the Pledgor:

Mailing Address: 5th Floor, Block A, Huaxing Modern Industry Park, No. 18
Tangmiao Road, Xihu District, Hangzhou
Postal Code: 310013
Attention: Shao-Ning Johnny Chou / Gloria Fan / George Chow
E-mail: jchou@best-inc.com / Gloria.Fan@best-inc.com /
georgechow@best-inc.com
Telephone: +86-571-88995656

If to the Target Company:

Mailing Address: 5th Floor, Block A, Huaxing Modern Industry Park, No. 18
Tangmiao Road, Xihu District, Hangzhou
Postal Code: 310013
Attention: Shao-Ning Johnny Chou / Gloria Fan / George Chow
E-mail: jchou@best-inc.com / Gloria.Fan@best-inc.com /
georgechow@best-inc.com
Telephone: +86-571-88995656

If to the Pledgee:

Mailing Address: 26/F, Tower One, Times Square, 1 Matheson Street,
Causeway Bay, Hong Kong
Attention: Lead Transaction Counsel
E-mail: legalnotice@list.alibaba-inc.com
Telephone: +852 2215 5100

or any substitute address, fax number or department or officer as the Pledgor, the Target Company or the Pledgee may notify by not less than five (5) Business Days' prior notice.

- 8.3 The Pledgor and the Target Company undertake that the Borrower shall be appointed as agent of the Pledgor and the Target Company in relation to the service of notices, and any notice served on the Borrower shall be deemed to have been served on the Pledgor and the Target Company, vice versa.
- 8.4 (a) Any communication or document made or delivered by one person to another under or in connection with this Agreement will be effective:
- (i) if by way of fax, only when received in legible form; or
 - (ii) if by way of letter, only when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;
- and, if a particular department or officer is specified as part of its address details provided under Clause 8.2, addressed to that department or officer.
- (b) Any communication or document to be made or delivered to the Pledgee will be effective only when actually received by the Pledgee and then only if it is expressly marked for the attention of the department or officer listed in Clause 8.2 above (or any substitute department or officer as the Pledgee shall specify for this purpose).
 - (c) Any communication or document made or delivered to the Borrower in accordance with this Clause 8.4 shall be deemed to have been made or delivered to the Pledgor and the Target Company.
 - (d) Any communication or document which becomes effective, in accordance with paragraphs (a) to (c) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

- 8.5 (a) Any communication to be made or delivered between any two parties hereto under or in connection with this Agreement may be made or delivered by electronic mail or other electronic means (including by publishing such communication on a secure website), if the relevant parties:
- (i) e-mail to the electronic mail address of the other Party listed in Clause 8.2 above; and
 - (ii) notify each other of any change to their electronic mail address or any other such information supplied by them at least five Business Days prior to the making of such change.
- (b) Any electronic communication made or document delivered between the parties to this Agreement will be effective only when actually received (or provided) in readable form and in the case of any electronic communication made or document delivered by the Pledgor and the Target Company to the Pledgee, only if it is addressed in such a manner as the Pledgee may specify for this purpose.
- (c) Any communication or document sent or provided under or in connection with any this Agreement which becomes effective for the purpose of this Agreement, in accordance with the foregoing provisions, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.
- (d) Any reference to communications sent or received or documents served herein shall be construed to include communications or documents provided in accordance with this Clause 8.

9 Service of Process

- 9.1 If any legal document addressed to the Pledgor or the Target Company is delivered by hand or registered mail to the address specified in Clause 8 hereof or to the last known registered office or principal place of business of the Pledgor or the Target Company in China recorded by the Pledgee, it shall be deemed to have been duly served on the Pledgor or the Target Company even if it was returned to the sender.
- 9.2 The Pledgor or the Target Company further agrees that it accepts legal documents served via e-mail. Any legal document sent via e-mail by a judicial authority to the last known registered office or principal place of business of the Pledgor or the Target Company recorded by the Pledgee shall be deemed to have been served on the Pledgor or the Target Company.
- 9.3 Without prejudice to the generality of the foregoing, for the purpose of service of process, a legal document returned to the sender shall be deemed to have been delivered on the date of return if such return is attributable to the following causes: the address and other contact details provided by the Pledgor or the Target Company are inaccurate, or any change of such addresses and/or other contact details fails to be communicated to the Pledgee in a timely manner, or the Pledgor or the Target Company otherwise fails to sign for such legal document that has been delivered to it at such address for any reason.
- 9.4 In no event shall the right of the Pledgee to serve documents in any other ways permitted by any applicable law be affected.

