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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2023.
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____
Commission file number 001-38198

BEST Inc.

(Exact name of Registrant as specified in its charter)
Cayman Islands

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Ms. Gloria Fan, Chief Financial Officer
Telephone: +86-571-88995656
Email: ir@best-inc.com

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

* (Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person) Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A ordinary shares, par value \$0.01 per share* American Depositary Shares, each representing twenty (20) Class A ordinary shares	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.

261,648,452 Class A ordinary shares were outstanding as of December 31, 2023 (including 5,692,393 Class A ordinary shares issued to the depositary bank of the Issuer and reserved for future issuances of ADSs upon exercise or vesting of awards granted under the Issuer's share incentive plans)

94,075,249 Class B ordinary shares were outstanding as of December 31, 2023

47,790,698 Class C ordinary shares were outstanding as of December 31, 2023

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.

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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.
If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

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

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

- Item 17
- Item 18

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

- Yes
- No

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

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

- Yes
- No



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BEST INC.
FORM 20-F ANNUAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2023

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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 twenty (20) Class A ordinary shares;
- “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;
- “Alibaba China” are to Alibaba.com China Limited;
- “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, 2023, as disclosed in the annual report on Form 20-F filed with the SEC by Alibaba Group Holding Limited on July 21, 2023, 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, including Taiwan, the Hong Kong Special Administrative Region and the Macao Special Administrative Region; “mainland China” are to the People’s Republic of China, excluding 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;
- “Early Redemption Rights” are to 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.”
- “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;

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- “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;
- “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;

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- “we,” “us,” “our company,” “our” and “BEST” are to BEST Inc., our Cayman Islands holding company, its subsidiaries, and, in the context of describing our operations and consolidated financial information, the variable interest entities in mainland China, including, but not limited to, Hangzhou BEST Information Technology Services Co., Ltd. or BEST Information Technology, Hangzhou Baijia Business Management Consulting Co., Ltd. or Hangzhou Baijia and all of the variable interest entities are domestic companies incorporated in mainland China in which we do not have any equity ownership but whose financial results have been consolidated into our consolidated financial statements based solely on contractual arrangements in accordance with U.S. GAAP. See “Item 4. Information on the Company—C. Organizational Structure” for an illustrative diagram of our corporate structure; and
- “CAGR” are to compound annual growth rate;
- “WOWO” are to Sichuan Wowo Supermarket Chain Co., Ltd., which we acquired in May 2017 and disposed in November 2021.

This annual report includes our audited consolidated financial statements for the years ended December 31, 2021, 2022 and 2023, and as of December 31, 2022 and 2023.

Our ADSs, each representing twenty (20) Class A ordinary shares, 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.” Before May 20, 2022, each of our ADSs represented one of our Class A ordinary shares. Before April 4, 2023, each of our ADSs represented five of our Class A ordinary shares.

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 RMB7.0999 = US\$1.00, which was the noon buying rate on December 29, 2023 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;

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- 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.

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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

Summary of Risk Factors

An investment in our ADSs involves significant risks. Below is a summary of material risks we face, organized under relevant headings. These risks are discussed more fully below in “Item 3. Key Information—D. Risk Factors.”

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.
- 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.
- 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.

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

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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 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.
- We may not be able to maintain and enhance our ecosystem, which could negatively affect our business and prospects.
- 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.
- We operate in a competitive industry, and if we fail to compete effectively, our business could suffer.
- 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 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.

Risks Related to Our ADSs

- The trading price of our ADSs has been and may continue to be volatile, which could result in substantial losses to you.
- 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.
- Techniques employed by short sellers may drive down the market price of our 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 published policies that significantly affected the internet industry, 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.

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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 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.

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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 published policies that significantly affected the internet industry, 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 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. For example, on July 6, 2021, the relevant PRC government authorities made public the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law, or the Opinions. The Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by Chinese companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by overseas-listed Chinese companies, enhancing cross-border regulatory cooperation, and improving relevant regulations to specify responsibilities of overseas-listed Chinese companies with respect to data security and information security. There are great uncertainties with respect to the interpretation and implementation of the Opinions. See “Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Regulations Relating to Overseas Listing and M&A Rules.” If the relevant PRC regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for our future offshore offerings, we may be unable to obtain such approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. 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.

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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, which was most recently revised on June 24, 2022, 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 RMB500,000 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.

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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.

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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.

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 was last amended on March 23, 2023. 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. 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 and last amended on December 4, 2023. 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.

Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19, SAFE Circular 16 and other relevant rules and regulations 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, SAFE Circular 16 and other relevant rules and regulations 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.

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.

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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, 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.

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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.

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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.

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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 last 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. 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.

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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 are prepared by an auditor which the U.S. Public Company Accounting Oversight Board was unable to inspect and investigate completely before 2022 and, as such, our investors have been deprived of the benefits of such inspection in the past, and may be deprived of the benefits of such inspections again in the future.

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. According to Article 177 of the PRC Securities Law which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to overseas parties. In 2021, PCAOB made determinations that the positions taken by PRC authorities prevented the PCAOB from inspecting and investigating firms headquartered in mainland China and Hong Kong completely. On August 26, 2022, the PCAOB signed a Statement of Protocol with the China Securities Regulatory Commission and the Ministry of Finance of the PRC, taking the first step toward opening access for the PCAOB to inspect and investigate completely registered public accounting firms headquartered in mainland China and Hong Kong including our auditor. According to its announcement, the PCAOB sent staff to conduct on-site inspections and investigations in Hong Kong from September to November 2022 and conducted inspection field work and investigative testimony in a manner consistent with the PCAOB’s methodology and approach to inspections and investigations in the U.S. and globally. The PCAOB inspections have identified numerous deficiencies in the audit firms in China, which are consistent with the types and number of findings the PCAOB has encountered in other first-time inspections around the world. If audit firms in China had been subject to such inspections in the past, such deficiencies may have been identified earlier and these audit firms, including our auditor, may have taken remedial measures to address any such deficiencies, and the historical inability of the PCAOB to inspect audit firms in China has deprived our investors of the benefits of such inspections. Because our auditor was not subject to such inspections before 2022, we cannot assure you that it will have sufficient time to fully address any deficiency that may be identified as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct complete inspections of auditors in China before 2022 may have made 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, which could cause investors or potential investors in our ADSs to lose confidence in the quality of our consolidated financial statements.

In addition, while the PCAOB announced in December 2022 that it secured complete access to inspect and investigate registered public accounting firms headquartered in China, we cannot assure you that the PCAOB will continue to have such access in the future. If the PCAOB is not able to inspect and investigate completely auditors in China for any reason, such as any change in the position of the governmental authorities in China in the future, our investors may be deprived of the benefits of such inspections again.

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If the PCAOB determines that it is unable to inspect or investigate completely our auditor at any point in the future, our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, as amended, or the HFCA Act, and any such trading prohibition on our ADSs or threat thereof may materially and adversely affect the price of our ADSs and value of your investment.

The HFCA Act was signed into law on December 18, 2020 and amended pursuant to the Consolidated Appropriations Act, 2023 on December 29, 2022. Under the HFCA Act and the rules issued by the SEC and the PCAOB thereunder, if we have retained a registered public accounting firm to issue an audit report where the registered public accounting firm has a branch or office that is located in a foreign jurisdiction and the PCAOB has determined that it is unable to inspect or investigate completely because of a position taken by an authority in the foreign jurisdiction, the SEC will identify us as a “covered issuer”, or SEC-identified issuer, shortly after we file with the SEC a report required under the Securities Exchange Act of 1934, or the Exchange Act (such as our annual report on Form 20-F) that includes an audit report issued by such accounting firm; and if we were to be identified as an SEC-identified issuer for two consecutive years, the SEC would prohibit our securities (including our shares or ADSs) from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

In December 2021, the PCAOB made its determinations, or the 2021 determinations, pursuant to the HFCA Act that it was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China or Hong Kong including our auditor, Ernst & Young Hua Ming LLP. After we filed our annual report on Form 20-F for the fiscal year ended December 31, 2021 that included an audit report issued by Ernst & Young Hua Ming LLP on April 18, 2022, the SEC conclusively identified us as an SEC-identified issuer on May 13, 2022. As such, we are required to satisfy additional disclosure requirement for SEC-identified issuers that are also foreign issuers in this annual report. See “Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.”

Following the Statement of Protocol signed between the PCAOB and the China Securities Regulatory Commission and the Ministry of Finance of the PRC in August 2022 and the on-site inspections and investigations conducted by the PCAOB staff in Hong Kong from September to November 2022, the PCAOB Board voted in December 2022 to vacate the previous 2021 determinations, and as a result, our auditor, Ernst & Young Hua Ming LLP, is no longer a registered public accounting firm that the PCAOB is unable to inspect or investigate completely as of the date of this annual report or at the time of issuance of the audit report included herein. As such, we were not identified as an SEC-identified issuer in 2023 and we do not expect to be so identified in 2024 either. However, the PCAOB may change its determinations under the HFCA Act at any point in the future. In particular, if the PCAOB finds its ability to completely inspect and investigate registered public accounting firms headquartered in mainland China or Hong Kong is obstructed by the PRC authorities in any way in the future, the PCAOB may act immediately to consider the need to issue new determinations consistent with the HFCA Act. We cannot assure you that the PCAOB will always have complete access to inspect and investigate our auditor, or that we will not be identified as an SEC-identified issuer again in the future.

If we are identified as an SEC-identified issuer again in the future, we cannot assure you that we will be able to change our auditor or take other remedial measures in a timely manner, and if we were to be identified as an SEC-identified issuer for two consecutive years, we would be delisted from the NYSE and our securities (including our shares and ADSs) will not be permitted for trading “over-the-counter” either. If our securities are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. Such a prohibition or any threat thereof would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition or any threat thereof would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects. Moreover, the implementation of the HFCA Act and other efforts to increase the U.S. regulatory access to audit information could cause investor uncertainty as to China-based issuers’ ability to maintain their listings on the U.S. national securities exchanges and the market price of the securities of China-based issuers, including us, could be adversely affected.

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

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

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

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

Risks Related to Our 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 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.

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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. 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 conducted such domestic mail delivery services and value-added telecommunications business in connection with BEST UCargo, before the business was wound down by the end of 2022, 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) receive substantially all of the economic benefits of the VIEs and are also obligated to absorb the expected losses of the VIEs, and (ii) 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, or to receive substantially all of the economic benefits from, 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.

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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 2021, 2022 and 2023, 27%, 5% and 7% 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 for accounting purposes, 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.

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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 29, 2024, Alibaba (including Cainiao Network) beneficially owned, in aggregate, 3.8% of our Class A ordinary shares and 100% of our Class B ordinary shares, representing approximately 45.7% 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 46.3% 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.

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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.

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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 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 October 2023, notifying our company that we were not in compliance with applicable price criteria in the NYSE's continued listing standards because our average total market capitalization was less than US\$50 million over a consecutive 30 trading-day period, and our last reported stockholders' equity as of June 30, 2023 was less than US\$50 million. We submitted to the NYSE a business plan as to how we intend to regain compliance with the stockholders' equity criteria within the next 18 months, by April 2025; the NYSE accepted the business plan in March 2024, and we are now subject to semi-annual monitoring for compliance with the plan.

If we fail to regain compliance with NYSE's continued listing standards before April 2025, 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 18-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.

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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.

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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.

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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 recorded a net income of RMB209.6 million, a net loss of RMB1,503.3 million and a net loss of RMB893.4 million (US\$125.8 million) in 2021, 2022 and 2023, respectively, including net loss of RMB1,263.9 million RMB1,464.8 million and RMB908.6 million (US\$127.9 million) from our continuing operations and net income of RMB1,473.5 million, net loss of RMB38.5 million and net income of RMB15.2 million (US\$2.1 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. We used net cash in operating activities (including continuing and discontinued operations) in the amounts of RMB2,804.0 million, RMB1,117.8 million and RMB545.1 million (US\$76.8 million) in 2021, 2022 and 2023, respectively, primarily due to the decrease in net loss (including continuing and discontinued operations) in 2022 and 2023, after excluding gains on disposal from discontinued operations. In addition, holder of our 2025 Convertible Notes have the right to require us to repurchase their notes within 90 days after June 3, 2023, at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any. As of the date of this annual report, an aggregate principal amount of US\$75 million of our 2025 Convertible Notes were outstanding. In April 2023, we and Alibaba.com Hong Kong Limited, the holder of our 2025 Convertible Notes, agreed that Alibaba.com Hong Kong limited would not require us to repurchase all of their notes in 2023, and would instead require us to repurchase one half of their notes, or US\$75 million aggregate principal amount, in 2023. In December 2023, all of the 2025 Convertible Notes were transferred by Alibaba HK to Alibaba China. In 2023, we repurchased US\$75 million aggregate principal amount of the 2025 Convertible Notes, and the repurchased notes were canceled accordingly. On April 22, 2024, we and Alibaba China entered into an agreement to amend the Early Redemption Rights of the 2025 Convertible Notes, pursuant to which Alibaba China will require us to repurchase US\$15 million (RMB106.2 million) aggregate principal amount of 2025 Convertible Notes with accrued interest before August 30, 2024, and repurchase the remaining US\$60 million (RMB425.0 million) aggregate principal amount with accrued interest on May 10, 2025. All of the foregoing 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) 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 (ii) 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. Although we achieved encouraging initial results from the execution of our strategic refocusing plan and reduced our costs and expenditures in 2022 and 2023 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 sale of BEST Express in late 2021 and the winding down of BEST UCargo and BEST Capital by the end of 2022. 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 decrease in absolute amounts due to (i) the implementation of cost saving plan; and (ii) the improvement of operating efficiency.

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.

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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. Our total revenue from continuing operations decreased from RMB11,425.8 million in 2021 to RMB7,744.1 million in 2022, but increased to RMB8,315.8 million (US\$1,171.3 million) in 2023.

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. We have franchisee partners in both China and certain Southeast Asian countries where we operate local express delivery networks, such as Thailand, Vietnam and Singapore. 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.

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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 Global service line has a limited operating history.

We have a limited history in providing BEST Global services, which was launched or significantly expanded in the last few years. While this service line has experienced rapid expansion, we cannot assure you that we will be able to continue its expansion or successfully address any future problems or issues, nor can we assure you that it 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, in 2021 we suspended the provision of certain fleet and equipment lease services under BEST Capital for the foreseeable future. Furthermore, 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 our BEST Global service line 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 this service line, 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 this business. In addition to organically growing this service line, we may seek to expand it 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.”

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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 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 were permitted 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 29, 2024, we had in aggregate outstanding options with respect to 2,324,500 ordinary shares and outstanding restricted share units with respect to 4,396,940 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 29, 2024, we had issued options to purchase 43,150,010 ordinary shares of BEST Asia Inc. to certain employees under the BEST Asia Plan.

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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 13.5%, 16.1% and 14.8% of our total cost of revenue from continuing operations in 2021, 2022 and 2023, 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 increase in labor costs, and expect to improve labor efficiency to cope with 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.

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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, 2023, over 15,831 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), “百世云” (BEST Cloud) and “百世软件”(BEST SOFTWARE). 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.

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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.

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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 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 Information Security and Privacy Protection."

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 Information Security and Privacy Protection."

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 Information Security and Privacy Protection."

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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 Information Security and Privacy Protection.”

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.

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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.

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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 Malaysia, Vietnam 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 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 2021, 2022 and 2023, we incurred capital expenditures for our continuing operations of RMB160.0 million, RMB143.3 million and RMB129.5 million (US\$18.2 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.

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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.

In April 2023, we and Alibaba.com Hong Kong Limited agreed that Alibaba.com Hong Kong Limited would not require us to repurchase all of their notes in 2023, and would instead require us to repurchase one half of their notes, or US\$75 million aggregate principal amount, in 2023. In December 2023, all of the 2025 Convertible Notes were transferred by Alibaba HK to Alibaba China. On April 22, 2024, we and Alibaba China entered into an agreement to amend the Early Redemption Rights of the 2025 Convertible Notes, pursuant to which Alibaba China will require us to repurchase US\$15 million (RMB106.2 million) aggregate principal amount of 2025 Convertible Notes with accrued interest before August 30, 2024 and to repurchase the remaining portion, or US\$60 million (RMB 425.0 million) aggregate principal amount with accrued interest on May 10, 2025. 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 convertible note instrument governing the 2025 Convertible Notes would constitute a default under the note instrument. A default under the note instrument 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 transportation department, 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 transportation department 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.

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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, 2023, 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, 2023, 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.

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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, 2023, 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, 2023, 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 Malaysia, Vietnam and Singapore through partners. We also provide local express delivery services in Thailand, Vietnam, Malaysia and Singapore. 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.

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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 appreciated approximately 2.3% against the U.S. dollar in 2021, the RMB depreciated approximately 9.2% and 2.9% against the U.S. dollar in 2022 and 2023, respectively. 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.

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, 2023. See “Item 15. Controls and Procedures—Management’s Annual Report on Internal Control over Financial Reporting.”

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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

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.

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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.

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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 29, 2024, we had 403,514,399 ordinary shares outstanding, comprising 261,648,452 Class A ordinary shares (including 5,037,713 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 197,364,353 Class A ordinary shares represented by ADSs (including 5,037,713 Class A ordinary shares 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 2025 Convertible Notes are convertible into 617,899 ADSs representing a total of 12,357,979 Class A ordinary shares at any time at the option of the holders thereof, and our remaining 2024 Convertible Notes are convertible into 78 ADSs representing a total of 1,560 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\$75 million aggregate principal amount of our 2025 Convertible Notes currently outstanding, and of the US\$11,000 aggregate principal amount of our 2024 Convertible Notes currently outstanding, 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.

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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.

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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.

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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 convertible note instrument governing our 2025 Convertible Notes requires us to repurchase the notes for cash upon the occurrence of a 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.

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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.

We believe that we will be classified as a passive foreign investment company, or PFIC, which will result in adverse United States tax consequences to United States investors.

A non-United States corporation will be a passive foreign investment company 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 that we were a PFIC in prior taxable years, we will be a PFIC for the current taxable year, and that we will continue to be a PFIC in future taxable years. The determination of whether we are a PFIC is made annually. Accordingly, changes in our asset or income composition may affect our PFIC status. 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, and accordingly, 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 will 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.

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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.

We generated 7% of our revenue from continuing operations through the VIEs for the year ended December 31, 2023. The following is a summary of the currently effective contractual arrangements among VIEs, VIEs' shareholders and BEST Inc. that enable us to receive substantially all of the economic benefits from their operations.

The following is a summary of the material provisions of the contractual arrangements relating to BEST Logistics China, Hangzhou BEST IT and BEST Inc.

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.

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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.

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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.

The following is a summary of the material provisions of the contractual arrangements relating to BEST Store Network, Hangzhou Baijia and BEST Inc.

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.

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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.

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."

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A. History and Development of the Company

Our founder established Eight Hundred Logistics Technologies Corporation, or BEST BVI, a British Virgin Islands company, and its wholly owned subsidiary in Hong Kong, BEST Logistics Technologies Limited, or BEST HK, in May 2007. In March 2008, BEST Logistics Technologies Limited was established under the laws of the Cayman Islands, which became our current ultimate holding company. In June 2017, the name of BEST Logistics Technologies Limited was changed to BEST Inc. In December 2017, we established BEST Capital Inc., a Cayman Islands company, and its wholly owned subsidiaries, namely BEST Capital Holding Limited, a British Virgin Islands company, and BEST Capital Management Limited, a Hong Kong company.

In March 2018, Xinyuan Financial Leasing (Zhejiang) Co., Ltd., which operated our BEST Capital business before it was wound down by the end of 2022, 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.

To further reduce cash outflows and increase capital allocations to our core businesses, by the end of 2022, we had wound down our BEST UCargo and BEST Capital businesses.

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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, Umland 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.

In 2022, we repurchased substantially all of our US\$200 million aggregate principal amount of our 1.75% convertible senior notes due 2024, and the repurchased notes were canceled accordingly. Of these repurchases, (i) approximately US\$95 million principal amount of notes were repurchased in multiple transactions pursuant to definitive agreements that were privately negotiated and entered into by us and certain holders of the notes, and (ii) approximately US\$105 million principal amount of notes were repurchased pursuant to the holders' right to require us to repurchase all of their notes or any portion thereof that is an integral multiple of US\$1,000 principal amount for cash on September 30, 2022 pursuant to the relevant indenture dated as of September 17, 2019. Notes in the principal amount of approximately US\$11,000 remain outstanding after such repurchases.

Share Repurchase Program

In March 2023, we announced the adoption of a share repurchase program in an aggregate amount of up to US\$20 million worth of our outstanding ADSs from time to time over a period of 12 months. As previously announced on November 23, 2023, our company's board of directors terminated the share repurchase program, effective as of September 25, 2023. Prior to the program's termination and during the year ended December 31, 2023, we repurchased a total of 1,265,685 ADSs, representing 27,029,700 Class A ordinary shares.

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.

Holder of the notes may require us to repurchase all or part of their notes within 90 days after June 3, 2023 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. In April 2023, we and Alibaba.com Hong Kong Limited ("Alibaba HK") agreed that Alibaba HK would require us to repurchase one half of their notes, or US\$75 million aggregate principal amount, in 2023. In 2023, we repurchased US\$75 million aggregate principal amount of our 4.50% convertible senior notes due 2025, and the repurchased notes were canceled accordingly. In December 2023, all of the 2025 Convertible Notes were transferred by Alibaba HK to Alibaba China. On April 22, 2024, we and Alibaba China entered into an agreement to amend the Early Redemption Rights of the 2025 Convertible Notes, pursuant to which Alibaba China will require us to repurchase US\$15 million (RMB106.2 million) aggregate principal amount of 2025 Convertible Notes with accrued interest before August 30, 2024 and to repurchase the remaining portion, or US\$60 million (RMB425.0 million) aggregate principal amount with accrued interest on May 10, 2025. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We have a history of net losses and negative cash flows from operating activities, which may continue or occur again in the future. While we believe we can continue our business as a going concern and have prepared our consolidated financial statements on that basis, we cannot assure you that we will be able to continue as a going concern in light of the adverse conditions we are facing."

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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.

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 enterprise value. The sale did not include any of our other businesses, namely, Supply Chain Management, Freight 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 4.26.

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 33.75% CAGR in freight volume between 2014 and 2023. Our nationwide freight network covers 100% of China's provinces and 100% of China's cities as of December 31, 2023.

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 Malaysia, Vietnam, and Singapore through partners. We also provide local express delivery services in Thailand, Vietnam, Malaysia and Singapore.

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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 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 449 professionals including software engineers and other technology specialists.

We believe BEST Cloud and our strong technology team are our key competitive advantages.

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 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 and more innovative services.

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The key points or highlights of the research and development work for 2023

Enterprise Digitalization

Our research and development team has been focusing their efforts on digital transformation in 2023. Highlights of digitalization are:

- Digitalization of Freight operation management: The basic construction of a fine-grained, real-time operational data analysis system has been completed, which automatically identifies operational and managerial improvement points and risk points based on data, helping Freight delivery businesses achieve precise, rapid, and effective operational management. Below are the key points:
 - a. Fine-grained: Operational analysis down to the smallest operational units (route level, branch level, sorting level).
 - b. Real-time: Daily level.
 - c. Operational data analysis: Reorganizing the data processing chain from the perspective of operational managers based on decision options available to them.
 - d. Automatic identification of operational and managerial improvement points and risk points: Building a “Yuan Fang” system platform to automatically identify fine-grained issues from various aspects of operations and management data, including monitoring of branch price policy setting and execution, discovery of opportunities for route planning improvement, identification of abnormal vehicle loading rates, and monitoring of issues related to route timeliness compliance.
- Digitalization of franchise-based express delivery network management in Southeast Asia BEST is almost the sole franchise-based express delivery network in Southeast Asian countries. Targeting the unique cultures and business environments of Southeast Asian nations, we have rebuilt the management system for express delivery services in the region. This overhaul enables seamless management from headquarters to frontline couriers. With the support of this new system, headquarters can overcome barriers of language, culture, and geography. It allows real-time awareness of the overall business situation while also providing direct insight into the operations of frontline network managers, branches, and even couriers. When necessary, tasks can be directly assigned for execution.
- Digitization of operations and online management for cross-border business operations To support the development of cross-border business, we have essentially completed the online operation of the entire business chain. Simultaneously, we have built an operational analysis system that allows for precise, real-time monitoring of the profitability of each route, each container, and even each shipment. This provides assurance for business operation management.

Applications of large language models

In 2023, large language models (LLMs), represented by GPT, sparked an AI craze. Research and development have been actively following up to explore the application of large language models in business systems. Currently, LLMs have been introduced into cross-border customer service management and Freight customer service management for tasks such as customer service quality inspection and customer intent recognition. Customer service chatbots based on large language models have already undergone testing in production environments.

Progress on cloud warehousing business in Southeast Asia

As of the end of 2023, over 450 customer warehouses globally are operating business using the BEST warehousing system, marking a 113% increase compared to the end of 2022. The external guidance for warehouse operations is completed by the SAAS team (including warehouse planning, equipment selection/purchasing, system deployment, and operational process design). The business covers countries such as Thailand, Vietnam, Malaysia, the Philippines, Indonesia, and the United States.

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Relationship with Our Franchisee Partners

As of December 31, 2023, we had approximately 20,114 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, 2023, we had a team of 785 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:

<u>Service Line</u>	<u>Description</u>
• 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, and Singapore
• BEST Cloud	Proprietary technology powering our services and solutions

BEST Freight

Our total freight volume increased from 8,392 thousand tonnes in 2020 to 9,280 thousand tonnes in 2023, representing a CAGR of 3.41%. Our nationwide freight network covers 100% of China's cities as of December 31, 2023.

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.

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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.

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,		
	2021	2022	2023
Number of Cloud OFCs:			
Self-Operated	78	65	53
Franchised	350	339	342
Total	428	404	395
GFA of Cloud OFCs (*000 sq m)	3,221	2,848	2,804
Number of total orders fulfilled (*000) ⁽¹⁾	448,202	373,673	379,629
Self-Operated	179,925	133,686	133,272
Franchised	268,276	239,987	263,354

Note:

(1) Includes orders fulfilled by franchised Cloud OFCs.

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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:

- *Digitalization.*

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.

Invention patent was granted for Blockchain application in 2023, which provides digital transformation for end-to-end supply chain management solutions. This is also the unique invention patent awarded in third-party logistic companies of China.

- *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.

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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.

In recent year, we have been focusing on the networking aspect within the realm of warehousing and logistics, below are the key highlights:

- a. *Rapid Growth in the Number of Cloud Warehouses*: The rapid growth in our Cloud Warehouses shift towards more agile and scalable storage solutions. This growth could be attributed to various factors such as the increasing demand for e-commerce services, globalization of supply chains, and advancements in cloud technology making remote access and management of warehouses more efficient.
- b. *Decrease of Self - operated Warehouses to Achieve Cost Reduction*: Traditionally, companies would operate their own warehouses, incurring costs related to maintenance, staffing, and infrastructure. However, with the intention to cut cost, we are opting to decrease our self - operated warehouses to reduce costs. By leveraging external facilities, we can benefit from economies of scale, specialized expertise, and flexible pricing models, ultimately leading to cost savings.
- c. *Building Up Networks via Cloud Warehouses*: Our Cloud Warehouses not only serve as storage spaces but also act as hubs for networking and collaboration within supply chains. By connecting various sources such as suppliers, manufacturers, distributors, and retailers through a centralized cloud-based platform, we can streamline communication, data sharing, and decision-making processes. This interconnected network enables real-time visibility into inventory levels, order statuses, and transportation routes, facilitating faster response times and improved efficiency across the entire supply chain system.
- *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 18,000 stores per day, with an average monthly shipment of 980,000 pieces, and its business scope has expanded to 18 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.

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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 Malaysia, Vietnam and Singapore. We also manage five 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.

As of December 31, 2023, BEST Global had ten hubs and sortation centers in Thailand, twelve hubs and sortation centers in Vietnam, ten hubs and sortation centers in Malaysia, and one hub in Singapore. We directly operate all of these hubs and sortation centers as they are critical to ensuring the service quality of our network.

In the year of 2023, our express delivery services have made a huge progress. In Vietnam, Vietnam's express delivery volume is on the rise, with successful reforms in distribution fees, indicating an improvement in supply chain operations; as in Malaysia, although there isn't a clear business model, the express delivery industry is still steadily developing.

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 overseas such as the United States, Thailand, Malaysia, Vietnam, and Singapore, 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, and Singapore. 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.

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. Our best-in-class technology and big data analytics capabilities drive operational excellence and enhance value creation across our ecosystem.

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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.

BEST Cloud Delivery

Across the country, our landing distribution network covers 18 provinces, over 250 prefecture-level cities, and 100% of over 1,900 districts and counties.

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, 2023, BEST Freight had 48 hubs and 49 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, 2023, we had over 20,654 BEST Freight service stations. BEST Freight service stations cover 100% of China's provinces, 100% of China's cities and 100% of China's districts and counties. As of December 31, 2023, substantially all of our BEST Freight service stations were operated by franchisee partners.

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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, 2023, our network had over 2,159 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.

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, 2023, four of our Cloud OFCs used 172 AGVs, which have increased the order fulfillment capacity of these Cloud OFCs while increasing efficiency and accuracy and reducing labor costs.

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.

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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, bilibili, BYD, 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, bilibili, BYD, Geely, 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. 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.

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 282 personnel as of December 31, 2023. 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.

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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. 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, 2023, we had 536 trademark registrations in China, including those of "百世" and "百世物流" and were in the process of making one trademark application in China. As of December 31, 2023, we had 94 trademark registrations outside China and were in the process of making 100 trademark applications outside China. We have also been granted 113 copyrights in China in respect of our proprietary information systems. We are the registered holder of 194 domain names, including best-inc.com. We have 415 issued patents and 238 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 4.26.

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.

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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, 2021, 2022 and 2023, we had a total of 4,381, 3,628 and 3,572 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, 2023 by function:

Function	Number of Employees	% of Total
BEST Supply Chain Management	722	20.21 %
BEST Freight	1,070	29.96 %
BEST Global	772	21.61 %
Technology	449	12.57 %
Management, Administration and Others ⁽¹⁾	559	15.65 %
Total	3,572	100.0 %

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

In addition to our own employees, we engage outsourcing firms that provide large numbers of their employees to work at our facilities. As of December 31, 2023, over 15,831 outsourced personnel were active in our operations, including approximately 15,653 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, 2023, our headquarters had an aggregate gross area of approximately 8,689.27 square meters.

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.

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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 (2022 version), or the Encouraged Industry Catalogue 2022, both of which were promulgated by the NDRC and the MOFCOM and took effect in January 2022 and January 2023 respectively.

