IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular (the "**Offering Circular**") attached to this e-mail. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES AND THE GUARANTEE DESCRIBED THEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES AND THE GUARANTEE DESCRIBED THEREIN MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT ("REGULATION S").

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: You have accessed the Offering Circular on the basis that you have confirmed to Granda Century Limited 格蘭達世紀有限公司 (the "**Issuer**"), Suning Appliance Group Co., Ltd. (蘇寧電器集團有限公司) (the "**Guarantor**") and China CITIC Bank International Limited, CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, China Everbright Bank Co., Ltd., Hong Kong Branch, China Minsheng Banking Corp., Ltd., Hong Kong Branch, CMBC Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (together, the "**Joint Lead Managers**") that (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (3) you consent to delivery of this document by electronic transmission, and (4) to the extent you purchase the securities described in the Offering Circular (the "**Securities**"), you will be doing so in an offshore transaction pursuant to Regulation S.

The Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents (each as defined in the Offering Circular) nor any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version.

Restrictions: This Offering Circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Joint Lead Managers to subscribe for or purchase any of the securities described therein in any place where offers or solicitations are not permitted by law, and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere.

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. You acknowledge that the access to the Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

If you have gained access to this electronic transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described herein.

Actions that You May Not Take: If you receive the Offering Circular by e-mail, you should not reply by e-mail to the Offering Circular, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR **CONFIDENTIAL**

GRANDA CENTURY LIMITED
格蘭達世紀有限公司

(incorporated with limited liability in the Cayman Islands)

U.S.$300,000,000 7.50 PER CENT. GUARANTEED BONDS DUE 2021

Unconditionally and Irrevocably Guaranteed by

SUNING 苏宁

SUNING APPLIANCE GROUP CO., LTD.
(蘇寧電器集團有限公司)

(incorporated with limited liability in the People's Republic of China)

Issue Price: 100.00 per cent.

The U.S.$300,000,000 7.50 per cent. Guaranteed Bonds due 2021 (the "**Bonds**") will be issued by Granda Century Limited 格蘭達世紀有限公司 (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Suning Appliance Group Co., Ltd. (蘇寧電器集團有限公司) (the "**Guarantor**"). The Issuer is an indirectly wholly-owned subsidiary of the Guarantor.

The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

The Bonds will bear interest on their outstanding principal amount from and including 11 September 2018 (the "**Issue Date**") at the rate of 7.50 per cent. per annum. Interest will be payable semi-annually in arrear in equal instalments on 11 March and 11 September in each year, commencing on 11 March 2019. All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or the PRC to the extent described in "*Terms and Conditions of the Bonds — Taxation*".

The Guarantor has completed the pre-issuance registration (the "**Pre-Issuance Registration**") of the issuance of the Bonds with the National Development and Reform Commission or its local counterparts (the "**NDRC**") in accordance with the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (Fa Gai Wai Zi [2015] No. 2044)(國家發展改革委關於推進企業發行外債備案登記制管理改革的通知)(發改外資 [2015] 2044號)(the "**NDRC Circular**") issued by the NDRC which came into effect on 14 September 2015. The Guarantor has received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated 11 July 2018 from the NDRC with respect to the Pre-Issuance Registration, which as at the date of this Offering Circular, remains valid and in full force and effect. The Guarantor will be required to file or cause to be filed with the NDRC the requisite information and documents within ten PRC Business Days (as defined in "*Terms and Conditions of the Bonds*") after the Issue Date in accordance with the NDRC Circular and any implementation rules as issued by the NDRC from time to time.

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") on or about the Issue Date with The Bank of New York Mellon, London Branch (the "**Trustee**") in relation to the Guarantee. The Guarantor will be required to file or cause to be filed with the Nanjing Branch of the State Administration of Foreign Exchange ("**SAFE**") the Guarantee within 15 PRC Business Days after the Issue Date in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor intends to complete the Cross-Border Security Registration with SAFE as soon as practicable and in any event by the Registration Deadline (being 90 PRC Business Days after the Issue Date) and comply with all applicable PRC laws and regulations in relation to the Guarantee.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 11 September 2021. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with interest accrued to but excluding the date fixed for redemption in the event of certain changes affecting taxes of the Cayman Islands or the PRC as described under "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*". At any time following the occurrence of a Relevant Event (as defined in "*Terms and Conditions of the Bonds*"), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in "*Terms and Conditions of the Bonds*") at 101 per cent. (in the case of a redemption for a Change of Control (as defined in "*Terms and Conditions of the Bonds*")) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in "*Terms and Conditions of the Bonds*")) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Relevant Events*".

The Bonds will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 15 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds will not be rated.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Guarantee are being offered in offshore transactions outside the United States in reliance on Regulation S of the Securities Act ("Regulation S"). For a description of these and certain further restrictions on offers and sales of the Bonds and the Guarantee and distribution of this Offering Circular, see "*Subscription and Sale*".

Application will be made to The Stock Exchange of Hong Kong Limited (the "**HKSE**") for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the HKSE and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "**Professional Investors**") only and such permission is expected to become effective on 12 September 2018. This document is for distribution to Professional Investors only. **Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Bonds are only suitable for Professional Investors.**

The HKSE has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Guarantor, the Group (as defined herein) or the quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Bonds as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on the HKSE for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Bonds will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

China CITIC Bank International **CLSA** **HSBC** **UBS**

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

China Everbright Bank Hong Kong Branch

China Minsheng Banking Corp., Ltd., Hong Kong Branch

CMBC Capital

Guotai Junan International

Shanghai Pudong Development Bank Hong Kong Branch

Offering Circular dated 5 September 2018

IMPORTANT NOTICE

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

Investors are advised to read and understand the contents of the Offering Circular before investing. If in doubt, investors should consult their advisors.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee which is material in the context of the issue and offering of the Bonds (including all information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Bonds and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and of the rights attaching to the Bonds and the Guarantee); (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Bonds or the Guarantee the omission of which would, in the context of the issue and offering of the Bonds, make any statement, opinion or intention expressed in this Offering Circular misleading in any material respect; (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain all facts in relation to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee and to verify the accuracy of all such information and statements in this Offering Circular; (vi) the Offering Circular does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statement therein, in light of the circumstances under which they were made, not misleading; and (vii) the statistical, industry and market-related data and forward-looking statements included in this Offering Circular are based on or derived from or extracted from sources which each of Issuer and the Guarantor believes to be accurate and reliable in all material respects.

The Issuer and the Guarantor have prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds and giving of the Guarantee described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and China CITIC Bank International Limited, CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, China Everbright Bank Co., Ltd., Hong Kong Branch, China Minsheng Banking Corp., Ltd., Hong Kong Branch, CMBC Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Guarantor giving the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds and the Guarantee and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuer and the Guarantor or such other information as is in the public domain and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents (as defined in "*Terms and Conditions of the Bonds*") or their respective directors, officers, employees, affiliates, representatives, agents or advisors. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor and the Group, and the merits and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager, the Trustee or an Agent, or any director, officer, employee, affiliate, representative, agent or advisor of any such person or on its behalf, in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee. Each of the Joint Lead Managers, the Trustee, the Agents and their respective directors, officers, employees, affiliates, representatives, agents or advisors accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or any director, officer, employee, affiliate, representative, agent or advisor of any such person.

IN CONNECTION WITH THE ISSUE OF THE BONDS, EACH OF THE JOINT LEAD MANAGERS (THE "STABILISING MANAGER(S)"), OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER(S), MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR ANY PERSON

ACTING ON BEHALF OF THE STABILISING MANAGER(S)) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

This Offering Circular is provided solely for the purpose of enabling the recipient to consider purchasing the Bonds. The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Bonds. This Offering Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Bonds.

This Offering Circular summarises certain material documents and other information, and the Issuer, the Guarantor and the Joint Lead Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors are making any representations regarding the legality of an investment in the Bonds under any law or regulation. The recipient of this Offering Circular should not consider any information in this Offering Circular to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Bonds.

The contents of this Offering Circular have not been reviewed by any regulatory authority in the PRC, Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this document, that investor should obtain independent professional advice.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and statistics used throughout this Offering Circular have been obtained from, among other sources, internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective directors, officers, employees, affiliates, representatives, agents or advisors make any representation as to the correctness, accuracy or completeness of such information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial information of the Guarantor as at and for the year ended 31 December 2015 included in this Offering Circular has been extracted from the Guarantor's consolidated financial statements as at and for the year ended 31 December 2016 and the audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2016 and 2017 included in this Offering Circular has been extracted from the Guarantor's consolidated financial statements for the year ended 31 December 2017 (together with the Guarantor's consolidated financial statements as at and for the year ended 31 December 2016, the "**Guarantor's Audited Financial Statements**"). Certain financial information of the Guarantor for the year ended 31 December 2016 was restated in the Guarantor's consolidated financial statements as at and for the year ended 31 December 2017, due to an accounting policy change implemented by the MOF in 2017. Please refer to note III.26.1 of the Guarantor's consolidated financial statements as at and for the year ended 31 December 2017. Accordingly, certain financial information of the Guarantor for the year ended 31 December 2015 is not directly comparable to that for the years ended 31 December 2016 and 2017. The Guarantor's Audited Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**") and audited by Talent Certified Public Accountants (Special General Partnership) in accordance with the Chinese Auditing Standards issued by the Ministry of Finance of the PRC ("**MOF**"). PRC GAAP differs in certain respects from International Financial Reporting Standards ("**IFRS**"). For a discussion of certain differences between PRC GAAP and IFRS, see "*Summary of Certain Differences between PRC GAAP and IFRS*".