10 Taxes

Each payment made by the Pledgor hereunder shall be exclusive of any applicable tax that shall be separately paid in full by the Pledgor to the Pledgee. The term "Taxes" shall refer to each applicable tax under PRC laws, including but not limited to value added tax and its surcharge and stamp duties (those applicable to this Agreement).

11 Miscellaneous

- 11.1 The Pledgor and the Target Company shall not transfer any of their rights, obligations or liabilities hereunder to any third party without prior written consent of the Pledgee.
- 11.2 This Agreement shall be written in Chinese and executed in five (5) counterparts, one (1) for each Party hereto, one for application for registration of the Pledge of Shares hereunder with the competent administration for market regulation in the place of the Targe Company, and one (1) for application for registration with the Companies Registry, Hong Kong.
- 11.3 Execution, effect, performance, amendment, construction and termination of this Agreement shall be governed by PRC laws.
- 11.4 Dispute occuring among the Parties and during the term hereof shall be resolved through friendly negotiation. If such dispute cannot be resolved by negotiation, any of the Parties may refer it to the court with jurisdiction in the registered address of the Lender.
- 11.5 Headings and titles are inserted for convenience only, and shall not be used for or affect the interpretation of this Agreement.
- 11.6 Each provision in this Agreement shall be severed from and independent of other provisions. If one or more provisions in this Agreement become invalid, illegal or unenforceable, the validity, legitimacy and enforceability of other provisions herein shall be affected.

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Annex I Details of Collaterals

Pledgor	BEST Freight Network Technology Management Limited
Target Company	BEST Chi Cheng (Hangzhou) Logistics Service Co., Ltd. (百世驰橙(杭州)物流服务有限公司)
Pledgee	Alibaba (China) Technology Co., Ltd. (阿里巴巴(中国)网络技术有限公司)
Registered Capital	RMB200,000,000
Collaterals	Registered capital of RMB46,520,000 that represents 23.26% of shares in the Target Company
Amount of Secured Debts	RMB600,000,000 (RMB Six Hundred Million)
Term of Security	From the Execution Date hereof until all Secured Debts are discharged unconditionally and irrevocably, and principal of the facility under the Facility Agreement is paid in full.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first above written.

Pledgor

BEST Freight Network Technology Management Limited

By: /s/ Shao-Ning Johnny Chou

Signature page to the New BEST Freight WFOE Share Pledge Agreement

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first above written.

Target Company

BEST Chi Cheng (Hangzhou) Logistics Service Co., Ltd. (百世驰橙(杭州)物流服务有限公司) (seal)

By: /s/ Shao-Ning Johnny Chou

Signature page to the New BEST Freight WFOE Share Pledge Agreement

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first above written.

Pledgee

Alibaba (China) Technology Co., Ltd. (阿里巴巴(中国)网络技术有限公司) (seal)

By: /s/ Shan Dai

Signature page to the New BEST Freight WFOE Share Pledge Agreement

SHARE PLEDGE AGREEMENT

This SHARE PLEDGE AGREEMENT (this “**Agreement**”) dated as of August 19, 2021 (the “**Execution Date**”) is entered into by and among the following parties in Hangzhou, the PRC:

- (1) BEST Logistics Technologies Limited (百世物流科技有限公司), a limited liability company incorporated and existing according to laws of Hong Kong, China, which has a registered address at Unit 12, 19/F, Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong (“**Pledgor**”);
- (2) BEST Logistics Technology (China) Co., Ltd. (百世物流科技(中国)有限公司), a limited liability company incorporated and existing according to PRC laws, which has a registered address at Room 2310, Floor 23, No. 588, Jiangnan Avenue, Changhe Sub-district, Binjiang District, Hangzhou, Zhejiang Province (“**Target Company**” or “**Borrower**”); and
- (3) Alibaba (China) Technology Co., Ltd. (阿里巴巴(中国)网络技术有限公司), a limited liability company incorporated and existing according to PRC laws, which has a registered address at No. 699, Wangshang Road, Binjiang District, Hangzhou, Zhejiang Province (“**Pledgee**”).