Pursuant to the Encouraged Industry Catalogue 2022 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 2022 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 provided value-added telecommunications services in connection with our BEST UCargo business, before the business was wound down by the end of 2022, 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 2022, 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 2022.

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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.

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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 last amended on March 29, 2022. According to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, 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 last amended in July 2023 and the Provisions on Administration of Road Freight Transportation and Stations (Sites) issued by the Ministry of Transport in June 2005 and last amended in November 2023, 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 must obtain a road transportation operation permit from the local county-level transportation department, and each vehicle used for road freight transportation must have a road transportation certificate from the same authority. Anyone engaging in the business of operating road freight stations (sites) shall file with the local county-level transportation department no later than 15 days after starting the relevant business activities. 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 transportation department where the branch is to be established.

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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 transportation department 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 last 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.

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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 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, 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 last 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 last 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.

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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 Information Security and Privacy Protection

The Criminal Law of the People's Republic of China, promulgated by the National People's Congress of China on July 6, 1979 and last 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.

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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 cybersecurity 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.

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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 July 7, 2022, the CAC released the Data Outbound Transfer Security Assessment Measures (the "Security Assessment Measures") which came into effect on September 1, 2022. The Security Assessment Measures provide that, among others, data processors shall apply to competent authorities for security assessment prior to transferring any data abroad if the transfer involves (i) important data; (ii) personal information transferred overseas by an operator of CII and a data processor that has processed personal information of more than one million individuals; (iii) personal information transferred overseas by a data processor who has already provided personal information of 100,000 persons or sensitive personal information of 10,000 persons overseas since January 1 of the previous year; or (iv) other circumstances as requested by the CAC. Furthermore, on August 31, 2022, the CAC promulgated the Guidelines for filing the Outbound Data Transfer Security Assessment (Version 1), which provides that acts of outbound data transfer include (i) overseas transmission and storage by data processors of data generated during domestic operations; (ii) inquiry, access to, download or export of the data by overseas institutions, organizations or individuals with such data being collected and generated by data processors and stored in mainland China; and (iii) other acts as specified by the CAC.

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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 have not been formally adopted and their final content, interpretation, implementation and effective date may be subject to change with substantial uncertainty.

On December 8, 2022, the MIIT published the Administrative Measures for Data Security in the Field of Industry and Information Technology (Trial) (the “Industry and Information Technology Measures”), which took effect on January 1, 2023. The Industry and Information Technology Measures are aimed to regulate the data processing activities in the field of industry and information technology conducted by relevant data processors in mainland China. The Industry and Information Technology Measures apply to, among others, industrial enterprises, software and information technology service companies, and companies holding licenses for operation of telecommunications services that collect, store, use, process, transfer, provide, and disclose data in the field of industry and information technology. Such data includes industrial data, telecommunication data, and radio data generated and collected during the operation of relevant services. Pursuant to the Industry and Information Technology Measures, relevant data processors shall further implement data classification and hierarchical management, take necessary measures to ensure that data remains effectively protected and being lawfully applied and conduct data security risk monitoring.

On July 10, 2023, the CAC, together with other relevant authorities, released the Interim Measures on Generative AI Services, or the Interim Generative AI Measures, which took effect on August 15, 2023 and mainly impose compliance requirements on providers of generative AI services. According to the Interim Generative AI Measures, individuals or organizations that provide AI services which generate text, image, audios, videos and other content shall be responsible as the producers of such network information content and as the personal information processors for protecting any personal information involved. Providers of generative AI services shall enter into service agreements with users registering for their generative AI services and shall adopt effective measures to prevent minor users from becoming overly reliant upon or addicted to generative AI services. In the event illegal content or users engaging in illegal activities using generative AI services are discovered, the generative AI services providers are required to take appropriate measures, including stopping the generation of such illegal content and suspending or terminating the provision of services, undergo rectifications, keep relevant records and report to the competent authority. Providers of generative AI services may be subject to penalties for non-compliance, including warning, public denouncement, rectification orders and suspension of the provision of relevant services.

In March 22, 2024, the CAC issued the Provisions on Promoting and Regulating Cross-border Data Flows, which required security assessment the following types of cross-border data transfers, (i) for critical information infrastructure operators, the outbound transfer of personal information or important data, and (ii) for data processors that are not critical information infrastructure operators, the outbound transfer of important data, or the outbound transfer of the personal information cumulative of over one million people or the sensitive personal information cumulative of over 10,000 people within one calendar year. These provisions also stipulate that, when data processors that are not critical information infrastructure operators engage in the outbound transfer of the personal information cumulative of over 10,000 people but less than one million people or the sensitive personal information cumulative of less than 10,000 people within one calendar year, the data processors must enter into a standard contract for cross-border transfer of personal information with the data recipient or obtain a certification for the protection of personal information. Furthermore, these provisions clarify that data processors do not need to treat any data as “important data”, the outbound transfer of which requires security assessments, if government authorities have not declared or notified them that the data is “important data”.

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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.

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 last 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 last 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.

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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.

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

Regulations Relating to Employment

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

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

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan (which, as provided in Opinions of the General Office of the State Council on Comprehensively Advancing Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees which was promulgated on March 6, 2019, shall be consolidated into the medical insurance), and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the PRC Social Insurance Law, which was promulgated by the Standing Committee of the National People’s Congress on October 28, 2010 and became effective on July 1, 2011 and last 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 last 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, last 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.

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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 and last amended on December 4, 2023. 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.

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.

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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.

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Regulations Relating to Tax

Under the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008 and was last 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.”

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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 last 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 July 6, 2021, the relevant PRC government authorities made public the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law, or the Opinions. The Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by Chinese companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by overseas-listed Chinese companies, enhancing cross-border regulatory cooperation, improving relevant regulations to specify responsibilities of overseas-listed Chinese companies with respect to data security and information security, etc.

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There are substantial uncertainties with respect to the interpretation and implementation of the Opinions. Furthermore, 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 Enterprises (Draft for Comments) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (Draft for Comments), which are open for public comments. On February 17, 2023, the CSRC officially adopted the Trail Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises and corresponding guidelines (the “Trail Measures”), which took effect on March 31, 2023, together with the Circular on Administrative Arrangements for the Filing of Overseas Offering and Listing by Domestic Enterprises (the “Circular on Administrative Arrangements for the Filing”) released on February 17, 2023.

The Trail Measures and the Circular on Administrative Arrangements for the Filing lay out a new filing-based regime to regulate overseas offerings and listings by domestic enterprises. According to the Trail Measures and the Circular on Administrative Arrangements for the Filing, an overseas offering and listing by a domestic enterprise, whether directly or indirectly, shall be filed with the CSRC. To clarify, the Circular on Administrative Arrangements for the Filing stipulated that domestic enterprises which have obtained the approval of the application for indirect overseas offering and listing by overseas regulators or overseas stock exchanges before the implementation of the Trail Measures and have completed the overseas listing before September 30, 2023 are defined as “stock enterprises”. Pursuant to the Circular on Administrative Arrangements for the Filing Stock enterprises, “stock enterprises” are not required to file with the CSRC immediately for its prior offerings but shall fulfill their filing obligations and report relevant information to the CSRC, as the case may be, for its follow-on offering and other equivalent offering activities in overseas markets within three business days after conducting such follow-on offering activities. The Trail Measures also list a number of circumstances where overseas offering is prohibited, including where (i) the offering is prohibited by PRC laws, (ii) the offering may endanger national security, (iii) in the recent three years, the company’s Chinese operating entities and their controlling shareholders and actual controllers have committed certain criminal offenses, (iv) the company’s Chinese operating entities are currently under investigations for suspicion of criminal offenses or major violations, or (v) there are major disputes over ownership of the issuer’s equity held by the controlling shareholders or the shareholders controlled by the controlling shareholders or the actual controllers. According to the Trail Measures, if we fail to comply with the filing obligations with the CSRC for any of our follow-on offerings or fall within any of the above circumstances where our follow-on offering is prohibited, our follow-on offering application, if any, may be discontinued and we may be subject to fines, sanctions and penalties on the relevant domestic enterprises. In severe circumstances, we may be ordered to suspend our businesses and our business licenses and operation permits may be revoked. Furthermore, the controlling shareholder, actual controllers, and other responsible persons may be warned or fined either individually or collectively.

On February 24, 2023, the CSRC, together with certain other PRC governmental authorities, issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Enterprises, or the Revised Confidentiality and Archives Administration Provisions, to revise the currently effective Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing. The new regulation took effect on March 31, 2023. According to the Revised Confidentiality and Archives Administration Provisions, Chinese companies, which include both PRC-incorporated joint-stock companies that offer and list securities directly in overseas markets and the PRC operating entities of companies indirectly listed in overseas markets, shall strictly abide by the relevant laws and regulations on confidentiality when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to domestic and overseas securities companies, securities services providers and overseas regulators in the process of their overseas offering and listing. In the event such documents or materials contain state secrets or government work secrets, the Chinese companies shall first obtain approval from competent authorities with the power of examination and approval according to law, and file with the secrecy administrative department at the same level; in the event that such documents or materials, if divulged, will jeopardize national security or public interest, the Chinese companies shall strictly fulfill relevant procedures stipulated by applicable national regulations. The Chinese companies shall also provide a written statement of the specific state secrets and sensitive information provided when providing documents and materials to securities companies and securities service providers, and the securities companies and securities service providers shall properly retain such written statements for inspection. Since the Revised Confidentiality and Archives Administration Provisions have just been released recently, their interpretation and implementation remain substantially uncertain.

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.

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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.

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Our total revenue from continuing operations decreased from RMB11,425.8 million in 2021 to RMB7,744.1 million in 2022, and increased by 7.4% to RMB8,315.8 million (US\$1,171.3 million) in 2023. We had net losses from continuing operations of RMB1,263.9 million, RMB1,464.8 million and RMB908.6 million (US\$128.0 million) in 2021, 2022 and 2023, respectively. Our gross margin for continuing operations decreased from negative 1.7% in 2021 to negative 3.4% in 2022, and increased to 3.0% in 2023.

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, 2021	Jun. 30, 2021	Sep. 30, 2021	Dec. 31, 2021	Mar. 31, 2022	Jun. 30, 2022	Sep. 30, 2022	Dec. 31, 2022	Mar. 31, 2023	Jun. 30, 2023	Sep. 30, 2023	Dec. 31, 2023
BEST Supply Chain Management												
Number of orders fulfilled by self-operated Cloud OFCs (in thousands) ⁽¹⁾	47,981	47,349	35,662	48,933	33,291	35,040	29,418	35,938	28,360	34,322	23,798	29,795
Number of orders fulfilled by franchised Cloud OFCs (in thousands)	52,804	73,121	67,975	74,376	54,056	58,920	58,870	68,141	59,053	67,741	56,337	64,722
BEST Freight												
Freight volume (tonnage in thousands) ⁽¹⁾	1,945	2,438	2,427	2,408	1,683	2,223	2,527	2,226	1,769	2,383	2,557	2,571

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.”

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Selected Operating Data

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

	For the year ended December 31,		
	2021	2022	2023
BEST Supply Chain Management			
Number of orders fulfilled by self-operated Cloud OFCs (in thousands) ⁽¹⁾	179,925	133,686	116,275
Number of orders fulfilled by franchised Cloud OFCs (in thousands)	268,276	239,987	247,853
BEST Freight			
Freight volume (tonnage in thousands) ⁽¹⁾	9,218	8,659	9,280

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.

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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.

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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,						
	2021		2022		2023		
	RMB	% of Revenue	RMB	% of Revenue (in thousands)	RMB	US\$	
Revenue:							
Freight	8,244,435	72.2 %	4,888,278	63.2 %	5,404,395	761,193	65.0 %
Supply chain management	1,815,104	15.9 %	1,822,075	23.5 %	1,858,629	261,782	22.4 %
Global	1,193,855	10.4 %	916,907	11.8 %	946,513	133,314	11.4 %
Others ⁽¹⁾	172,442	1.5 %	116,812	1.5 %	106,307	14,973	1.2 %
Total revenue⁽²⁾	11,425,836	100 %	7,744,072	100 %	8,315,844	1,171,262	100.0 %

Note:

- (1) "Others" Segment primarily represents SaaS software service and Capital business units. Results from UCargo's legacy contracts with external customers are now reported under "Freight" segment and prior period segment information were retrospectively revised to conform to current period presentation.
- (2) 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.

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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 represent SaaS software business and Capital business we provided to customers.

For SaaS software business, we serve as a proprietary technology platform to provide solution services to the ecosystem participants. We are the principal to the transaction for these services and revenue from these transactions is recognized on a gross basis.

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,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Cost of revenue				
Freight	8,506,738	5,114,937	5,206,967	733,386
Supply chain management	1,741,832	1,711,818	1,700,467	239,506
Global	1,258,511	1,081,587	1,131,484	159,366
Others	118,143	99,288	26,489	3,731
Total cost of revenue	<u>11,625,224</u>	<u>8,007,630</u>	<u>8,065,407</u>	<u>1,135,989</u>

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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.

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,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Selling expenses	260,219	237,918	256,621	36,144
General and administrative expenses	881,498	889,345	737,775	103,913
Research and development expenses	180,204	144,181	115,917	16,327
Impairment of long-lived assets	—	—	94,699	13,338
Other operating income, net	(58,337)	(108,817)	(2,658)	(374)
Total operating expenses	1,263,584	1,162,627	1,202,354	169,348

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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. Our selling expenses are expected to decrease due to the implementation of strategic refocusing plan and effective cost control measurement.

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 decrease as we continue to implement strategic refocusing plan and improve the efficiency to control expenses.

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 decrease in the future due to the implementation of strategic refocusing plan and effective cost control measurement.

Other operating income, net

Other operating income consist primarily of government subsidy and tax refund arise from normal operating business.

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."

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Results of Operations

The following table sets forth our consolidated statements of 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,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Revenue				
Freight	8,244,435	4,888,278	5,404,395	761,193
Supply chain management	1,815,104	1,822,075	1,858,629	261,782
Global	1,193,855	916,907	946,513	133,314
Others	172,442	116,812	106,307	14,973
Total revenue	11,425,836	7,744,072	8,315,844	1,171,262
Cost of revenue				
Freight	(8,506,738)	(5,114,937)	(5,206,967)	(733,386)
Supply chain management	(1,741,832)	(1,711,818)	(1,700,467)	(239,506)
Global	(1,258,511)	(1,081,587)	(1,131,484)	(159,366)
Others	(118,143)	(99,288)	(26,489)	(3,731)
Total cost of revenue	(11,625,224)	(8,007,630)	(8,065,407)	(1,135,989)
Gross (loss)/profit	(199,388)	(263,558)	250,437	35,273
Selling expenses	(260,219)	(237,918)	(256,621)	(36,144)
General and administrative expenses	(881,498)	(889,345)	(737,775)	(103,913)
Research and development expenses	(180,204)	(144,181)	(115,917)	(16,327)
Impairment of long-lived assets	—	—	(94,699)	(13,338)
Other operating income, net	58,337	108,817	2,658	374
Loss from operations	(1,462,972)	(1,426,185)	(951,917)	(134,075)
Interest income	49,658	80,361	83,810	11,805
Interest expense	(142,751)	(89,058)	(64,283)	(9,055)
Foreign exchange gain/(loss)	44,556	(132,730)	(14,010)	(1,974)
Other income, net	265,822	31,677	6,613	931
(Loss)/Gain on changes in the fair value of derivative assets/liabilities	(14,918)	71,619	32,322	4,553
Loss before income tax and share of net loss of equity investees	(1,260,605)	(1,464,316)	(907,465)	(127,815)
Income tax expense	(3,198)	(511)	(1,141)	(161)
Loss before share of net loss of equity investees	(1,263,803)	(1,464,827)	(908,606)	(127,976)
Share of net loss of equity investees	(58)	—	—	—
Net loss from continuing operations	(1,263,861)	(1,464,827)	(908,606)	(127,976)
Net income/(loss) from discontinued operations	1,473,489	(38,464)	15,222	2,144
Net income/(loss)	209,628	(1,503,291)	(893,384)	(125,832)
Net loss from continuing operations attributable to non-controlling interests	(52,279)	(39,980)	(78,982)	(11,124)
Net income/(loss) attributable to BEST Inc.	261,907	(1,463,311)	(814,402)	(114,708)

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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, Impairment of long - lived assets, 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,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net loss from continuing operations	(1,263,861)	(1,464,827)	(908,606)	(127,976)
Add:				
Depreciation and amortization	191,365	189,387	189,197	26,648
Interest expense	142,751	89,058	64,283	9,055
Income tax expense	3,198	511	1,141	161
Subtract:				
Interest income	(49,658)	(80,361)	(83,810)	(11,805)
EBITDA from continuing operations	(976,205)	(1,266,232)	(737,795)	(103,917)
Add				
Share-based compensation expenses	107,681	72,096	48,344	6,809
Impairment of long-lived assets	—	—	94,699	13,338
Subtract:				
Fair value change of equity investments	(58,643)	12,312	—	—
Adjusted EBITDA from continuing operations	(927,167)	(1,181,824)	(594,752)	(83,770)

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, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 7.4% to RMB8,315.8 million (US\$1,171.3 million) in 2023 from RMB7,744.1 million in 2022 primarily due increased revenue for all business lines.

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Freight. Our freight service revenue increased by 10.6% to RMB5,404.4 million (US\$761.2 million) in 2023 from RMB4,888.3 million in 2022. This increase in revenue was primarily resulting from increases in both freight volume and average selling price per tonne.

Supply Chain Management. Our supply chain management service revenue increased by 2.0% to RMB1,858.6 million (US\$261.8 million) in 2023 from RMB1,822.1 million in 2022.

Global. Revenue from our BEST Global services increased by 3.2% to RMB946.5 million (US\$133.3 million) in 2023 from RMB916.9 million in 2022, primarily due to volume growth in Vietnam, Malaysia and cross-border business, partially offset by the decrease of parcel volume in Thailand.

Cost of Revenue

Our cost of revenue increased by 0.7% to RMB8,065.4 million (US\$1,136.0 million) in 2023 from RMB8,007.6 million in 2022. The increase was primarily attributable to increase in cost of revenue in our Freight and Global, as discussed below. Cost of revenue as a percentage of revenue decreased to 97.0% in 2023 from 103.4% in 2022, which was primarily due to reduced unit cost of Freight business and improved operating efficiency and optimized customer mix of Supply Chain Management business.

Freight. Cost of revenue for our freight services increased by 1.8% to RMB5,207.0 million (US\$733.4 million) in 2023 from RMB5,114.9 million in 2022. This increase in cost of revenue was primarily attributable to increased freight volume, which increased by 7.2% to 9.3 million tonnes from 8.7 million tonnes in 2022. Cost of revenue as a percentage of revenue from our freight services decreased to 96.3% in 2023 from 104.6% in 2022, primarily due to reduced unit cost.

Supply Chain Management. Cost of revenue for our supply chain management services decreased by 0.7% to RMB1,700.5 million (US\$239.5 million) in 2023 from RMB1,711.8 million in 2022. Cost of revenue as a percentage of revenue from our supply chain management services decreased to 91.5% in 2023 from 93.9% in 2022, primarily due to improved operating efficiency and optimized customer mix.

Global. Cost of revenue for our BEST Global services increased by 4.6% to RMB1,131.5 million (US\$159.4 million) in 2023 from RMB1,081.6 million in 2022 primarily due to lower parcel volume of Thailand.

Operating Expenses

Operating expenses increased by 3.4% to RMB1,202.4 million (US\$169.4 million) in 2023 from RMB1,162.6 million in 2022. Operating expenses as a percentage of our total revenue decreased to 14.5% in 2023 from 15.0% in 2022.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by 11.8% to RMB994.4 million (US\$140.0 million) in 2023 from RMB1,127.3 million in 2022. This decrease was primarily attributable to reduced headcount.

Research and Development Expenses. Research and development expenses decreased by 19.6% to RMB115.9 million (US\$16.3 million) in 2023 from RMB144.2 million in 2022 primarily due to reduced headcount.

Other operating income, net. Other operating income decreased to RMB2.7 million (US\$0.4 million) in 2023 from RMB108.8 million in 2022.

Interest Income

Our interest income increased by 4.3% to RMB83.8 million (US\$11.8 million) in 2023 from RMB80.4 million in 2022, primarily due to the changes in average short-term investments balance during 2023 compared with 2022.

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Interest Expense

Our interest expenses decreased by 27.8% to RMB64.3 million (US\$9.1 million) in 2023 from RMB89.1 million in 2022, primarily due to the repurchase of US\$75.0 million (equivalent to RMB542.0 million) aggregate principal amount of existing Convertible Senior Notes due 2024.

Foreign Exchange (Loss)/Gain

We recorded a foreign exchange loss of RMB14.0 million (US\$2.0 million) in 2023 as compared to RMB132.7 million in 2022, which mainly reflected the fluctuation in exchange rates between Renminbi and U.S. dollars during the respective years.

Other Income, net

Other income, net decreased to RMB6.6 million (US\$1.0 million) in 2023 from RMB31.7 million in 2022.

(Loss)/Gain on changes in the fair value of derivative assets/liabilities

We recorded a gain on changes in the fair value of derivative assets/liabilities of RMB 32.3 million (US\$ 4.6 million) in 2023 as compared to RMB71.6 million in 2022, which mainly reflected the fluctuation in exchange rates between Renminbi and U.S. dollars during the respective years.

Income Tax Expense

Income tax expense increased to RMB1.1 million (US\$0.2 million) in 2023 from RMB0.5 million in 2022, reflecting increased taxable income from certain of our PRC subsidiaries.

Net Loss from continuing operations

As a result of the foregoing, net loss from continuing operations decreased to RMB908.6 million (US\$128.0 million) in 2023 from RMB1,464.8 million in 2022.

Net Loss

Net Loss was RMB 893.4 million (US\$ 125.8 million) in 2023, compared to RMB1,503.3 million in 2022.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue decreased by 32.2% to RMB7,744.1 million (US\$1,122.8 million) in 2022 from RMB11,425.8 million in 2021 primarily due to the wind-down of the BEST UCargo business and decreased volume in Freight and Global.

Freight. Our freight service revenue decreased by 40.7% to RMB4,888.3 million (US\$708.7 million) in 2022 from RMB8,244.4 million in 2021. This decrease in revenue was primarily due to the wind-down of the BEST UCargo business and 6.1% decrease in freight volume.

Supply Chain Management. Our supply chain management service revenue increased by 0.4% to RMB1,822.1 million (US\$264.2 million) in 2022 from RMB1,815.1 million in 2021. Such increase was primarily due to newly signed customers with high unit economics following discontinuation of certain low margin legacy accounts, as well as improved service capability.

Global. Revenue from our BEST Global services decreased by 23.2% to RMB916.9 million (US\$132.9 million) in 2022 from RMB1,193.9 million in 2021, primarily due to decreased parcel volumes in Southeast Asia.

Others. Revenue from our others services decreased by 32.3% to RMB116.8 million (US\$16.9 million) in 2022 from RMB172.4 million in 2021, primarily due to the decreased volume of financing amount provided to ecosystem customers.

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Cost of Revenue

Our cost of revenue decreased by 31.1% to RMB8,007.6 million (US\$1,161.0 million) in 2022 from RMB11,625.2 million in 2021. The decrease was primarily attributable to decrease in cost of revenue in our Freight, Global and Others service, as discussed below. Cost of revenue as a percentage of revenue increased to 103.4% in 2022 from 101.7% in 2021, which was primarily due to lower parcel volume from BEST Global business.

Freight. Cost of revenue for our freight services decreased by 39.9% to RMB5,114.9 million (US\$741.6 million) in 2022 from RMB8,506.7 million in 2021. This decrease in cost of revenue was primarily attributable to the wind-down of the BEST UCargo business and decreased freight volume, which decreased by 6.1% to 8.7 million tonnes from 9.2 million tonnes in 2021. Cost of revenue as a percentage of revenue from our freight services increased to 104.6% in 2022 from 103.2% in 2021, primarily due to lower volume in Freight business.

Supply Chain Management. Cost of revenue for our supply chain management services decreased by 1.7% to RMB1,711.8 million (US\$248.2 million) in 2022 from RMB1,741.8 million in 2021. Cost of revenue as a percentage of revenue from our supply chain management services decreased to 93.9% in 2022 from 96.0% in 2021, primarily due to effective cost control measures and customer structure optimization.

Global. Cost of revenue for our BEST Global services decreased by 14.1% to RMB1,081.6 million (US\$156.8 million) in 2022 from RMB1,258.5 million in 2021 primarily due to decreased parcel volume in Southeast Asia.

Others. Cost of revenue for our others services decreased by 16.0% to RMB99.3 million (US\$14.4 million) in 2022 from RMB118.1 million in 2021. Cost of revenue as a percentage of revenue increased to 85.0% in 2022 from 68.5% in 2021, primarily due to decreased volume of financing amount provided to ecosystem customers.

Operating Expenses

Operating expenses decreased by 8.0% to RMB1,162.6 million (US\$168.6 million) in 2022 from RMB1,263.6 million in 2021. Operating expenses as a percentage of our total revenue increased to 15.0% in 2022 from 11.1% in 2021.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by 1.3% to RMB1,127.3 million (US\$163.4 million) in 2022 from RMB1,141.7 million in 2021. This decrease was primarily attributable to reduced employee headcount.

Research and Development Expenses. Research and development expenses decreased by 20.0% to RMB144.2 million (US\$20.9 million) in 2022 from RMB180.2 million in 2021. This decrease was primarily due to reduced employee headcount.

Other operating income, net. Other operating income increased to RMB108.8 million (US\$15.8 million) in 2022 from RMB58.3 million in 2021, primarily due to the increase of government subsidies.

Interest Income

Our interest income increased by 61.8% to RMB80.4 million (US\$11.7 million) in 2022 from RMB49.7 million in 2021, primarily due to the changes in average short-term investments balance during 2022 compared with 2021.

Interest Expense

Our interest expenses decreased by 37.6% to RMB89.1 million (US\$12.9 million) in 2022 from RMB142.8 million in 2021, primarily a result of decreased bank loan in 2022 compared with 2021, as well as the repurchase of US\$199,989 (equivalent to RMB1,379,364) aggregate principal amount of the 2024 Convertible Notes issued in September 2019.

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Foreign Exchange (Loss)/Gain

We recorded a foreign exchange loss of RMB132.7 million (US\$19.2 million) in 2022 as compared to exchange income of RMB44.6 million in 2021, which mainly reflected the fluctuation in exchange rates between Renminbi and U.S. dollars during the respective years.

Other Income, net

Other income, net decreased to RMB31.7 million (US\$4.6 million) in 2022 from RMB265.8 million in 2021, primarily due to the realized gain of selling our certain equity investments of RMB 241.6 million in 2021.

(Loss)/Gain on changes in the fair value of derivative assets/liabilities

We recorded a gain on changes in the fair value of derivative assets/liabilities of RMB71.6 million (US\$10.4 million) in 2022 as compared to loss of RMB14.9 million in 2021, which mainly reflected the fluctuation in exchange rates between Renminbi and U.S. dollars during the respective years.

Income Tax Expense

Income tax expense decreased to RMB0.5 million (US\$0.1 million) in 2022 from RMB3.2 million in 2021, 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 RMB1,464.8 million (US\$212.4 million) in 2022 from net loss from continuing operations of RMB1,263.9 million in 2021.

Net (Loss)/Income

Net Loss was RMB1,503.3 million (US\$218.0 million) in 2022, compared to net income of RMB209.6 million in 2021. The decrease was primarily due to the gain related to the sale of our China express business in 2021.

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, 2021, 2022 and 2023, and selected consolidated balance sheet information as of December 31, 2022 and 2023 showing financial information for parent company Best Inc., non-VIE subsidiaries, the VIEs and VIEs' 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 45.

- "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.

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- “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 that provided the UCargo business, before the business was wound down by the end of 2022, 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.

The following tables set forth the Selected Condensed Consolidated Statements of operations for our company, non-VIE subsidiaries, the VIEs and VIEs’ subsidiaries, and eliminations, for the years ended December 31, 2021, 2022 and 2023.

	For the year ended December 31, 2023				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs’ subsidiaries	Eliminations	Consolidated Total
Revenue from third parties					
Freight delivery	—	5,314,447	—	—	5,314,447
Supply chain management	—	1,824,984	—	—	1,824,984
Global	—	783,952	—	—	783,952
Others	—	101,296	5,011	—	106,307
	—	8,024,679	5,011	—	8,029,690
Revenue from related parties					
Freight delivery	—	89,948	—	—	89,948
Supply chain management	—	33,645	—	—	33,645
Global	—	162,561	—	—	162,561
Inter-company revenues (1)	—	34,546	585,780	(620,326)	—
Total revenue	—	8,345,379	590,791	(620,326)	8,315,844
Cost of revenue					
Freight delivery	—	(5,206,967)	—	—	(5,206,967)
Supply chain management	—	(1,700,467)	—	—	(1,700,467)
Global	—	(1,131,484)	—	—	(1,131,484)
Others	—	(22,923)	(3,566)	—	(26,489)
Inter-company cost (1)	—	(39,892)	(580,434)	620,326	—
Total cost of revenue	—	(8,101,733)	(584,000)	620,326	(8,065,407)
Operating expenses	(52,260)	(1,142,590)	(7,504)	—	(1,202,354)
(Loss)/income from non-operations	(34,906)	94,046	(14,688)	—	44,452
Loss from VIEs and VIEs’ subsidiaries (2)	(15,409)	—	—	15,409	—
Loss from subsidiaries (2)	(727,049)	—	—	727,049	—
Income tax expense	—	(1,133)	(8)	—	(1,141)
Net loss from continuing operations	(829,624)	(806,031)	(15,409)	742,458	(908,606)
Operating expenses	—	15,222	—	—	15,222
Income/(loss) from non-operations	—	15,222	—	—	15,222
Income from subsidiaries (2)	15,222	—	—	(15,222)	—
Net Income/(Loss) from discontinued operations	15,222	15,222	—	(15,222)	15,222
Net (Loss)/Income	(814,402)	(790,809)	(15,409)	727,236	(893,384)
Net loss from continuing operations attributable to non-controlling interests	—	(78,982)	—	—	(78,982)
Net (Loss)/Income attributable to BEST Inc.	(814,402)	(711,827)	(15,409)	727,236	(814,402)

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	For the year ended December 31, 2022				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
Revenue from third parties					
Freight delivery	—	4,812,190	30,931	—	4,843,121
Supply chain management	—	1,678,619	—	—	1,678,619
Global	—	708,745	—	—	708,745
Others	—	85,214	31,598	—	116,812
	—	7,284,768	62,529	—	7,347,297
Revenue from related parties					
Freight delivery	—	45,157	—	—	45,157
Supply chain management	—	143,456	—	—	143,456
Global	—	208,162	—	—	208,162
Inter-company revenues (1)	—	114,778	349,427	(464,205)	—
Total revenue	—	7,796,321	411,956	(464,205)	7,744,072
Cost of revenue					
Freight delivery	—	(5,090,673)	(24,264)	—	(5,114,937)
Supply chain management	—	(1,711,818)	—	—	(1,711,818)
Global	—	(1,081,587)	—	—	(1,081,587)
Others	—	(97,663)	(1,625)	—	(99,288)
Inter-company cost (1)	—	(73,550)	(390,655)	464,205	—
Total cost of revenue	—	(8,055,291)	(416,544)	464,205	(8,007,630)
Operating expenses	(40,747)	(1,108,866)	(13,014)	—	(1,162,627)
(Loss)/income from non-operations	(51,040)	16,252	(3,343)	—	(38,131)
Loss from VIEs and VIEs' subsidiaries (2)	(20,957)	—	—	20,957	—
Loss from subsidiaries (2)	(1,312,103)	—	—	1,312,103	—
Income tax expense	—	(499)	(12)	—	(511)
Net loss from continuing operations	(1,424,847)	(1,352,083)	(20,957)	1,333,060	(1,464,827)
Operating expenses	—	(31,617)	—	—	(31,617)
Income/(loss) from non-operations	—	(6,847)	—	—	(6,847)
Income from subsidiaries (2)	(38,464)	—	—	38,464	—
Net (Loss)/Income from discontinued operations	(38,464)	(38,464)	—	38,464	(38,464)
Net (Loss)/Income	(1,463,311)	(1,390,547)	(20,957)	1,371,524	(1,503,291)
Net loss from continuing operations attributable to non-controlling interests	—	(39,980)	—	—	(39,980)
Net (Loss)/Income attributable to BEST Inc.	(1,463,311)	(1,350,567)	(20,957)	1,371,524	(1,463,311)

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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	—	5,662,525	2,581,910	—	8,244,435
Supply chain management	—	1,476,743	—	—	1,476,743
Global	—	992,518	—	—	992,518
Others	—	92,413	80,029	—	172,442
	—	8,917,219	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)	—	153,399	534,689	(688,088)	—
Total revenue	—	9,184,234	3,196,628	(688,088)	11,425,836
Cost of revenue					
Freight delivery	—	(5,884,888)	(2,621,850)	—	(8,506,738)
Supply chain management	—	(1,741,832)	—	—	(1,741,832)
Global	—	(1,258,511)	—	—	(1,258,511)
Others	—	(92,531)	(25,612)	—	(118,143)
Inter-company cost (1)	—	(114,188)	(573,900)	688,088	—
Total cost of revenue	—	(9,091,950)	(3,221,362)	688,088	(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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The following tables set forth the Selected Condensed Consolidated cash flows for our company, non-VIE subsidiaries, the VIEs and VIEs' subsidiaries, and eliminations, for the years ended December 31, 2021, 2022 and 2023.