This Offering Circular includes figures relating to EBITDA. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Guarantor has included EBITDA because the Guarantor believes that it is a useful supplement to cash flow data as a measure of the Guarantor's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Guarantor's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

The Guarantor's Audited Financial Statements are issued in simplified Chinese and the English translation of which included elsewhere in this Offering Circular are provided for reference only. Neither the Joint Lead Managers nor their respective affiliates, directors, employees, representatives, agents and advisers has independently verified or checked the accuracy of such translation and can give no assurance that the information contained in such translation is accurate, truthful or complete.

This Offering Circular also includes certain selected consolidated financial information in relation to Suning.com as at and for the three months ended 31 March 2017 and 2018 and the six months ended 30 June 2017 and 2018. In particular, selected consolidated financial information in relation to Suning.com as at and for the six months ended 30 June 2017 and 2018 is derived from the published 2018 half-year report of Suning.com dated 30 August 2018, which for the avoidance of doubt, does not form part of this Offering Circular. Such interim consolidated financial information has not been audited or reviewed by an independent auditor, and may be adjusted pursuant to a subsequent review or audit. Consequently, such interim consolidated financial information should not be relied upon by investors as providing the same quality of information associated with information that has been subject to an audit or review. None of the Joint Lead Managers, the Trustee or the Agents makes any representation or warranty, express or implied, regarding the sufficiency of such financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate Suning.com's or the Group's financial condition, results of operations and results. Such financial information should not be taken as an indication of the expected financial condition, results of operations and results of Suning.com or the Group for the full financial year.

ROUNDING

In this Offering Circular, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

CERTAIN DEFINITIONS AND CONVENTIONS

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the (i) "**Issuer**" are to Granda Century Limited 格蘭達世紀有限公司; (ii) "**Guarantor**" are to Suning Appliance Group Co., Ltd. (蘇寧電器集團有限公司); (iii) "**Group**", "**we**", "**our**", "**us**" and "**our Group**" are to the Guarantor, its subsidiaries and other companies consolidated into the Guarantor's Audited Financial Statements, on the basis that such companies are controlled by Mr. Zhang Jindong ("**Mr. Zhang**"), the Guarantor's key shareholder, and in which the Guarantor has invested, such as Suning.com and Suning Real Estate, and their subsidiaries; (iv) "**Hong Kong**" are to Hong Kong Special Administrative Region of the PRC; (v) "**Macao**" are to Macao Special Administrative Region of the PRC; (vi) "**PRC**" and "**China**" are to the People's Republic of China (excluding Hong Kong, Macao and Taiwan); (vii) "**PRC government**" or the "**State**" are to the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them; (viii) "**United States**" and "**U.S.**" are to the United States of America; (ix) "**Renminbi**" and "**RMB**" are to the lawful currency of the PRC; and (x) "**U.S. dollars**" and "**U.S.$**" are to the lawful currency of the United States.

The Guarantor records and publishes its financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts into U.S. dollars were made at the exchange rate of RMB6.5342 to U.S.$1.00 as published by the PBOC on 29 December 2017. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or *vice versa*, at any particular rate, or at all. For further information relating to the exchange rates, see "*Exchange Rate Information*".

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency, the Chinese name prevails.

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below.

"**Alibaba**" means Alibaba Group Holding Limited, a company incorporated with limited liability in the Cayman Islands.

"**B2C**" means Business-to-Consumer.

"**Cainiao**" means Cainiao Smart Logistics Network Limited (菜鳥網路科技有限公司), a company incorporated with limited liability in the PRC.

"**Citicall**" means Citicall Retail Management Limited, a company incorporated with limited liability in Hong Kong.

"**C2B**" means Consumer-to-Business.

"**First-tier Market**" means sub-provincial cities or higher level cities.

"**FinanceSN**" means Suning Financial Services (Shanghai) Co., Ltd. (蘇寧金融服務(上海)有限公司), the major operator of our financial services business segment.

"**Fourth-tier market**" means township-level regions.

"**GFA**" means gross floor area.

"**GMV**" means gross merchandise volume, which is to the total value of all orders for products and services for which the payment and delivery services have been completed, excluding the orders which the goods are returned.

"**LAOX**" means Laox Co. Ltd., a company incorporated with limited liability in Japan and listed on the Tokyo Stock Exchange with the stock code 8202.

"**MOF**" means the Ministry of Finance of the PRC.

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterpart.

"**O2O**" means integrated online and offline commerce.

"**PBOC**" means the People's Bank of China.

"**PPTV**" means the peer-to-peer video streaming website owned by Suning Holdings Group Co., Ltd., which is an affiliate of the Guarantor.

"**PRC GAAP**" means the Accounting Standards for Business Enterprises in China.

"**SAFE**" means the State Administration of Foreign Exchange of the PRC or its local counterpart.

"**SAT**" means the State Administration of Taxation of the PRC.

"**Second-tier market**" means prefecture-level cities other than cities in the first-tier market.

"**SenseTime**" means SenseTime Group Limited (商湯集團有限公司), a company incorporated with limited liability in Hong Kong.

"**sq.m.**" means square meters(s).

"**Suning.com**" means Suning.com Co., Ltd. (蘇寧易購集團股份有限公司), a joint stock company incorporated with limited liability in the PRC and became listed on the Shenzhen Stock Exchange with the stock code 002024 in 2004.

"**Suning Real Estate**" means Suning Real Estate Group Co., Ltd. (蘇寧置業集團有限公司), a company incorporated with limited liability in the PRC.

"**SKU**" means stock keeping unit(s).

"**Third-tier market**" means counties, county-level cities and suburb areas.

"**TTK Express**" means TTK Express Co., Ltd. (天天快遞有限公司), a company incorporated with limited liability in the PRC.

"**Tmall.com**" means Tmall.com (天貓商城), a B2C online shopping platform in the PRC.

"**WAP**" means Wireless Application Protocol.

"**3C**" means computer, communication and consumer electronic products.

"**%**" means per cent.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made certain forward-looking statements in this Offering Circular. Some of these statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Issuer and/or the Guarantor and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer, the Guarantor or by any third party) involve known and unknown risks, including those disclosed in the section titled "*Risk Factors*", uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer, the Guarantor or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as at the date of this Offering Circular. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause the actual results, performances and achievements of the Issuer, the Guarantor, the Group or any member of the Group to be materially different include, among others:

- the Group's strategies, plans, objectives and goals and its ability to implement such strategies, plans and achieve its objectives and goals;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- the Group's business prospects and capital expenditure plans;
- the ability of the Group's customers or other third parties to perform their obligations under the relevant contracts;
- the Group's ability to obtain relevant approvals, permits and certificates necessary to carry on its business;
- the actions and developments of the Group's competitors;
- the Group's financial condition and performance;
- the availability and costs of bank loans and other forms of financing;
- various business opportunities that the Group may pursue;
- any change in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- general political, social and economic conditions, including those related to the PRC;

- changes or volatility in interest rates, foreign exchange rates, equity prices, commodity prices or other rates or prices, including those pertaining to the PRC and the industries and markets in which the Group operates;

- macroeconomic measures taken by the PRC government to manage economic growth; and

- the Group's ability to identify factors other than those discussed under the section titled "*Risk Factors*" and elsewhere in this Offering Circular.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section titled "Risk Factors", before making an investment decision.

OVERVIEW

We are a leading integrated O2O retailer of comprehensive consumer products in China. We achieved GMV of more than RMB100 billion on both online and offline sales through self-developed online and offline channels and recorded a total operating income of over RMB200 billion for the year ended 31 December 2017. Our retail business segment accounted for more than 90% of our total principal operating income in 2017 and is substantially operated by Suning.com and its subsidiaries. Suning.com has been listed on Shenzhen Stock Exchange since 2004 and is ranked first amongst "2017 Top 100 Chain Store Operation Enterprises in China" in terms of revenue published by China Chain Store & Franchise Association in 2018. In addition, Suning.com was ranked first amongst 2017 major home appliance retailers in China with a market share of approximately 20% according to iResearch. Suning.com recorded a total GMV of RMB243.34 billion from online and offline platforms for the year ended 31 December 2017, among which sales from online channels contributed approximately 52% of its total sales. Suning.com was on the list of "Fortune Global 500" for two consecutive years in 2017 and 2018 with a revenue of U.S.$22.36 billion (equivalent of RMB148.59 billion) and U.S.$27.81 billion (equivalent of RMB181.69 billion) for the financial years of 2016 and 2017, respectively.