Pledgor, Target Company and Pledgee are hereinafter individually referred to as a “Party”, and collectively as the “Parties”.

WHEREAS:

- (1) The Pledgee (as Lender) executed with the Target Company (as Borrower) a Facility Agreement for the loan of RMB600,000,000 on August 19, 2021 (“**Facility Agreement**”);
- (2) The Pledgor is a shareholder of the Target Company, contributing USD303,000,000 to the registered capital thereof (representing 100% of shares in the Target Company);
- (3) The Pledgor agrees that it shall provide Pledgee with the registered capital of USD70,477,800.00 of the Target Company, which represents 23.26% of shares in the Target Company, as a security for the debts under Facility Agreement; and
- (4) The Parties desire to execute this Agreement to set forth rights and obligations of each Party in connection with the security for the debts and obligations under the Facility Agreement.

NOW, THEREFORE, the Parties, intending to be legally bound, hereby enter into the following agreement upon friendly negotiation:

Definitions

Unless the context otherwise indicates, any term used herein shall have the same meaning as that defined or incorporated by reference in the Facility Agreement.

Each Party agrees and acknowledges that this Agreement shall be a part of Finance Documents.

1 Secured Debts

The Pledgor and the Target Company agree that the pledge of shares under Clause 2 hereof (“**Pledge of Shares**”) shall be completed to secure all obligations and debts assumed by the obligor to the Lender/Pledgee under Finance Documents (whether actual or threatened, and whether incurred by the obligor individually or jointly with others, or otherwise), including, without limitation, the principal, interest, compound interest and default interest, liquidated damages, costs and expenses incurred for realization of the claims under Finance Documents, and costs and expenses incurred for retention and maintenance of the pledge/collateral (collectively, the “**Secured Debts**”). Interest, default interest and compound interest shall be calculated according to the Facility Agreement until the debts are discharged in full. Costs and expenses incurred for realization of the claims under Finance Documents include, without limitation, taxes applicable to transfer of the pledge/collateral, announcement fee, fee for service of process, expert’s fee, attorney’s fee, arbitration cost, legal cost, travel cost, evaluation cost, auction cost, property preservation cost, and specific performance cost. Non-RMB currency shall be converted into RMB at the RMB middle exchange rate published by the People’s Bank of China on the business day prior to the actual date when the specific transaction occurs.

2 Pledge of Shares

- 2.1 The Pledgor hereby agrees that it shall pledge the collateral as a security for the Secured Debts pursuant to the terms and conditions hereunder, which collateral is owned and can be disposed by the Pledgor under laws. The term “Collaterals” used herein shall refer to the registered capital of USD70,477,800.00 owned by the Pledgor, which represents 23.26% of shares and derivative interests thereon (see Attachment I hereto for details). “Derivative Interests” used in this clause shall refer to dividends and other interests that should be distributed to the holder of the shares pledged.
- 2.2 After this Agreement is executed and before the notice on release of the first installment of loan is sent, the Pledgor and the Target Company undertake that the Pledge of Shares hereunder shall be applied for registration with the competent administration for market regulation in the place of the Target Company, and a notice issued by such authority for establishment of such pledge of shares shall be submitted to the Pledgee.

The Pledgor undertakes that it will file this Agreement and the Pledge of Shares hereunder with Companies Registry, Hong Kong, and provide a pledge registration certificate issued by the authority within one month upon execution hereof.