	For the year ended December 31, 2023				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
Net cash used in continuing operating activities	(95,847)	(572,058)	122,813	—	(545,092)
Net cash generated from/(used in) discontinued operating activities	—	—	—	—	—
Net cash generated from/(used in) continuing investing activities	618,412	(38,383)	(6,857)	55,803	628,975
Loans to VIEs and VIEs' subsidiaries (4)	—	(86,303)	—	86,303	—
Repayment of loans to VIEs and VIEs' subsidiaries (4)	—	30,500	—	(30,500)	—
Other investing activities	618,412	17,420	(6,857)	—	628,975
Net cash used in discontinued investing activities	—	—	—	—	—
Loans to VIEs and VIEs' subsidiaries (4)	—	—	—	—	—
Repayment of loans to VIEs and VIEs' subsidiaries (4)	—	—	—	—	—
Other investing activities	—	—	—	—	—
Net cash generated from/ (used in) continuing financing activities	(527,126)	291,320	(61,877)	(55,803)	(353,486)
Borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	86,303	(86,303)	—
Repayment of borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	(30,500)	30,500	—
Other financing activities	(527,126)	291,320	(117,680)	—	(353,486)
Net cash (used in)/generated from discontinued financing activities	—	—	—	—	—
Borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	—	—	—
Repayment of borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	—	—	—
Other financing activities	—	—	—	—	—

	For the year ended December 31, 2022				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
Net cash used in continuing operating activities	(119,115)	(1,106,415)	173,868	—	(1,051,662)
Net cash generated from/(used in) discontinued operating activities	—	(66,174)	—	—	(66,174)
Net cash generated from/(used in) continuing investing activities	1,492,777	(1,255,743)	156,660	(242,938)	150,756
Loans to VIEs and VIEs' subsidiaries (4)	—	(812,902)	—	812,902	—
Repayment of loans to VIEs and VIEs' subsidiaries (4)	—	1,055,840	—	(1,055,840)	—
Other investing activities	1,492,777	(1,498,681)	156,660	—	150,756
Net cash used in discontinued investing activities	—	—	—	—	—
Loans to VIEs and VIEs' subsidiaries (4)	—	—	—	—	—
Repayment of loans to VIEs and VIEs' subsidiaries (4)	—	—	—	—	—
Other investing activities	—	—	—	—	—
Net cash generated from/ (used in) continuing financing activities	(1,373,764)	(337,885)	(479,656)	242,938	(1,948,367)
Borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	812,902	(812,902)	—
Repayment of borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	(1,055,840)	1,055,840	—
Other financing activities	(1,373,764)	(337,885)	(236,718)	—	(1,948,367)
Net cash (used in)/generated from discontinued financing activities	—	—	—	—	—
Borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	—	—	—
Repayment of borrowings of VIEs and VIEs' subsidiaries from Group companies (4)	—	—	—	—	—
Other financing activities	—	—	—	—	—

	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)	460,661	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)

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The following tables set forth the balance sheets depicting the financial position for our company, non-VIE subsidiaries, the VIEs and VIEs' subsidiaries, and eliminations, as of December 31, 2022 and 2023.

	As at December 31, 2023				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	2,142	413,946	9,888	—	425,976
Restricted cash	—	1,008,318	—	—	1,008,318
Accounts and notes receivables, net	—	788,035	41,767	—	829,802
Inventories	—	7,776	18	—	7,794
Prepayments and other current assets	3,186	645,282	25,632	—	674,100
Short-term investments	—	35,888	—	—	35,888
Lease rental receivables	—	47,925	—	—	47,925
Amounts due from related parties	—	60,394	—	—	60,394
Amount due from Group companies (3)	—	404,371	302,018	(706,389)	—
Total current assets	5,328	3,411,935	379,323	(706,389)	3,090,197
Non-current assets:					
Restricted cash	—	810,911	1,460	—	812,371
Property and equipment, net	—	506,187	118,018	—	624,205
Intangible assets, net	—	93,173	—	—	93,173
Goodwill	—	54,135	—	—	54,135
Long-term investments	—	156,859	—	—	156,859
Non-current deposits	—	81,869	—	—	81,869
Operating lease right-of-use assets	—	1,293,526	—	—	1,293,526
Lease rental receivables	—	314	—	—	314
Amount due from Group companies (3)	—	321,759	—	(321,759)	—
Investment in subsidiaries and VIEs (2)	750,869	—	—	(750,869)	—
Other non-current assets	—	46,913	—	—	46,913
Total non-current assets	750,869	3,365,646	119,478	(1,072,628)	3,163,365
Total assets	756,197	6,777,581	498,801	(1,779,017)	6,253,562

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	As at December 31, 2023				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
LIABILITIES					
Current liabilities:					
Short-term bank loans	—	257,000	144,755	—	401,755
Long-term borrowings-current portion	—	721	—	—	721
Long-term bank loan-current	—	794,679	—	—	794,679
Accounts and notes payable	—	1,595,145	45,719	—	1,640,864
Accrued expenses and other liabilities	1,333	1,057,006	33,234	—	1,091,573
Customer advances and deposits and deferred revenue	—	288,150	34	—	288,184
Operating lease liabilities	—	523,790	—	—	523,790
Financing lease liabilities	—	418	—	—	418
Convertible senior notes held by a related party-current	106,240	—	—	—	106,240
Convertible senior notes held by third parties-current	78	—	—	—	78
Amounts due to related parties	—	1,119	—	—	1,119
Amount due to Group companies (3)	—	302,018	404,371	(706,389)	—
Income tax payable	—	2,757	20	—	2,777
Liabilities held for sale	—	—	—	—	—
Total current liabilities	107,651	4,822,803	628,133	(706,389)	4,852,198
Non-current liabilities:					
Convertible senior notes held by a related party	424,962	—	—	—	424,962
Operating lease liabilities	—	862,514	—	—	862,514
Financing lease liabilities	—	861	370	—	1,231
Amount due to Group companies (3)	321,736	—	23	(321,759)	—
Long-term bank loan	—	159,729	—	—	159,729
Long-term borrowings	—	—	—	—	—
Other non-current liabilities	—	5,491	17,346	—	22,837
Total non-current liabilities	746,698	1,028,595	17,739	(321,759)	1,471,273
Total liabilities	854,349	5,851,398	645,872	(1,028,148)	6,323,471
Total mezzanine equity	—	191,865	—	—	191,865
BEST Inc. shareholders' equity	(98,152)	897,940	(147,071)	(750,869)	(98,152)
Non-controlling interests	—	(163,622)	—	—	(163,622)
Total shareholders' equity (2)	(98,152)	734,318	(147,071)	(750,869)	(261,774)
Total liabilities, mezzanine equity and shareholders' equity	756,197	6,777,581	498,801	(1,779,017)	6,253,562

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	As at December 31, 2022				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	6,703	515,174	11,604	—	533,481
Restricted cash	—	399,337	—	—	399,337
Accounts and notes receivables, net	—	649,967	41,357	—	691,324
Inventories	—	16,436	44	—	16,480
Prepayments and other current assets	3,420	723,449	50,973	—	777,842
Short-term investments	—	725,043	—	—	725,043
Lease rental receivables	—	43,067	—	—	43,067
Amounts due from related parties	—	76,368	—	—	76,368
Amount due from Group companies (3)	—	447,845	268,909	(716,754)	—
Total current assets	10,123	3,596,686	372,887	(716,754)	3,262,942
Non-current assets:					
Restricted cash	—	1,544,131	1,474	—	1,545,605
Property and equipment, net	—	656,060	128,672	—	784,732
Intangible assets, net	—	75,553	—	—	75,553
Goodwill	—	54,135	—	—	54,135
Long-term investments	—	156,859	—	—	156,859
Non-current deposits	—	50,767	—	—	50,767
Operating lease right-of-use assets	—	1,743,798	—	—	1,743,798
Lease rental receivables	—	40,188	—	—	40,188
Amount due from Group companies (3)	—	408,118	—	(408,118)	—
Investment in subsidiaries and VIEs (2)	2,135,384	—	—	(2,135,384)	—
Other non-current assets	719	74,947	—	—	75,666
Total non-current assets	2,136,103	4,804,556	130,146	(2,543,502)	4,527,303
Total assets	2,146,226	8,401,242	503,033	(3,260,256)	7,790,245

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	As at December 31, 2022				
	Parent (Primary Beneficiary of VIEs)	Other subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
LIABILITIES					
Current liabilities:					
Short-term bank loans	—	73,128	110,142	—	183,270
Long-term borrowings-current portion	—	79,148	—	—	79,148
Accounts and notes payable	—	1,407,625	22,379	—	1,430,004
Accrued expenses and other liabilities	—	1,124,913	20,741	—	1,145,654
Customer advances and deposits and deferred revenue	—	277,737	—	—	277,737
Operating lease liabilities	—	543,886	376	—	544,262
Financing lease liabilities	—	1,490	10,383	—	11,873
Convertible senior notes held by a related party-current	522,744	—	—	—	522,744
Convertible senior notes held by third parties-current	77	—	—	—	77
Amounts due to related parties	—	1,315	—	—	1,315
Amount due to Group companies (3)	—	268,909	447,845	(716,754)	—
Income tax payable	—	1,563	—	—	1,563
Liabilities held for sale	—	—	—	—	—
Total current liabilities	522,821	3,779,714	611,866	(716,754)	4,197,647
Non-current liabilities:					
Convertible senior notes held by a related party	522,744	—	—	—	522,744
Operating lease liabilities	—	1,292,057	—	—	1,292,057
Financing lease liabilities	—	1,322	24,702	—	26,024
Amount due to Group companies (3)	403,652	—	4,466	(408,118)	—
Long-term bank loan	—	928,894	—	—	928,894
Long-term borrowings	—	381	—	—	381
Other non-current liabilities	—	18,314	438	—	18,752
Total non-current liabilities	926,396	2,240,968	29,606	(408,118)	2,788,852
Total liabilities	1,449,217	6,020,682	641,472	(1,124,872)	6,986,499
Total mezzanine equity	—	191,865	—	—	191,865
BEST Inc. shareholders' equity	697,009	2,273,823	(138,439)	(2,135,384)	697,009
Non-controlling interests	—	(85,128)	—	—	(85,128)
Total shareholders' equity (2)	697,009	2,188,695	(138,439)	(2,135,384)	611,881
Total liabilities, mezzanine equity and shareholders' equity	2,146,226	8,401,242	503,033	(3,260,256)	7,790,245

- (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, 2021, 2022 and 2023, subsidiaries of our company provided cash support to the VIEs in the amounts of RMB6,000.8 million, RMB812.9 million and RMB86.3 million, respectively, through our inter-company cash pool. During the same periods, the VIEs made repayments to certain subsidiaries in the amounts of RMB3,692.2 million, RMB1,055.8 million and RMB30.5 million (US\$4.3 million), respectively, through the inter-company cash pool.

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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, 2023, we had cash and cash equivalents of RMB426.0 million (US\$60.0 million) and restricted cash (current portion) of RMB1,008.3 million (US\$142.0 million). As of December 31, 2023, we had short-term bank loans of RMB401.8 million (US\$56.6 million), all of which were cash-collateralized. The weighted average interest rate for the outstanding short-term bank loans as of December 31, 2023 was 1.64%. We also had borrowing from third party financing lease companies of RMB1.6 million (US\$0.2 million), long-term borrowings of RMB795.4 million (US\$112.0 million) as well as convertible senior notes of RMB531.3 million (US\$74.8 million), among which RMB106.3 million (US\$15.0 million) are due within the next 12 months as of December 31, 2023, and the remaining portion, or RMB425.0 million (US\$60.0 million) are due in 2025.

The continuous negative impact of intense market competition had an adverse impact on our business operations and liquidity. We have incurred net losses from continuing operations of RMB908.6 million (US\$128.0 million) and generated negative cash flow from continuing operating activities of RMB545.1 million (US\$76.8 million) during the year ended December 31, 2023. As of December 31, 2023, we have a total cash position of RMB1,470.2 million (US\$207.1 million) which included cash and cash equivalents, current restricted cash and short-term investments, a working capital deficiency of RMB1,762.0 million (US\$248.2 million) and an accumulated deficit of RMB19,749.3 million (US\$2,781.6 million) which included accumulated losses from operations of RMB10,255.5 million (US\$1,444.5 million) and accumulated accretion to redemption value and deemed dividend in relation to redeemable convertible preferred shares issued and outstanding prior to our initial public offering of RMB9,493.8 million (US\$1,337.1 million). These adverse conditions indicate that there is substantial doubt about our ability to continue as a going concern.

Our management has implemented cost saving plans to reduce discretionary operational expenses and secure additional financing including, but not limited to, obtaining additional credit facilities from banks in the normal course of business, and re-financing certain existing notes payables. In the first quarter of 2024, we have successfully obtained new financing of RMB220,000 (US\$30,986) short-term bank loans on credit maturing in one year, which allows us to enhance liquidity.

Although 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, the substantial doubt of the Company's ability to continue as a going concern cannot be fully alleviated. The Company plans to raise additional capital to fund our operations and capital expenditures for the next twelve months from the date of issuance of these consolidated financial statement and beyond.

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.

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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 25 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 9 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 12 of the Notes to the Financial Statements); (5) repayment of long-term borrowings, including asset backed plans(see Note 14 of the Notes to the Financial Statements); (6) repayment of convertible senior notes, including 2025 Convertible Notes and 2024 Convertible Notes (see Note 15 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, 2023:

	Payment due by period		
	Total	Less than 1 year	
		More than 1 year	
	In thousands of RMB		
Short-term bank loans	401,755	401,755	—
Long-term bank loan	954,408	794,679	159,729
Convertible senior notes	531,280	106,318	424,962
Capital expenditure commitments	36,347	36,347	—
Operating lease obligations	1,689,408	604,939	1,084,469
Long-term borrowings	721	721	—
Borrowings from third party financing lease companies	1,752	862	890
Total	3,615,671	1,945,621	1,670,050

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, 2022 and 2023, the VIEs held cash and cash equivalents of RMB11.6 million and RMB9.9 million (US\$1.4 million), respectively.

For the years ended December 31, 2021, 2022 and 2023, subsidiaries of our company provided cash support to the VIEs in the amounts of RMB6,000.8 million, RMB812.9 million and RMB86.3 million, respectively, through our inter-company cash pool. During the same periods, the VIEs made repayments to certain subsidiaries in the amounts of RMB3,692.2 million, RMB1,055.8 million and RMB30.5 million (US\$4.3 million), 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.

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No dividend or distribution was made through the VIEs to our company during the years ended December 31, 2021, 2022 and 2023.

During the years ended December 31, 2021, 2022 and 2023, 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.

We have established stringent cash management policies and procedures for cash flows within our organization. Each transfer of funds among our Cayman Islands holding company, our subsidiaries and the VIE is subject to internal approval. In general, transfer of funds is required to be effected through online banking system. Cash is transferred through our organization primarily in the manner as follows: (i) BEST may transfer funds to the WFOE, BEST Logistics Technology (China) Co., Ltd., through its Hong Kong subsidiary, BEST Logistics Technologies Limited (Hong Kong), by additional capital contributions or shareholder loans, as the case may be, (ii) the WFOE may provide loans to the VIE, subject to statutory limits and restrictions, (iii) the VIE may repay loans to the WFOE at a fixed annual rate, and (iv) the WFOE may make dividends or other distributions to BEST through BEST Logistics Technologies Limited (Hong Kong). Our management is directly supervising cash management. The VIE initiates a cash request by putting forward a cash demand plan, which explains the specific amount and timing of cash requested, and submitting it to the finance department. The cashier specialists of our financial department examine the needs of cash and submit it to the director of financial department or the CEO of the Company for final approval. To ensure the liquidity, there is no limit on the amount of cash that can be transferred through our organization. However, the annual cash flow plan between the VIE and the WFOE will be determined based on our annual business objectives approved by the board of directors and approved by the CEO. In addition, we monitor our cash balance on a daily basis and conduct periodic review on our cash holdings.

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,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash generated used in operating activities for continuing operations	(891,135)	(1,051,662)	(545,092)	(76,777)
Net cash used in operating activities for discontinued operations	(1,912,826)	(66,174)	—	—
Net cash used in operating activities	(2,803,961)	(1,117,836)	(545,092)	(76,777)
Net cash generated from investing activities for continuing operations	4,990,734	150,756	628,975	88,589
Net cash used in investing activities for discontinued operations	(448,016)	—	—	—
Net cash generated from investing activities	4,542,718	150,756	628,975	88,589
Net cash generated used in financing activities for continuing operations	(237,922)	(1,948,367)	(353,486)	(49,787)
Net cash used in financing activities for discontinued operations	(337,838)	—	—	—
Net cash used in financing activities	(575,760)	(1,948,367)	(353,486)	(49,787)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(55,970)	77,722	37,845	5,332
Net increase/(decrease) in cash, cash equivalents and restricted cash	1,107,027	(2,837,725)	(231,758)	(32,643)
Cash, cash equivalents and restricted cash at the beginning of the year	4,209,121	5,316,148	2,478,423	349,079
Cash, cash equivalents and restricted cash at the end of the year	5,316,148	2,478,423	2,246,665	316,436

Operating Activities

Net cash used in operating activities for continuing operations was RMB545.1 million (US\$76.8 million) in 2023, compared to RMB1,051.7 million used in operating activities for continuing operations in 2022. This decrease was primarily due to the decrease of RMB556.2 million (US\$78.3 million) in net loss from continuing operations.

Net cash used in operating activities for continuing operations was RMB1,051.7 million in 2022, compared to RMB891.1 million generated from operating activities for continuing operations in 2021. This increase was primarily due to the increase of RMB201.0 million in net loss from continuing operations, which was mainly attributable to the competitive market dynamics and pricing lag.

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Investing Activities

Net cash generated from investing activities for continuing operations was RMB629.0 million (US\$88.6 million) in 2023, which was primarily due to (i) payments for purchase of property and equipment of RMB129.5 million (US\$18.2 million), which property and equipment were used in the expansion and optimization of our freight service and global logistics services in Southeast Asia; (ii) receipt of repayment on lease rental and other financing receivables—principal portion in an aggregate amount of RMB36.5 million (US\$5.1 million); (iii) a net change in short-term investments of RMB738.7 million (US\$104.0 million), which were proceeds from maturities of short-term investments of RMB1,782.5 million (US\$251.1 million) offset by purchase of short-term investments of RMB1,043.8 million (US\$147.0 million).

Net cash generated from investing activities for continuing operations was 150.8 million in 2022, which was primarily due to (i) payments for purchase of property and equipment of RMB143.3 million, which property and equipment were used in the expansion and optimization of our freight service and global logistics services in Southeast Asia; (ii) receipt of repayment on lease rental and other financing receivables—principal portion in an aggregate amount of RMB557.5 million; (iii) a net change in short-term investments of RMB428.8 million, which were proceeds from maturities of short-term investments of RMB1,804.3 million offset by purchase of short-term investments of RMB2,233.1 million, and (iv) origination of factoring receivables of RMB230.5 million, mainly for factoring service provided to certain third-party suppliers who transfer their rights to future cash receipts from accounts receivable with recourse, partially offset by receipt of repayment on factoring receivables—principal portion in an aggregate amount of RMB391.0 million.

Financing Activities

Net cash used in financing activities for continuing operations was RMB353.5 million (US\$49.8 million) in 2023, which was mainly due to (i) repayment of 2025 Convertible Notes of RMB503.3 million (US\$70.9 million); (ii) proceeds from short-term bank loans of RMB415.7 million (US\$58.5 million), partially offset by repayment of short-term bank loans of RMB200.2 million (US\$28.2 million), and (iii) repayment of long-term borrowings of RMB27.0 million (US\$3.8 million).

Net cash used in financing activities for continuing operations was RMB1,948.4 million in 2022, which was mainly due to (i) repayment of 2024 Convertible Notes of RMB1,363.9 million; (ii) proceeds from short-term and long-term bank loans of RMB248.8 million, partially offset by repayment of short-term and long-term bank loans of RMB531.4 million, and (iii) repayment of long-term borrowings of RMB301.8 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 7.0922 ADSs per US\$1,000 principal amount of notes (equivalent to an initial conversion price of approximately US\$141.00 per ADS), which rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In 2022, we repurchased approximately US\$200 million aggregate principal amount of our 1.75% convertible senior notes due 2024, and the repurchased notes were canceled accordingly. Of these repurchases, (i) approximately US\$95 million principal amount of notes were repurchased in multiple transactions pursuant to definitive agreements that were privately negotiated and entered into by us and certain holders of the notes, and (ii) approximately US\$105 million principal amount of notes were repurchased pursuant the holders' right to require us to repurchase all of their notes or any portion thereof that is an integral multiple of US\$1,000 principal amount for cash on September 30, 2022 pursuant to the relevant indenture dated as of September 17, 2019. Notes in the principal amount of approximately US\$0.011 million remain outstanding after such repurchases.

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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\$121.40 per ADS, which rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In April 2023, we and Alibaba.com Hong Kong Limited agreed that Alibaba.com Hong Kong Limited would require us to repurchase one half of the 2025 Convertible Notes in 2023. In 2023, we repurchased US\$75 million aggregate principal amount of the 2025 Convertible Notes, and the repurchased notes were canceled accordingly. In December 2023, all of the 2025 Convertible Notes were transferred by Alibaba HK to Alibaba China. On April 22, 2024, we and Alibaba China entered into an agreement to amend the Early Redemption Rights of the 2025 Convertible Notes, pursuant to which Alibaba China will require us to repurchase US\$15 million (RMB106.2 million) aggregate principal amount of 2025 Convertible Notes with accrued interest before August 30, 2024 and to repurchase the remaining portion, or US\$60 million (RMB425.0 million) aggregate principal amount with accrued interest on May 10, 2025. 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. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—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.”

Segment Financial Information

The table below provides a summary of our operating segment results for the years ended December 31, 2021, 2022 and 2023, 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,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Revenue:				
Freight	8,353,703	4,890,823	5,412,204	762,293
Supply Chain Management	1,820,239	1,852,153	1,857,429	261,613
Global	1,194,146	963,505	949,738	133,768
Others	172,447	116,859	106,393	14,985
Inter-segment eliminations	(114,699)	(79,268)	(9,920)	(1,397)
Consolidated revenue	11,425,836	7,744,072	8,315,844	1,171,262
Gross (loss)/profit:				
Freight	(262,303)	(226,659)	197,429	27,807
Supply Chain Management	73,272	110,257	158,162	22,276
Global	(64,656)	(164,680)	(184,970)	(26,052)
Others	54,299	17,524	79,816	11,242
Consolidated gross (loss)/profit	(199,388)	(263,558)	250,437	35,273

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.

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Since January 1, 2022, due to the winding down of UCargo, the Company reported UCargo services together with Freight delivery services, and prior year’s comparative figures related to UCargo services revenue of RMB2,519,919 and RMB2,809,081 under “Revenue - Others” for the years ended December 31, 2020 and 2021, respectively, have been reclassified to “Revenue - Freight delivery” to conform to the current year’s presentation. We continue to report our 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.

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 Global segment provided to our Supply Chain Management segment, all of which were eliminated as intergroup transactions as a result of consolidation.

The table below provides a summary of the principal markets in which we compete, including a breakdown of total revenues by category of activity and geographic market for the years ended December 31, 2021, 2022 and 2023, which have been derived from the notes to our consolidated financial statements included elsewhere in this annual report.

	For the years ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
PRC	10,231,981	6,827,165	7,369,331	1,037,948
Non-PRC	1,193,855	916,907	946,513	133,314
	<u>11,425,836</u>	<u>7,744,072</u>	<u>8,315,844</u>	<u>1,171,262</u>

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue by Segment

Segment revenue of our Freight segment, Supply Chain Management segment increased from 2022 to 2023 primarily due to an increase in segment revenue from external customers. Segment revenue of our Global segment and Other segments decreased from 2022 to 2023 primarily due to a decrease 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, 2023 Compared to Year Ended December 31, 2022.”

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue by Segment

Segment revenue of our Supply Chain Management segment increased from 2021 to 2022 primarily due to an increase in segment revenue from external customers. Segment revenue of our Freight segment, Global segment and Other segments decreased from 2021 to 2022 primarily due to a decrease 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, 2022 Compared to Year Ended December 31, 2021.”

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, 2021, 2022 and 2023, our PRC subsidiaries had appropriated an aggregate of RMB167, nil and nil, respectively, in their statutory reserves.

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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 2022. 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.

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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. 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 10% increase in operating expense, or 10% 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, 2022 and 2023. A sensitivity analysis of the WACC was performed as of December 31, 2022 and 2023. 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 Impairment of long-lived assets" in the consolidated statements of comprehensive income (loss).

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The calculation of 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, and WACC, which captures the perceived risks and uncertainties associated with the Company. 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 asset groups. For each asset group 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. We completed our impairment analysis and determined that the carrying value of the Global asset group exceeded its fair value as of December 31, 2023, the date of our evaluation. As a result, we have recognized an impairment loss of RMB94.7 million for the year ended December 31, 2023, to write down the property and equipment of the asset group to its fair market value, the charge for which we have included in "Impairment of long-lived assets" within our consolidated statements of operations as part of our Global segment.

Accounts receivable and notes receivable, and allowance for credit losses

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.

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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.

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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. 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 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.

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 240 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.

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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 primarily 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

Other services are mainly represent SaaS software service and Capital service the Company provided to customers.

SaaS software service

We services as a proprietary technology platform to provide solution services to the ecosystem participants. We are the principal to the transaction for these services and revenue from these transactions is recognized on a gross basis. Revenue is recognized ratably over the contract period and is initially recorded as “Customer advances and deposits and deferred revenue”.

Capital service

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.

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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

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.

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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.

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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.

Going Concern

The intense market competition continues to have an adverse impact on the Company's business operations and liquidity. We have incurred net losses from continuing operations of RMB908.6 million (US\$128.0 million) and generated negative cash flows from continuing operating activities of RMB545.1 million (US\$76.8 million) during the year ended December 31, 2023, and had an accumulated deficit of RMB19,749.3 million (US\$2,781.6 million) and a working capital deficiency of RMB1,762.0 million (US\$248.2 million) as of December 31, 2023. As of December 31, 2023, the balance of our total cash and cash equivalents, current restricted cash and short-term investments was RMB1,470.2 million (US\$207.1 million).

These adverse conditions indicate that there is substantial doubt about our ability to continue as a going concern. Our management has implemented cost saving plans to reduce discretionary operational expenses and secure additional financing including, but not limited to, obtaining additional credit facilities from banks in the normal course of business, and re-financing certain existing notes payables. In the first quarter of 2024, we have successfully obtained new financing of RMB220,000 (US\$30,986) short-term bank loans on credit maturing in one year, which allows us to enhance liquidity. Although we have achieved encouraging initial results from our plans to reduce our costs and expenditures in the first quarter of 2024 for certain business segments, if we are unsuccessful in our efforts or are unable to raise additional financing in the near term, we may be required to significantly reduce or scale back our operations. There are uncertainties as to whether, and there can be no assurance that the aforesaid plans can be successfully executed. The accompanying consolidated financial statements have been prepared assuming we will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classifications of liabilities that may be necessary should we be unable to continue as a going concern.

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.

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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	62	Director, chairman and chief executive officer
Chen Shen	41	Director
Xiao Hu	44	Director
George Chow	56	Director, chief strategy and investment officer
Wenbiao Li	57	Director
Ying Wu	64	Director
Klaus Anker Petersen	51	Director
Gloria Fan	59	Chief financial officer
Mangli Zhang	67	Senior vice president, general manager of supply chain management service line
Xiaoqing Wang	43	Vice president, general manager of global service line
Tao Liu	47	Senior vice president, general manager of freight service line
Yanbing Zhang	48	Senior vice president of engineering, general manager of cloud service line
Jimei Liu	52	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.