We started our retail business with our first air conditioner specialty store in Nanjing in 1990 and transformed into retail chains for selling a variety of electrical appliances in 2000. We ventured into e-commerce business by launching the online platform "suning.com" and commenced to develop our online and offline retail business in 2009. In addition to the expansion of channels, we also increased product offering to include home appliances, 3C products, maternal and child products, groceries and other products. In 2012, we unveiled our "Smart Service by High-tech Suning" ("科技蘇寧、智慧服務") O2O initiative, aiming at enhancing the integration of our online and offline retail channels. With the development of technology and increasing competition from both online and offline retailers, we became the pioneer of developing our "Smart Retail" strategy in March 2017. "Smart Retail" refers to a new retailing model aiming to provide our customers with an intelligent, tailored and comprehensive consumption, entertainment and leisure experiences by applying technology innovations including big data, artificial intelligence (AI) and internet of things (IoT) to the retail process so as to meet our customers' consumption demands anytime and anywhere through our integrated online and offline channels ("**Omni-channel**").

As of 31 March 2018, Suning.com built a nationwide offline network of 4,073 self-operated stores spanning 31 provinces and autonomous regions and 297 cities and 209 Retail Cloud Franchise Stores (零售雲加盟店) throughout China as well as 68 stores in overseas markets including 28 stores in Hong Kong and 40 stores in Japan. We have established a customer-orientated diversified stores model ecosystem with presences in different-tier markets in China. Our diversified stores model includes (i) commercial complex in first and second-tier markets providing one-stop shopping experience, (ii) convenience stores serving community customers and (iii) various specialty stores satisfying customers' demands for specialized and differentiated products in different tier markets including direct-sale stores and franchise stores covering third- and fourth-tier markets. As of 31 March 2018, we have developed and operated 23 Suning.com Plazas (蘇寧易購廣場) (three of which were under construction) and 24 Suning Plazas (蘇寧廣場) (12 of which were under construction), and operated 210 Suning CVS (蘇寧小店), 2,281 Direct-sale Stores (蘇寧易購直營店), 1,513 Home Appliance, 3C and Household Supplies Stores, 60 Redbaby Stores (紅孩子店) and 9 SuFresh Supermarkets (蘇鮮生) in China.

Our online retail business has achieved a remarkable growth over the past years through providing our customers with a wide range of products and enhanced shopping experiences on our online channel. Suning.com, our major online channel, is ranked top three among B2C e-commerce sites in terms of its market share in the third quarter of 2017 according to iResearch. Suning.com offers products of over 44 million SKU on its online platforms. Suning.com has also achieved a significant increase in its online sales for 2017 with a trading volume of tangible goods through online platforms of RMB126.70 billion, up 57.37% year-on-year. During the first quarter of 2018, Suning.com achieved a total trading volume of tangible goods through online platforms of approximately RMB39.77 billion, up 81.50% compared to the same quarter of 2017. The number of the monthly active users of Suning.com mobile app in December 2017 increased by 105.73% compared to January 2017. As of 31 December 2017, Suning.com, the substantial operator of our retail segment, had approximately 345 million registered members.

Whilst we are committed to further strengthening our retail business by providing our customers with quality and comprehensive consumption experiences, we have been developing other business segments such as real estate, logistics and financial services to support and complement our retail business. Our property development and management businesses serve to implement our "Smart Retail" model through the development, construction and operation of retail infrastructure such as commercial properties (e.g. Suning Plaza and Suning.com Plaza) and logistics and warehousing facilities. Moreover, our property and logistics businesses are in the process of implementing an asset-light business model by adopting a "build-operate-transfer to funds" model which enables us to revitalize fixed assets and property projects, generate cash flows and reinvest in obtaining and developing new property and logistics assets in a bid to develop infrastructures for our business at a faster pace and in a more efficient way. Our logistics business not only provides efficient delivery services to our retail customers, but also provides integrated warehousing and delivery services to third parties by leveraging its nationwide infrastructure network and intelligent delivery system. As of 31 March 2018, Suning.com (including TTK Express) operated warehousing facilities with GFA of approximately seven million sq.m., more than 3,700 operation routes as well as 21,904 terminal express delivery stations spanning 352 prefecture-level cities and 2,910 counties and towns in China. Our financial services provide our customers with financing solutions in a variety of scenarios such as supply chain finance and consumer finance, which not only increase our customer base but also enhance our customers' loyalty. In 2017, the trading volume of the financial services business of Suning.com recorded a year-on-year increase of 129.71% and exceeded RMB1 trillion.

The following table sets forth a breakdown of the revenue generated by each business segment and as a percentage of the total principal operating income of the Group for each respective period indicated:

	Year ended 31 December					
	2015		**2016**		**2017**	
	(RMB in billions)	**%**	**(RMB in billions)**	**%**	**(RMB in billions)**	**%**
Retail Business	130.30	94.56	143.97	93.68	178.83	91.48
Property Business	4.66	3.38	6.26	4.08	6.44	3.30
Others[1]	2.83	2.06	3.45	2.24	10.20	5.22
Total	**137.79**	**100.00**	**153.68**	**100.00**	**195.47**	**100.00**

Note 1: Others mainly include revenue from financial services business and installation and maintenance services business.

Note 2: Revenue from intragroup transactions is not included in the financial information in the table above.

RECENT DEVELOPMENT

Favorable Results of the Substantial Operator of Our Retail Business Segment for the First Half of 2018

Based on the selected unaudited financial data of Suning.com for the first six months ended 30 June 2018, Suning.com, the substantial operator of our retail business segment, recorded favorable results due to the implementation of our Smart Retail strategies. In the first half of 2018, the total profit and net profit attributable to shareholders of Suning.com enjoyed a strong growth, compared to the same period in prior year. In addition, both of the total operating income and GMV of Omni-channel of Suning.com also increased during the first six months of 2018, compared to the corresponding period last year. As of 30 June 2018, the short-term borrowings and bonds payable of Suning.com increased compared to 31 December 2017 due to the increased purchases of inventories for the peak periods, the increase of the supply chain finance and consumer credit business of Suning.com and the issuance of new domestic bonds by Suning.com in the first half of 2018.

From the online channel perspective, there was a solid increase in the total trading volume of tangible goods of Suning.com through online platforms for the six months ended 30 June 2018 over the comparable period in 2017. From the perspective of offline channel, Suning.com continued to expand its nationwide offline network of self-operated stores and Retail Cloud Franchise Stores in China during the first six months of 2018.

In addition to the retail segment, the logistics and financial services segments of Suning.com also continued rapid growth in the first six months of 2018. Revenue of the logistics segment of Suning.com from the logistics services to third-party businesses (excluding TTK Express) saw a strong increase compared to the same period of 2017. The trading volume of the supply chain finance business of Suning.com in our ecosystem also continued to grow, compared to the same period in prior year.

Selected consolidated financial information in relation to Suning.com as at and for the six months ended 30 June 2017 and 2018 disclosed above is derived from the published 2018 half-year report of Suning.com dated 30 August 2018, which for the avoidance of doubt, does not form part of this Offering Circular. Such interim consolidated financial information has not been audited or reviewed by an independent auditor, and may be adjusted pursuant to a subsequent review or audit. Consequently, such interim consolidated financial information should not be relied upon by investors as providing the same quality of information associated with information that has been subject to an audit or review. None of the Joint Lead Managers, the Trustee or the Agents makes any representation or warranty, express or implied, regarding the sufficiency of such financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate Suning.com's or the Group's financial condition, results of operations and results. Such financial information should not be taken as an indication of the expected financial condition, results of operations and results of Suning.com or the Group for the full financial year.

COMPETITIVE STRENGTHS

The Group believes that the following competitive strengths differentiate us from other industry participants and have enabled us to compete effectively in our industry:

- Our unique integrated O2O Smart Retail model to capture the consumer market opportunities amid China's consumption upgrade;
- One of the largest offline retail networks providing all-dimensional consumption scenarios for our Smart Retail;
- Fast-growing online trade volumes along with better monetization of traffic generated from open marketplace;

- Diversified products offering and stable cooperative relationships with leading suppliers;
- Strong financial and logistics capabilities to complement and support our Smart Retail model and enhance customers' experiences;
- Outstanding technological innovation capabilities to lead the development of Smart Retail;
- Strong financial performance coupled with diversified financing channels; and
- Experienced management team and strategic cooperation with our major shareholder and partners.