- 2.3 The Pledgee shall have the right to prioritize the security hereunder over other securities provided by the Pledgor, if any, whether the Obligor provides securities under Finance Documents for the Secured Debts in other forms than the pledge of shares hereunder. Failure to exercise of rights in other securities by the Pledgee shall not be deemed as a waiver by the Pledgee of rights in the security hereunder.
- 2.4 Unless otherwise agreed by the Pledgee, the pledge made by the Pledgor hereunder shall be irrevocable.
- 2.5 The Pledgee shall be entitled to dispose of the Collaterals in the form as set forth in Clause 4.
- 2.6 The Pledgor and the Target Company agree and undertake that if the Minimum Security Coverage Ratio of the security hereunder fails to meet the requirements provided in the Facility Agreement during the term of the loan thereunder, the Pledgor and the Target Company shall, at the request of the Lender, execute a supplemental pledge agreement within ten (10) business days upon a notice sent by the Lender to the Borrower to pledge more shares held by the Pledgor in the Target Company (and such additional shares to be pledged shall be a part of the Collaterals) so that the Minimum Security Coverage Ratio shall comply with the Facility Agreement. The Pledgor and the Target Company shall, as soon as reasonably practicable, obtain and complete any and all authorizations and registrations (including registration with the administration for market regulation and the Companies Registry, Hong Kong) within thirty (30) days upon execution of the said supplemental pledge agreement or a longer period otherwise agreed upon between the Parties.

3 Release of Pledge

- 3.1 Subject to the provisions under Clauses 3.2 and 3.3, when the Obligor is fully and irrevocably released from and repays the Secured Debts according to the Facility Agreement, the Pledgee shall, at the request of the Pledgor, discharge the pledge on the Collaterals hereunder and cooperate with the Pledgor in canceling the registration of Pledge of Shares with the administration for market regulation, within five (5) business days after the Pledgor sends a written notice. Any costs incurred in connection with such release of pledge shall be paid by the Pledgor.
- 3.2 During the term of the Facility Agreement, if the Minimum Security Coverage Ratio complies with the requirement in the Facility Agreement for three consecutive months, the Parties may discharge the pledge of additional shares that have been used to meet the Minimum Security Coverage Ratio thereunder within ten (10) business days, provided that the Pledgor shall submit an application in writing and such application shall be approved by the Lender. Any costs incurred in connection with such release of pledge shall be paid by the Pledgor.

- 3.3 If BEST Freight's restructuring is completed before the due date under the Facility Agreement, the Pledgee shall assist the Pledgor in terminating this Agreement and canceling the registration of Pledge of Shares within ten (10) business days upon a written notice by the Borrower. In such case, however, the Pledgee shall not be required to be liable for any delay attributable to the Borrower.

4 Disposal of Collaterals

- 4.1 The Pledgor, the Target Company and the Pledgee hereby agree that without prejudice to other rights of the Pledgee under Clause 4.3, the Pledgee shall be entitled to dispose the Collaterals as follows in case of any event of default:
- (a) negotiate with the Pledgor to offset the loan facility against the Collaterals, or exercise its right of first refusal in the Collateral offered for auction or sale;
 - (b) exercise the Pledgor's rights in the Collaterals (such as the right in distribution of dividends from the Collaterals, and the right to vote), which shall not be exercised by the Pledgor;
 - (c) recover and receive any and all payments due under or in connection with the Collaterals, and issue the receipt of payment on behalf of Pledgor;
 - (d) at its discretion and with respect to all or any of the Collaterals, take any action or institute any proceeding (whether civil or criminal) as the Pledgee may consider reasonable, and pay for, compromise, release or settle any claim in connection with the Collaterals;
 - (e) take any other appropriate actions in respect of the pledge hereunder to the extent permitted by law;
 - (f) at its discretion, execute all documents and take all acts that are reasonably expected by the Pledgor to be necessary or appropriate for fulfillment of the said purposes.
- 4.2 The Pledgee shall, at its option, exercise its rights in the pledge of the shares held by the Pledgor in the Target Company at the time, before or after it seeks other remedies it is entitled to seek under any of Finance Documents.
- 4.3 If (i) the Borrower fails to pay the loan according to the Facility Agreement; (ii) BEST Freight Cayman fails to issue additional shares to investors according to provisions under the Facility Agreement and the warrant agreement, or the Borrower fails to use the payment for subscription of shares to discharge any debt under the Facility Agreement after additional shares are issued; or (iii) the Borrower fails to issue additional shares to investors according to the Facility Agreement:

- (a) subject to other provisions under application laws and applications, and before this Agreement is terminated according to the terms of the Facility Agreement and this Agreement, the Pledgee shall be entitled to transfer to itself or to its designee the shares in the Target Company, which are pledged according to this Agreement and have fair value equivalent to 120% of sum of principal of unpaid debts under the Facility Agreement, interests and default interests thereon as of the date of transfer by WFOE, through not less than ten (10) business day prior notice to the Borrower; and
- (b) the Pledgor and the Target Company shall cooperate with the Pledgee for the foregoing transfer of shares.