Ms. Chen Shen has been a director of our company since May 2023. Ms. Shen is a director of Strategic Investments at Alibaba Group Holding Limited. She joined Alibaba in 2018. Previously she served as senior investment officer in International Finance Corporation at World Bank Group from 2017 to 2018. She was associate from 2010 to 2012 and then vice president of CDH from 2013 to 2016. She also served as an investment analyst and then associate at China International Capital Corporation Limited from 2004 to 2008. Ms. Shen holds an MBA degree from Columbia University and a bachelor's degree from Fudan University.

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. 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.

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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.

Mr. Ying Wu has served as our independent director since May 2022. Mr. Wu currently serves as a global board member of The Nature Conservancy (TNC), and a board member of TNC China. Ying also serves as a founding board member of the Future Forum in China. He has been the president of China Capital Management Limited since October 2008. Mr. Wu is currently the chairman of ZJBC Information Technology Co., Ltd. (SZSE: 000889), an independent non-executive director of JD Health International Inc. (HKSE: 6618), an independent non-executive director of Zall Smart Commerce Group Ltd. (HKSE: 2098), and chairman of the board of supervisors of Huayi Brothers Media Corporation Ltd. (SZSE: 300027). Mr. Wu was an independent non-executive director of Zhong An Online P&C Insurance Co., Ltd. (HKSE: 6060), a director of HyUnion Holdings Co., Ltd. (SZSE: 002537), an independent director of TCL Corporation Ltd. (SZSE: 000100), a director of Joyoung Co., Ltd. (SZSE: 002242), and an independent director of Guangzhou TechLong Packaging Machinery Co., Ltd. (SZSE: 002209). Mr. Wu was also the co-founder of UTStarcom (NASDAQ: UTSI), a global telecommunication infrastructure business and served as Chairman and CEO of UTStarcom China for twelve years. He obtained a bachelor's degree in electronic engineering from Beijing Institute of Technology, a master's degree in science and a doctor's degree (honoris causa) from New Jersey Institute of Technology.

Mr. Klaus Anker Petersen has served as our independent director since May 2022. Mr. Petersen is currently the chairman and owner of Lane House Limited, a multi-brand specialty retailer that supports Western and Chinese companies develop retail presence in China. He is also the CEO and co-founder of Green Planet Foods, an innovator of plant-based food and beverage products, as well as a co-founder and investor in Brandhouse Group, a cross-border e-commerce parcel delivery business that focuses on Scandinavian markets. From 2014 to 2015, Mr. Petersen was a managing director of Sunshine Insurance Group, an insurance, healthcare and asset management services provider. From 2004 to 2014 he held various roles as associate, vice president and executive director at Morgan Stanley in London and Beijing. From 1998 to 2003, he worked as an associate and engagement manager with McKinsey & Company. Mr. Petersen earned a master's degree in science in engineering and applied mathematics from the Technical University of Denmark, and an MBA from INSEAD in 2003.

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.

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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. 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, 2023, we paid an aggregate of approximately US\$5.38 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.

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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 29, 2024, we had outstanding options with respect to 2,489,430 ordinary shares that have been granted to our directors, officers, employees and consultants, or the option holders, under the 2008 equity and performance incentive plan.

The table below summarizes, as of February 29, 2024, 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
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
Ying Wu	*	0.75	September 30, 2017	September 30, 2032

* Less than 1% of our total ordinary shares outstanding on an as-converted basis.

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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 29, 2024, we had outstanding restricted share units with respect to 4,396,940 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 29, 2024, 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, 2024	Various dates from June 1, 2028 to January 1, 2034
George Chow	*	Various dates from March 1, 2018 to March 1, 2023	Various dates from March 1, 2028 to March 1, 2033
Wenbiao Li	*	Various dates from February 1, 2018 to February 1, 2024	Various dates from February 1, 2028 to February 1, 2034
Ying Wu	*	Various dates from July 31, 2022 to February 1, 2024	Various dates from July 31, 2032 to February 1, 2034
Klaus Anker Petersen	*	Various dates from July 31, 2022 to February 1, 2024	Various dates from July 31, 2032 to February 1, 2034
Gloria Fan	*	Various dates from November 30, 2019 to March 1, 2023	Various dates from November 30, 2029 to March 1, 2033
Mangli Zhang	*	Various dates from March 1, 2018 to March 1, 2023	Various dates from March 1, 2028 to March 1, 2033
Xiaoqing Wang	*	Various dates from March 1, 2018 to March 1, 2023	Various dates from March 1, 2028 to March 1, 2033
Tao Liu	*	Various dates from March 1, 2018 to March 1, 2023	Various dates from March 1, 2028 to March 1, 2033
Yanbing Zhang	*	Various dates from March 1, 2018 to March 1, 2023	Various dates from March 1, 2028 to March 1, 2033
Peng Chen	*	Various dates from March 1, 2018 to March 1, 2022	Various dates from March 1, 2028 to March 1, 2032
Jimei Liu	*	Various dates from March 1, 2018 to March 1, 2023	Various dates from March 1, 2028 to March 1, 2033

* 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.

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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 29, 2024, 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.

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BEST CloudSoft Plan

To better incentivize contribution to the growth our SaaS software service business, in March 2022, BEST CloudSoft Inc., our wholly-owned Cayman Islands subsidiary that holds our SaaS software service business, adopted the 2022 Equity Incentive Plan, or the BEST CloudSoft Plan, pursuant to which BEST CloudSoft Inc. may issue a certain maximum number of ordinary shares pursuant to awards granted thereunder. The BEST CloudSoft Plan is administered by the board of directors of BEST Inc. or the compensation committee or a member of the board of directors designated by the board of directors of BEST 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 CloudSoft Plan, BEST CloudSoft Inc. may grant options, restricted shares, restricted share units, dividend equivalents, share appreciation rights and share payments to eligible participants, including employees, consultants and directors of BEST CloudSoft Inc. and its subsidiaries, parents and “related entities” as defined in the BEST CloudSoft Plan. The term of the awards granted under the BEST CloudSoft Plan may not exceed ten years from the date of grant, unless extended by the board of directors of BEST Inc. As of February 29, 2024, we had issued options to purchase ordinary shares of BEST CloudSoft Inc. to certain employees, including certain of our directors and executive officers, under the BEST CloudSoft 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 seven directors, including (i) Mr. Shao-Ning Johnny Chou and Mr. George Chow, or the Founder Directors, who were nominated by our founder, Mr. Shao-Ning Johnny Chou; (ii) Ms. Chen Shen and Ms. Xiao Hu, or collectively, the Alibaba Directors, who were nominated by Alibaba (including Cainiao Network); and (iii) Mr. Wenbiao Li, Mr. Ying Wu and Mr. Klaus Anker Petersen, 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. Ying Wu, Mr. Klaus Anker Petersen and Mr. Wenbiao Li. Mr. Ying Wu is the chairman of our audit committee. Mr. Ying Wu satisfies the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. Each of Mr. Ying Wu, Mr. Klaus Anker Petersen 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;

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- 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. Ying Wu, Ms. Xiao Hu and Mr. George Chow. Mr. Ying Wu is the chairman of our compensation committee. Mr. Ying Wu 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, Ms. Xiao Hu 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

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- 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.”

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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 29, 2024 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) 252,010,824 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 29, 2024. The aforesaid 256,610,739 Class A ordinary shares excludes the 5,037,713 Class A ordinary shares issued to our depository bank as of February 29, 2024 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	4,309,300	1.6	—	—	47,790,698	100.0	46.3
Chen Shen	—	—	—	—	—	—	—
Xiao Hu	—	—	—	—	—	—	—
George Chow	6,875,407	2.6	—	—	—	—	**
Wenbiao Li	*	*	—	—	—	—	**
Ying Wu	*	*	—	—	—	—	**
Klaus Anker Petersen	*	*	—	—	—	—	**
Gloria Fan	*	*	—	—	—	—	**
Mangli Zhang	*	*	—	—	—	—	**
Xiaoqing Wang	*	*	—	—	—	—	**
Tao Liu	*	*	—	—	—	—	**
Yanbing Zhang	*	*	—	—	—	—	**
Jimei Liu	*	*	—	—	—	—	**
Chen Peng	*	*	—	—	—	—	**
Directors and Executive officers as a Group	14,162,557	5.4	—	—	47,790,698	100.0	46.6
Alibaba Group Holding Limited ⁽¹⁾	22,357,979	8.2	94,075,249	100.0	—	—	46.0
Shao-Ning Johnny Chou	4,309,300	1.6	—	—	47,790,698	100.0	46.3
BJ Russell Holdings Limited ⁽²⁾	33,548,304	12.8	—	—	—	—	1.1
The Goldman Sachs Group, Inc. ⁽³⁾	12,443,429	4.8	—	—	—	—	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.

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****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) 75,831,692 Class B ordinary shares held by Alibaba Investment Limited, (iii) 18,243,557 Class B ordinary shares held by Cainiao Smart Logistics Investment Limited, and (iv) 24,000,000 Class A ordinary shares 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 the Schedule 13G filed by BJ Russell Holdings Limited and other reporting persons on July 26, 2023 and consists of 33,548,304 Class A ordinary shares held beneficially by BJ Russell Holdings Limited ("BJ Russell"). Hung Chris Hui owns 100% of the share capital of BJ Russell and may be deemed to own beneficially all of the shares held by BJ Russell. Yahong Liang is the sole director of BJ Russell and may also be deemed to beneficially own all of the shares held BJ Russell, but hereby disclaims beneficial ownership of any of such shares. BJ Russell is a limited liability company established in the British Virgin Islands. The address of the principal business office of each of BJ Russell, Hung Chris Hui and Yahong Liang is Mandar House, 3rd Floor, Johnson's Ghut, Tortola, British Virgin Islands.
- (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.

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To our knowledge, as of February 29, 2024, 198,238,035 Class A ordinary shares or 75.8% of our outstanding Class A ordinary shares were held by six record holders in the United States, including our ADS depository bank, which held 192,326,640 Class A ordinary shares or 73.5% of our outstanding Class A ordinary shares (excluding 5,037,713 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 29, 2024, 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.

F. Disclosure of a registrant's action to recover erroneously awarded compensation

None.

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 7.0922 ADSs per US\$1,000 principal amount of notes (equivalent to an initial conversion price of approximately US\$141.00 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\$121.40 per ADS, which rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest.

In April 2023, we and Alibaba.com Hong Kong Limited agreed that Alibaba.com Hong Kong Limited would not require us to repurchase all of their notes in 2023, and would instead require us to repurchase one half of their notes, or US\$75 million aggregate principal amount. In December 2023, all of the 2025 Convertible Notes were transferred by Alibaba HK to Alibaba China. On April 22, 2024, we and Alibaba China entered into an agreement to amend the Early Redemption Rights of the 2025 Convertible Notes, pursuant to which Alibaba China will require us to repurchase US\$15 million (RMB106.2 million) aggregate principal amount of 2025 Convertible Notes with accrued interest before August 30, 2024 and to repurchase the remaining portion, or US\$60 million (RMB425.0 million) aggregate principal amount with accrued interest on May 10, 2025. 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. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—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."

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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 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 RMB418.8 million, RMB237.0 and RMB161.0 million (US\$22.7 million) for the years ended December 31, 2021, 2022 and 2023, respectively. As of December 31, 2022 and 2023, we had balances of RMB45.4 million and RMB34.4 million (US\$4.8 million), respectively, due from Cainiao Network, which represent service fees payable to us.

We provided supply chain management services to Zhejiang Xinyi Supply Chain Management Co. Ltd, and the related service fees amounted to nil, 11.1 million and RMB19.4 million, (US\$2.7 million) for the years ended December 31, 2021, 2022 and 2023, respectively. We sold assets to Zhejiang Xinyi Supply Chain Management Co. Ltd, and the related proceeds amounted to nil, 16.0 million and RMB12.7 million, (US\$1.8 million) for the years ended December 31, 2021, 2022 and 2023, respectively. As of December 31, 2022 and 2023, we had balances of 5.7 million and RMB5.1 million (US\$0.7 million), respectively, due from Zhejiang Xinyi Supply Chain Management Co. Ltd, which represent service fees payable to us

Cainiao Network leased warehouses to us resulting in rental expense of nil for the years ended December 31, 2021, 2022 and 2023, respectively. As of December 31, 2022 and 2023, we had a balance of RMB0.2 million 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 RMB13.6 million, RMB9.0 million and RMB6.8 million (US\$1.0 million) for the years ended December 31, 2021, 2022 and 2023, respectively. Ali Cloud also paid on our behalf certain operating costs of nil, nil and nil for the years ended December 31, 2021, 2022 and 2023, respectively. As of December 31, 2022 and 2023, we had a balance of RMB0.4 million and RMB0.5 million (US\$0.08 million), respectively, due from Ali Cloud, which represents service fees prepaid to Ali Cloud; and we had a balance of RMB0.4 million and RMB1.0 million (US\$0.1 million), respectively, due to Ali Cloud, which represents service fees payable by us.

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We provided express delivery service to Lazada Express Limited, or Lazada, an affiliate of Alibaba, and the related service fees amounted to RMB120.9 million, RMB148.6 million and RMB105.8 million (US\$14.9 million) for the years ended December 31, 2021, 2022 and 2023, respectively. Lazada introduced customers to us and we incurred commission fees of nil, RMB2.5 million and nil to Lazada for the years ended December 31, 2021, 2022 and 2023, respectively. As of December 31, 2022 and 2023, we had a balance of RMB24.9 million and RMB20.4 million (US\$2.9 million), respectively, due from Lazada, which represents service fees payable to us; and we had a balance of RMB0.5 million and nil, respectively, due to Lazada, which represents service fees payable by 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 depository, as the registered holder of such Class A ordinary shares, and the depository 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.

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ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ADSs have been listed on the New York Stock Exchange since September 20, 2017. Our ticker symbol on the New York Stock Exchange changed from “BSTI” to BEST” effective at the start of trading on February 19, 2019. The ratio of our ADSs to our Class A ordinary shares changed from one (1) ADS to one (1) Class A ordinary share, to one (1) ADS to five (5) Class A ordinary shares, effective at the start of trading on May 20, 2022. The ratio of our ADSs to our Class A ordinary shares changed from one (1) ADS to five (5) Class A ordinary shares, to one (1) ADS to twenty (20) Class A ordinary shares, effective at the start of trading on April 4, 2023.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs 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.

From September 20, 2017 to May 19, 2022, each of our ADSs represented one (1) of our Class A ordinary shares. The ratio of our ADSs to our Class A ordinary shares changed from one (1) ADS to one (1) Class A ordinary share, to one (1) ADS to five (5) Class A ordinary shares, effective at the start of trading on May 20, 2022.

From May 20, 2022 to April 3, 2023, each of our ADSs represented five (5) of our Class A ordinary shares. The ratio of our ADSs to our Class A ordinary shares changed from one (1) ADS to five (5) Class A ordinary shares, to one (1) ADS to twenty (20) Class A ordinary shares, effective at the start of trading on April 4, 2023.

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.

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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 last 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.

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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.

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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 that we were classified as a passive foreign investment company, or PFIC, for prior taxable years, that we will be classified as a PFIC for the current taxable year, and that we will continue to 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 prior taxable years, or are classified as a PFIC in our current taxable year or future taxable years.

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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.

Passive Foreign Investment Company

Based on our financial statements and the composition of our income and assets and the valuation of our assets, we believe that we were a PFIC in prior taxable years, we will be a PFIC for the current taxable year, and that we will continue to be a PFIC in future taxable years.

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 and other assets readily convertible into cash are 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), we are more likely to be treated as 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 that we were a PFIC in prior taxable years, we will be a PFIC for the current taxable year, and that we will continue to be a PFIC in future taxable years. The determination of whether we are a PFIC is made annually. Accordingly, changes in our asset or income composition may affect our PFIC status. 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, and accordingly, 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.

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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 below 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.

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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.

Taxation of Dividends

Subject to the discussion under “—Passive Foreign Investment Company” above, 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 generally 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 paid by 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 above under “—Passive Foreign Investment Company,” we believe that we were a PFIC in prior taxable years, we will be a PFIC for the current taxable year, and that we will continue to 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.

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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 establish that you are an exempt recipient. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number and a 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.

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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.

J. Annual Report to Security Holders

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.

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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 0.9%, 2.0% and 0.2% in 2021, 2022 and 2023, 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.

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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 depository 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 depository 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 depository bank in the conversion of foreign currency;
- the fees and expenses incurred by the depository 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 depository bank, the custodian, or any nominee in connection with the servicing or delivery of deposited property.

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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 depository 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 depository bank fees, the depository 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 depository bank fees from any distribution to be made to the ADS holder. Certain of the depository 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 depository bank. You will receive prior notice of such changes. The depository 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 depository bank agree from time to time.

Payments by Depository

During and for the year 2023, we did not receive any payment from Citibank, the depository 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

Not applicable.

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.

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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, 2023. 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, 2023 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, 2023.

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.

Because our company is a non-accelerated filer, this annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting.

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 16.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Ying Wu, who is an independent director, qualifies as an audit committee financial expert as defined in Item 16A of the instruction to Form 20-F.

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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,	
	2022	2023
Audit Fees ⁽¹⁾	2,029	1,403
Tax Fees ⁽²⁾	78	33
Total	2,107	1,436

- (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) "Tax Fees" represents the fees for tax compliance, tax advice and tax planning.

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 March 2023, we announced the adoption of a share repurchase program in an aggregate amount of up to US\$20 million worth of our outstanding ADSs from time to time over a period of 12 months. As previously announced on November 23, 2023, our company's board of directors terminated the share repurchase program, effective as of September 25, 2023. Prior to the program's termination and during the year ended December 31, 2023, we repurchased a total of 1,265,685 ADSs, representing 27,029,700 Class A ordinary shares.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

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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 twenty (20) Class A ordinary shares, 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.

Our company is incorporated in the Cayman Islands. The VIEs and other operating entities being consolidated in our financial statements, or the consolidated foreign operating entities, are incorporated or otherwise organized in the PRC, the British Virgin Islands, Hong Kong, the Cayman Islands, Thailand, Vietnam, Malaysia, or Singapore.

To the best of our knowledge, no governmental entity in any of the PRC, the British Virgin Islands, Hong Kong, the Cayman Islands, Thailand, Vietnam, Malaysia, Singapore or Cambodia owns any shares of our company or any of the consolidated foreign operating entities.

To the best of our knowledge, no governmental entity in the PRC has a controlling financial interest with respect to our company or any of the consolidated foreign operating entities.

No member of the board of directors of our company or any of the consolidated foreign operating entities is any official of the Chinese Communist Party.

Neither the memorandum and articles of association of our company nor the articles of incorporation (or equivalent organizing document) of any of the consolidated foreign operating entities contains any charter of the Chinese Communist Party.

ITEM 16J. INSIDER TRADING POLICIES

(a) We have adopted insider trading policies and procedures governing the purchase, sale, and other dispositions of our securities by directors, senior management, and employees that are reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and listing standards applicable to us.

(b) Please see our Statement of Policies Governing Material, Non-public Information and the Prevention of Insider Trading, which has been filed as Exhibit 11.2 to this annual report.

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ITEM 16K. CYBERSECURITY

Risk management and strategy

As of the date of this annual report, we have not experienced any cybersecurity incidents that have materially affected or are reasonably likely to materially affect us, our business strategy, results of operations, or financial condition; such risks are referred to below as “material risks from cybersecurity threats”.

We identify, assess and manage any material risks from cybersecurity threats through the following countermeasures:

- cybersecurity threat defense system that addresses both internal and external threats;
- network, host and application security; and
- sensitive information protection methods, including:
 - technical safeguards;
 - procedural requirements;
 - monitoring program on our corporate network;
 - continuous testing of our security posture both internally and with outside vendors;
 - incident response program;
 - security system effectiveness reviews with reference to applicable security standards; and
 - regular cybersecurity awareness training for employees.

Our abovementioned countermeasures for identifying, assessing and managing any material risks from cybersecurity threats, have been integrated into our overall risk management system.

We do not engage any assessors, consultants, auditors, or other third parties in connection with any of our Cybersecurity Risk Management Processes.

Governance

The audit committee of our board of directors is ultimately responsible for the oversight of risks from cybersecurity threats.

Our board of directors and its audit committee have delegated an important leadership role in assessing and managing any material risks from cybersecurity threats to Mr. Yanbing Zhang, senior vice president of engineering. Mr. Zhang leads our Cybersecurity Risk Management Team, a dedicated unit within our Information Technology (IT) Department. Mr. Zhang has the following relevant expertise and experience with cybersecurity risk management: 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). Mr. Zhang led the establishment of BEST’s cybersecurity management system as well as the cybersecurity department. Mr. Zhang is also experienced in dealing with cybersecurity incidents.

Our Cybersecurity Risk Management Team, led by Mr. Yanbing Zhang, continually monitors our IT apps, platforms and infrastructure to prevent, detect, quickly respond to, mitigate, and remediate any potential material risks from cybersecurity threats or any potential cybersecurity incidents.

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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).

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Exhibit Number	Description of Exhibits
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).
4.9	Form of Employment Agreement between the Registrant and its executive officers who are not PRC citizens (incorporated by reference to Exhibit 10.11 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.10	Form of Employment Agreement between the Registrant and its executive officers who are PRC citizens (English Translation) (incorporated by reference to Exhibit 10.12 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.11	Form of Letter of Commitment and Non-Compete between the Registrant and its executive officers who are PRC citizens (incorporated by reference to Exhibit 10.13 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.12	BEST Logistics Technologies Limited 2008 Equity and Performance Incentive Plan (incorporated by reference to Exhibit 10.14 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
4.13	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).
4.14	Indenture, dated September 17, 2019, between the Registrant and Citicorp International Limited, as Trustee, relating to the issuance of the Registrant's 1.75% Convertible Senior Notes due 2024 in the aggregate principal amount of US\$200 million (incorporated by reference to Exhibit 4.18 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2019, initially filed with the Securities and Exchange Commission on April 17, 2020).
4.15	Loan Agreement between BEST Logistics Technology (China) Co., Ltd., Wei Chen and Lili He, dated October 23, 2019 (English Translation) (incorporated by reference to Exhibit 4.19 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2019, initially filed with the Securities and Exchange Commission on April 17, 2020).
4.16	Exclusive Technical Services Agreement between Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST Information Technology Services Co., Ltd.) and BEST Logistics Technology (China) Co., Ltd., dated October 23, 2019 (English Translation) (incorporated by reference to Exhibit 4.20 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2019, initially filed with the Securities and Exchange Commission on April 17, 2020).
4.17	Equity Pledge Agreement concerning Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST Information Technology Services Co., Ltd.), among Wei Chen, Lili He, BEST Logistics Technology (China) Co., Ltd. and Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST Information Technology Services Co., Ltd.), dated October 23, 2019 (English Translation) (incorporated by reference to Exhibit 4.21 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2019, initially filed with the Securities and Exchange Commission on April 17, 2020).
4.18	Shareholders' Voting Rights Proxy Agreement concerning Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST Information Technology Services Co., Ltd.), among Wei Chen, Lili He, BEST Inc., BEST Logistics Technology (China) Co., Ltd. and Hangzhou Baisheng Investment Management Co., Ltd. (later renamed as Hangzhou BEST Information Technology Services Co., Ltd.), dated October 23, 2019 (English Translation) (incorporated by reference to Exhibit 4.22 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2019, initially filed with the Securities and Exchange Commission on April 17, 2020).
4.19	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).

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Exhibit Number	Description of Exhibits
4.20	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).
4.21	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).
4.22	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 RMB600,000,000 (English Translation) (incorporated by reference to Exhibit 4.22 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2021, initially filed with the Securities and Exchange Commission on April 18, 2022).
4.23	Letter of Undertaking, to Alibaba (China) Technology Co., Ltd., from Zhejiang BEST Technology Co., Ltd., dated August 19, 2021 (English Translation) (incorporated by reference to Exhibit 4.23 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2021, initially filed with the Securities and Exchange Commission on April 18, 2022).
4.24	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) (incorporated by reference to Exhibit 4.24 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2021, initially filed with the Securities and Exchange Commission on April 18, 2022).
4.25	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) (incorporated by reference to Exhibit 4.25 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2021, initially filed with the Securities and Exchange Commission on April 18, 2022).
4.26	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).
4.27	Loan Agreement between BEST Store Network (Hangzhou) Co., Ltd., Wei Chen and Lili He, dated December 15, 2021 (English Translation) (incorporated by reference to Exhibit 4.27 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2021, initially filed with the Securities and Exchange Commission on April 18, 2022).
4.28	Exclusive Services Agreement between Hangzhou Baijia Business Management Consulting Co., Ltd. and BEST Store Network (Hangzhou) Co., Ltd., dated December 15, 2021 (English Translation) (incorporated by reference to Exhibit 4.28 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2021, initially filed with the Securities and Exchange Commission on April 18, 2022).
4.29	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) (incorporated by reference to Exhibit 4.29 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2021, initially filed with the Securities and Exchange Commission on April 18, 2022).
4.30	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) (incorporated by reference to Exhibit 4.30 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2021, initially filed with the Securities and Exchange Commission on April 18, 2022).
4.31	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) (incorporated by reference to Exhibit 4.31 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2021, initially filed with the Securities and Exchange Commission on April 18, 2022).
*8.1	List of Subsidiaries.

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Exhibit Number	Description of Exhibits
11.1	Code of Business Conduct of the Registrant (incorporated by reference to Exhibit 99.1 to our Registration Statement on Form F-1 (File No. 333-218959), initially filed with the Securities and Exchange Commission on June 26, 2017).
*11.2	Registrant's Statement of Policies Governing Material, Non-public Information and the Prevention of Insider Trading
*12.1	Certification of our Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*12.2	Certification of our Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**13.1	Certification of our Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**13.2	Certification of our Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*15.1	Consent of Independent Registered Public Accounting Firm
*15.2	Consent of King and Wood Mallesons
* 97.1	Incentive Compensation Clawback Policy of the Registrant
*101.INS	XBRL Instance Document.
*101.SCH	XBRL Taxonomy Extension Schema Document.
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
*101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
*104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith
** Furnished herewith

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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 30, 2024

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**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, 2023 and 2022, the related consolidated statements of comprehensive income (loss), shareholders’ equity (deficit) and cash flows for each of the three years in the period ended December 31, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

The Company’s Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and had a working capital deficiency. There is substantial doubt about the Company’s ability to continue as a going concern which has not been alleviated for the next twelve months from the date of issuance of these consolidated financial statements. Management’s evaluation of the events and conditions and management’s plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. As explained below, auditing the Company’s evaluation of its ability to continue as a going concern was a critical audit matter.

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 Public Company Accounting Oversight Board (United States) (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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

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 matters or on the accounts or disclosures to which they relate.

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Going concern

Description of the Matter

As discussed in Note 2 to the consolidated financial statements, the intense market competition continues to have an adverse impact on the Company's business operations and liquidity. The Company incurred net losses from continuing operations of RMB909 million and generated negative cash flows from continuing operating activities of RMB545 million during the year ended December 31, 2023, and had an accumulated deficit of RMB19,749 million and a working capital deficit of RMB1,762 million as of December 31, 2023. The Company has implemented cost saving plans to reduce discretionary operational expenses and secure additional financing including, but not limited to, obtaining additional credit facilities from banks in the normal course of business and re-financing certain existing notes payables. There are uncertainties as to whether, and there can be no assurance that the aforesaid plans can be successfully executed. Accordingly, the substantial doubt of the Company's ability to continue as a going concern has not been alleviated for the next twelve months from the date of issuance of these consolidated financial statements.

Auditing management's evaluation of whether their plans to alleviate the substantial doubt regarding its ability to continue as a going concern is complex and involves subjective auditor judgment when assessing (i) the reasonableness of the cash flow forecasts and (ii) whether it is probable that management's plans will be effectively implemented and alleviate substantial doubt.

How We Addressed the Matter in Our Audit

To test the Company's assessment regarding its ability to continue as a going concern, we performed audit procedures that included, among others, evaluating the reasonableness of management's cash flow forecasts by making inquiries with management, comparing the forecasts used by management against historical performance and budgets and to current industry and economic trends. We also performed sensitivity analyses of significant assumptions to evaluate the change in the cash flow forecasts that would result from changes in these assumptions. We considered the impact of subsequent events on the Company's going concern assessment, and the Company's financing arrangements in place as of the report date. In addition, we assessed the adequacy of the Company's disclosures of the going concern uncertainty included in Note 2 to the consolidated financial statements.