BUSINESS STRATEGIES

With our "Smart Retail" and "Omni-channel, Multi-type Customers and Diversified Products" ("全渠道、全客群、全品類") strategies, our goal is to strengthen our position as a leading smart retailer with a dominant market position in both online and offline retail industry in China. We believe our strong brand name, nationwide and customer-oriented retail network, diversified products offering, strong operating capabilities in internet technology, logistics and financial services have laid a strong foundation for us to achieve our goal. We plan to solidify our market position across channels and regions in China, achieve stable growth and further improve our profitability through implementing the following strategies on our offline, online, supply chain and infrastructure platforms:

- Strengthen our Omni-channel platform by continuously optimizing and integrating our online and offline channels;
- Continue to strengthen our merchandising and inventory management capabilities;
- Continue to develop our logistics business platform with an integrated warehousing and delivery system;
- Continuous investment in the research and development and innovation of our technology infrastructure to support our Smart Retail model; and
- Cultivate customer loyalty and attract new customers through the optimization of our membership program by way of internal consolidation and strategic partnership with external merchandisers.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary audited consolidated financial information of the Guarantor as at and for the year ended 31 December 2015 as set forth below is extracted from the Guarantor's consolidated financial statements as at and for the year ended 31 December 2016 and the summary audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2016 and 2017 as set forth below is extracted from the Guarantor's consolidated financial statements for the year ended 31 December 2017, both of which have been audited by Talent Certified Public Accountants (Special General Partnership) in accordance with Chinese Auditing Standards issued by MOF. Certain financial information of the Guarantor for the year ended 31 December 2016 was restated in the Guarantor's consolidated financial statements as at and for the year ended 31 December 2017, due to an accounting policy change implemented by the MOF in 2017. Please refer to note III.26.1 of the Guarantor's consolidated financial statements as at and for the year ended 31 December 2017. Accordingly, certain financial information of the Guarantor for the year ended 31 December 2015 is not directly comparable to that as at and for the years ended 31 December 2016 and 2017. The Guarantor's Audited Financial Statements were prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Summary of Certain Differences between PRC GAAP and IFRS".

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant audited consolidated financial statements of the Guarantor and the notes thereto included elsewhere in this Offering Circular. The Guarantor's historical consolidated financial information should not be taken as an indication of its future financial performance.

Summary Consolidated Income Statement Data

	Year ended 31 December		
	2015	2016	2017
	(RMB) (audited)	(RMB) (audited)	(RMB) (audited)
Total operating income	139,639,097,253.68	157,696,988,153.76	200,745,938,551.55
Total operating costs	143,450,828,310.43	161,195,166,472.02	204,873,888,901.12
Including: Operating costs	118,720,456,194.62	133,523,148,975.36	170,486,058,260.16
Interest expenses	—	—	—
Fee and commission expenses	—	—	—
Surrenders	—	—	—
Claims and policyholder benefits (net of mounts recoverable from reinsurers)	—	—	—
Changes in insurance contract reserves (net of reinsurers' share)	—	—	—
Insurance policyholder dividends	—	—	—
Expenses for reinsurance accepted	—	—	—
Taxes and surcharges	1,417,849,657.69	1,368,412,573.55	1,910,852,536.16
Selling expenses	16,799,585,909.66	17,758,403,896.40	21,034,305,338.29
Administrative expenses	5,061,966,326.22	4,935,455,426.04	6,351,647,229.33
Financial expenses	1,281,173,974.28	3,268,306,452.23	4,383,314,640.41
Impairment losses of assets	169,796,247.96	341,439,148.44	707,710,896.77
Add: Gains from changes in fair values	706,917,047.40	808,324,147.53	558,030,267.12
Investment income	1,699,524,526.29	2,076,195,182.03	12,555,965,781.44
Including: Income from investments in associates and joint ventures	(45,078,231.17)	(126,248,773.52)	(167,141,368.16)
Loss (income) from disposal of assets	—	503,036,548.80	(10,013,019.04)
Other income	—	—	582,200,154.79
Operating profit	(1,405,289,483.06)	(110,622,439.90)[1]	9,558,232,834.74
Add: Non-operating income	1,816,739,239.64	1,661,920,413.92[1]	425,848,624.62
Less: Non-operating expenses	185,050,964.47	167,272,047.78[1]	205,392,526.12
Total profit	226,398,792.11	1,384,025,926.24	9,778,688,933.24
Less: Income tax expenses	7,751,958.52	671,541,416.72	1,744,402,058.16
Net profit	218,646,833.59	712,484,509.52	8,034,286,875.08
Net profit attributable to non-controlling interests	1,037,356,226.90	676,665,134.60	6,235,246,635.29
Net profit attributable to owners of Parent Company	(818,709,393.31)	31,730,188.11	1,799,040,239.79
Net profit achieved by the merged party before the merger	—	4,089,186.81	—

[1]Gain and loss on non-current assets disposal and on non-monetary assets exchange, which were previously recorded as part of the non-operating income and non-operating expenses, have been reclassified as "Loss(income) from disposal of assets" as a result of changes in accounting policies announced and implemented by the MOF in 2017. The related figures for the year ended 31 December 2016 have been restated on the same basis. However, the corresponding figures for the year ended 31 December 2015 have not been restated, and accordingly such figures are not directly comparable to those for the years ended 31 December 2016 and 2017. Please refer to note III.26.1 of the Guarantor's consolidated financial statements as at and for the year ended 31 December 2017.

Consolidated Balance Sheet Data

	As at 31 December		
	2015	2016	2017
	(RMB) (audited)	(RMB) (audited)	(RMB) (audited)
Assets			
Current Assets:			
Cash and bank balances	29,415,921,015.57	33,021,530,548.17	39,212,626,103.94
Balances with clearing agencies	—	—	—
Placements with banks and other financial institutions	—	—	—
Financial assets at fair value through profit or loss	678,871,139.32	2,228,632,791.09	2,930,110,908.69
Derivative financial assets	—	—	—
Notes receivable	24,304,603.32	40,081,411.81	22,169,395.95
Accounts receivable	1,197,629,144.75	2,030,707,948.71	3,437,701,808.45
Prepayments	7,895,347,152.41	10,734,617,414.10	9,136,625,261.90
Premiums receivable	—	—	—
Amounts receivable under reinsurance contracts	—	—	—
Reinsurer's share of insurance contract reserves	—	—	—
Interest receivable	210,853,131.36	1,824,640,777.29	1,784,944,752.50
Dividends receivable	—	5,818,700.00	—
Other receivables	15,152,816,528.29	24,314,081,051.10	35,495,892,960.77
Financial assets purchased under resale agreements	—	—	—
Inventories	47,100,145,408.17	45,468,540,399.04	37,780,597,334.26
Assets held for sale	—	—	—
Non-current assets due within one year	—	—	—
Other current assets	9,859,994,680.20	21,226,783,467.70	19,981,857,682.77
Total Current Assets	111,535,882,803.39	140,895,434,509.01	149,782,526,209.23
Non-current Assets:			
Loans and advances to customers	1,311,668,162.00	4,221,125,786.64	10,428,113,086.05
Available-for-sale financial assets	3,162,394,343.68	26,386,206,846.14	53,414,206,985.61
Held-to-maturity investments	—	—	—
Long-term receivables	630,401,636.52	707,763,710.53	718,173,412.96
Long-term equity investments	274,525,773.87	1,805,643,372.41	3,125,107,719.54
Investment properties	21,230,067,585.20	24,240,730,421.55	27,179,645,114.78
Fixed assets	15,832,634,604.51	14,879,838,573.01	20,813,425,936.89
Construction in progress	1,803,989,276.81	1,569,270,532.41	471,917,631.91
Materials for construction of fixed assets	38,086,602.55	4,692,743.68	9,389,564.39
Disposal of fixed assets	—	—	—
Bearer biological assets	—	—	—
Oil and gas assets	—	—	—
Intangible assets	7,989,344,556.68	5,125,513,744.51	7,475,649,833.80
Development expenditure	9,063,416.51	2,967,464.76	1,406,602.17
Goodwill	589,522,096.73	433,815,464.38	2,401,796,475.60
Long-term prepaid expenses	1,389,952,482.63	1,173,162,487.00	1,195,979,801.08
Deferred tax assets	4,048,313,351.28	4,545,064,502.91	4,830,450,406.69
Other non-current assets	875,428,233.29	1,992,270,929.65	2,039,917,819.45
Total Non-current Assets	59,185,392,122.26	87,088,066,579.58	134,105,180,390.92
Total Assets	170,721,274,925.65	227,983,501,088.59	283,887,706,600.15