5 Representations and Warranties of Pledgor and Target Company

- 5.1 The Pledgor and the Target Company shall make representations, warranties and undertakings under Clause 15 (Representations, Warranties and Undertakings) and Clause 18 (Security Arrangement) of the Facility Agreement as amended from time to time, on the Execution Date and every day thereafter, based on the fact and situation at the time.
- 5.2 In addition to the representations and warranties under Clause 5.1 above, the Pledgor and the Target Company shall also make the following representations and warranties to the Pledgee on the Execution Date and every day thereafter, based on the fact and situation at the time:
 - (a) except for the securities under Finance Documents and unless otherwise agreed in the Facility Agreement, no security interests are created over the Collaterals.
 - (b) on the effective date hereof, the Pledgor shall be the sole legal owner of the Collaterals without actual dispute, charge, hypothecate, lien or other encumbrances on the ownership of the Collaterals. the Collaterals can be pledged by operation of law, and the Pledgor shall have full right and power to pledge the Collaterals according to the terms and conditions hereunder.
 - (c) the Pledgor has paid in the registered capital that represents the shares it holds prior to the Execution Date;
 - (d) unless otherwise permitted by Finance Documents, no option plan or similar arrangement is made for any shares in the Target Company, and no valid agreement is made under which the Target Company undertakes to accept additional investment provided by any individual or entity other than the Pledgor in the registered capital of the Target Company;
 - (e) the Pledgor has not taken any act to dilute, change, diminish or damage its right to the Collaterals;

- (f) the Pledgor has not executed any agreement that would restrict its exercise of voting right in respect of the Collaterals;
- (g) unless otherwise required by applicable laws and regulations, the Collaterals shall be transferred regardless of restrictions (other than requirements for registration with the administration for market regulation), under which transfer of the Collaterals to the Pledgee, or transfer of the Collaterals by the Pledgee (or its designee) according to this Agreement or each supplemental pledge agreement (if any) shall be restricted or banned; unless otherwise required by laws applicable to performance hereof or of a supplemental pledge agreement (if any), the Pledgee shall be entitled to exercise its right hereunder or under a supplemental pledge agreement (if any) or right in the security created for performance hereof or of a supplemental pledge agreement (if any), or to transfer the Collaterals to itself or any other persons according to this Agreement or a supplemental pledge agreement (if any) without obtaining consent or approval of any person.

5.3 In addition to representations and warranties under Clause 5.1, the Pledgor and the Target Company shall further represent and warrant on the Execution Date and every day thereafter, based on the fact and situation at the time, that they shall not:

- (a) create other securities in the form other than the Pledge of Shares hereunder, over all or any of the Collaterals;
- (b) enter into one or more transactions (whether they are correlated or entered voluntarily) to sell, lease, transfer or otherwise dispose the Collaterals, unless otherwise permitted or required by Finance Documents;
- (c) take or allow to take any act that would reduce shares of the Target Company they hold at any time to a percentage lower than the percentage of Collaterals in total shares of the Target Company;
- (d) unless granted written consent by the Pledgee: (i) exempt, release, settle, compromise or waive any claims on the Collaterals or obligations of any other persons to the Collaterals; or (ii) take or omit any act that could affect any other persons in performing any of their obligations, provided, however, that such act or omission would have serious impact on or damage to the Collaterals; and
- (e) agree on any cancellation or termination of shares they hold.