/s/ Ernst & Young Hua Ming LLP

We have served as the Company's auditor since 2016.
Shanghai, The People's Republic of China
April 30, 2024

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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		
		2022 RMB	2023 RMB	2023 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 RMB5,042 and RMB27 (US\$4) as of December 31, 2022 and 2023, respectively)		533,481	425,976	59,997
Restricted cash		399,337	1,008,318	142,019
Short-term investments		725,043	35,888	5,055
Accounts and notes receivable, net of allowance of RMB263,956 and RMB250,104 (US\$35,226) as of December 31, 2022 and 2023, respectively	5	691,324	829,802	116,875
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 RMB17,909 and nil as of December 31, 2022 and 2023, respectively)	6	777,842	674,100	94,945
Lease rental receivables	9	43,067	47,925	6,750
Amounts due from related parties	22	76,368	60,394	8,506
Inventories		16,480	7,794	1,098
Total current assets		3,262,942	3,090,197	435,245
Non-current assets:				
Restricted cash		1,545,605	812,371	114,420
Non-current deposits		50,767	81,869	11,531
Operating lease right-of-use assets	9	1,743,798	1,293,526	182,189
Lease rental receivables	9	40,188	314	44
Long-term investments	10	156,859	156,859	22,093
Property and equipment, net	7	784,732	624,205	87,917
Intangible assets, net	8	75,553	93,173	13,123
Goodwill	11	54,135	54,135	7,625
Other non-current assets		75,666	46,913	6,608
Total non-current assets		4,527,303	3,163,365	445,550
Total assets		7,790,245	6,253,562	880,795
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 RMB22,379 and RMB45,719 (US\$6,456) as of December 31, 2022 and 2023, respectively)		1,430,004	1,640,864	231,110
Accrued expenses and other liabilities (including accrued expenses and other liabilities of the consolidated VIEs without recourse to the primary beneficiary of RMB20,741 and RMB33,230 (US\$4,690) as of December 31, 2022 and 2023, respectively)	13	1,145,654	1,091,573	153,745
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 nil and RMB34 (US\$5) as of December 31, 2022 and 2023, respectively)		277,737	288,184	40,590
Operating lease liabilities (including operating lease liabilities of the consolidated VIEs without recourse to the primary beneficiary of RMB376 and nil as of December 31, 2022 and 2023, respectively)	9	544,262	523,790	73,774
Financing lease liabilities (including financing lease liabilities of the consolidated VIEs without recourse to the primary beneficiary of RMB10,383 and RMB20 (US\$3) as of December 31, 2022 and 2023, respectively)	9	11,873	418	59
Amounts due to related parties	22	1,315	1,119	158
Income tax payable	16	1,563	2,777	391
Short-term bank loans (including short-term bank loans of the consolidated VIEs without recourse to the primary beneficiary of RMB110,142 and RMB144,755(US\$20,438) as of December 31, 2022 and 2023, respectively)	12	183,270	401,755	56,586
Long-term bank loan - current portion	12	—	794,679	111,928
Long-term borrowings - current portion	14	79,148	721	102
Convertible senior notes held by a related party-current	15, 22	522,744	106,240	14,964
Convertible senior notes held by third parties-current	15	77	78	11
Total current liabilities		4,197,647	4,852,198	683,418

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

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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		
		2022	2023	2023
		RMB	RMB	US\$
Non-current liabilities				
Operating lease liabilities	9	1,292,057	862,514	121,483
Financing lease liabilities (including financing lease liabilities of the consolidated VIEs without recourse to the primary beneficiary of RMB24,702 and RMB370(US\$52) as of December 31, 2022 and 2023, respectively)	9	26,024	1,231	173
Long-term bank loans	12	928,894	159,729	22,497
Long-term borrowings	14	381	—	—
Convertible senior notes held by a related party	15, 22	522,744	424,962	59,855
Other non-current liabilities (including other non-current liabilities of the consolidated VIEs without recourse to the primary beneficiary of RMB438 and RMB17,346 (US\$2,449) as of December 31, 2022 and 2023, respectively)		18,752	22,837	3,216
Total non-current liabilities		2,788,852	1,471,273	207,224
Total liabilities		6,986,499	6,323,471	890,642
Commitments and contingencies	25			
Mezzanine Equity:				
Convertible non-controlling interests	21, 22	191,865	191,865	27,024
Total mezzanine equity		191,865	191,865	27,024
Shareholders' equity (deficit):				
Class A ordinary shares (par value of US\$0.01 per share as of December 31, 2022 and 2023; 1,858,134,053 shares authorized as of December 31, 2022 and 2023; 255,648,452 and 261,648,452 shares issued and outstanding as of December 31, 2022 and 2023, respectively)	20	16,532	16,532	2,328
Class B ordinary shares (par value of US\$0.01 per share as of December 31, 2022 and 2023; 94,075,249 shares authorized, issued and outstanding as of December 31, 2022 and 2023, respectively)	20	6,178	6,178	870
Class C ordinary shares (par value of US\$0.01 per share as of December 31, 2022 and 2023; 47,790,698 shares authorized, issued and outstanding as of December 31, 2022 and 2023, respectively)	20	3,278	3,278	462
Treasury shares	20	—	(23,853)	(3,360)
Additional paid-in-capital		19,481,417	19,529,806	2,750,715
Accumulated deficit		(18,934,860)	(19,749,262)	(2,781,625)
Accumulated other comprehensive income	27	124,464	119,169	16,785
BEST Inc. shareholders' equity (deficit)		697,009	(98,152)	(13,825)
Non-controlling interests		(85,128)	(163,622)	(23,046)
Total shareholders' equity (deficit)		611,881	(261,774)	(36,871)
Total liabilities, mezzanine equity and shareholders' equity (deficit)		7,790,245	6,253,562	880,795

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

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BEST INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(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,			
		2021 RMB	2022 RMB	2023 RMB	2023 US\$
Revenue from third parties					
Freight delivery		8,244,435	4,843,121	5,314,447	748,524
Supply chain management		1,476,743	1,678,619	1,824,984	257,043
Global		992,518	708,745	783,952	110,418
Others		172,442	116,812	106,307	14,973
		10,886,138	7,347,297	8,029,690	1,130,958
Revenue from related parties					
Freight delivery	22	—	45,157	89,948	12,669
Supply chain management	22	338,361	143,456	33,645	4,739
Global	22	201,337	208,162	162,561	22,896
		539,698	396,775	286,154	40,304
Total revenue		11,425,836	7,744,072	8,315,844	1,171,262
Cost of revenue					
Freight delivery		(8,506,738)	(5,114,937)	(5,206,967)	(733,386)
Supply chain management		(1,741,832)	(1,711,818)	(1,700,467)	(239,506)
Global		(1,258,511)	(1,081,587)	(1,131,484)	(159,366)
Others		(118,143)	(99,288)	(26,489)	(3,731)
Total cost of revenue		(11,625,224)	(8,007,630)	(8,065,407)	(1,135,989)
Gross (loss) profit		(199,388)	(263,558)	250,437	35,273
Selling expenses		(260,219)	(237,918)	(256,621)	(36,144)
General and administrative expenses (including operating costs paid to a related party of RMB13,608, RMB9,041 and RMB6,845 (US\$964) for the years ended December 31, 2021, 2022 and 2023, respectively)	22	(881,498)	(889,345)	(737,775)	(103,913)
Research and development expenses		(180,204)	(144,181)	(115,917)	(16,327)
Impairment of long-lived assets	7	—	—	(94,699)	(13,338)
Other operating income, net		58,337	108,817	2,658	374
Total operating expenses		(1,263,584)	(1,162,627)	(1,202,354)	(169,348)
Loss from operations		(1,462,972)	(1,426,185)	(951,917)	(134,075)
Interest income		49,658	80,361	83,810	11,805
Interest expense (including interest expense to related parties of RMB63,561, RMB62,192 and RMB35,108 (US\$4,945) for the years ended December 31, 2021, 2022 and 2023, respectively)	22	(142,751)	(89,058)	(64,283)	(9,055)
Foreign exchange gain (loss)		44,556	(132,730)	(14,010)	(1,974)
Other income, net		265,822	31,677	6,613	931
(Loss) Gain on change in fair value of derivative assets and derivative liabilities		(14,918)	71,619	32,322	4,553
Loss before income taxes and share of net loss of equity investees		(1,260,605)	(1,464,316)	(907,465)	(127,815)
Income tax expense	16	(3,198)	(511)	(1,141)	(161)
Loss before share of net loss of equity investees		(1,263,803)	(1,464,827)	(908,606)	(127,976)
Share of net loss of equity investees		(58)	—	—	—
Net loss from continuing operations		(1,263,861)	(1,464,827)	(908,606)	(127,976)
Net income (loss) from discontinued operations, net of tax	4	1,473,489	(38,464)	15,222	2,144
Net income (loss)		209,628	(1,503,291)	(893,384)	(125,832)
Net loss from continuing operations attributable to non-controlling interests		(52,279)	(39,980)	(78,982)	(11,124)
Net income (loss) attributable to BEST Inc.		261,907	(1,463,311)	(814,402)	(114,708)
Net earnings (loss) per Class A, Class B and Class C ordinary share:					
Basic and diluted					
Continuing operations	18	(3.12)	(3.63)	(2.18)	(0.31)
Discontinued operations	18	3.80	(0.10)	0.04	0.01
Basic and diluted net earnings (loss) per share attributable to Class A, Class B and Class C ordinary shareholders	18	0.68	(3.73)	(2.14)	(0.30)
Net earnings (loss) per ADS (1 ADS equals 20 Class A ordinary shares)					
Basic and diluted net earnings (loss) per ADS	18, 20	13.60	(74.60)	(42.70)	(6.01)
Shares used in net earnings (loss) per share computation:					
Class A ordinary shares:					
Basic	18	246,207,464	250,326,701	239,563,290	239,563,290
Diluted	18	388,073,411	392,192,648	381,429,237	381,429,237
Class B ordinary shares:					
Basic	18	94,075,249	94,075,249	94,075,249	94,075,249
Diluted	18	94,075,249	94,075,249	94,075,249	94,075,249
Class C ordinary shares:					
Basic	18	47,790,698	47,790,698	47,790,698	47,790,698
Diluted	18	47,790,698	47,790,698	47,790,698	47,790,698
Other comprehensive (loss) income, net of tax of nil					
Foreign currency translation adjustments		(44,298)	17,085	(5,295)	(746)
Comprehensive loss from continuing operations		(1,308,159)	(1,447,742)	(913,901)	(128,722)
Comprehensive income (loss) from discontinued operations	4	1,473,489	(38,464)	15,222	2,144
Comprehensive loss from continuing operations attributable to non-controlling interests		(52,279)	(39,980)	(78,982)	(11,124)
Comprehensive income (loss) attributable to BEST Inc.		217,609	(1,446,226)	(819,697)	(115,454)

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

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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,			
		2021 RMB	2022 RMB	2023 RMB	2023 US\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)		209,628	(1,503,291)	(893,384)	(125,832)
Less: Net income (loss) from discontinued operations, net of tax		1,473,489	(38,464)	15,222	2,144
Net loss from continuing operations		(1,263,861)	(1,464,827)	(908,606)	(127,976)
Adjustments to reconcile net loss to net cash used in operating activities:					
Share of net loss of equity investees		58	—	—	—
Fair value change of equity investments without readily determinable fair values under the measurement alternative	10	(58,643)	—	—	—
Change in fair value change of derivative assets and derivative liabilities		14,918	(71,619)	(32,322)	(4,552)
Impairment of long-term investments	10	10,691	12,312	—	—
Gain on disposal of a subsidiary		—	—	(939)	(132)
Depreciation and amortization		191,365	188,910	189,197	26,648
Lease expense to reduce operating lease right-of-use assets		769,005	713,799	486,767	68,560
Share-based compensation	19	107,681	72,096	48,344	6,809
Accretion (reversal) on secured bank borrowings and convertible senior notes held by third parties		81,290	51,445	(44,123)	(6,215)
Accretion on convertible senior notes held by a related party		5,949	1,342	1,453	205
Allowance for credit losses		64,366	201,155	76,911	10,833
Loss (gain) on disposal of property and equipment		10,386	(6,919)	9,141	1,287
Gain on disposal of long-term investments	10	(247,145)	—	—	—
Impairment of long-lived assets	7, 8	—	—	94,699	13,338
Gain from the repurchase of convertible senior notes	15	—	(17,356)	—	—
Foreign exchange (gain) loss		(44,556)	132,730	14,010	1,974
Changes in operating assets and liabilities:					
Accounts and notes receivable		(2,796,772)	93,451	(143,357)	(20,191)
Inventories		2,647	9,142	8,686	1,223
Prepayments and other current assets		(1,391,552)	20,404	(74,485)	(10,491)
Amounts due from related parties		57,211	50,211	14,612	2,058
Non-current deposits		3,850	—	(31,102)	(4,381)
Other non-current assets		11,166	(49,223)	14,923	2,102
Lease rental receivables - interest portion		(10,885)	4,748	(291)	(41)
Accounts and notes payable		2,697,827	76,854	212,578	29,941
Income tax payable		(13,963)	976	1,214	171
Customer advances and deposits and deferred revenue		17,672	(20,616)	10,447	1,471
Accrued expenses and other liabilities		1,626,075	(352,380)	(6,041)	(852)
Amounts due to related parties		(972)	(1,448)	(196)	(28)
Other non-current liabilities		—	—	(17,194)	(2,422)
Operating lease liabilities		(734,943)	(696,849)	(469,418)	(66,116)
Net cash used in continuing operating activities		(891,135)	(1,051,662)	(545,092)	(76,777)
Net cash used in discontinued operating activities		(1,912,826)	(66,174)	—	—
Net cash used in operating activities		(2,803,961)	(1,117,836)	(545,092)	(76,777)

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

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BEST INC.

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

	Note	For the Years ended December 31,			
		2021 RMB	2022 RMB	2023 RMB	2023 US\$
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(160,012)	(143,276)	(129,510)	(18,241)
Origination of lease rental and other financing receivables		(45,671)	—	—	—
Receipt of repayment on lease and other financing receivables- principal portion		1,165,834	554,195	36,466	5,136
Disposal of property and equipment and intangible assets to third parties		17,913	25,273	17,005	2,395
Disposal of property and equipment and intangible assets to a related party	22	—	16,013	14,015	1,974
Cash paid for business acquisitions (net of cash acquired of nil, for the year ended December 31, 2021)		(1,749)	—	—	—
Acquisition of intangible assets		(19,355)	(32,505)	(34,224)	(4,820)
Disposal of long-term investments	10	354,018	—	—	—
Acquisition of long-term investments		(50,000)	—	—	—
Proceeds from disposal of subsidiaries (net of cash disposed of RMB3,550,235, nil, andRMB445(US\$63) for the year ended December 31, 2021, 2022 and 2023, respectively)		3,550,235	—	(445)	(63)
Proceeds from maturities of short-term investments		425,120	1,804,329	1,782,502	251,060
Purchase of short-term investments		(349,212)	(2,233,094)	(1,043,834)	(147,021)
Other investing activities, net		103,613	159,821	(13,000)	(1,831)
Net cash generated from continuing investing activities		4,990,734	150,756	628,975	88,589
Net cash used in discontinued investing activities		(448,016)	—	—	—
Net cash generated from investing activities		4,542,718	150,756	628,975	88,589
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from short-term bank loans		906,341	110,142	415,690	58,549
Proceeds from long-term bank loans		701,085	138,635	—	—
Repayment of short-term bank loans		(2,245,093)	(530,495)	(200,270)	(28,207)
Repayment of long-term bank loans		(2,797)	(932)	—	—
Proceeds from loan from a related party	22	600,000	—	—	—
Repayment of loan from a related party	22	(600,000)	—	—	—
Proceeds from other financing activities		2,440	1,722	—	—
Principal repayment of financing lease liabilities		(1,481)	(1,772)	(1,193)	(168)
Proceeds from issuance of series A preferred shares of a subsidiary, net of issuance cost		191,865	—	—	—
Proceeds from long-term borrowings, net of issuance costs	14	585,529	—	—	—
Principal repayment of long-term borrowings	14	(378,829)	(301,765)	(27,045)	(3,809)
Redemption of convertible senior notes held by a related party	15, 22	—	(746,538)	(503,318)	(70,891)
Redemption of convertible senior notes held by third parties	15	—	(617,368)	—	—
Principal repayment of other financing activities		—	—	(13,542)	(1,907)
Contributions from non-controlling interest shareholders		415	—	—	—
Proceeds from the exercise of share options		2,603	4	45	6
Repurchase of ordinary shares	20	—	—	(23,853)	(3,360)
Net cash used in continuing financing activities		(237,922)	(1,948,367)	(353,486)	(49,787)
Net cash used in discontinued financing activities		(337,838)	—	—	—
Net cash used in financing activities		(575,760)	(1,948,367)	(353,486)	(49,787)
Exchange rate effect on cash, cash equivalents and restricted cash		(55,970)	77,722	37,845	5,332
Net increase (decrease) in cash, cash equivalents and restricted cash		1,107,027	(2,837,725)	(231,758)	(32,643)
Cash, cash equivalents and restricted cash at the beginning of the year		4,209,121	5,316,148	2,478,423	349,079
Cash, cash equivalents and restricted cash at the end of the year		5,316,148	2,478,423	2,246,665	316,436

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

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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,			
	2021 RMB	2022 RMB	2023 RMB	2023 US\$
Cash and cash equivalents	3,571,745	533,481	425,976	59,997
Restricted cash – current	675,159	399,337	1,008,318	142,019
Restricted cash – non-current	1,069,244	1,545,605	812,371	114,420
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>5,316,148</u>	<u>2,478,423</u>	<u>2,246,665</u>	<u>316,436</u>

	Notes	For the Years ended December 31,			
		2021 RMB	2022 RMB	2023 RMB	2023 US\$
Supplemental disclosures of cash flow information:					
Income taxes paid		17,161	—	—	—
Interest expense paid		152,348	87,387	102,840	14,485
Supplemental disclosures of non-cash investing and financing activities:					
Purchase of property and equipment included in accrued expenses and other liabilities	13	29,545	71,234	70,015	9,861
Acquisition of property and equipment through financing leases		3,972	37,897	643	91

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

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BEST INC.

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

	Attributable to BEST Inc.								Non- controlling interests	Total shareholders' equity
	Ordinary Shares		Treasury shares	Additional paid-in capital	Statutory Reserves	Accumulated other		Accumulated deficit		
	Number of shares	Amount				comprehensive income	Amount			
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB		
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	<u>391,119,349</u>	<u>25,988</u>	<u>(113,031)</u>	<u>19,522,173</u>	<u>167</u>	<u>107,379</u>	<u>(17,471,716)</u>	<u>(45,961)</u>	<u>2,024,999</u>	

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

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BEST INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) (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, 2021	391,119,349	25,988	(113,031)	19,522,173	167	107,379	(17,471,716)	(45,961)	2,024,999
Net loss for the year	—	—	—	—	—	—	(1,463,311)	(39,980)	(1,503,291)
Other comprehensive income	—	—	—	—	—	17,085	—	—	17,085
Reversal of statutory reserves	—	—	—	—	(167)	—	167	—	—
Share-based compensation	—	—	—	72,096	—	—	—	—	72,096
Purchase from non-controlling interest shareholders	—	—	—	(1,547)	—	—	—	813	(734)
Gain from early redemption of convertible senior notes	—	—	—	1,721	—	—	—	—	1,721
Settlement of exercised share options and vested restricted shares with shares held by Citi	(694,872)	—	—	—	—	—	—	—	—
Settlement of exercised share options and vested restricted shares with treasury shares	(3,420,063)	—	113,031	(113,031)	—	—	—	—	—
Exercise of share options and vesting of restricted shares	4,114,935	—	—	5	—	—	—	—	5
Balance as of December 31, 2022	391,119,349	25,988	—	19,481,417	—	124,464	(18,934,860)	(85,128)	611,881

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

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BEST INC.

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

	Attributable to BEST Inc.							Total shareholders' (deficit) equity RMB
	Ordinary Shares		Treasury shares RMB	Additional paid-in capital RMB	Accumulated other comprehensive income RMB		Non- controlling interests RMB	
	Number of shares	Amount RMB			Accumulated deficit RMB			
Balance as of December 31, 2022	391,119,349	25,988	—	19,481,417	124,464	(18,934,860)	(85,128)	611,881
Net loss for the year	—	—	—	—	—	(814,402)	(78,982)	(893,384)
Other comprehensive loss	—	—	—	—	(5,295)	—	—	(5,295)
Share-based compensation	—	—	—	48,344	—	—	—	48,344
Purchase of ordinary shares (Note 20)	27,029,700	—	(23,853)	—	—	—	—	(23,853)
Disposal of subsidiaries	—	—	—	—	—	—	488	488
Newly deposited and issued to depository bank-Citibank, N.A. ("Citi")	6,000,000	—	—	—	—	—	—	—
Settlement of exercised share options and vested restricted shares with shares held by Citi	(4,569,335)	—	—	—	—	—	—	—
Exercise of share options and vesting of restricted shares	4,569,335	—	—	45	—	—	—	45
Balance as of December 31, 2023	424,149,049	25,988	(23,853)	19,529,806	119,169	(19,749,262)	(163,622)	(261,774)
Balance as of December 31, 2023 in US\$		3,660	(3,360)	2,750,715	16,785	(2,781,625)	(23,046)	(36,871)

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

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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.

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 Supermarket Chain Co., Ltd. (“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 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 income (loss) as discontinued operations. 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.

On November 6, 2023, The Company announces its receipt of a preliminary non-binding proposal to acquire all of the outstanding ordinary shares of the Company. The privatization is still in process.

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BEST INC.

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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, 2023 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	UCargo transportation services
Hangzhou Baijia Business Management Consulting Co., Ltd. (“Hangzhou Baijia”)	PRC	December 20, 2019	Nil	Convenience store operations
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	UCargo transportation services

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BEST INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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, 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 the power to direct the activities that most significantly affect the economic performance of the VIEs and to acquire the equity interests in the VIEs when permitted by the laws of mainland China, respectively; 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

The following is a summary of the material provisions of the contractual arrangements relating to BEST Technology, BEST Network and BEST Inc.

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 agreements, 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.

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BEST INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

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BEST INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

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 income (loss) and cash flows for all periods presented.

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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 (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.

The following is a summary of the material provisions of the contractual arrangements relating to BEST China, BEST Information Technology and BEST Inc.

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.

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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.

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BEST INC.

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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.

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.

Through the design of the contractual agreements, the nominee shareholders of BEST Information Technology effectively assigned their full voting rights to the Company, which gives the Company the power to direct the activities that most significantly impact BEST Information Technology’s economic performance. In addition, BEST China is entitled to substantially all of the economic benefits from BEST Information Technology. The Company and BEST China, as a group of related parties, hold all of the variable interests of BEST Information Technology. The Company has been determined to be most closely associated with BEST Information Technology within the group of related parties. As a result of these contractual agreements, the Company is determined to be the primary beneficiary of BEST Information Technology.

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.

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1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

The following is a summary of the material provisions of the contractual arrangements relating to BEST Store, Hangzhou Baijia and BEST Inc.

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 the Company 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 the Company, BEST Store or a party designated by the Company. 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 the Company or BEST Store, or a party designated by the Company 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 the Company or BEST Store, or a party designated by the Company 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 the Company, 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)

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.

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 income (loss) 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.

Through the design of the contractual agreements, the nominee shareholders of Hangzhou Baijia effectively assigned their full voting rights to the Company, which gives the Company the power to direct the activities that most significantly impact Hangzhou Baijia’s economic performance. In addition, BEST Store is entitled to substantially all of the economic benefits from Hangzhou Baijia. The Company and BEST Store, as a group of related parties, hold all of the variable interests of Hangzhou Baijia. The Company has been determined to be most closely associated with Hangzhou Baijia within the group of related parties. As a result of these contractual Agreements, the Company is determined to be the primary beneficiary of Hangzhou Baijia.

In the opinion of the Company’s management and legal counsel, (i) the ownership structure of the Group, including its subsidiaries and the VIEs, is not in violation with any applicable PRC laws and regulations; (ii) each of the VIE agreements is legal, valid, binding and enforceable to each party of such agreements in accordance with its terms and applicable PRC Laws and (iii) Shareholder’s Voting Rights Proxy Agreement is not, conflict with or result in a breach of the terms or provisions of the Caymans Islands Law.

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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 income (loss) are as follows:

	As at December 31		
	2022 RMB	2023 RMB	2023 US\$
ASSETS			
Current assets:			
Cash and cash equivalents	6,562	9,861	1,392
Accounts and notes receivable, net	41,357	41,767	5,897
Prepayments and other current assets	33,064	25,632	3,619
Amounts due from Group companies	233,032	302,018	42,642
Inventories	44	18	3
Total current assets	314,059	379,296	53,553
Non-current assets:			
Operating lease right-of-use assets	—	—	—
Property and equipment, net	128,672	118,018	16,663
Intangible assets, net	—	—	—
Restricted cash	1,474	1,460	206
Total non-current assets	130,146	119,478	16,869
Total assets	444,205	498,774	70,422
LIABILITIES			
Current liabilities:			
Accounts and notes payable	22,379	45,719	6,456
Accrued expenses and other liabilities	20,390	33,230	4,690
Customer advances and deposits and deferred revenue	—	34	5
Operating lease liabilities	376	—	—
Financing lease liabilities	10,383	20	3
Amounts due to Group companies	393,834	404,371	57,093
Short-term bank loans	110,142	144,755	20,438
Total current liabilities	557,504	628,129	88,685
Non-current liabilities:			
Financing lease liabilities	24,702	370	52
Other non-current liabilities	438	17,346	2,449
Total non-current liabilities	25,140	17,716	2,501
Total liabilities	582,644	645,845	91,186

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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 27%, 5% and 7% of the Group’s consolidated revenue for the years ended December 31, 2021, 2022 and 2023 respectively, after elimination of intercompany transactions. As of December 31, 2022 and 2023, except for the VIE’s assets of Trust Plan as disclosed on the face of the consolidated balance sheets, 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,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Revenue from continuing operations	3,116,599	380,358	589,084	82,971
Revenue from discontinued operations	16,486,807	—	—	—
Total revenue	<u>19,603,406</u>	<u>380,358</u>	<u>589,084</u>	<u>82,971</u>
Net loss from continuing operations	(104,999)	(12,182)	(8,707)	(1,226)
Net loss from discontinued operations	(1,936,791)	—	—	—
Net cash(used in) generated from continuing operating activities	(266,070)	152,483	158,887	22,379
Net cash used in discontinued operating activities	(1,938,454)	—	—	—
Net cash used in continuing investing activities	(349,795)	(28,269)	(37,916)	(5,340)
Net cash used in discontinued investing activities	(448,016)	—	—	—
Net cash generated from (used in) continuing financing activities	242,350	(252,218)	(117,680)	(16,575)
Net cash generated from discontinued financing activities	2,136,199	—	—	—
Exchange rate effect on cash, cash equivalents and restricted cash in continuing operating activities	(18)	176	(8)	—

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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 were 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,		
	2022	2023	2023
	RMB	RMB	US\$
Cash and cash equivalents	5,042	27	4
Amounts due from related parties	35,877	—	—
Prepayments and other current assets	17,909	—	—
Total current assets	58,828	27	4
Total assets	58,828	27	4
Amounts due to related parties	54,011	4	1
Accrued expenses and other liabilities	351	—	—
Total current liabilities	54,362	4	1
Amounts due to related parties	4,466	23	3
Total non-current liabilities	4,466	23	3
Total liabilities	58,828	27	4

	For the years ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Revenue from third parties	80,029	31,598	1,707	240
Cost of revenue	64,312	37,135	7,872	1,109
Net income (loss)	5,493	(8,775)	(6,702)	(944)

	For the years ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Net cash generated from (used in) operating activities	53,373	21,385	(36,074)	(5,081)
Net cash (used in) generated from investing activities	(233,203)	184,929	31,059	4,375
Net cash generated from (used in) financing activities	115,996	(227,438)	—	—

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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.

Going Concern

The intense market competition continues to have an adverse impact on the Group’s business operations and liquidity. The Company incurred net losses from continuing operations of RMB908,606 (US\$127,976) and generated negative cash flows from continuing operating activities of RMB545,092 (US\$76,777) during the year ended December 31, 2023, and had an accumulated deficit of RMB19,749,262 (US\$2,781,625) and a working capital deficiency of RMB1,762,001 (US\$248,173) as of December 31, 2023. As of December 31, 2023, the balance of the Group’s total cash and cash equivalents, current restricted cash and short-term investments was RMB1,470,182 (US\$207,071).

There is substantial doubt regarding the Group’s ability to continue as a going concern. Management has implemented cost saving plans to reduce discretionary operational expenses and secure additional financing including, but not limited to, obtaining additional credit facilities from banks in the normal course of business and re-financing certain existing notes payables. In the first quarter of 2024, the Group successfully obtained new financing of RMB220,000 (US\$30,986) short-term bank loans on credit maturing in one year, which allows the Group to enhance liquidity. Although the Group has achieved encouraging results from its plans to reduce its costs and expenditures during 2023 and in the first quarter of 2024 for certain business segments, the Group may be required to significantly reduce or scale back its operations if the Group is unsuccessful in its efforts or is unable to raise additional financing in the near term. There are uncertainties as to whether, and there can be no assurance that the aforesaid plans can be successfully executed. Accordingly, the substantial doubt of the Company’s ability to continue as a going concern has not been alleviated for the next twelve months from the date of issuance of these consolidated financial statements. The accompanying consolidated financial statements have been prepared assuming the Company will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classifications of liabilities that may be necessary should the Group be unable to continue as a going concern.

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, 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.

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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 income (loss) 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 (loss) income from discontinued operations, net of tax in the consolidated statements of comprehensive income (loss).

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 7.0999 per US\$1.00 on December 29, 2023 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 income (loss).

The Company uses the average exchange rate for the year and the exchange rate at the balance sheet date to translate the operating results and financial position, respectively. Translation differences are recorded in accumulated other comprehensive income, a component of shareholders’ equity.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits or other highly liquid investments placed with banks or other financial institutions which are unrestricted as to withdrawal and use and have original maturities of less than three months.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted cash

The 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 Trust Plan; and (c) security deposits required by the Company’s operating leases for sortation centers and warehouses.

As of December 31, 2022 and 2023, the restricted cash related to the deposits held in designated bank accounts as pledged security of notes payable was RMB775,692 and RMB801,800 (US\$112,931), respectively. As of December 31, 2022 and 2023, the restricted cash related to the deposits held in designated bank accounts for the issuance of Trust Plan was RMB16,650 and nil, respectively. As of December 31, 2022 and 2023, restricted cash related to the security deposit required by the Company’s operating leases for sortation centers and warehouses was RMB144,613 and RMB92,122 (US\$12,975), 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 income (loss). 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:

<u>Category</u>	<u>Estimated Useful Life</u>
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 income (loss).

Direct costs that are related to the construction of property and equipment, and incurred in connection with bringing the assets to their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property and equipment, and the depreciation of these assets commences when the assets are ready for their intended use.

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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.

As of December 31, 2022 and 2023, 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/capitalization as follows:

Category	Estimated Useful Life
Customer relationships	3.89 years
Software	4.09 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 to five years.

Impairment of long-lived assets

The Group’s long-lived assets include fixed assets, intangible assets with finite lives and operating lease right-of-use assets. 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. The Group evaluates the recoverability of its long-lived assets individually or as a group at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of the other assets and liabilities. Whenever events or changes in circumstances indicate an asset (or group of assets) may not be recoverable, the carrying amount is compared to the sum of future undiscounted net cash flows expected to result from the use of the asset (or group of assets) and its eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the asset (or group of assets), the carrying amount of the asset (or the long-lived assets in the asset group on a pro rata basis using the relative carrying amounts) is reduced to the extent not lower than the fair value of the asset. The adjusted carrying amounts after an impairment charge represent the new cost basis and is depreciated over their remaining useful lives.

Fair value of the asset (or group of assets) is determined by the Group based on the income approach using the discounted cash flow associated with the underlying asset(s), which incorporated certain assumptions including revenue growth rates, operating margin and operating expenses based on current economic condition, expectation of management and projected trends of current operating results. Considerable management judgement is used to estimate future cashflows, such as revenues expected to be generated from the usage of the assets and estimates of the price market participants would pay to lease the operating lease right-use assets. Actual results may vary significantly from the estimates as they are forward-looking and include assumptions about economic and market conditions with uncertain future outcomes.

No impairment was recorded for the years ended December 31, 2021 and 2022. During the year ended December 31, 2023, due to the continued underperformances relative to the projected operating results of certain asset group in Global segment, the Group recorded an impairment loss of RMB94,699 (US\$13,338) (Note 24).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, amounts 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 assets and derivatives liabilities is determined utilizing market observable forward exchange rates (Note 25).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 income (loss) includes the net 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.

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 21) 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 (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 accumulated deficit.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Freight delivery services (continued)

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. 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 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.

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. Since January 1, 2022, due to the winding down of UCargo, the Company reported UCargo services together with Freight delivery services. Prior year’s comparative figure related to UCargo services revenue of RMB2,809,081 under “Revenue -Others” for the year ended December 31, 2021, has been reclassified to “Revenue - Freight delivery” to conform to the current year’s presentation.