	As at 31 December		
	2015	2016	2017
	(RMB) (audited)	(RMB) (audited)	(RMB) (audited)
Liabilities and Owners' Equity			
Current Liabilities:			
Short-term borrowings	17,160,812,693.03	12,877,517,090.31	17,402,750,074.44
Loans from the central bank	—	—	—
Customer deposits and deposits from banks and other financial institutions	—	—	—
Taking from banks and other financial institutions	—	—	—
Financial liabilities at fair value through profit or loss	14,910,000.00	38,650,000.00	50,889,000.00
Derivative financial liabilities	—	—	—
Notes payable	25,319,907,755.39	26,303,973,169.25	27,737,930,809.40
Accounts payable	14,130,118,438.23	17,717,649,181.27	17,463,355,657.36
Receipts in advance	3,250,198,660.95	5,820,684,250.32	5,935,157,153.55
Financial assets sold under repurchase agreements	—	—	—
Fees and commissions payable	—	—	—
Employee benefits payable	407,231,208.22	454,453,411.58	922,701,465.15
Taxes payable	1,986,911,378.14	2,993,975,057.33	4,708,844,889.72
Interest payable	212,824,455.54	305,055,145.50	263,752,796.47
Dividends payable	3,104,008.99	3,104,008.99	3,104,008.99
Other payables	9,153,177,943.45	10,333,219,123.12	20,082,995,641.66
Amounts payable under reinsurance contracts	—	—	—
Insurance contract reserves	—	—	—
Funds from securities trading agency	—	—	—
Funds from underwriting securities agency	—	—	—
Liabilities held for sale	—	—	—
Non-current liabilities due within one year	14,738,774,779.01	28,742,283,809.15	33,026,439,784.04
Other current liabilities	929,503,966.66	1,174,059,275.55	1,194,398,548.83
Total Current Liabilities	87,307,475,287.61	106,764,623,522.37	128,792,319,829.61
Non-current Liabilities:			
Long-term borrowings	17,274,347,092.98	15,910,326,674.85	24,351,461,177.39
Bonds payable	19,016,486,691.17	26,046,868,984.50	26,208,082,243.59
Including: Preferred shares	—	—	—
Perpetual bonds	—	—	—
Long-term payables	164,971,970.31	2,780,607,365.07	1,744,083,953.29
Long-term employee benefits payable	20,853,583.52	25,124,577.34	44,013,929.35
Special payables	—	—	—
Provisions	42,460,208.79	56,367,584.26	67,868,218.89
Deferred income	1,805,638,103.90	1,961,647,755.19	2,114,471,238.87
Deferred income tax liabilities	3,467,541,212.70	3,360,530,477.54	4,586,832,675.82
Other non-current liabilities	20,498,957.84	1,815,005,092.59	6,223,295,805.98
Total non-current liabilities	41,812,797,821.21	51,956,478,511.34	65,340,109,243.18
Total liabilities	129,120,273,108.82	158,721,102,033.71	194,132,429,072.79

	As at 31 December		
	2015	2016	2017
	(RMB) (audited)	(RMB) (audited)	(RMB) (audited)
Owners' Equity			
Paid-in capital	239,000,000.00	239,000,000.00	239,000,000.00
Other equity instruments	—	—	—
Including: Preferred shares	—	—	—
Perpetual bonds	—	—	—
Capital reserve	2,932,365,251.35	2,582,772,579.16	2,972,426,795.47
Less: Treasury shares	—	—	—
Other comprehensive income	718,256,206.85	44,281,632.34	1,940,548,572.26
Special reserve	—	—	—
Surplus reserve	100,000,000.00	100,000,000.00	110,389,614.39
General risk reserve	27,863,850.34	131,476,605.60	259,480,165.01
Retained profits	1,911,745,885.98	2,245,116,385.03	3,905,763,451.02
Total owners' equity attributable to equity holders of the Company	5,929,231,194.52	5,342,647,202.13	9,427,608,598.15
Minority interests	35,671,770,622.31	63,919,751,852.75	80,327,668,929.21
Total Owners' Equity	41,601,001,816.83	69,262,399,054.88	89,755,277,527.36
Total Liabilities and Owners' Equity	170,721,274,925.65	227,983,501,088.59	283,887,706,600.15

Summary Consolidated Cash Flow Statement Data

	Year ended 31 December		
	2015	2016	2017
	(RMB) (audited)	(RMB) (audited)	(RMB) (audited)
Net Cash Flow from Operating Activities	(6,188,150,682.09)	4,956,597,804.64	(4,580,780,419.12)
Net Cash Flow from Investing Activities	(7,825,516,648.73)	(44,837,301,463.52)	(4,337,596,522.49)
Net Cash Flow from Financing Activities	17,191,331,338.00	42,445,954,294.63	14,350,898,652.26
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(78,903,702.03)	101,844,384.78	(268,372,250.98)
Net Increase in Cash and Cash Equivalents	3,098,760,305.15	2,667,095,020.53	5,164,149,459.67
Closing Balance of Cash and Cash Equivalents	18,922,012,429.45	21,589,107,449.98	26,753,256,909.65

Other Financial Data

	As at 31 December/Year ended 31 December		
	2015	**2016**	**2017**
	(unaudited)	**(unaudited)**	**(unaudited)**
EBITDA (in RMB millions)(1)	5,822.48	7,549.22	16,366.53
EBITDA/Total interest(2)	2.41	1.57	2.64
Non-current liabilities due within one year(3) (in RMB millions)	14,657	28,671	33,012
Total indebtedness(4) (in RMB millions)	68,273.16	86,286.63	102,718.58
Net indebtedness(5) (in RMB millions)	50,636.91	66,152.71	79,076.90
Total indebtedness/EBITDA	11.73	11.43	6.28
Total indebtedness/total capitalisation(6)	62.1%	55.5%	53.4%
(Cash and bank balances + available-for-sale assets)/short-term indebtedness	0.95x	0.85x	0.84x

Notes:

(1) EBITDA equals the sum of total profit, fixed asset depreciation, intangible asset amortization, deferred expense amortization and interest expense recognized as financial expense.

EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Guarantor has included EBITDA because the Guarantor believes that it is a useful supplement to cash flow data as a measure of the Guarantor's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Guarantor's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

(2) Total interest equals the sum of capitalized interest and expensive interest expense.

(3) Deferred revenue of advertising space is excluded from non-current liabilities due within one year.

(4) Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness. Short-term indebtedness equals the sum of short-term borrowings and non-current liabilities due within one year. Long-term indebtedness equals the sum of long-term loans, bonds payables and long-term payables. See "*Capitalisation and Indebtedness*".

(5) Net indebtedness equals the subtraction of bank balance and cash from total indebtedness.

(6) Total capitalisation represents the sum of total indebtedness and total equity. See "*Capitalisation and Indebtedness*".

THE OFFERING

The following summary contains some basic information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular.

Issuer	Granda Century Limited 格蘭達世紀有限公司.
Guarantor	Suning Appliance Group Co., Ltd. (蘇寧電器集團有限公司).
The Bonds	U.S.$300,000,000 7.50 per cent. Guaranteed Bonds due 2021.
The Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect will be contained in the Deed of Guarantee.
Issue Price	100.00 per cent. of the principal amount of the Bonds.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of U.S.$200,000 and in integral multiples of U.S.$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 7.50 per cent. per annum, payable semi-annually in arrear in equal instalments on 11 March and 11 September in each year, commencing on 11 March 2019.
Issue Date	11 September 2018.
Maturity Date	11 September 2021.
Use of Proceeds	The net proceeds from the issue of the Bonds will be used for refinancing certain of existing indebtedness of the Group and for the Group's general corporate purposes. See "*Use of Proceeds*".
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Bonds.
Events of Default	Upon the occurrence of certain events as described in Condition 9 of the Terms and Conditions of the Bonds, the Trustee at its absolute discretion may, and if so requested in writing by holders of at least twenty-five per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC up to and including the aggregate rate applicable on 5 September 2018 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

	If the Issuer, or as the case may be, the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within the Cayman Islands, then the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or the Guarantee, as the case may be) in the circumstances as set out in "*Terms and Conditions of the Bonds — Taxation*".
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 11 September 2021.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount together with interest accrued to but excluding the date fixed for redemption, in the event of certain changes affecting taxes of the Cayman Islands or the PRC, as further described in "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*".
Redemption for Relevant Events	At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Relevant Events*".
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the Issue Date, the first payment of interest on them and the timing for complying with the requirements set out in the Terms and Conditions of the Bonds in relation to the Cross-Border Security Registration and the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in the Terms and Conditions of the Bonds to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to Condition 15 of the Terms and Conditions of the Bonds and forming a single series with the Bonds.
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent	The Bank of New York Mellon, London Branch.

Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Clearing Systems	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.
Governing Law	The Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law.
Listing	Application will be made to the HKSE for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
Selling Restrictions	The Bonds and the Guarantee will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See *"Subscription and Sale"*.
ISIN	XS1843422947.
Common Code	184342294.
LEI	300300782IR1H6LDD623.

RISK FACTORS

An investment in the Bonds involves a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Group, its business, the market in which the Group operates and the value of Bonds. Some risks may be unknown to the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Group or the value of the Bonds. The Issuer and the Guarantor believe that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer and the Guarantor to pay interest, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer and the Guarantor on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below and elsewhere in this Offering Circular.

The statements below regarding the risk factors of holding any Bonds are not exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Risks Relating to Our Business and Group

— *Risks Relating to Our Retail Business and Industry*

Our business depends significantly on market recognition of our brands. If we are not able to maintain or enhance our brand recognition, our business, financial condition and results of operations may be materially and adversely affected.