6 Change of Circumstance

Subject to other provisions of the Facility Agreement and this Agreement, if enactment of or amendment to any applicable law, rule or regulation in China, or change in interpretation or application of such laws, rules or regulations, or change in procedures for registration with the registry, causes the effect hereof and/or disposal of the Collaterals hereunder to become invalid or opposite to such laws, rules or regulations, the Pledgor and the Target Company shall, at the reasonable quest of the Pledgee, take any act and/or execute any agreement or other documents as an addition hereto and to the Facility Agreement, in order to:

- (1) make this Agreement remain in force;
- (2) facilitate the disposal of the Collaterals hereunder; and/or
- (3) maintain or exercise rights in the security created or contemplated hereunder.

7 Effect and Term

- 7.1 This Agreement shall become effective upon being duly signed by the Parties.
- 7.2 This Agreement shall remain in force until the expiration of security term.

8 Notice

- 8.1 Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by fax or e-mail or letter.
- 8.2 Subject to Clause 8.3, the address, fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Agreement is:

If to the Pledgor:

Mailing Address: 5th Floor, Block A, Huaxing Modern Industry Park, No. 18
Tangmiao Road, Xihu District, Hangzhou
Postal Code: 310013
Attention: Shao-Ning Johnny Chou / Gloria Fan / George Chow
E-mail: jchou@best-inc.com / Gloria.Fan@best-inc.com /
georgechow@best-inc.com
Telephone: +86-571-88995656

If to the Target Company:

Mailing Address: 5th Floor, Block A, Huaxing Modern Industry Park, No. 18
Tangmiao Road, Xihu District, Hangzhou
Postal Code: 310013
Attention: Shao-Ning Johnny Chou / Gloria Fan / George Chow
E-mail: jchou@best-inc.com / Gloria.Fan@best-inc.com /
georgechow@best-inc.com
Telephone: +86-571-88995656

If to the Pledgee:

Mailing Address: 26/F, Tower One, Times Square, 1 Matheson Street,
Causeway Bay, Hong Kong
Attention: Lead Transaction Counsel
E-mail: legalnotice@list.alibaba-inc.com
Telephone: +852 2215 5100

or any substitute address, fax number or department or officer as the Pledgor, the Target Company or the Pledgee may notify by not less than five (5) Business Days' prior notice.

- 8.3 The Pledgor and the Target Company undertake that the Borrower shall be appointed as agent of the Pledgor and the Target Company in relation to the service of notices, and any notice served on the Borrower shall be deemed to have been served on the Pledgor and the Target Company, vice versa.
- 8.4 (a) Any communication or document made or delivered by one person to another under or in connection with this Agreement will be effective:
- (i) if by way of fax, only when received in legible form; or
 - (ii) if by way of letter, only when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;
- and, if a particular department or officer is specified as part of its address details provided under Clause 8.2, addressed to that department or officer.

- (b) Any communication or document to be made or delivered to the Pledgee will be effective only when actually received by the Pledgee and then only if it is expressly marked for the attention of the department or officer listed in Clause 8.2 above (or any substitute department or officer as the Pledgee shall specify for this purpose).
 - (c) Any communication or document made or delivered to the Borrower in accordance with this Clause 8.4 shall be deemed to have been made or delivered to the Pledgor and the Target Company.
 - (d) Any communication or document which becomes effective, in accordance with paragraphs (a) to (c) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.
- 8.5 (a) Any communication to be made or delivered between any two parties hereto under or in connection with this Agreement may be made or delivered by electronic mail or other electronic means (including by publishing such communication on a secure website), if the relevant parties:
- (i) e-mail to the electronic mail address of the other Party listed in Clause 8.2 above; and
 - (ii) notify each other of any change to their electronic mail address or any other such information supplied by them at least five Business Days prior to the making of such change.
- (b) Any electronic communication made or document delivered between the parties to this Agreement will be effective only when actually received (or provided) in readable form and in the case of any electronic communication made or document delivered by the Pledgor and the Target Company to the Pledgee, only if it is addressed in such a manner as the Pledgee may specify for this purpose.
 - (c) Any communication or document sent or provided under or in connection with any this Agreement which becomes effective for the purpose of this Agreement, in accordance with the foregoing provisions, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.
 - (d) Any reference to communications sent or received or documents served herein shall be construed to include communications or documents provided in accordance with this Clause 8.