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 240 days.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Supply chain management services (continued)

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 primarily 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.

Other services

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

SaaS software service

The Company serves as a proprietary technology platform to provide solution services to the ecosystem participants. 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 ratably over the contract period and is initially recorded as “Customer advances and deposits and deferred revenue”. For the years ended December 31, 2021, 2022 and 2023, the revenue recognized from SaaS software service was RMB34,639, RMB41,286, and RMB58,823 (US\$8,285), respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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, 2021, 2022 and 2023, the revenue recognized from Capital service was RMB117,622, RMB29,899, and RMB8,609 (US\$1,213), 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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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, 2022 and 2023.

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, 2022 and 2023 were as follows:

	Balance at December 31, 2022 RMB	Balance at December 31, 2023 RMB	Balance at December 31, 2023 US\$
Contract liabilities	90,505	103,863	14,629

Revenue recognized in the years ended December 31, 2021, 2022 and 2023 that was included in the contract liabilities balance at the beginning of the period was RMB81,951, RMB80,003 and RMB70,082 (US\$9,871), 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, 2022 and 2023 and the related amortization for the years ended December 31, 2021, 2022 and 2023 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 income (loss). For the years ended December 31, 2021, 2022 and 2023, advertising expenses were RMB16,871, RMB8,775 and RMB6,504 (USD\$916), 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.

The Company adopted Accounting Standards Update (“ASU”) No. 2021-10, *Government Assistance (Topic 832): Disclosure by Business Entities about Government Assistance (ASU 2021-10)*, which improves the transparency of government assistance received by most business entities by requiring annual disclosures of: (1) the types of government assistance received; (2) the accounting for such assistance; and (3) the effect of the assistance on a business entity’s financial statements. The adoption of this new standard did not have a material impact on the consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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, 2021, 2022 and 2023, total cash originations of sales-type and direct financing leases were RMB45,606, nil and nil, respectively. For the year ended December 31, 2021, 2022 and 2023, total cash receipts from sales-type and direct financing leases were RMB546,221, RMB318,674 and RMB39,966 (US\$5,629), respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financing lease and operating lease as Lessee (continued)

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

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

Sale-leaseback transactions as Lessee

When the 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-lessor, it accounts for the transfer of the asset as a sale and recognizes a corresponding gain or loss on disposal. The subsequent leaseback of the asset is accounted for in accordance with ASC842 in the same manner as any other lease. If the Company does not transfer the control of an asset to the buyer-lessor, 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, 2021, 2022 and 2023 was RMB 16,477, RMB33,252 and RMB31,881 (US\$4,490), respectively, which was recorded in “Intangible Assets – net” on the consolidated balance sheets.

Comprehensive income (loss)

Comprehensive income (loss) 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 income (loss).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 income (loss).

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.

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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.

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 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 Instruments

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 (assets) 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 “Other non-current liabilities” and measured at fair value in the consolidated balance sheets. The derivative assets are recorded in “Prepayments and other current assets” and “Other non-current assets” and measured at fair value in the consolidated balance sheets. Changes in the fair value of derivative liabilities and derivative assets are recognized in “(Loss) Gain on change in fair value of derivative assets and derivative liabilities” in the consolidated statements of comprehensive income (loss). The notional amount of the derivative contracts related to the forward exchange rate were US\$242,500 and US\$132,000 as of December 31, 2022 and 2023, respectively. Changes in fair value of derivative assets and derivative liabilities were gain of RMB71,619 and RMB32,322 (US\$4,553) for the years ended December 31, 2022 and 2023, respectively. The fair value of the Company’s derivatives was determined utilizing market observable forward exchange rates.

Earnings (Loss) per share

In accordance with ASC 260, *Earnings Per Share* (“ASC 260”), basic earning (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. 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.

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 2022 and prior period segment information were retrospectively revised to conform to current period presentation (Note 24).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting: Improvements to Reportable Segment Disclosures* (“ASU 2023-07”), which focuses on improving reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. A public entity shall disclose for each reportable segment the significant expense categories and amounts that are regularly provided to the CODM and included in reported segment profit or loss. ASU 2023-07 also requires public entities to provide in interim periods all disclosures about a reportable segment’s profit or loss and assets that are currently required annually. Entities are permitted to disclose more than one measure of a segment’s profit or loss if such measures are used by the CODM to allocate resources and assess performance, as long as at least one of those measures is determined in a way that is most consistent with the measurement principles used to measure the corresponding amounts in the consolidated financial statements. ASU 2023-07 is applied retrospectively to all periods presented in financial statements, unless it is impracticable. This update will be effective for the Group’s fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Group is currently in the process of evaluating the disclosure impact of adopting ASU 2023-07.

In December 2023, the FASB issued ASU No. 2023-09, *Improvements to Income Tax Disclosures* (Topic 740). The ASU requires disaggregated information about a reporting entity’s effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Retrospective application is permitted. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. The Group is currently in the process of evaluating the disclosure impact of adopting ASU 2023-09.

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, 2022 and 2023, RMB2,401,207 and RMB2,165,180 (US\$304,986), respectively, of the Company’s cash and cash equivalents, restricted cash and notes receivable were primarily deposited in PRC state - owned financial institutions located in the PRC, which management believes are of high credit quality. PRC state - owned banks, such as Bank of China, are subject to a series of risk control regulatory standards, and PRC financial institutions regulatory authorities are empowered to take over the operation and management when any of those banks faces a material credit crisis. The Group does not foresee substantial credit risk with respect to cash and cash equivalents, restricted cash and short - term investments held at the PRC state - owned financial institutions. Meanwhile, the Group selected reputable international financial institutions with high rating rates to place its foreign currencies. The Group regularly monitors the rating of the international financial institutions to avoid any potential defaults. There has been no recent history of default in relation to these financial institutions.

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 PRC state-owned 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.

The Company is exposed to default risk on its lease rental and other financing receivables amounting to RMB233,786 and RMB54,994 (US\$7,746) as of December 31, 2022 and 2023, 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 currency convertibility 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.

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3. CONCENTRATION OF RISKS (CONTINUED)

Concentration of credit risk (continued)

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.

Business, customer, political, social and economic risks (continued)

Domestic mail delivery service-related businesses and planned value-added telecommunication services in connection with UCargo business since 2020 are subject to significant restrictions under current PRC laws and regulations. Specifically, foreign investors are not allowed to invest in any domestic mail delivery service business. Currently, the 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, 2021, 2022 and 2023.

Currency convertibility risk

The Company transacts most 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 appreciation of approximately 2.3%, 9.2% and 2.9% in the years ended December 31, 2021, 2022 and 2023, 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

On November 18, 2021, the Company completed the disposal transaction of Sichuan Wowo with a cash consideration of RMB250,000 and recognized a corresponding loss on disposal of RMB34,276 in net income (loss) from discontinued operations in the consolidated statements of comprehensive income (loss) 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 income (loss) 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.

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

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4. DISCONTINUED OPERATIONS (CONTINUED)

The following tables set forth 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:

	For the years ended December 31,			
	2021* RMB	2022 RMB	2023 RMB	2023 US\$
Revenue	16,334,363	—	—	—
Cost of revenue	(17,313,107)	—	—	—
Gross loss	(978,744)	—	—	—
Selling expenses	(364,917)	—	—	—
General and administrative expenses	(530,479)	(31,617)	—	—
Research and development expenses	(51,465)	—	—	—
Other operating income	243,391	—	—	—
Total operating expenses	(703,470)	(31,617)	—	—
Loss from discontinued operations	(1,682,214)	(31,617)	—	—
Interest income	15,099	—	—	—
Interest expenses	(32,613)	—	—	—
Foreign exchange loss	(2,367)	—	—	—
Gains on disposal	3,179,323	—	—	—
Other income	37,570	—	15,222	2,144
Other expense	(41,309)	(6,847)	—	—
Income (Loss) before income taxes	1,473,489	(38,464)	15,222	2,144
Income tax expense	—	—	—	—
Net income (loss) from discontinued operations	1,473,489	(38,464)	15,222	2,144

* 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 years ended December 31, 2021, 2022 and 2023, 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 RMB	2022 RMB	2023 RMB	2023 US\$
Revenue				
Freight delivery	6,271	45,664	—	—
Supply chain management	4,500	16,547	—	—
Others	42,162	20,080	—	—
Total revenue	52,933	82,291	—	—
Cost of revenue				
Freight delivery	(4,274)	(34,262)	—	—
Supply chain management	(3,390)	(5,315)	—	—
Others	(4,036)	(13,761)	—	—
Total cost of revenue	(11,700)	(53,338)	—	—
Interest income	4,671	—	—	—

During the year ended December 31, 2021, 2022 and 2023, the net cash inflows received by the Company’s continuing operations from the Discontinued Operations after the disposal transactions were RMB43,678, RMB246,106 and nil, respectively.

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5. ACCOUNTS AND NOTES RECEIVABLE, NET

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

	As at December 31		
	2022	2023	2023
	RMB	RMB	US\$
Accounts receivable	950,666	1,078,242	151,867
Notes receivable	4,614	1,664	234
Allowance for credit losses	(263,956)	(250,104)	(35,226)
Accounts and notes receivable, net	<u>691,324</u>	<u>829,802</u>	<u>116,875</u>

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

	As at December 31			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Balance at beginning of the year	(204,124)	(227,593)	(263,956)	(37,177)
Additions	(31,291)	(43,295)	(4,277)	(602)
Write-offs	7,822	6,932	18,129	2,553
Balance at end of the year	<u>(227,593)</u>	<u>(263,956)</u>	<u>(250,104)</u>	<u>(35,226)</u>

For the years ended December 31, 2021, 2022 and 2023, 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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6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consist of the following:

	As at December 31		
	2022	2023	2023
	RMB	RMB	US\$
Value-added taxes (“VAT”) recoverable	283,001	304,683	42,914
Receivables from failed sale-leaseback transactions (1)	176,210	104,181	14,674
Rental and other deposits	88,972	52,985	7,462
Fair value accounting of financial instruments	49,077	10,917	1,538
Factoring receivables (2)	39,105	52,840	7,442
Interest receivables	28,112	73,874	10,405
Others	167,688	190,095	26,774
Allowance for credit losses (3)	(54,323)	(115,475)	(16,264)
	<u>777,842</u>	<u>674,100</u>	<u>94,945</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 income (loss). Interest income was insignificant for the years ended December 31, 2021, 2022 and 2023. As of December 31, 2022 and 2023, the Company recorded receivables from failed sale-leaseback transactions due within one year of RMB176,210 and RMB104,181 (US\$14,674), respectively, under the “Prepayments and other current assets”. As of December 31, 2022 and 2023, the Company recorded receivables from failed sale-leaseback transactions due over one year of RMB25,811 and nil, net of allowance for credit losses of RMB7,621 and nil, 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 income (loss). Interest income was RMB34,956, RMB7,536 and RMB5,058 (US\$712) for the years ended December 31, 2021, 2022 and 2023, respectively. As of December 31, 2022 and 2023, the allowance for credit losses of factoring receivables were nil and RMB516 (US\$73), respectively.

(3) Allowance for credit losses

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

	As at December 31			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Balance at beginning of the year	(12,196)	(33,746)	(54,323)	(7,651)
Additions	(21,550)	(31,358)	(77,293)	(10,886)
Write-offs	—	10,781	16,141	2,273
Balance at end of the year	<u>(33,746)</u>	<u>(54,323)</u>	<u>(115,475)</u>	<u>(16,264)</u>

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7. PROPERTY AND EQUIPMENT, NET

	As at December 31		
	2022	2023	2023
	RMB	RMB	US\$
Machinery and electronic equipment	677,471	744,126	104,808
Leasehold improvements	683,804	674,716	95,032
Motor vehicles	179,769	216,535	30,498
Construction in progress	49,193	20,223	2,848
	<u>1,590,237</u>	<u>1,655,600</u>	<u>233,186</u>
Less: accumulated depreciation	(805,505)	(936,696)	(131,931)
Impairment	—	(94,699)	(13,338)
	<u>784,732</u>	<u>624,205</u>	<u>87,917</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 RMB48,336 and RMB7,772, respectively, as of December 31, 2022 and RMB6,169 (US\$869) and RMB3,604 (US\$508), respectively, as of December 31, 2023. Future minimum lease payments are disclosed in Note 9. Depreciation expense of property and equipment, including assets under financing leases, was RMB183,332, RMB176,341 and RMB172,404 (US\$24,283) for the years ended December 31, 2021, 2022 and 2023, respectively. The Company recorded nil, nil and RMB94,699 (US\$13,338) of impairment charges for the years ended December 31, 2021, 2022 and 2023, respectively.

As of December 31, 2022 and 2023, the balances of construction in progress were RMB49,193 and RMB20,223 (US\$2,848), respectively, which were related to the construction of warehouses, hubs and sortation centers and related equipment.

8. INTANGIBLE ASSETS, NET

	As at December 31		
	2022	2023	2023
	RMB	RMB	US\$
Customer relationships	10,449	10,449	1,472
Software	106,071	183,526	25,849
Capitalized internal use software in progress	44,423	1,381	194
	<u>160,943</u>	<u>195,356</u>	<u>27,515</u>
Less: accumulated amortization	(85,390)	(102,183)	(14,392)
	<u>75,553</u>	<u>93,173</u>	<u>13,123</u>

Amortization expense of intangible assets was RMB8,033, RMB12,569 and RMB16,793 (US\$2,365) for the years ended December 31, 2021, 2022 and 2023, 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\$
2024	26,517	3,735
2025	20,317	2,862
2026	20,284	2,856
2027	15,436	2,174
2028	10,619	1,496
	<u>93,173</u>	<u>13,123</u>

No impairment losses were recognized for the years ended December 31, 2021, 2022 and 2023, respectively.

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9. 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		
	2022 RMB	2023 RMB	2023 US\$
Current assets:			
Direct financing leases	42,295	25,688	3,618
Sales-type leases	772	22,237	3,132
	<u>43,067</u>	<u>47,925</u>	<u>6,750</u>
Non-current assets:			
Direct financing leases	30,682	—	—
Sales-type leases	9,506	314	44
	<u>40,188</u>	<u>314</u>	<u>44</u>
Total	<u>83,255</u>	<u>48,239</u>	<u>6,794</u>

For the years ended December 31, 2021, 2022 and 2023, the Company recorded RMB45,644, RMB5,389 and RMB2,319 (US\$327) of interest income from direct financing and sales-type leases as a lessor in “Revenue – Others” on the consolidated statements of comprehensive income (loss).

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

	As at December 31		
	2022 RMB	2023 RMB	2023 US\$
Total minimum lease payments receivable	136,188	67,522	9,509
Less: Executory costs	—	—	—
Minimum lease payments receivable	136,188	67,522	9,509
Less: Allowance for credit losses	(42,313)	(14,937)	(2,104)
Net minimum lease payments receivable	93,875	52,585	7,405
Unguaranteed residuals	—	—	—
Less: Unearned income	(10,620)	(4,346)	(611)
Net investment in financing leases	83,255	48,239	6,794
Current portion	<u>43,067</u>	<u>47,925</u>	<u>6,750</u>
Non-current portion	<u>40,188</u>	<u>314</u>	<u>44</u>

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9. LEASE (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, 2023 are as follows:

	As at December 31	
	2023	
	RMB	US\$
For the year ending December 31, 2024	52,253	7,359
For the year ending December 31, 2025	332	46
Thereafter	—	—
Total minimum lease payments	52,585	7,405
Unearned income	(4,346)	(611)
Net investment in direct financing and sales-type leases	48,239	6,794

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			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Operating lease cost	674,892	671,422	608,066	85,644
Short-term lease cost	100,766	116,107	4,415	622
Financing lease cost:				
Amortization of ROU assets	1,293	2,313	242	34
Interest	169	202	88	12
Total lease cost	777,120	790,044	612,811	86,312

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9. LEASE (CONTINUED)

Financing and operating leases as Lessee (continued)

	For the years ended December 31			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Other information				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	745,032	770,580	612,224	86,230
Operating cash flows from financing leases	169	202	88	12
Financing cash flows from financing leases	1,481	1,772	1,193	168
ROU assets obtained in exchange for new operating lease liabilities	780,576	560,056	328,599	46,282
ROU obtained in exchange for new finance lease liabilities	1,493	38,134	643	91
Weighted-average remaining lease term (in years):				
Operating leases	5.03	4.58	3.46	—
Financing leases	2.79	2.99	1.60	—
Weighted-average discount rate:				
Operating leases	7.67 %	7.86 %	7.52 %	
Financing leases	5.19 %	5.67 %	6.17 %	

For the year ended December 31, 2021, total lease costs of RMB740,554, RMB1,035, and RMB34,069 were recorded in cost of revenue, selling expenses, general and administrative expenses, respectively.

For the year ended December 31, 2022, total lease costs of RMB755,519, RMB1,616, and RMB30,394 were recorded in cost of revenue, selling expenses, general and administrative expenses, respectively.

For the year ended December 31, 2023, total lease costs of RMB566,296 (US\$80,043), RMB2,044 (US\$288), and RMB42,141 (US\$5,935) 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, 2023 are as follows:

	Operating Leases		Financing leases	
	RMB	US\$	RMB	US\$
For the year ended December 31, 2024	604,939	85,203	862	121
For the year ended December 31, 2025	405,398	57,099	389	55
For the year ended December 31, 2026	253,910	35,762	260	37
For the year ended December 31, 2027	134,735	18,977	149	21
For the year ended December 31, 2028	72,142	10,161	92	13
Thereafter	218,284	30,745	—	—
Total minimum lease payments	1,689,408	237,947	1,752	247
Less: imputed interest	303,104	42,690	103	15
Total lease liability balance	1,386,304	195,257	1,649	232
Minimum payments related to leases not yet commenced as of December 31, 2023	46,110	6,494	—	—

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10. LONG-TERM INVESTMENTS

	As at December 31		
	2022	2023	2023
	RMB	RMB	US\$
Equity investments without readily determinable fair value	156,859	156,859	22,093
Total Long-term Investments	156,859	156,859	22,093

The total carrying value of equity investments without readily determinable fair value as of December 31, 2022 and 2023 were as follows:

	As at December 31		
	2022	2023	2023
	RMB	RMB	US\$
Initial cost basis	57,241	57,241	8,062
Cumulative unrealized gains	116,930	116,930	16,469
Cumulative unrealized losses (including impairment)	(17,312)	(17,312)	(2,438)
Total carrying value	156,859	156,859	22,093

There is no orderly transactions for an identical or similar investment of the same issuer identified during the years ended December 31, 2022 and 2023.

Total unrealized and realized gains and losses of equity securities without readily determinable fair values for the years ended December 31, 2021, 2022 and 2023 were as follows:

	For the years ended December 31			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Gross unrealized gains	58,643	—	—	—
Gross unrealized losses (including impairment) ⁽¹⁾	(5,000)	(12,312)	—	—
Net unrealized gains (loss) on equity securities held	53,643	(12,312)	—	—
Net realized gains on equity securities sold	247,145	—	—	—
Total net gains (loss) recognized	300,788	(12,312)	—	—

(1) Nil gross unrealized losses (downward adjustments excluding impairment) were recognized for the years ended December 31, 2021, 2022 and 2023. In 2021 and 2022, the Company believed that there was a decline in value that was other-than-temporary and recorded impairment of RMB5,000 and RMB12,312 in “Other expense” in the consolidated statements of comprehensive income (loss), respectively. No impairment losses were recognized for the year ended December 31, 2023.

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10. LONG-TERM INVESTMENTS (CONTINUED)

In 2021, the Company disposed partial equity interests in the equity investments without readily determinable fair value with the carrying amount of RMB100,149 for a cash consideration of and RMB347,294 and realized a gain on disposal of RMB247,145, which was included in “Other income” in the consolidated statement of comprehensive income (loss) for the year ended December 31, 2021. Among which, the Company sold 1.0% share of equity investment without readily determinable fair value with the carrying amount of RMB71,667 to Zhejiang Cainiao Supply Chain Management Co. Ltd (“Cainiao”), a related party of the Company, with cash consideration RMB220,000 and realized a gain on disposal of RMB148,333.

11. GOODWILL

	Freight delivery	Global	Total
Balance as of December 31, 2022	5,580	48,555	54,135
Balance as of December 31, 2023	5,580	48,555	54,135
Balance as of December 31, 2023 (US\$)	786	6,839	7,625

No impairment losses were recognized for the years ended December 31, 2021, 2022 and 2023.

12. SHORT-TERM AND LONG-TERM BANK LOANS

	As at December 31		
	2022 RMB	2023 RMB	2023 US\$
Short-term bank loans guaranteed by subsidiaries within the Group	—	239,000	33,662
Secured bank borrowings (a)	110,142	162,755	22,924
Pledged short-term bank loans (b)	73,128	—	—
Total short-term bank loans	183,270	401,755	56,586
Long-term bank loans pledged by deposits, current portion	—	794,679	111,928
	183,270	1,196,434	168,514
Long-term bank loans pledged by deposits	928,894	159,729	22,497
Total	1,112,164	1,356,163	191,011

Short-term bank loans consisted of several bank loans denominated in RMB. The weighted average interest rate for the outstanding bank loans as of December 31, 2022 and 2023, was 1.74% and 1.60%, respectively.

(a) During the years ended 2021, 2022 and 2023, the Group factored certain intercompany notes receivables with a total face value of RMB475,491, RMB110,142 and 164,205 (US\$23,128) to several domestic banks for total proceeds of RMB462,170, RMB108,365 and 161,455 (US\$22,741), respectively, at effective interest rates ranging from 1.16% to 4.59%. 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”. The total intercompany notes receivable pledged for secured bank borrowings was RMB110,142 and RMB162,755(US\$22,924) as of December 31, 2022 and 2023, respectively.

(b) The total deposits in restricted cash pledged for short-term bank loans was RMB 81,150 and nil as of December 31, 2022 and 2023, respectively.

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12. SHORT-TERM AND LONG-TERM BANK LOANS (CONTINUED)

Long-term bank loans were denominated in US\$. The deposits in restricted cash pledged for long-term bank loans was RMB917,650 and RMB919,320 (US\$129,484) as of December 31, 2022 and 2023, respectively. Long-term bank loans amounted to RMB794,679 (US\$111,928) will mature in 2024 and long-term bank loans amounted to RMB159,729 (US\$22,497) will mature in 2025. The weighted average interest rate for the outstanding borrowings as of December 31, 2022 and 2023, was 1.06% and 1.32%, respectively.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	As at December 31		
	2022	2023	2023
	RMB	RMB	US\$
Salary and welfare payable	624,166	631,772	88,983
Customer deposits	218,366	180,945	25,486
Accrued expenses	86,270	57,686	8,125
Accrual for purchases of property and equipment	71,234	70,014	9,861
Other tax payables	12,005	10,362	1,459
Fair value accounting of financial instruments	5,452	—	—
Others	128,161	140,794	19,831
	<u>1,145,654</u>	<u>1,091,573</u>	<u>153,745</u>

14. LONG-TERM BORROWINGS

	As at December 31		
	2022	2023	2023
	RMB	RMB	US\$
<i>Long-term borrowings-current:</i>			
Secured borrowings from Houfu	54,011	—	—
Secured borrowings from Chengdu Gongtuo	25,137	721	102
	<u>79,148</u>	<u>721</u>	<u>102</u>
<i>Long-term borrowings-non-current:</i>			
Secured borrowings from Chengdu Gongtuo	381	—	—
	<u>381</u>	<u>—</u>	<u>—</u>

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 at a discount price of RMB449,671 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 and RMB130,061, 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.

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14. LONG-TERM BORROWINGS (CONTINUED)

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, 2022, the Company made repayments of RMB84,365 to Yunnan Trust. The Senior level debt securities of the Trust Plan were fully repaid during 2022.

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 to Ningbo Houfu Business management consulting partnership (“Houfu”), a related party of Sinolink, at a discounted price of RMB133,200. 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 years ended December 31, 2022 and 2023, the Company made principal repayments of RMB131,851 and RMB1,349 (US\$190), respectively, to Houfu. The weighted average effective interest rate for the outstanding secured borrowings from Houfu was 37.27% as of December 31, 2022.

The secured borrowings from Houfu were fully repaid as of December 31, 2023.

Secured borrowings from Chengdu Gongtuo

In August 2021, BEST Finance transferred the beneficial rights of certain lease receivables with future cash flows of RMB161,031 to Chengdu Gongtuo Finance Lease Limited (“Chengdu Gongtuo”) at their present value of RMB135,858.

Since the Company has continuing involvement with the lease receivables transferred to Chengdu Gongtuo 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 Gongtuo in installments of 33 months. During the year ended December 31, 2022 and 2023, the Company made repayments totaled RMB85,549 and RMB25,300 (US\$3,563), respectively. The weighted average effective interest rate for the outstanding secured borrowings from Gongtuo was 18.85% and 18.85% as of December 31, 2022 and 2023, respectively.

The outstanding balance as of December 31, 2023 of RMB721(US\$102) will be repaid in 2024.

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15. CONVERTIBLE SENIOR NOTES

	As at December 31		
	2022 RMB	2023 RMB	2023 US\$
<i>Current liabilities:</i>			
Convertible Senior Notes held by a related party-current			
2025 Convertible Notes	522,744	106,240	14,964
Convertible Senior Notes held by third parties-current			
2024 Convertible Notes	77	78	11
	<u>522,821</u>	<u>106,318</u>	<u>14,975</u>
<i>Non-current liabilities:</i>			
Convertible Senior Notes held by a related party-non-current			
2025 Convertible Notes	522,744	424,962	59,855
	<u>522,744</u>	<u>424,962</u>	<u>59,855</u>

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 HK”), 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, 2021. 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 7.0922 of the Company’s American depository shares (“ADSs”) per US\$1,000 principal amount of the Notes, which is equivalent to an initial conversion price of US\$141.00 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.

In 2022, the Company repurchased US\$199,989 (equivalent to RMB1,379,364) aggregate principal amount of the 2024 Convertible Notes requested by the holders. Following settlement of the repurchase, the repurchase amount which was fully accreted was derecognized and US\$11 (equivalent to RMB78) aggregate principal amount of the 2024 Convertible Notes remained outstanding and was included in “Convertible senior notes held by third parties-current” as of December 31, 2023 as it will mature on October 1, 2024.

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15. 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, 2022 and 2023 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, 2022 and 2023. The Company will continue to assess the accrual for these additional interest payment liabilities at each reporting date.

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\$200.00 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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15. CONVERTIBLE SENIOR NOTES (CONTINUED)

1) 2024 Convertible Notes (continued)

As of December 31, 2022 and 2023, the principal amount of the 2024 Convertible Notes was RMB77 and RMB78 (US\$11) respectively, unamortized debt discount was nil and nil respectively, and the net carrying amount of the 2024 Convertible Notes was RMB77 and RMB78 (US\$11) respectively.

For the years ended December 31, 2022 and 2023, the amount of interest cost recognized relating to both the contractual interest coupon and amortization of the discount on the 2024 Convertible Notes was RMB21,768 and nil, respectively. As of December 31, 2023, the 2024 Convertible Notes will be accreted up to the principal amount of US\$11 (equivalent to RMB78) 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 to Alibaba HK. 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, 2022. 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 823.723 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\$121.40 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 “Early Redemption Rights”).

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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15. 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, 2022 and 2023 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, 2022 and 2023. The Company will continue to assess the accrual for these additional interest payment liabilities at each reporting date.

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, 2022, the principal amount of the 2025 Convertible Notes was RMB1,046,074, unamortized debt discount was RMB586 and the net carrying amount of the 2025 Convertible Notes was RMB1,045,488. As of December 31, 2023, the principal amount of the 2025 Convertible Notes was RMB531,202 (US\$74,818), unamortized debt discount was nil and the net carrying amount of the 2025 Convertible Notes was RMB531,202 (US\$74,818).

On April 14, 2023, the Company signed an amendment with Alibaba HK and modified the Early Redemption Rights of the 2025 Convertible Notes. The Group and Alibaba HK agreed that Alibaba HK would not require the Company to repurchase all of the 2025 Convertible Notes in 2023. Alibaba HK instead required the Company to repurchase one half of the notes, or US\$75,000 aggregate principal amount, in 2023. The Group have granted an extra repurchase option to Alibaba HK such that Alibaba HK would be able to require the Group to repurchase the other half of the 2025 Convertible Notes, or US\$75,000 aggregate principal amount, within 90 days after June 3, 2024. Besides, the Group and Alibaba HK also agreed that the account receivables in BEST HK due from BEST China is pledged for the 2025 Convertible Notes held by Alibaba HK. The Group accounted for the amendments to the 2025 Convertible Notes as a debt modification, which did not result in a debt extinguishment pursuant to ASC 470-50, *Debt—Modifications and Exchanges* (“ASC 470-50”).

In July 2023, the Company repurchased US\$75,000 (equivalent to RMB503,318) aggregate principal amount of the 2025 Convertible Notes requested by the holders. Following settlement of the repurchase, the repurchase amount which was fully accreted was derecognized and US\$75,000 (equivalent to RMB531,202) aggregate principal amount of the 2025 Convertible Notes remained outstanding.

In December 2023, all of the 2025 Convertible Notes held by Alibaba HK was transferred to Alibaba China. In April 2024, the Company signed an amendment term sheet with Alibaba China and further modified the Early Redemption Rights of the 2025 Convertible Notes (Note 29).

For the years ended December 31, 2022 and 2023, the amount of interest cost recognized relating to both the contractual interest coupon and amortization of the discount on the 2025 Convertible Notes was RMB48,708 and RMB35,395 (US\$4,985), respectively. As of December 31, 2023, the 2025 Convertible Notes will be accreted up to the principal amount of US\$15,000 (equivalent to RMB106,240) over a remaining period of 0.42 years and the principal amount of US\$60,000 (equivalent to RMB424,962) over a remaining period of 1.35 years.

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16. TAXATION

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

British Virgin Islands

Under the current laws of the British Virgin Islands, BEST BVI, BEST Capital BVI and Store BVI are not subject to tax on income or capital gains. In addition, upon payments of dividends by BEST BVI, BEST Capital BVI and Store BVI to its shareholders, no withholding tax is imposed.

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. For the years ended December 31, 2021, 2022 and 2023, 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.

PRC

The Company’s subsidiaries, VIEs and subsidiaries of the VIEs domiciled in the PRC are subject to the statutory rate of 25%, in accordance with the Enterprise Income Tax law (the “EIT Law”), which was effective since January 1, 2008 except for the following entity which is eligible for a preferential tax rate.

BEST Technology is qualified as High and New Technology Enterprise and is subject to a preferential statutory tax rate of 15% for three years from 2022 to 2024.