The Group places great emphasis on managing and maintaining Suning brand image which are critical to differentiate our products and services from and to compete effectively with our peers. Maintaining and enhancing the Group's reputation and brand recognition depends primarily on the quality and consistency of the Group's products and services, as well as the success of the Group's marketing and promotional efforts that improve customer perceptions. Brand value may be damaged even by isolated business incidents that degrade customer trust, and it may be harmed by negative publicity about the Group or its industries in China regardless of its veracity. Customer demand for the Group's products and the Group's brand value could be damaged significantly if the Group fails to preserve the quality of its products, or fails to deliver consistently positive customer experiences in its commercial operations, or if the Group is perceived to act in an unethical or socially irresponsible manner. There is no assurance that the Group will continue to devote significant resources to promote its brand awareness, or that its ongoing marketing efforts may be successful. Any deterioration of the Group's brand image could materially and adversely affect its business, financial condition, results of operations and prospects.

We may not be able to effectively manage our expansion and growth.

The Group is committed to the business transformation from traditional retail enterprise to smart retailer since 2009 through online and offline integration and Suning's smart retail model has been a critical factor to our business growth and strong operating results. As of 31 March 2018, the offline retail network of our Suning.com consisted of 4,141 self-operated retail stores across Mainland China, Hong Kong and Japan and 209 Retail Cloud Franchise Stores throughout China. Apart from physical retail stores, our comprehensive online platform also provides customers with access to our products and services through suning.com (www.suning.com.cn), a comprehensive B2C shopping website, our flagship store on Tmall.com and a few mobile apps operated under Suning brand. See "*Business — Retail Business — Pillar of our Smart Retail — Omni-channel Platform*".

To further increase our market share and grow our business operations, we plan to continue to evaluate the geographic coverage of our current retail stores, open different types of retail stores, and optimize our offline retail stores by applying the improved internet infrastructure and big data technology to the store operation. We also plan to continue to explore new online sales models to enlarge our online customer base and products categories and leverage our logistics and O2O finance synergies. The success of the expansion of our integrated online-offline platform depends on a number of factors, including, without limitation:

- our ability to identify sites for new stores and successfully negotiate purchase or lease agreements for these sites on terms acceptable to us;

- our ability to identify, and the availability of, suitable strategic acquisition or investment targets;

- the availability of financing for our acquisitions, investments or other strategic transactions;

- our ability to maintain or develop strategic cooperation relationships with domestic and international leading suppliers;

- our ability to respond to the changes in the offline and online retail industry in China;

- the reliability of our online sales platforms including our Suning.com; and

- the availability of related network infrastructure, such as online payment platforms.

Due to the above and certain other factors, many of which are beyond our control, we may not be successful in our expansion efforts. Even if we are able to expand our integrated online-offline sales platform, our ability to generate sales or profits from such platform may be affected by our ability to, among other things:

- successfully develop and execute specific business strategy for each individual store or online sales model;

- successfully integrate the new stores or online sales model with our existing operations and achieve related synergies;

- maintain adequate management and financial resources for our expanded operations;

- adapt to the evolving competitive environment which may be different from what we are familiar with;

- adapt and grow our operational and management systems, including our supply chain system and information technology systems, to continue to accommodate an expanded network of stores;

- hire, train and retain skilled personnel; and

- effectively control and manage our costs, particularly our procurement costs and expenses related to rent, logistics, human resources and marketing.

We may not be able to achieve our planned expansion objectives. If we are unable to successfully gain business synergies from new stores, new acquisitions or investments, our ability to grow our business and increase our revenue may be materially and adversely affected. We cannot assure you that we will be able to expand or operate our business on a profitable basis by establishing or acquiring new stores. We enter into discussions from time to time with third parties regarding potential acquisitions or investment targets in the ordinary course of business. However, we cannot assure you that we will be able to identify any attractive acquisition targets or any suitable opportunity for partnerships or alliances, nor can we assure you that we will be able to enter into acquisition, partnership or alliance agreements on terms favorable to us, or at all. Our ability to manage our future growth will also depend on our ability to continue to successfully implement and improve our operational, financial and management systems in the new and evolving competitive markets. Our business growth could strain our managerial, operational and financial resources. Failure to effectively manage our expansion may lead to increased costs, decline in revenue, reduced profitability and limited growth.

We may not be able to identify or offer attractive and popular products or to foresee or adjust our product offerings, in a timely manner, or at all, to changing consumer preferences.

Consumer demands, preferences and lifestyle trends in the PRC and in the local markets where we operate may change from time to time and depend upon various factors, including, among other things, global lifestyle trends, consumption patterns, disposable income, consumer confidence in the economy and other factors beyond our control. Our success depends on our ability to anticipate, identify and respond in a timely manner to these trends. There can be no assurance that our merchandise selection will accurately reflect the prevailing customer demands and preferences at any given time. If we fail to anticipate, identify and respond effectively to changing consumer demands and lifestyle trends in a timely manner, or at all, we may not be able to generate the desired level of sales within our sales network or we may be forced to sell a large amount of inventory at discounted prices, below cost or to even write off such inventory, which, in turn, could materially and adversely affect our business, financial condition and results of operations. In addition, as we rely on our suppliers for the supply of all our products, failure on the part of our suppliers to respond effectively to changing market conditions or any decline in the popularity or quality of any of the existing brands sold in our stores may also adversely affect our business.

If we fail to manage and expand our relationships with suppliers, or otherwise fail to procure products at favorable terms, our business and growth prospects may suffer.

We source products from third-party suppliers for our direct sales business. Our suppliers include manufacturers, distributors and resellers. Maintaining strong relationships with these suppliers is important to the growth of our business. In particular, we depend significantly on our ability to procure products from suppliers on favorable pricing terms. Even if we maintain good relationships with our suppliers, their ability to supply products to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labour actions, regulatory or legal decisions, natural disasters or other causes. In the event that we are not able to purchase merchandise at favorable prices, our revenues and cost of sales may be materially and adversely affected. In the event any distributor or reseller does not have authority from the relevant manufacturer to sell certain products to us, such distributor or reseller may cease selling such products to us at any time. If our suppliers cease to provide us with favorable payment terms, our requirements for working capital may increase and our operations may be materially and adversely affected. We will also need to establish new supplier relationships to ensure that we have access to a steady supply of products on favorable commercial terms. If we are unable to develop and maintain good relationships with suppliers that would allow us to obtain a sufficient amount and variety of authentic and quality merchandise on acceptable commercial terms, it may inhibit our ability to offer sufficient products sought by our customers, or to offer these products at competitive prices. Any adverse developments in our relationships with suppliers could materially and adversely affect our business and growth prospects. In addition, as part of our growth strategy, we plan to further expand our product offerings. If we fail to attract new suppliers to sell their products to us due to any reason, our business and growth prospects may be materially and adversely affected.

Failure to renew our current leases or locate desirable alternatives for our stores could materially and adversely affect our business.

Our business strategy depends on our ability to secure premises at prime locations in our target cities. As at 31 December 2017, approximately 90% of the Group's retail store sites in terms of GFA were under lease. It is important to our business operation that we maintain our existing leases. The Group negotiated different terms for the retail tenancies of the Group's stores by taking into account the store's location and our plan in respect of its operation. On expiry of the leases for each of its stores, the Group will have to re-negotiate the terms on which the leases may be renewed. The Group may not be able to extend or renew such leases upon expiration of the current term on commercially reasonable terms or at all. In the event that the Group is unable to renew its leases, there is no assurance that alternative locations will be equally well located. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties, which may adversely affect our profitability. In the event that we encounter difficulties in securing suitable locations where we plan to expand or in renewing the leases for our existing stores, our business, financial condition and results of operations may be materially and adversely affected.

Uncertainties relating to the growth and profitability of the online retail industry in China could adversely affect our business.

The proportion of GMV from our online channel in the total GMV from our integrated online and offline channel has increased over the past few years. The GMV of Suning.com from our online channel accounted for approximately 30.96%, 42.73% and 52.06% of the total GMV of Suning.com for 2015, 2016 and 2017, respectively. While online retailing has existed in China since the 1990s, only recently have many online retailers become profitable. The long-term viability and prospects of various online retail business models in China remain relatively untested. The development of the online retail industry in China depends on many factors, many of which are beyond our control, including:

- the growth of Internet, broadband, personal computer and mobile penetration and usage as well as online retailing in China;
- the trust and confidence level of online shoppers in China, as well as changes in customer demographics and customer tastes and preferences;
- the selection, price and popularity of products that we and our competitors offer online;
- the emergence and development of alternative retail channels or business models that better address the needs of end-customers; and
- the development of fulfilment, payment and other ancillary services associated with online purchases.

A decline in the popularity of online shopping or any failure to improve the online shopping experience of end-customers in response to trends and customer requirements may adversely affect our sales, operations and growth prospects. Furthermore, China's online retail industry is very sensitive to macroeconomic changes, and retail purchases tend to decline during recessionary periods.

Many factors that are beyond our control can adversely affect customer confidence and spending, including inflation and deflation, volatility of stock and property markets, interest rates, tax rates and other government policies and unemployment rates, which could in turn materially and adversely affect our growth prospects and profitability.