9 Service of Process

- 9.1 If any legal document addressed to the Pledgor or the Target Company is delivered by hand or registered mail to the address specified in Clause 8 hereof or to the last known registered office or principal place of business of the Pledgor or the Target Company in China recorded by the Pledgee, it shall be deemed to have been duly served on the Pledgor or the Target Company even if it was returned to the sender.
- 9.2 The Pledgor or the Target Company further agrees that it accepts legal documents served via e-mail. Any legal document sent via e-mail by a judicial authority to the last known registered office or principal place of business of the Pledgor or the Target Company recorded by the Pledgee shall be deemed to have been served on the Pledgor or the Target Company.

- 9.3 Without prejudice to the generality of the foregoing, for the purpose of service of process, a legal document returned to the sender shall be deemed to have been delivered on the date of return if such return is attributable to the following causes: the address and other contact details provided by the Pledgor or the Target Company are inaccurate, or any change of such addresses and/or other contact details fails to be communicated to the Pledgee in a timely manner, or the Pledgor or the Target Company otherwise fails to sign for such legal document that has been delivered to it at such address for any reason.
- 9.4 In no event shall the right of the Pledgee to serve documents in any other ways permitted by any applicable law be affected.

10 Taxes

Each payment made by the Pledgor hereunder shall be exclusive of any applicable tax that shall be separately paid in full by the Pledgor to the Pledgee. The term "Taxes" shall refer to each applicable tax under PRC laws, including but not limited to value added tax and its surcharge and stamp duties (those applicable to this Agreement).

11 Miscellaneous

- 11.1 The Pledgor and the Target Company shall not transfer any of their rights, obligations or liabilities hereunder to any third party without prior written consent of the Pledgee.
- 11.2 This Agreement shall be written in Chinese and executed in five (5) counterparts, one (1) for each Party hereto, one for application for registration of the Pledge of Shares hereunder with the competent administration for market regulation in the place of the Targe Company, and one (1) for application for registration with the Companies Registry, Hong Kong.
- 11.3 Execution, effect, performance, amendment, construction and termination of this Agreement shall be governed by PRC laws.
- 11.4 Dispute occurring among the Parties and during the term hereof shall be resolved through friendly negotiation. If such dispute cannot be resolved by negotiation, any of the Parties may refer it to the court with jurisdiction in the registered address of the Lender.
- 11.5 Headings and titles are inserted for convenience only, and shall not be used for or affect the interpretation of this Agreement.
- 11.6 Each provision in this Agreement shall be severed from and independent of other provisions. If one or more provisions in this Agreement become invalid, illegal or unenforceable, the validity, legitimacy and enforceability of other provisions herein shall be affected.

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Annex I Details of Collaterals

Pledgor	BEST Logistics Technologies Limited (百世物流科技有限公司)
Target Company	BEST Logistics Technology (China) Co., Ltd. (百世物流科技(中国)有限公司)
Pledgee	Alibaba (China) Technology Co., Ltd. (阿里巴巴(中国)网络技术有限公司)
Registered Capital	USD303,000,000
Collaterals	Registered capital of USD70,477,800 that represents 23.26% of shares in the Target Company
Amount of Secured Debts	RMB600,000,000 (RMB Six Hundred Million)
Term of Security	From the Execution Date hereof until all Secured Debts are discharged unconditionally and irrevocably, and principal of the facility under the Facility Agreement is paid in full.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first above written.

Pledgor

BEST Logistics Technologies Limited (百世物流科技有限公司)

By: /s/ Shao-Ning Johnny Chou

Signature page to Share Pledge Agreement

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first above written.

Target Company

BEST Logistics Technology (China) Co., Ltd. (百世物流科技(中国)有限公司) (seal)

By: /s/ Shao-Ning Johnny Chou

Signature page to Share Pledge Agreement

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first above written.

Pledgee

Alibaba (China) Technology Co., Ltd. (阿里巴巴(中国)网络技术有限公司) (seal)

By: /s/ Shan Dai

Signature page to Share Pledge Agreement

BEST Store Network (Hangzhou) Co., Ltd.