Dividends, interests, rent or royalties payable by the Company’s PRC subsidiaries, to non-PRC resident enterprises, and proceeds from any such non-resident enterprise investor’s disposition of assets (after deducting the net value of such assets) shall be subject to 10% withholding tax, unless the respective non-PRC resident enterprise’s jurisdiction of incorporation has a tax treaty or arrangements with China that provides for a reduced withholding tax rate or an exemption from withholding tax.

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,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
PRC	(954,592)	(1,053,407)	(369,844)	(52,093)
Non-PRC	(306,013)	(410,909)	(537,621)	(75,722)
	<u>(1,260,605)</u>	<u>(1,464,316)</u>	<u>(907,465)</u>	<u>(127,815)</u>

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16. TAXATION (CONTINUED)

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

	For the years ended December 31,			
	2021 RMB	2022 RMB	2023 RMB	2023 US\$
Current income tax	(3,198)	(511)	(1,141)	(161)
Deferred income tax	—	—	—	—
	<u>(3,198)</u>	<u>(511)</u>	<u>(1,141)</u>	<u>(161)</u>

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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,			
	2021 RMB	2022 RMB	2023 RMB	2023 US\$
Loss before income taxes and share of net loss of equity investees	(1,260,605)	(1,464,316)	(907,465)	(127,815)
PRC statutory income tax rate	25 %	25 %	25 %	25 %
Income tax computed at the statutory tax rate	315,151	366,079	226,866	31,953
Non-deductible expenses	(112,363)	(20,250)	(41,138)	(5,794)
Effect of different tax rates in different jurisdictions and preferential tax rate	447,053	(68,037)	(42,203)	(5,944)
R&D expenses super-deduction	25,756	14,223	15,868	2,235
Non-taxable income	6,525	6,395	4,575	644
Provision to return	14,568	(74,577)	17,752	2,500
Deferred tax expenses	(21,245)	(1,462)	(8,212)	(1,157)
Tax rate change	2,890	(483)	8,531	1,202
Expired tax loss	(112,725)	(160,285)	(18,784)	(2,645)
Change in valuation allowance	(568,808)	(62,114)	(164,396)	(23,155)
	(3,198)	(511)	(1,141)	(161)

The principal components of the deferred tax assets and liabilities are as follows:

	As at December 31		
	2022 RMB	2023 RMB	2023 US\$
<u>Deferred tax assets, non-current</u>			
Accrued expenses	278,341	298,208	42,002
Customer advances and deposits	10,431	7,139	1,006
Allowance for credit losses and inventory provision	101,187	99,327	13,990
Allowance for long-term investment	3,078	3,078	434
Impairment of long-lived asset	—	23,675	3,335
Loss from inter-company loan forgiveness	—	128,959	18,163
Depreciation and amortization expense	18,961	8,476	1,194
Net operating losses carry forward	1,410,903	1,419,440	199,924
Lease liabilities	467,623	355,341	50,049
Total deferred tax assets	2,290,524	2,343,643	330,097
Valuation allowance*	(1,818,282)	(1,982,678)	(279,256)
Total deferred tax assets net of valuation allowance	472,242	360,964	50,841

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16. TAXATION (CONTINUED)

Deferred tax (continued)

* 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, 2022 and 2023. 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		
	2022 RMB	2023 RMB	2023 US\$
Deferred tax liabilities			
Fair value changes of equity investments	(29,232)	(29,232)	(4,117)
Accrued revenue recognition difference	(3,765)	(5,016)	(707)
Right-of-use assets	(439,245)	(326,716)	(46,017)
Total deferred tax liabilities	<u>(472,242)</u>	<u>(360,964)</u>	<u>(50,841)</u>

As of December 31, 2022 and 2023, the Company has net operating losses from continuing operations of RMB5,621,989 and RMB5,719,812 (US\$805,619), mainly from its PRC subsidiaries and VIEs. The tax losses in the PRC can be carried forward for five years to offset future taxable income, and the period is extended to ten years for entities that qualify as a HNTE. The PRC subsidiaries’ net operating losses will expire from years 2024 to 2033 if not utilized.

As of December 31, 2023, the Company intends to permanently reinvest the undistributed earnings from foreign subsidiaries to fund future operations. As of December 31, 2023, the total amount of undistributed earnings from its PRC subsidiaries as well as VIEs was RMB31,642 (US\$4,457). 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.

Unrecognized tax benefits

As of December 31, 2022 and 2023, the Company recorded an unrecognized tax benefit of RMB94,572 and RMB88,530 (US\$12,468) 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. 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, 2022 and 2023, unrecognized tax benefits of RMB58,813 and RMB64,997 (US\$9,155), respectively, if ultimately recognized, will impact the effective tax rate. A rollforward of unrecognized tax benefits is as follows:

	As at December 31		
	2022 RMB	2023 RMB	2023 US\$
Beginning balance	78,800	94,572	13,320
Additions	15,772	6,184	870
Decreases	—	(12,226)	(1,722)
Ending balance	<u>94,572</u>	<u>88,530</u>	<u>12,468</u>

During the years ended December 31, 2021, 2022 and 2023, the Company did not record any interest expense or penalty accrued in relation to the unrecognized tax benefit.

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, 2018 through December 31, 2023 of the PRC subsidiaries, the VIEs and its subsidiaries remain open to examination by the tax authorities.

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17. 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.

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, 2021, and 2022, the Company’s PRC subsidiaries had reversed RMB7,871 and RMB167 of statutory reserves, respectively, which are included in shareholder’s equity. The Group did not appropriate or reverse any statutory reserves for the year ended December 31, 2023.

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 RMB5,269,936 (US\$742,255) as of December 31, 2023; 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, 2022 and 2023 and for each of the three years in the period ended December 31, 2023 are disclosed in Note 28.

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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18. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share for each of the years presented are calculated as follows:

	2021			2022			2023					
	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 earnings (loss) per share:												
<i>Numerator:</i>												
Net loss from continuing operations attributable to ordinary shareholders—basic	(768,670)	(293,707)	(149,205)	(909,443)	(341,778)	(173,626)	(521,059)	(73,391)	(204,618)	(28,820)	(103,947)	(14,641)
Net income (loss) from discontinued operations, net of tax	934,833	357,198	181,458	(24,552)	(9,225)	(4,687)	9,561	1,346	3,754	529	1,907	269
Net income (loss) attributable to ordinary shareholders—basic	<u>166,163</u>	<u>63,491</u>	<u>32,253</u>	<u>(933,995)</u>	<u>(351,003)</u>	<u>(178,313)</u>	<u>(511,498)</u>	<u>(72,045)</u>	<u>(200,864)</u>	<u>(28,291)</u>	<u>(102,040)</u>	<u>(14,372)</u>
<i>Denominator:</i>												
Weighted average number of ordinary shares outstanding—basic	<u>246,207,464</u>	<u>94,075,249</u>	<u>47,790,698</u>	<u>250,326,701</u>	<u>94,075,249</u>	<u>47,790,698</u>	<u>239,563,290</u>	<u>239,563,290</u>	<u>94,075,249</u>	<u>94,075,249</u>	<u>47,790,698</u>	<u>47,790,698</u>
Continuing operations	(3.12)	(3.12)	(3.12)	(3.63)	(3.63)	(3.63)	(2.18)	(0.31)	(2.18)	(0.31)	(2.18)	(0.31)
Discontinued operations	3.80	3.80	3.80	(0.10)	(0.10)	(0.10)	0.04	0.01	0.04	0.01	0.04	0.01
Basic earnings (loss) per share	0.68	0.68	0.68	(3.73)	(3.73)	(3.73)	(2.14)	(0.30)	(2.14)	(0.30)	(2.14)	(0.30)
Basic earnings (loss) per ADS:												
Basic earnings (loss) per ADS (1 ADS equals 20 Class A ordinary shares)	13.60	13.60	13.60	(74.60)	(74.60)	(74.60)	(42.70)	(6.01)	(42.70)	(6.01)	(42.70)	(6.01)

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18. EARNINGS (LOSS) PER SHARE (CONTINUED)

	2021			2022			2023					
	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	(768,670)	(293,707)	(149,205)	(909,443)	(341,778)	(173,626)	(521,059)	(73,391)	(204,618)	(28,820)	(103,947)	(14,641)
Net income (loss) from discontinued operations, net of tax	934,833	357,198	181,458	(24,552)	(9,225)	(4,687)	9,561	1,346	3,754	529	1,907	269
Net income (loss) attributable to ordinary shareholders—basic	166,163	63,491	32,253	(933,995)	(351,003)	(178,313)	(511,498)	(72,045)	(200,864)	(28,291)	(102,040)	(14,372)
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 20)	(442,912)	—	—	(515,404)	—	—	(308,565)	(43,460)	—	—	—	—
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 20)	538,656	—	—	(13,912)	—	—	5,662	798	—	—	—	—
Reallocation of net income (loss) attributable to ordinary shareholders as a result of conversion of Class C and Class B to Class A ordinary shares (Note 20)	95,744	—	—	(529,316)	—	—	(302,903)	(42,662)	—	—	—	—
Net income (loss) attributable to ordinary shareholders—diluted	261,907	63,491	32,253	(1,463,311)	(351,003)	(178,313)	(814,401)	(114,707)	(200,864)	(28,291)	(102,040)	(14,372)
Denominator:												
Weighted average number of ordinary shares outstanding—basic	246,207,464	94,075,249	47,790,698	250,326,701	94,075,249	47,790,698	239,563,290	239,563,290	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 20)	141,865,947	—	—	141,865,947	—	—	141,865,947	141,865,947	—	—	—	—
Weighted average number of ordinary shares for continuing operations outstanding - diluted	388,073,411	94,075,249	47,790,698	392,192,648	94,075,249	47,790,698	381,429,237	381,429,237	94,075,249	94,075,249	47,790,698	47,790,698
Weighted average number of ordinary shares for discontinued operations outstanding - diluted	388,073,411	94,075,249	47,790,698	392,192,648	94,075,249	47,790,698	381,429,237	381,429,237	94,075,249	94,075,249	47,790,698	47,790,698
Weighted average number of ordinary shares outstanding - diluted	388,073,411	94,075,249	47,790,698	392,192,648	94,075,249	47,790,698	381,429,237	381,429,237	94,075,249	94,075,249	47,790,698	47,790,698
Continuing operations	(3.12)	(3.12)	(3.12)	(3.63)	(3.63)	(3.63)	(2.18)	(0.31)	(2.18)	(0.31)	(2.18)	(0.31)
Discontinued operations	3.80	3.80	3.80	(0.10)	(0.10)	(0.10)	0.04	0.01	0.04	0.01	0.04	0.01
Diluted earnings (loss) per share	0.68	0.68	0.68	(3.73)	(3.73)	(3.73)	(2.14)	(0.30)	(2.14)	(0.30)	(2.14)	(0.30)
Diluted earnings (loss) per share:												
Diluted earnings (loss) per ADS (1 ADS equals 20 Class A ordinary shares)	13.60	13.60	13.60	(74.60)	(74.60)	(74.60)	(42.70)	(6.01)	(42.70)	(6.01)	(42.70)	(6.01)

For the years ended December 31, 2021, 2022 and 2023, 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 20). 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, 2021, 2022 and 2023, as the effects would be antidilutive on the loss from continuing operations.

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19. 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.

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 (the “2017 Plan”)

In September 2017, the Company's shareholders and Board of Directors approved the 2017 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.

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19. SHARE-BASED PAYMENTS (CONTINUED)

Options granted to employees

A summary of the employee share option activity under the 2008 Plan is stated below:

	Number of options	Weighted- average exercise price US\$	Weighted- average grant-date fair value US\$	Weighted- average remaining contractual term Years	Aggregate intrinsic Value US\$
Outstanding, December 31, 2022	1,055,042	0.75	7.02	9.02	—
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited/Expired	(96,672)	0.75	6.82	—	—
Outstanding, December 31, 2023	<u>958,370</u>	0.75	7.04	8.08	—
Vested as at December 31, 2023	<u>17,237,222</u>	0.67	2.37	4.71	—
Exercisable as at December 31, 2023	<u>958,370</u>	0.75	7.04	8.08	—

The aggregate intrinsic value in the table above represents higher of the difference between the closing share price on the last trading day in 2023 and the option’s respective exercise price or zero. Total intrinsic value of options exercised for the years ended December 31, 2021, 2022 and 2023 was RMB884,679, nil and nil respectively.

No share option awards were granted to employees during the years ended December 31, 2021, 2022 and 2023. The total fair value of the equity awards vested under 2008 Plan during the years ended December 31, 2021, 2022 and 2023 were RMB8,583, nil and nil, respectively.

There were no new grants of share option awards during the years ended December 31, 2021, 2022 and 2023, respectively. The options granted have been fully vested as of December 31, 2023.

As of December 31, 2023, there were no remaining unrecognized employee share-based compensation expenses.

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19. SHARE-BASED PAYMENTS (CONTINUED)

Options granted to non-employees

A summary of the non-employee share option activity under the 2008 Plan is stated below:

	Number of options	Weighted- average exercise price US\$	Weighted- average grant-date fair value US\$	Weighted- average remaining contractual term Years	Aggregate intrinsic Value US\$
Outstanding, December 31, 2022	1,439,177	0.70	2.47	5.65	—
Granted	—	—	—	—	—
Exercised	(43,400)	0.01	0.24	—	—
Forfeited	(28,000)	0.50	0.12	—	—
Outstanding, December 31, 2023	<u>1,367,777</u>	0.73	2.58	4.91	—
Vested at December 31, 2023	<u>1,838,173</u>	0.65	2.43	4.37	—
Exercisable at December 31, 2023	<u>1,367,777</u>	0.73	2.58	4.91	—

The aggregate intrinsic value in the table above represents the difference between the closing stock price on the last trading day in 2023 and the option's respective exercise price or zero. Total intrinsic value of options exercised for the years ended December 31, 2021, 2022 and 2023 was RMB20,457, nil and nil, respectively.

No share option awards were granted to non-employees during the years ended December 31, 2021, 2022 and 2023.. The options granted have been fully vested as of December 31, 2023.

As of December 31, 2023, there were no remaining unrecognized non-employee share-based compensation expenses.

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19. 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, 2022	7,133,593	2.54
Granted	2,449,200	0.13
Vested	(4,419,335)	1.85
Forfeited	(346,315)	2.45
Outstanding, December 31, 2023	<u>4,817,143</u>	1.95
Vested and expected to vest as at December 31, 2023	<u>13,480,316</u>	

The weighted average grant-date fair value of Restricted Shares granted during the year ended December 31, 2021, 2022 and 2023 was US\$2.17, US\$0.69 and US\$0.13, which was derived from the fair value of the underlying ordinary shares. As of December 31, 2023, there was RMB21,300 (US\$3,019) 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 1.54 years. Total unrecognized compensation cost may be adjusted for actual forfeitures occurring in the future. During the year ended December 31, 2021, 2022 and 2023, the Company granted 80,000, 160,000 and 150,000 Restricted Shares to non-employees, which were fully vested 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 restricted shares 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 from the modification. The Company recognized the remaining unrecognized share-based compensation expenses related to these restricted shares of RMB18,181 during the year ended December 31, 2021 for the accelerated vesting of restricted shares due to the disposal.

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

	For the years ended December 31,			
	2021 RMB	2022 RMB	2023 RMB	2023 US\$
Cost of revenue	345	321	198	28
Selling expenses	9,654	3,523	2,084	294
General and administrative expenses	88,361	63,280	42,491	5,984
Research and development expenses	9,321	4,972	3,571	503
Share-based compensation expenses from continuing operations	107,681	72,096	48,344	6,809
Share-based compensation expenses from discontinued operations	27,245	—	—	—
Total share-based compensation expenses	<u>134,926</u>	<u>72,096</u>	<u>48,344</u>	<u>6,809</u>

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19. SHARE-BASED PAYMENTS (CONTINUED)

Options granted by subsidiaries

2020 Equity Incentive Plan of BEST Asia Inc (the “2020 BEST Asia Plan”)

On December 31, 2020, the shareholders and Board of Directors of BEST Asia Inc (“BEST Asia”) approved 2020 BEST Asia Plan, which is administrated by the Board of Directors of BEST Asia. Under the 2020 BEST Asia 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 BEST Asia 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 BEST Asia Plan to purchase the ordinary shares of BEST Asia 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 BEST Asia 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, 2022 and 2023. 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 BEST Asia Plan is stated below:

	Number of options
Outstanding, December 31, 2022	42,952,900
Granted	10,427,000
Forfeited	(10,615,230)
Outstanding, December 31, 2023	42,764,670
Vested and expected to vest as at December 31, 2023	42,764,670
Exercisable as at December 31, 2023	—

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19. SHARE-BASED PAYMENTS (CONTINUED)

Options granted by subsidiaries (continued)

2022 BEST CloudSoft Plan (continued)

In 2022, the shareholders and Board of Directors of the Company approved the 2022 BEST CloudSoft Plan, which is administrated by the Board of Directors of the Company. BEST CloudSoft Inc. reserved 30,000,000 ordinary shares of BEST CloudSoft Inc. to its eligible employees, directors and officers BEST CloudSoft Inc. and consultants. The purpose of the 2022 BEST CloudSoft Plan is to attract and retain the services of employees, directors and consultants considered essential to the success of the Company.

The options granted under the 2022 BEST CloudSoft Plan to purchase the ordinary share of BEST CloudSoft Inc. 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 2022 BEST CloudSoft Plan, all share options granted are not exercisable until the completion of BEST CloudSoft Inc.’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 2023. 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 2022 BEST CloudSoft Plan is stated below:

	<u>Number of options</u>
Outstanding, December 31, 2022	12,850,000
Granted	4,595,000
Forfeited	(267,870)
Expired	(58,360)
Outstanding, December 31, 2023	<u>17,118,770</u>
Vested and expected to vest as at December 31, 2023	<u>17,118,770</u>
Exercisable as at December 31, 2023	<u>—</u>

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20. 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 year ended December 31, 2020, the Company repurchased an aggregate of 319,752.50 ADSs, representing 6,395,050 Class A ordinary shares under the 2019 Share Repurchase Program, at an average price of US\$93.80 per ADS, for RMB211,352 (US\$29,768). These repurchased shares are intended to be used for grants under the 2017 Plan. The remaining shares are recorded as Treasury shares during the years ended December 31, 2021, 2022 and 2023, the Company did not repurchase any ADSs under the 2019 Share Repurchase Program. During the years ended December 31, 2021, 2022 and 2023, 2,974,987, 3,420,063 and nil repurchased Class A ordinary shares are granted under 2017 Plan. As of December 31, 2022 and 2023, there were no repurchased shares outstanding under the 2019 Share Repurchase Program.

On March 10, 2023, the Board of Directors of the Company authorized a share repurchase program, under which the Company could repurchase up to US\$20,000 worth of its outstanding American Depositary Shares from the open market over a 12-month period. The Company’s board of directors has terminated the share repurchase program, effective as of September 25, 2023. Prior to the program’s termination, the Company repurchased a total of 1,265,685 ADSs, representing 27,029,700 Class A ordinary shares, at an average price of US\$13.94 per ADS, for RMB23,853 (US\$3,360) under the program. 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. During the years ended December 31, 2023, nil repurchased Class A ordinary shares are granted under 2017 Plan. As of December 31, 2023, 27,029,700 repurchased shares of RMB23,853 (US\$3,360) are recorded as Treasury shares on the consolidated balance sheets.

The ratio of the ADSs to Class A ordinary shares changed from one (1) ADS to one (1) Class A ordinary share, to one (1) ADS to five (5) Class A ordinary shares, effective at the start of trading on May 20, 2022. The ratio of ADSs to Class A ordinary shares changed from one (1) ADS to five (5) Class A ordinary shares, to one (1) ADS to twenty (20) Class A ordinary shares, effective at the start of trading on April 4, 2023.

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21. CONVERTIBLE NON-CONTROLLING INTERESTS

	As at December 31		
	2022	2023	2023
	RMB	RMB	US\$
Balance at beginning of the year	191,865	191,865	27,024
Balance at end of the year	<u>191,865</u>	<u>191,865</u>	<u>27,024</u>

On June 30, 2021, BEST Asia, a wholly-owned subsidiary 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.

22. RELATED PARTY TRANSACTIONS

a) *Related Parties*

Name of Related Parties	Relationship with the Group
Zhejiang Cainiao Supply Chain Management Co. Ltd (“Cainiao”)	Entity controlled by a principal shareholder of the Group
Alibaba Cloud Computing Co. Ltd (“Ali Cloud”)	Entity controlled by a principal shareholder of the Group
Alibaba.com Hong Kong Limited (“Alibaba HK”)	Entity controlled by a principal shareholder of the Group
Alibaba.com China Limited (“Alibaba China”)	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
Zhejiang ALOG Supply Chain Management Co.,Ltd (“ALOG”)	Entity controlled by a principal shareholder of the Group

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22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the years ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Operating costs paid to related party:				
Ali Cloud	13,608	9,041	6,845	964

	For the years ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Proceeds of the disposal of machinery and electronic equipment assets received from related party:				
ALOG	—	16,013	12,659	1,783

	For the years ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Repurchase of convertible senior notes held by related party (Note 15):				
Alibaba HK	—	746,538	503,318	70,891

	For the years ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Interest expense of convertible senior notes accrued to related party (Note 15):				
Alibaba HK	62,887	62,192	35,015	4,932

	For the years ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Borrowings received from related party:				
Alibaba Technology	600,000	—	—	—

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22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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 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,			
	2021 RMB	2022 RMB	2023 RMB	2023 US\$
Borrowings repaid to related party:				
Alibaba Technology	600,000	—	—	—
	For the years ended December 31,			
	2021 RMB	2022 RMB	2023 RMB	2023 US\$
Interest expense of borrowings accrued to related party:				
Alibaba Technology	674	—	—	—
	For the years ended December 31,			
	2021 RMB	2022 RMB	2023 RMB	2023 US\$
Cash proceeds from the disposal of an equity investment (Note 10):				
Cainiao	220,000	—	—	—
	For the years ended December 31,			
	2021 RMB	2022 RMB	2023 RMB	2023 US\$
Issuance of BEST Asia Series A Preferred Shares to a related party (Note 21):				
Taobao	193,803	—	—	—

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22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	As at December 31		
	2022 RMB	2023 RMB	2023 US\$
Amounts due from related parties:			
Cainiao	45,377	34,408	4,846
Ali Cloud	370	534	75
Lazada	24,895	20,382	2,871
ALOG	5,726	5,070	714
	<u>76,368</u>	<u>60,394</u>	<u>8,506</u>

	As at December 31		
	2022 RMB	2023 RMB	2023 US\$
Amounts due to related parties:			
Alibaba HK	131	78	11
Ali Cloud	446	1,041	147
Cainiao	241	—	—
Lazada	497	—	—
	<u>1,315</u>	<u>1,119</u>	<u>158</u>

	As at December 31		
	2022 RMB	2023 RMB	2023 US\$
Convertible senior notes held by a related party – current:			
Alibaba HK/China*	522,744	106,240	14,964
Convertible senior notes held by a related party – non-current:			
Alibaba HK/China	522,744	424,962	59,855

* In December 2023, all of the 2025 Convertible Notes were transferred by Alibaba HK to Alibaba China.

	As at December 31		
	2022 RMB	2023 RMB	2023 US\$
Convertible non-controlling interests held by related party:			
Taobao	191,865	191,865	27,024

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23. SEGMENT REPORTING

Since January 1, 2021, the Company reported segments as five operating segments: (1) Express delivery services, (2) Freight delivery services (“Freight delivery”), (3) Supply chain management services (“Supply chain management”), (4) Global logistic services (“Global”), (5) Other services (“Others”). Since 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.

Since January 1, 2022, due to the winding down of Ucargo, the Company reported Ucargo services together with Freight delivery services. Prior year’s comparative figure related to Ucargo services revenue of RMB2,809,081 under “Revenue – Others” for the year ended December 31, 2021 has been reclassified to “Revenue – Freight delivery” to conform to the current year’s presentation. The Company continues to report 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.

The chief operating decision maker (“CODM”) has been identified as the Chief Executive Officer. The CODM uses multiple performance measures in evaluating the performance of the operating segments and allocating assets but determined that gross profit/loss is the measurement principle that is most consistent with those used in measuring the corresponding amounts in the Company’s consolidated financial statements in accordance with ASC 280-10-50-28. The Company’s reportable segments are strategic business units that offer different services. They are managed separately because each business requires different technology and market strategies. The changes in reportable segments align 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. The accounting policy of the segments are the same as those described in the summary of significant accounting policies in the consolidated financial statements. Inter-segment sales are accounted for as if the sales were to third parties, that is, at current market prices.

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. The Company retrospectively revised prior period segment information to conform to current period presentation.

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23. SEGMENT REPORTING (CONTINUED)

The table below provides a summary of the Company’s operating segment results for the years ended December 31, 2021, 2022 and 2023:

	For the years ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Revenue:				
Freight delivery	8,353,703	4,890,823	5,412,204	762,293
Supply chain management	1,820,239	1,852,153	1,857,429	261,613
Global	1,194,146	963,505	949,738	133,768
Others	172,447	116,859	106,393	14,985
Inter-segment*	(114,699)	(79,268)	(9,920)	(1,397)
Consolidated revenue	11,425,836	7,744,072	8,315,844	1,171,262
Gross (loss) profit:				
Freight delivery	(262,303)	(226,659)	197,429	27,807
Supply chain management	73,272	110,257	158,162	22,276
Global	(64,656)	(164,680)	(184,970)	(26,052)
Others	54,299	17,524	79,816	11,242
Inter-segment*	—	—	—	—
Consolidated gross (loss) profit	(199,388)	(263,558)	250,437	35,273

(*) The inter segment eliminations mainly consist of services provided by Freight delivery and Global segments to the Supply chain management services segment, for the years ended December 31, 2021, 2022 and 2023, respectively.

The Company’s operations are primarily based in China, where the Company derives a substantial portion of their revenues. The following table presents revenues generated in domestic and overseas markets for the years ended December 31, 2021, 2022 and 2023.

	For the years ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
PRC	10,231,981	6,827,165	7,369,331	1,037,948
Non-PRC	1,193,855	916,907	946,513	133,314
	11,425,836	7,744,072	8,315,844	1,171,262

The following table presents the Group’s revenue from contracts with customers disaggregated by the revenue recognition time:

	For the years ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Revenue recognized at point of time	335,787	282,165	505,440	71,190
Revenue recognized over time	11,090,049	7,461,907	7,810,404	1,100,072
	11,425,836	7,744,072	8,315,844	1,171,262

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24. 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, 2022 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 assets	—	50,231	—	50,231	7,283	50,231	7,283	—	—
Derivative liabilities	—	(18,644)	—	(18,644)	(2,703)	(3,726)	(540)	—	—
Non-recurring fair value measurement for:									
Equity investments without readily determinable fair value	—	—	156,859	156,859	22,742	—	—	(12,312)	(1,785)
	—	31,587	156,859	188,446	27,322	46,505	6,743	(12,312)	(1,785)

	Fair value measurements as at December 31, 2023 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 assets	—	16,433	—	16,433	2,315	16,433	2,315	—	—
Derivative liabilities	—	—	—	—	—	—	—	—	—
Non-recurring fair value measurement for:									
Property and equipment, net	—	—	—	—	—	(94,699)	(13,338)	(94,699)	(13,338)
Equity investments without readily determinable fair value	—	—	156,859	156,859	22,093	—	—	—	—
	—	16,433	156,859	173,292	24,408	(78,266)	(11,023)	(94,699)	(13,338)

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24. 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 10). 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 RMB58,643, nil and nil for measuring equity investments at fair value resulting from the observable price changes occurring in the years ended December 31, 2021, 2022 and 2023, respectively. The Group recognized impairment of RMB5,000, RMB12,312 and nil for equity investments at fair value in the years ended December 31, 2021, 2022 and 2023, respectively.

Derivative assets and liabilities represent the Group’s freestanding forward exchange rate contracts with banks 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 assets and derivative liabilities are recorded in the consolidated statements balance sheets measured at fair value. Below is the details:

	As at December 31		
	2022	2023	2023
	RMB	RMB	US\$
Prepayments and other current assets	49,077	10,917	1,538
Other non-current assets	1,154	5,516	777
Total derivative assets	50,231	16,433	2,315
Accrued expenses and other liabilities	5,452	—	—
Other non-current liabilities	13,192	—	—
Total derivative liabilities	18,644	—	—

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25. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

The Group has commitments for the construction of warehouses and equipment of RMB36,347 (US\$5,119) at December 31 2023, which are scheduled to be paid within one year.

Contingencies

From time to time, the Group is subject to legal proceedings, investigations, and claims incidental to the conduct of its business. The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group’s business, financial position or results of operations.

26. EMPLOYEE DEFINED CONTRIBUTION PLAN

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the Group’s PRC subsidiaries, VIEs and its subsidiaries make contributions to the government for these benefits based on certain percentages of the employees’ salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were RMB181,689, RMB155,642 and RMB121,630 (US\$17,131) for the years ended December 31, 2021, 2022 and 2023, respectively.