Future strategic alliances, investments or acquisitions may have a material adverse effect on our business, financial condition and results of operations.

We have, in the past, expanded our sales network and penetrated into new markets through strategic acquisitions. We may in the future enter into new strategic alliances with various third parties to further expand our business. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor the actions of such third parties. To the extent such third parties suffer negative publicity or harm to their reputations, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties, which in turn could negatively affect our business operations.

Moreover, if we are presented with appropriate opportunities, we may invest in or acquire additional assets, technologies or businesses that are complementary to our existing business. Future investments or acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. The costs of identifying and consummating investments and acquisitions may be significant. We may also incur significant expenses in obtaining necessary approvals from relevant government authorities in China and elsewhere in the world in connection with such investments and acquisitions. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. The cost and duration of integrating newly acquired businesses could also materially exceed our expectations. Acquired assets or businesses may not generate the financial results or create the desired benefit or synergy as we anticipate and changes to our investment portfolio such as disposal of acquired investments or assets may result in significant fluctuation in our operating profit and net profit. Any such negative developments may have a material adverse effect on our business, financial condition and results of operations.

Our expansion plan requires substantial capital expenditures, for which we may not have adequate financial resources.

We plan to continue to expand our online and offline retail network. Our expansion plan will require us to make substantial capital expenditures in developing new stores, utilizing big data analytics and advancing the online platform to gain market share. For the years of 2016 and 2017, we had negative net cash outflow from investing activities of approximately RMB 44.84 billion and RMB 4.34 billion, respectively.

We may continue to experience net cash outflow from investing activities. We may need to continue to contribute additional capital to new or acquired stores after their opening or acquisition if the stores are not profitable. We may need to raise additional funds through bank borrowing or the issuance of debt or equity securities to finance these capital expenditures. However, our ability to obtain additional financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, general market conditions for capital raising activities by retail and similar companies, and economic, political and other conditions in the PRC and elsewhere. We may be unable to obtain additional financing in a timely manner or on acceptable terms or at all. Further financing activities or the remittance of the proceeds into the PRC may also require PRC regulatory approvals, which may not be granted in a timely manner or at all. If adequate funding is not available, our ability to develop and expand our business may be materially and adversely affected.

If we are unable to effectively market our business, our revenue may decline and our results of operations could be adversely affected.

We have incurred significant expenses on a variety of different marketing promotion efforts designed to enhance precision of marketing and increase sales of our products. Our marketing activities may not be well received by customers and may not result in the levels of product sales that we anticipate. Suning.com incurred RMB2,963.26 million, RMB3,213.90 million and RMB4,578.19 million of marketing expenses in 2015, 2016 and 2017, respectively. Marketing approaches and tools in the consumer products market in China are evolving. This further requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share, cause our revenues to decline and negatively impact our profitability.

Any interruption in the operation of our automatic picking centers, regional distribution centers, standalone warehouses, delivery stations or pickup stations for an extended period may have an adverse impact on our business.

Our ability to process and fulfil both online and offline orders accurately and provide high quality customer service depends on the smooth operation of our automatic picking centers, regional distribution centers, standalone warehouses and our delivery and pickup stations. Our warehouse and logistic system may be vulnerable to damages caused by fire, flood, power outage, telecommunications failure, break-ins, earthquake, human error and other events. If any of our warehouse and logistic systems were rendered incapable of operation, then we may be unable to fulfil the orders we have received. The occurrence of any of the foregoing risks could have a material adverse effect on our business, prospects, financial condition and results of operations.

We use third-party couriers to deliver some orders, and our third-party sellers use couriers to deliver a significant number of orders. If these couriers fail to provide reliable delivery services, our business and reputation may be materially and adversely affected.

We maintain cooperation arrangements with a number of third-party couriers to deliver our products to our customers in those areas not covered by our own fulfilment infrastructure. We may also use third-party service providers to ship products from our regional fulfilment centers or front distribution centers to delivery stations or to deliver bulky item products. Third-party sellers also use third-party couriers if they do not make use of our delivery services. Interruptions to or failures in these third parties' delivery services could prevent the timely or proper delivery of our products to customers. These interruptions may be due to events that are beyond our control or the control of these delivery companies, such as inclement weather, natural disasters, transportation disruptions or labour unrest. In addition, if our third-party couriers fail to comply with applicable rules and regulations, our delivery services may be materially and adversely affected. We may not be able to find alternative delivery companies to provide delivery services in a timely and reliable manner, or at all. Delivery of our products could also be affected or interrupted by the merger, acquisition, insolvency or government shut-down of delivery companies we engage to make deliveries, especially those local companies with relatively small business scales. If our products are not delivered in proper condition or on a timely basis, our business and reputation could suffer.

Our online marketplace is subject to risks associated with third-party sellers.

In 2017, the GMV of online marketplace of Suning.com recorded RMB29.24 billion. We do not have as much control over the storage and delivery of products sold on our online marketplace as we do over the products that we sell directly ourselves. Many of our third-party sellers use their own facilities to store and/or use their own or third-party delivery systems to deliver their products sold to our customers, which makes it more difficult for us to ensure that our customers get the same high quality service for all products sold on our websites. If any third-party seller does not control the quality of the products that it sells on our websites, or if it does not deliver the products or delivers them late or delivers products that are materially different from its description of them, or if it sells counterfeit or unlicensed products on our websites, or if it sells certain products without licenses or permits as required by the relevant laws and regulations even though we have requested such licenses or permits in our standard form contract with the third-party seller, the reputation of our online marketplace and our Suning brand may be materially and adversely affected and we could face claims that holding us liable for any losses. Moreover, despite our efforts to prevent it, some products sold on our online marketplace may compete with the products we sell directly, which may cannibalize our online direct sales. In addition, the supplier relationships, customer acquisition dynamics and other requirements for our online marketplace may not be the same as those for our online direct sales operations, which may complicate the management of our business.

Failure to deal effectively with any fictitious transactions or other fraudulent conduct that take place on our online marketplace would materially and adversely affect our business, financial condition and results of operations.

We may face risks with respect to fraudulent activities on our online marketplace. Although we have implemented various measures to detect and reduce the occurrence of fraudulent activities on our marketplace, there can be no assurance that such measures will be effective in combating fraudulent transactions or improving overall satisfaction among third-party sellers and customers. In addition to fraudulent transactions with legitimate customers, sellers may also engage in fictitious or "phantom" transactions with themselves or collaborators in order to artificially inflate their own ratings on our online marketplace, reputation and search results rankings. These activities may harm other sellers by enabling the perpetrating seller to be favoured over legitimate sellers, and may harm our customers by deceiving them into believing that a seller is more reliable or trusted than the seller actually is. These activities may also result in inflated GMV from our online marketplace. Negative publicity and user sentiment generated as a result of actual or alleged fraudulent or deceptive conduct on our platform would severely diminish consumer confidence in us, reduce our ability to attract new or retain current third party sellers and customers, damage our reputation and diminish the value of our brand names, and materially and adversely affect our business, financial condition and results of operations.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We rely on a combination of trademark, fair trade practice, patent, copyright and trade secret protection laws in China and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our intellectual property rights. Intellectual property protection may not be sufficient in China or other countries in which we operate. Confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for these breaches. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China or elsewhere. In addition, policing any unauthorized use of our intellectual property is difficult, time-consuming and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, the litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in any litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

We cannot be certain that our operations or any aspects of our business do not or will not infringe or otherwise violate patents, copyrights or other intellectual property rights held by third parties. In addition, there may be other third-party intellectual property that is infringed by our products, services or other aspects of our business. There could also be existing patents of which we are not aware that our products may inadvertently infringe. We cannot assure you that holders of patents purportedly relating to some aspects of our technology platform or business, if any such holders exist, would not seek to enforce such patents against us in China or any other jurisdictions. Further, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt. We may incur liability or become subject to administrative penalties for counterfeit or unauthorized products sold on our websites, or for products sold on our websites or content posted on our websites that infringe third-party intellectual property rights, or for other misconduct.

Our business relies on the proper operation of our information technology systems, any malfunction of which for extended periods could materially and adversely affect our business.

Our smart retail business model heavily relies on the proper functioning of our information technology systems. We use our information technology system to enable us to quickly and efficiently collect and analyze our operational data and information including procurement, sales, inventory, order fulfilment, logistics, customer and membership data and after sales services on a real-time basis. We use our information technology platform to assist us in transaction processing including acceptance and fulfilment of online customer orders, budgeting, human resources management, inventory control, financial management and retail management. As a result, the contemplated operation of our information technology systems are critical for us to attract and retain customers and provide quality customer service and to monitor the inventory/sales level of our stores. However, our information technology systems may not always operate without interruption and may encounter temporary technical issues or become obsolete. As our retail network is highly integrated, any malfunction to a particular part of our information technology systems for an extended period of time may result in a breakdown throughout our network and our ability to continue our operations smoothly may be negatively affected, which in turn could adversely affect our business and results of operations.