AND

Wei Chen

Lili He

LOAN AGREEMENT

December 15, 2021

This **Loan Agreement** (this "**Agreement**") is entered into by and between the following two parties on December 15, 2021 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

Hangzhou Baijia Business Management Consulting Co., Ltd.

AND

BEST Store Network (Hangzhou) Co., Ltd.

EXCLUSIVE SERVICES AGREEMENT

December 15, 2021

EXCLUSIVE SERVICES AGREEMENT

This **SERVICES AGREEMENT** (this “Agreement”) is entered into in Hangzhou, Zhejiang Province, the People’s Republic of China (the “PRC”) on December 15, 2021.

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”)

WITNESSETH

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.

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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

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.**

December 15, 2021

EQUITY PLEDGE AGREEMENT

This **Equity Pledge Agreement** (this “**Agreement**”) is entered into as of December 15, 2021 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 December 15, 2021 (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 December 15, 2021 (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 December 15, 2021 (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 December 15, 2021 (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.

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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

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.**

December 15, 2021

SHAREHOLDERS' VOTING RIGHTS PROXY AGREEMENT

This **Shareholders' Voting Rights Proxy Agreement** (this "**Agreement**") is entered into as of December 15, 2021 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 recipient 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.**

December 15, 2021

EXCLUSIVE CALL OPTION AGREEMENT

This **Exclusive Call Option Agreement** (the “**Agreement**”) is entered into as of December 15, 2021 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:

<u>Shareholder's Name</u>	<u>Contribution to the Registered Capital</u>	<u>Percentage of Contribution</u>	<u>Means of Contribution</u>
Wei Chen	RMB5,000,000	50%	Cash
Lili He	RMB5,000,000	50%	Cash
Total	RMB10,000,000	100%	

Form of the Exercise Notice

To: [name of the Existing Shareholder]

Reference is made to that certain Exclusive Call Option Agreement dated _____, 2021 (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: _____

Form of the Exercise Notice

To: Hangzhou Baijia Business Management Consulting Co., Ltd.

Reference is made to that certain Exclusive Call Option Agreement dated _____, 2021 (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: _____

**List of Significant Subsidiaries and Consolidated Variable Interest Entity of
BEST Inc. (as of December 31, 2021)**

<u>Subsidiaries</u>	<u>Jurisdiction of Incorporation</u>
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
BEST Store Network Limited	Cayman Islands
BEST Store Network Holding Limited.	British Virgin Islands
BEST Store Network Management Limited.	Hong Kong
BEST Store Network (Hangzhou) Co., Ltd.	PRC
	Jurisdiction of Incorporation
Consolidated Variable Interest Entity	
Hangzhou BEST Information Technology Services Co., Ltd.* 杭州百世信息技术服务有限公司	PRC
Hangzhou Baijia Business Management Consulting Co., Ltd.* 杭州百加商业管理咨询有限公司	PRC

*The English name of this subsidiary or consolidated Variable Interest Entity, as applicable, has been translated from its Chinese name.

**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 18, 2022

By: /s/ Shao-Ning Johnny Chou

Name: Shao-Ning Johnny Chou

Title: Chief Executive Officer

**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 18, 2022

By: /s/ Gloria Fan

Name: Gloria Fan

Title: Chief Financial Officer

**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, 2021 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 18, 2022

By: /s/ Shao-Ning Johnny Chou

Name: Shao-Ning Johnny Chou

Title: Chief Executive Officer

**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, 2021 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 18, 2022

By: /s/ Gloria Fan

Name: Gloria Fan

Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-222126) pertaining to the 2008 Equity and Performance Incentive Plan and 2017 Equity Incentive Plan of BEST Inc.,
- (2) Registration Statement (Form S-8 No. 333-237744) pertaining to 2017 Equity Incentive Plan of BEST Inc., and
- (3) Registration Statement (Form S-8 No. 333-263062) pertaining to 2017 Equity Incentive Plan of BEST Inc.;

of our reports dated April 18, 2022, 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) of BEST Inc. for the year ended December 31, 2021.

/s/ Ernst & Young Hua Ming LLP
Shanghai, The People's Republic of China
April 18, 2022

April 18, 2022

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, 2021, which will be filed with the Securities and Exchange Commission in the month of April 2022.

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