27. ACCUMULATED OTHER COMPREHENSIVE INCOME

	RMB
Balance as of January 1, 2021	151,677
Foreign currency translation adjustments, net of tax of nil	(44,298)
Balance as of December 31, 2021	107,379
Foreign currency translation adjustments, net of tax of nil	17,085
Balance as of December 31, 2022	124,464
Foreign currency translation adjustments, net of tax of nil	(5,295)
Balance as of December 31, 2023	119,169
Balance as of December 31, 2023 (US\$)	16,785

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

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28. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

Condensed Balance Sheets

	Notes	As at December 31		
		2022 RMB	2023 RMB	2023 US\$
Current assets:				
Cash		6,703	2,142	302
Prepayments and other current assets		3,420	3,186	449
Total current assets		10,123	5,328	751
Non-current assets:				
Other non-current assets		719	—	—
Investments in subsidiaries and VIEs and subsidiaries of VIEs		2,135,384	750,869	105,756
Total non-current assets:		2,136,103	750,869	105,756
Total assets		2,146,226	756,197	106,507
Current liabilities:				
Accrued liabilities and other payables		—	1,333	186
Convertible senior notes held by a related party-current	15, 22	522,744	106,240	14,964
Convertible senior notes held by third parties-current	15	77	78	11
Total current liabilities		522,821	107,651	15,161
Non-current liabilities:				
Long-term payable due to subsidiaries		403,652	321,736	45,316
Convertible senior notes held by a related party		522,744	424,962	59,855
Total non-current liabilities		926,396	746,698	105,171
Total liabilities		1,449,217	854,349	120,332

	Notes	As at December 31		
		2022 RMB	2023 RMB	2023 US\$
Shareholders' equity				
Class A ordinary shares (par value of US\$0.01 per share as of December 31, 2022 and 2023; 1,858,134,053 shares authorized as of December 31, 2022 and 2023; 255,648,452 and 261,648,452 shares issued and outstanding as of December 31, 2022 and 2023, respectively)	20	16,532	16,532	2,328
Class B ordinary shares (par value of US\$0.01 per share as of December 31, 2022 and 2023; 94,075,249 shares authorized, issued and outstanding as of December 31, 2022 and 2023, respectively)	20	6,178	6,178	870
Class C ordinary shares (par value of US\$0.01 per share as of December 31, 2022 and 2023; 47,790,698 shares authorized, issued and outstanding as of December 31, 2022 and 2023, respectively)	20	3,278	3,278	462
Treasury shares	20	—	(23,853)	(3,360)
Additional paid in capital		19,481,417	19,529,806	2,750,715
Accumulated deficit		(18,934,860)	(19,749,262)	(2,781,625)
Accumulated other comprehensive income		124,464	119,169	16,785
Total shareholders' equity (deficit)		697,009	(98,152)	(13,825)
Total liabilities and shareholders' equity (deficit)		2,146,226	756,197	106,507

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

Condensed Statements of Comprehensive Income (Loss)

	For the years ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Operating expenses				
General and administrative expenses	(44,897)	(40,747)	(52,260)	(7,364)
Operating loss	(44,897)	(40,747)	(52,260)	(7,364)
Share of losses of subsidiaries and VIEs and subsidiaries of VIEs	(2,826,751)	(1,371,524)	(727,236)	(102,428)
Gain on disposal	3,213,599	—	—	—
Other income, net	—	17,329	—	—
Interest expense	(80,044)	(68,369)	(34,906)	(4,916)
Net income (loss) attributable to ordinary shareholders	261,907	(1,463,311)	(814,402)	(114,708)
Other comprehensive (loss) income, net of tax of nil				
Foreign currency translation adjustments	(44,298)	17,085	(5,295)	(746)
Comprehensive income (loss)	217,609	(1,446,226)	(819,697)	(115,454)

Condensed Statements of Cash Flows

	For the years ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US\$
Net cash used in operating activities	(111,208)	(119,115)	(95,847)	(13,500)
Net cash generated from investing activities	82,099	1,492,777	618,412	87,102
Net cash generated from (used in) financing activities	2,604	(1,373,764)	(527,126)	(74,244)
Net decrease in cash and cash equivalents	(26,505)	(102)	(4,561)	(642)
Cash and cash equivalents at beginning of the year	33,310	6,805	6,703	944
Cash and cash equivalents at end of the year	6,805	6,703	2,142	302

Basis of presentation

For the presentation of the parent company only condensed financial information, the Company records its investments in subsidiaries and VIEs and subsidiaries of 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 subsidiaries of VIEs” and the subsidiaries’ and VIEs’ and subsidiaries of VIEs’ losses as “Share of losses of subsidiaries and VIEs and subsidiaries of VIEs” on the condensed statements of comprehensive income (loss).

The subsidiaries did not pay any dividends to the Company for the periods presented.

The Company does not have significant commitments or long-term obligations as of the period end other than those presented.

The parent company only financial statements should be read in conjunction with the Company’s consolidated financial statements.

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29. SUBSEQUENT EVENTS

On April 22, 2024, the Company and Alibaba China entered into an agreement to amend the Early Redemption Rights of the 2025 Convertible Notes, pursuant to which Alibaba China will require the Company to repurchase the 2025 Convertible Notes with aggregated principal of US\$ 15,000 (RMB 106,240 equivalent) and accrued interests before August 30, 2024 and to repurchase the remaining portion, or US\$60,000 (RMB 424,962 equivalent) with accrued interest on May 10, 2025. Accordingly, the Company classified the extended portion of the 2025 Convertible Notes as non-current liabilities as of December 31, 2023. Besides, the Group and Alibaba China also agreed that the Company and BEST China cannot transfer or sell certain key businesses and core assets without written consent from Alibaba China.

Exhibit 2.4

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

As of December 31, 2023, BEST Inc. (the "company", "we", "us" and "our") had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Class A ordinary shares, par value US\$0.01 per share*		
American depository shares, each representing twenty (20) 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 depository 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, 2023 is provided on the cover of our annual report on Form 20-F for the year ended December 31, 2023.

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 depository bank for the American Depositary Shares. Citibank's depository offices are located at 388 Greenwich Street, New York, New York 10013. The depository 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 depository 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.

As of December 31, 2023, each ADS represented the right to receive, and to exercise the beneficial ownership interests in, twenty (20) Class A ordinary shares that are on deposit with the depository 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 depository 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 depository 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 depository fees payable by ADS owners. The custodian, the depository 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 depository 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 depository 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 depository 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 depository 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 depository 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 depository 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 depository 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 depository 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 depository 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 depository bank; or
- The depository 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 depository bank in advance. If it is practicable and if we provide all of the documentation contemplated in the deposit agreement, the depository 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 depository 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 depository 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 depository 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 depository 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 depository bank may not lawfully distribute such property to you, the depository 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 depository bank may create ADSs on your behalf if you or your broker deposit Class A ordinary shares with the custodian. The depository 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 depository 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 depository 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 depository bank. As such, you will be deemed to represent and warrant that:

- The Class A ordinary shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
-

- All preemptive (and similar) rights, if any, with respect to such Class A ordinary shares have been validly waived or exercised.
- You are duly authorized to deposit the Class A ordinary shares.
- The Class A ordinary shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the ADSs issuable upon such deposit will not be, "restricted securities" (as defined in the deposit agreement).
- The Class A ordinary shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the depositary bank may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

Transfer, Combination and Split Up of ADRs

As an ADR holder, you will be entitled to transfer, combine or split up your ADRs and the ADSs evidenced thereby. For transfers of ADRs, you will have to surrender the ADRs to be transferred to the depositary bank and also must:

- ensure that the surrendered ADR is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary bank deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have your ADRs either combined or split up, you must surrender the ADRs in question to the depositary bank with your request to have them combined or split up, and you must pay all applicable fees, charges and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split up of ADRs.

Withdrawal of Class A Ordinary Shares Upon Cancellation of ADSs

As a holder, you will be entitled to present your ADSs to the depositary bank for cancellation and then receive the corresponding number of underlying Class A ordinary shares at the custodian's offices. Your ability to withdraw the Class A ordinary shares held in respect of the ADSs may be limited by U.S. and Cayman Islands considerations applicable at the time of withdrawal. In order to withdraw the Class A ordinary shares represented by your ADSs, you will be required to pay to the depositary bank the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the Class A ordinary shares. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement.

If you hold ADSs registered in your name, the depositary bank may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary bank may deem appropriate before it will cancel your ADSs. The withdrawal of the Class A ordinary shares represented by your ADSs may be delayed until the depositary bank receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary bank will only accept ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your ADSs at any time except for:

- Temporary delays that may arise because (i) the transfer books for the Class A ordinary shares or ADSs are closed, or (ii) Class A ordinary shares are immobilized on account of a
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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 depository 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 depository bank will distribute to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depository bank to exercise the voting rights of the securities represented by ADSs.

If the depository 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 depository 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 depository 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 depository 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 depository 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 depository 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 depository 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 depository 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	Up to U.S. 5¢ per ADS issued

share(s) ratio, or for any other reason), excluding ADS issuances as a result of distributions of Class A ordinary shares

- 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 depository 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 depository 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 depository bank in the conversion of foreign currency;
- the fees and expenses incurred by the depository 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 depository 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 depository 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 depositary bank may issue to broker/dealers ADSs before receiving a deposit of Class A ordinary shares or release Class A ordinary shares to broker/dealers before receiving ADSs for cancellation. These transactions are commonly referred to as "pre-release transactions," and are entered into between the depositary bank and the applicable broker/dealer. The deposit agreement limits the aggregate size of pre-release transactions (not to exceed 30% of the Class A ordinary shares on deposit in the aggregate) and imposes a number of conditions on such transactions (e.g., the need to receive collateral, the type of collateral required, the representations required from brokers, etc.). The depositary bank may retain the compensation received from the pre-release transactions.

Taxes

You will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. We, the depositary bank and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary bank may refuse to issue ADSs, to deliver, transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary bank and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary bank and to the custodian proof of taxpayer status and residence and such other information as the depositary bank and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary bank and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Foreign Currency Conversion

The depositary bank will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary bank may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical.
- Distribute the foreign currency to holders for whom the distribution is lawful and practical.
- Hold the foreign currency (without liability for interest) for the applicable holders.

Governing Law

The deposit agreement and the ADRs are interpreted in accordance with the laws of the State of New York. The rights of holders of Class A ordinary shares (including Class A ordinary shares represented by ADSs) are governed by the laws of the Cayman Islands.

Exhibit 8.1

List of Significant Subsidiaries and Consolidated Variable Interest Entity of
BEST Inc. (as of December 31, 2023)

Subsidiaries	Jurisdiction of Incorporation
Eight Hundred Logistics Technologies Corporation	British Virgin Islands
BEST Logistics Technologies Limited	Hong Kong
Zhejiang BEST Technology Co., Ltd.* 浙江百世技术有限公司	PRC
BEST Logistics Technologies (China) Co., Ltd.* 百世物流科技（中国）有限公司	PRC
BEST Logistics Technologies (Ningbo Free Trade Zone) Co., Ltd.* 百世物流科技（宁波保税区）有限公司	PRC
BEST Capital Inc.	Cayman Islands
BEST Capital Holding Limited	British Virgin Islands
BEST Capital Management Limited	Hong Kong
Xinyuan Financial Leasing (Zhejiang) Co., Ltd.* 信远融资租赁（浙江）有限公司	PRC
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.

Exhibit 11.2

BEST INC.
(THE “COMPANY”)
STATEMENT OF POLICIES
GOVERNING MATERIAL, NON-PUBLIC INFORMATION AND
THE PREVENTION OF INSIDER TRADING

Adopted on September 6, 2017 and effective immediately upon commencement of the trading of the American depositary shares (the “ADSs”) representing Class A ordinary shares (the “Ordinary Shares”) of the Company on the New York Stock Exchange (the “NYSE”)

This Statement of Policies Governing Material, Non-Public Information and the Prevention of Insider Trading (this “Statement”) of the Company consists of three sections: Section I provides an overview; Section II sets forth the Company’s policies prohibiting insider trading; and Section III explains insider trading.

I.

SUMMARY

The Company’s ADSs representing the Ordinary Shares are currently trading on the NYSE. “Insider trading” occurs when you purchase or sell securities while in possession of inside information relating to such securities. As explained in Section III below, “inside information” is information which is considered to be both “material” and “non-public.” Preventing insider trading is necessary to comply with United States securities law and to preserve the reputation and integrity of the Company as well as that of all persons affiliated with it.

The Company considers strict compliance with the policies (the “Policy”) set forth in this Statement to be a matter of utmost importance. Violation of this Policy could cause extreme embarrassment and possible legal liability to you and the Company. Knowing or willful violations of this Statement or its spirit will be grounds for immediate dismissal from the Company. Violation of the Policy might expose the violator to severe criminal penalties and civil liabilities. The monetary damages flowing from a violation could be three times the profit realized by the violator, as well as the attorney’s fees of the persons injured.

This Statement applies to all officers, directors, employees and consultants of the Company and its subsidiaries or any consolidated entities or any other person or entity (a) over which an individual mentioned above exercises influence or control of its investment decisions, or (b) which effects a transaction in the Company’s securities, which securities are in fact beneficially owned by any of the individuals mentioned above (“Insider(s)”). Every Insider must review this Statement, and execute and return the Certificate of Compliance attached hereto to

the Company's Human Resources department within seven (7) days after you receive this Statement.

Questions regarding the Statement should be directed to the Compliance Officer.

II.

POLICIES PROHIBITING INSIDER TRADING

For purposes of this Statement, while the terms "purchase" and "sell" of securities exclude the acceptance of options granted by the Company thereof and the exercise of options that does not involve the sale of securities, the cashless exercise of options does involve the sale of securities and therefore is subject to the policies set forth below.

A. ***No Trading with Material Insider Information*** – No Insider shall purchase or sell any securities of the Company while in possession of material, non-public information relating to the Company, its ADSs or other securities (the "**Material Insider Information**") or during certain periods.

If you possess Material Insider Information you must wait for the later of (i) forty eight (48) hours after public disclosure of the Material Insider Information by the Company, or (ii) one full Trading Day on the NYSE following such public disclosure before trading the Company's ADSs or other securities. The term "**Trading Day**" is defined as a day on which the NYSE is open for trading. NYSE's regular trading hours are from 9:30 a.m. to 4:00 p.m., New York City time, Monday through Friday.

In addition, no Insider shall purchase or sell any securities of the Company, regardless of whether such Insider possesses any Material Insider Information, (1) during any period commencing on the 20th day of the last month of each fiscal quarter and ending at the close of trading on the second Trading Day following the date upon which the Company's earnings statement for that fiscal quarter is released to the public; or (2) without prior clearance by the Compliance Officer, during any period designated as a "**limited trading period**." The Compliance Officer may declare limited trading periods at the times that he deems appropriate, and need not provide any reason for making a declaration.

Furthermore, beginning on December 20 of each fiscal year, no Insider shall purchase or sell any security of the Company until the close of trading on the second Trading Day following the date of the Company's release of its financial results for the fiscal year ended on December 31 of the prior year.

Please see Section III below for an explanation of the Material Insider Information.

B. ***No Trading Outside of the Trading Window for Directors, Officers and Key Employees*** – Directors, officers and key employees designated by the Company may only purchase or sell any securities of the Company during the "**Trading Window**" and if such persons are not otherwise restricted from purchasing or selling any securities of the Company by Section II-A above. Generally, there will be four Trading Windows per year, each commencing with the close of trading on the second Trading Day following the date upon

which the Company's financial results for the prior fiscal quarter is released to the public and closing on the 20th day of the last month of each fiscal quarter.

Furthermore, all transactions in the Company's securities (including without limitation, acquisitions and dispositions of the ADSs and the sale of Ordinary Shares issued upon exercise of stock options, but excluding the acceptance of options granted by the Company and the exercise of options that does not involve the sale of securities) by officers, directors and key employees designated by the Company from time to time must be pre-approved by the Compliance Officer.

If the Company's earnings statement for a fiscal quarter or fiscal year is released on a Trading Day more than four hours before the NYSE closes, then such date of disclosure shall be considered the first Trading Day following such public disclosure.

Please note that trading in Company securities during the Trading Window is not a "safe harbor," and all Insiders should strictly comply with all other policies set forth in this Statement.

When in doubt, do not trade! Check with the Compliance Officer first.

C. ***No Tipping*** – No Insider shall directly or indirectly disclose any Material Insider Information to anyone who trades in securities (so-called "tipping").

D. ***Confidentiality*** – No Insider shall communicate any Material Insider Information to anyone outside the Company under any circumstances unless approved by the Compliance Officer in advance, or to anyone within the Company other than on a need-to-know basis.

E. ***No Comment*** – No Insider shall discuss any internal matters or developments of the Company with anyone outside of the Company, except as required in the performance of regular corporate duties. Unless you are expressly authorized to the contrary, if you receive any inquiries about the Company or its securities by the financial press, investment analysts or others, or any requests for comments or interviews, you should decline to comment and direct the inquiry or request to the Compliance Officer.

F. ***Corrective Action*** – If any potentially Material Insider Information is inadvertently disclosed, any Insider should notify the Compliance Officer immediately so that the Company can determine whether or not corrective action, such as general disclosure to the public, is warranted.

III.

EXPLANATION OF INSIDER TRADING

As noted above, “insider trading” refers to the purchase or sale of securities while in possession of “material” and “non-public” information relating to such securities. “Securities” include not only stocks, bonds, notes and debentures, but also options, warrants and similar instruments. “Purchase” and “sale” are defined broadly under the federal securities law. “Purchase” includes not only the actual purchase of securities, but any contract to purchase or otherwise acquire securities. “Sale” includes not only the actual sale of securities, but any contract to sell or otherwise dispose of securities. These definitions extend to a broad range of transactions including conventional cash-for-stock transactions, the grant and exercise of stock options and acquisitions and exercises of warrants or puts, calls or other options related to the securities. It is generally understood that insider trading includes the following:

- Trading by Insiders while in possession of material, non-public information;
- Trading by persons other than Insiders while in possession of material, non-public information where the information either was given in breach of an Insider’s fiduciary duty to keep it confidential or was misappropriated; or
- Communicating or tipping material, non-public information to others, including recommending the purchase or sale of the securities while in possession of such information.

As noted above, for purposes of this Statement, the terms “purchase” and “sell” of securities exclude the acceptance of options granted by the issuer thereof and the exercise of options that does not involve the sale of securities. Among other things, the cashless exercise of options does involve the sale of securities and therefore is subject to the policies set forth in this Statement.

What Facts are Material?

The materiality of a fact depends upon the circumstances. A fact is considered “material” if it could reasonably be expected to affect the decision of a reasonable investor to buy, sell or hold the Company’s securities or where the fact is likely to have a significant effect on the market price of the Company’s securities. Material Insider Information can be positive or negative and can relate to virtually any aspect of a company’s business or to any type of securities, debt or equity.

Examples of Material Insider Information include (but are not limited to) information concerning:

- dividends;
- corporate earnings or earnings forecasts;
- changes in financial condition or asset value;

- negotiations for the mergers or acquisitions or dispositions of significant subsidiaries or assets;
- significant new contracts or the loss of a significant contract;
- significant new products or services;
- significant marketing plans or changes in such plans;
- capital investment plans or changes in such plans;
- material litigation, administrative action or governmental investigations or inquiries about the Company or any of its affiliated companies, officers or directors;
- significant borrowings or financings;
- defaults on borrowings;
- new equity or debt offerings;
- significant personnel changes;
- changes in accounting methods and write-offs; and
- any substantial change in industry circumstances or competitive conditions which could significantly affect the Company's earnings or prospects for expansion.

A good general rule of thumb: **when in doubt, do not trade.** One convenient rule of thumb in making this determination is to ask yourself, "Would the person on the other side of this transaction still want to complete the trade at this price if he or she knew what I know about the Company?" If the answer is "no," you probably possess material, non-public information.

What is Non-public?

Information is "non-public" if it has not been disclosed in a manner that allows it to be widely disseminated. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors and confirmed by a reasonably reliable source. Wide dissemination generally occurs through a press release or in the Company's filing with the United States Security and Exchange Commission (the "SEC"), or through such media as *Dow Jones*, *Reuters Economic Services*, *The Wall Street Journal*, *Bloomberg*, *Associated Press*, or *United Press International*. Reasonable confirmation generally includes confirmation by officers, directors and key employees who have been authorized by the Company to speak on its behalf. The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination.

In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should allow approximately forty

eight (48) hours following publication as a reasonable waiting period before such information is deemed to be public.

Who is an Insider?

Insiders include all officers, directors, employees, consultants and advisors (e.g. accountants, attorneys, investment bankers and consultants) of the Company and its subsidiaries or consolidated entities or any other person or entity (a) over which an individual mentioned above exercises influence or control of its investment decisions, or (b) which effects a transaction in the Company's securities, which securities are in fact beneficially owned by any of the individuals mentioned above. Insiders have independent fiduciary duties to their company and its stockholders not to trade on material non-public information relating to the company's securities. In addition, family members and friends of Insiders as well as professional advisors of the Company (e.g. accountants, attorneys, investment bankers and consultants) who receive material, non-public information about the Company may also fall under the definition of Insiders of the Company.

It should be noted that trading by members of an Insider's family members can be the responsibility of such Insider under certain circumstances and could give rise to legal and Company-imposed sanctions.

Trading by Persons Other than Insiders

Insiders are also prohibited from disclosing material non-public information, or making a recommendation or expressing an opinion regarding the Company's securities based on such information, to others who might use the information to trade in the Company's securities. Both the Insider who communicated the material non-public information and the person who receives and uses such information (the "Tippee") may be liable under United States securities laws.

Persons other than Insiders also can be liable for insider trading, including Tippees who trade on material, non-public information tipped to them or individuals who trade on material, non-public information which has been misappropriated. Tippees inherit an Insider's duties and are liable for trading on material, non-public information illegally tipped to them by an Insider. Similarly, just as Insiders are liable for the insider trading of their Tippees, so are Tippees who pass the information along to others who trade. In other words, a Tippee's liability for insider trading is no different from that of an Insider. Tippees can obtain material, non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

Penalties for Engaging in Insider Trading

Penalties for trading on or tipping material, non-public information can extend significantly beyond any profits made or losses avoided, both for individuals engaging in such unlawful conduct and their employers. The SEC and the United States Department of Justice have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the federal securities laws include:

- SEC administrative sanctions;
- securities industry self-regulatory organization sanctions;
- civil injunctions;
- damage awards to private plaintiffs;
- disgorgement of all profits;
- civil fines for the violator of up to three times the amount of profit gained or loss avoided;
- civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee or other controlled person) of up to the greater of US\$1,000,000 or three times the amount of profit gained or loss avoided by the violator;
- criminal fines for individual violators of up to US\$1,000,000 (US\$2,500,000 for an entity); and
- jail sentences of up to 10 years.

In addition, insider trading could result in serious sanctions by the Company, including immediate dismissal. Insider trading violations are not limited to violations of the federal securities laws: other federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the United States Racketeer Influenced and Corrupt Organizations Act (RICO), may also be violated upon the occurrence of insider trading.

(Remainder of the page intentionally left blank)

CERTIFICATION OF COMPLIANCE

TO: Compliance Officer

FROM:

RE: BEST INC. STATEMENT OF POLICIES OF GOVERNING MATERIAL, NON-PUBLIC INFORMATION AND THE PREVENTION OF INSIDER TRADING

I have received, reviewed, and understand the above-referenced Statement of Policies (the “Policy”) and hereby undertake, as a condition to my present and continued employment at or association with BEST Inc., to comply fully with the Policy.

I hereby certify that I have adhered to the Policy during the time period that I have been employed by or associated with BEST Inc.

I agree to adhere to the Policy in the future.

Name:

Title:

Date:

Exhibit 12.1

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Shao-Ning Johnny Chou, certify that:

1. I have reviewed this annual report on Form 20-F of BEST Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 30, 2024

By: /s/ Shao-Ning Johnny Chou
Name: Shao-Ning Johnny Chou
Title: Chief Executive Officer

Exhibit 12.2

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Gloria Fan, certify that:

1. I have reviewed this annual report on Form 20-F of BEST Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 30, 2024

By: /s/ Gloria Fan

Name: Gloria Fan

Title: Chief Financial Officer

Exhibit 13.1

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of BEST Inc. (the "Company") on Form 20-F for the year ended December 31, 2023 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 30, 2024

By: /s/ Shao-Ning Johnny Chou
Name: Shao-Ning Johnny Chou
Title: Chief Executive Officer

Exhibit 13.2

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of BEST Inc. (the "Company") on Form 20-F for the year ended December 31, 2023 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 30, 2024

By: /s/ Gloria Fan

Name: Gloria Fan

Title: Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the 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 30, 2024, with respect to the consolidated financial statements of BEST Inc. included in this Annual Report (Form 20-F) of BEST Inc. for the year ended December 31, 2023.

/s/ Ernst & Young Hua Ming LLP
Shanghai, The People's Republic of China
April 30, 2024

Exhibit 15.2

April 30, 2024

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, 2023, which will be filed with the Securities and Exchange Commission in the month of April 2024.

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

Exhibit 97.1

BEST Inc.

Incentive Compensation
Clawback Policy

(As Adopted on November 20, 2023 Pursuant to NYSE Rule 303A.14)

1. **Overview.** The Board of Directors (the “**Board**”) of BEST Inc. (the “**Company**”) has adopted this Incentive Compensation Clawback Policy (the “**Policy**”) which requires the recoupment of certain incentive-based compensation in accordance with the terms herein and is intended to comply with Section 303A.14 of The New York Stock Exchange Listed Company Manual, as such section may be amended from time to time (the “**Listing Rules**”). Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms under Section 12 of this Policy.

2. **Interpretation and Administration.** The Compensation Committee (the “**Committee**”) of the Board shall have full authority to interpret and enforce the Policy; provided, however, that the Policy shall be interpreted in a manner consistent with its intent to meet the requirements of the Listing Rules. As further set forth in Section 10 below, this Policy is intended to supplement any other clawback policies and procedures that the Company may have in place from time to time pursuant to other applicable law, plans, policies or agreements.

3. **Covered Executives.** The Policy applies to each current and former Executive Officer of the Company who serves or served as an Executive Officer at any time during a performance period in respect of which Incentive Compensation is Received, to the extent that any portion of such Incentive Compensation is (a) Received by the Executive Officer during the last three completed Fiscal Years or any applicable Transition Period preceding the date that the Company is required to prepare a Restatement (regardless of whether any such Restatement is actually filed) and (b) determined to have included Erroneously Awarded Compensation. For purposes of determining the relevant recovery period referenced in the preceding clause (a), the date that the Company is required to prepare a Restatement under the Policy is the earlier to occur of (i) the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement. Executive Officers subject to this Policy pursuant to this Section 3 are referred to herein as “**Covered Executives.**”

4. **Recovery of Erroneously Awarded Compensation.** If any Erroneously Awarded Compensation is Received by a Covered Executive, the Company shall reasonably promptly take steps to recover such Erroneously Awarded Compensation in a manner described under Section 5 of this Policy.

5. **Forms of Recovery.** The Committee shall determine, in its sole discretion and in a manner that effectuates the purpose of the Listing Rules, one or more methods for recovering any Erroneously Awarded Compensation hereunder in accordance with Section 4 above, which may include, without limitation: (a) requiring cash reimbursement; (b) seeking recovery or forfeiture of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards; (c) offsetting the amount to be recouped from any compensation

otherwise owed by the Company to the Covered Executive; (d) cancelling outstanding vested or unvested equity awards; or (e) taking any other remedial and recovery action permitted by law, as determined by the Committee. To the extent the Covered Executive refuses to pay to the Company an amount equal to the Erroneously Awarded Compensation, the Company shall have the right to sue for repayment and/or enforce the Covered Executive's obligation to make payment through the reduction or cancellation of outstanding and future compensation. Any reduction, cancellation or forfeiture of compensation shall be done in compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

6. No Indemnification. The Company shall not indemnify any Covered Executive against the loss of any Erroneously Awarded Compensation for which the Committee has determined to seek recoupment pursuant to this Policy.

7. Exceptions to the Recovery Requirement. Notwithstanding anything in this Policy to the contrary, Erroneously Awarded Compensation need not be recovered pursuant to this Policy if the Committee (or, if the Committee is not composed solely of Independent Directors, a majority of the Independent Directors serving on the Board) determines that recovery would be impracticable as a result of any of the following:

(a) the direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered; provided that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange;

(b) recovery would violate home country law where that law was adopted prior to November 28, 2022; provided that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation, and must provide such opinion to the Exchange; or

(c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

8. Committee Determination Final. Any determination by the Committee with respect to the Policy shall be final, conclusive and binding on all interested parties.

9. Amendment. The Policy may be amended by the Committee from time to time, to the extent permitted under the Listing Rules.

10. Non-Exclusivity. Nothing in the Policy shall be viewed as limiting the right of the Company or the Committee to pursue additional remedies or recoupment under or as required by any similar policy adopted by the Company or under the Company's compensation plans, award agreements, employment agreements or similar agreements or the applicable provisions of any law, rule or regulation which may require or permit recoupment to a greater degree or with respect to additional compensation as compared to this Policy (but without duplication as to any

recoupment already made with respect to Erroneously Awarded Compensation pursuant to this Policy). This Policy shall be interpreted in all respects to comply with the Listing Rules.

11. Successors. The Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

12. Defined Terms.

“Covered Executives” shall have the meaning set forth in Section 3 of this Policy.

“Erroneously Awarded Compensation” shall mean the amount of Incentive Compensation actually Received that exceeds the amount of Incentive Compensation that otherwise would have been Received had it been determined based on the restated amounts, and computed without regard to any taxes paid. For Incentive Compensation based on stock price or total shareholder return, where the amount of erroneously awarded Incentive Compensation is not subject to mathematical recalculation directly from the information in a Restatement:

- (A) The calculation of Erroneously Awarded Compensation shall be based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive Compensation was Received; and
- (B) The Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to the Exchange.

“Exchange” shall mean The New York Stock Exchange.

“Executive Officer” shall mean the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Executive officers of the Company’s parent(s) or subsidiaries shall be deemed executive officers of the Company if they perform such policy-making functions for the Company.

“Financial Reporting Measures” shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures, including, without limitation, stock price and total shareholder return (in each case, regardless of whether such measures are presented within the Company’s financial statements or included in a filing with the Securities and Exchange Commission).

“Fiscal Year” shall mean the Company’s fiscal year; provided that a Transition Period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months will be deemed a completed fiscal year.

“Incentive Compensation” shall mean any compensation (whether cash or equity-based) that is granted, earned, or vested based wholly or in part upon the attainment of a Financial

Reporting Measure, and may include, but shall not be limited to, performance bonuses and long-term incentive awards such as stock options, stock appreciation rights, restricted stock, restricted stock units, performance share units or other equity-based awards. For the avoidance of doubt, Incentive Compensation does not include (i) awards that are granted, earned and vested exclusively upon completion of a specified employment period, without any performance condition, and (ii) bonus awards that are discretionary or based on subjective goals or goals unrelated to Financial Reporting Measures. Notwithstanding the foregoing, compensation amounts shall not be considered “Incentive Compensation” for purposes of the Policy unless such compensation is Received (1) while the Company has a class of securities listed on a national securities exchange or a national securities association and (2) on or after October 2, 2023, the effective date of the Listing Rules.

“**Independent Director**” shall mean a director who is determined by the Board to be “independent” for Board or Committee membership, as applicable, under the rules of the Exchange, as of any determination date.

“**Listing Rules**” shall have the meaning set forth in Section 1 of this Policy.

Incentive Compensation shall be deemed “**Received**” in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

“**Restatement**” shall mean an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the Company’s previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“**Transition Period**” shall mean any transition period that results from a change in the Company’s Fiscal Year within or immediately following the three completed Fiscal Years immediately preceding the Company’s requirement to prepare a Restatement.

Adopted on: November 20, 2023

Acknowledgment of Incentive Compensation Clawback Policy

Reference is made to the BEST Inc. Incentive Compensation Clawback Policy (as adopted on November 20, 2023 pursuant to NYSE Rule 303A.14) (the “**Policy**”). Capitalized terms used herein without definition have the meanings assigned to such terms under the Policy.

By signing below, the undersigned acknowledges, confirms and agrees that:

- the undersigned has received and reviewed a copy of the Policy;
- the undersigned is, and will continue to be, subject to the Policy to the extent provided therein;
- the Policy may apply both during and after termination of the undersigned’s employment with the Company and its affiliates; and
- the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation to the Company pursuant to the Policy.

Signature

Print Name

Date