In addition, we need to constantly upgrade and improve our information technology systems to keep up with the continuous growth of our operations and business. However, we may not always be successful in developing, installing, running and migrating to new software or systems as required by our business development. Even if we are successful in this regard, significant capital expenditure may be required, and we may not be able to benefit from these types of investment immediately or at all. All of these may have a material adverse effect on our operations and profitability.

Failure to maintain optimal inventory level could increase our inventory holding costs or cause us to lose sales, either of which could have a material adverse effect on our business, financial condition and results of operations.

Maintaining optimal inventory level is critical to the success of our business. As of 31 December 2015, 2016 and 2017, the balance of the inventory accounted for approximately 24.68%, 17.47% and 21.12%, respectively, of the total current assets of Suning.com. In 2015, 2016 and 2017, the inventory turnover days of Suning.com were approximately 42.39 days, 36.75 days and 34.89 days, respectively. We are exposed to inventory risks as a result of a variety of factors beyond our control, including changing consumption trends and customer preferences and launches of competing products. Moreover, for stocking purposes we generally estimate demand for the products we sell ahead of the actual time of sale. We cannot assure you that we can accurately predict these trends and events and maintain adequate levels of inventory at all times. An unexpected decrease in the market demand for the products we sell could lead to excessive inventory, and we may be forced to offer discounts or conduct promotional activities to dispose of slow-moving inventory, sometimes at prices below cost, which in turn may adversely affect our business, financial condition and results of operations. On the other hand, inventory under-stock may cause us to lose sales and our business, financial condition and results of operations may also be adversely affected.

We may be subject to product liability claims relating to the products we sell and, as a result, our reputation and operating results may be adversely affected.

We sell products manufactured by third parties, some of which may be defectively designed or manufactured. As a result, sales of such products could expose us to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against us as the retailer of the product. Although we would have legal recourse against the manufacturer of such products under PRC law, attempting to enforce our rights against the manufacturer may be expensive, time-consuming and ultimately futile. Even though we have product liability insurance to cover potential liability arising from the use of the products that we sell, product liability insurance in China offers limited coverage compared to coverage offered in many other countries. As a result, any material product liability claim or litigation could have a material and adverse effect on our business, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation.

We face intense competition. We may lose market share and customers if we fail to compete effectively.

Both the electrical appliance and consumer electronics retail industry and online retail industry in China are highly competitive. We face competition from other online and offline domestic and international retailers that offer a similar range of products and from direct sales by the brand owners or their authorized distributors, and also indirectly from shopping malls, hypermarkets, specialty retailers, discount stores and other forms of retail business in the areas where we currently operate and where we may enter.

We compete with other electrical appliance and consumer electronics retailers in China or other areas based on, among other things:

- the brand recognition and store image;
- the selling price and discount available of the similar or same electrical appliance and customer electronics;
- the location and size of a store;
- the reputation, mix and quality of the brands and products offered;

- the availability of differentiated products;
- the quality of customer service;
- the ability to understand and respond to customer demand in a timely manner; and
- the ability to build and maintain customer loyalty.

We compete with other online retail companies for customers, orders and third-party sellers. In addition, new and enhanced technologies may increase the competition in the online retail industry. New competitive business models may appear, for example based on new forms of social media or social commerce. Increased competition may reduce our margins, market share and brand recognition, or result in significant losses.

Some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than we do. Some of our competitors may be able to secure more favorable terms from suppliers, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies and devote substantially more resources to their websites, mobile apps and systems development than us. We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

— *Risks relating to Our Property Business and Industry*

We rely on the performance of the property market in the PRC, particularly in the regions where we have developed our property projects and our performance may be adversely affected by measures taken by the PRC government to regulate the property market.

Our property business and prospects depend on the performance of the PRC property market. The PRC property market is volatile and may experience undersupply or oversupply of property units and significant property price fluctuations. A significant downturn in the PRC economy could adversely affect the demand for commercial and residential properties. In particular, our business continues to be heavily dependent on the property market in the cities where we operate our business. These property markets may be affected by local, regional, national and global factors, including economic and financial conditions, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. These could lead to a material adverse impact on our cash flows, financial condition and results of operations.

The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures such as setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing foreign investment and currency exchange restrictions.

From time to time, the PRC government adjusts its regulation of the property market depending on macroeconomic conditions to achieve policy goals, such as preventing the overheating of the property market or stimulating the property market during and after an economic downturn. In recent years, various administrative bodies launched a series of measures to discourage speculation and control the growth of the PRC property market. Demand for properties and property prices in China have fluctuated significantly in recent years, and are expected to continue to be affected by macro-economic control measures implemented by the PRC government from time to time. Further restrictive measures adopted by the PRC government on bank loans for real estate development projects and property purchases since April 2010 have had, and may continue to have, a dampening effect on property markets in the PRC. The performance of the property market and our business will continue to be affected by a number of macroeconomic factors, including the growth of the PRC economy, interest rates, RMB exchange rate and the political, economic and regulatory environment in the PRC.

We may not be able to acquire land that is suitable for our property development at prices acceptable to us in the future, or at all.

The growth and success of our business depend on our ability to continue to acquire land reserves in desirable locations that are suitable for our projects at commercially reasonable prices. Our ability to acquire land may depend on a variety of factors, such as overall economic conditions, our effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. Our land reserves were primarily acquired in land auctions held by local governments and through the acquisition of property development companies or property development rights from other developers. The availability and price of land sold at auctions depend on factors beyond our control, including government land policies and competition. The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Furthermore, the rapid development of the cities in Jiangsu Province and other first and second-tier cities in recent years has resulted in a shortage in the supply of undeveloped land in desirable locations and increased land acquisition costs, which is one of the largest components of our cost of sales.

We may be subject to fines or may forfeit land to the PRC government if we fail to develop properties in accordance with the terms and time frame set out in the land grant contracts.

Under the PRC laws, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land grant premium, demolition and resettlement costs and other fees, the designated use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, and order us to forfeit the land. Specifically, under current PRC laws, if we fail to commence development for more than one year but less than two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning to us and impose an idle land fee on the land of up to 20% of the land grant premium. The relevant PRC land bureau may also confiscate our land use rights without compensation if we fail to commence development within two years from the construction commencement date set forth in the land grant contract, unless the delay in the development is caused by government actions or force majeure. Moreover, if a property developer commences development of the land in accordance with the timeframe stipulated in the land grant contract and the developed construction land area is less than one-third of the total construction land area to be developed or the total invested capital is less than one-fourth of the total investment of the project and the development of the land is suspended for more than one year without government approval, the land may be treated as idle land and subject to risk of forfeiture. As of the date of this Offering Circular, we failed to develop a few of our property projects according to the terms of the relevant land grant contracts. Although we have not received any notice of identification of idle land or notice of investigation of idle land nor been subject to any penalties, there is no assurance that the PRC government will not treat the land as idle land and consequently issue a warning, impose a penalty, or take other measures in the future, which may materially and adversely affect our results of operations, prospects and financial condition.

In September 2007, the Ministry of Land and Resources issued a notice to strengthen control over the supply of land by requiring developers to develop land according to the terms of the land grant contracts and restricting the participation of non-compliant developers in land auctions. In January 2008, the State Council issued the Notice on Promoting the Land Saving and Efficient Use (關於促進節約集約用地的通知) (國發[2008]3號) to intensify the enforcement of rules on idle land management. Furthermore, the Ministry of Land and Resources issued the Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地

管理促進批而未用土地利用的通知) (國土資發[2009]106號) in August 2009, which reiterated then existing rules on idle land management. On 1 June 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (閒置土地處置辦法) (國土資源部令第53號), which became effective on 1 July 2012.

These measures require the competent land authorities not to accept any application for new land use rights or process any title transfer transaction, lease transaction, mortgage transaction or land registration application in respect of any idle land before the completion of the required rectification procedures. Our business operations are subject to these measures, which may restrict our development plans and materially and adversely affect our results of operations, prospects and financial condition.

We may not be able to complete our development projects on time, or at all.

Property development projects require substantial capital expenditures prior to and during the construction period for, among other things, land acquisition and construction. The construction of property projects may take a year or longer before they generate positive net cash flow through sales, pre-sales, leasing or rentals. Depending on the type of investment properties and the revenue generated, it may take one year or more after the completion of these properties before we recognize revenue from such projects. As a result, our cash flows and results of operations may be significantly affected by our project development schedules and any changes to those schedules. The schedules of our project developments depend on a number of factors, including the performance and efficiency of our third-party contractors and our ability to finance construction. Other factors that could adversely affect our project development schedules include:

- natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns, and decreases in business and consumer;
- sentiment in general;
- changes in relevant regulations and government policies;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents; and
- errors in judgment on the selection and acquisition criteria for potential sites.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm our reputation as a property developer, lead to loss of or delay in recognizing revenues and lower returns. If a property project is not completed on time, the purchasers of pre-sold units within the project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their pre-sale agreements and claim damages. We cannot assure you that we will not experience any significant delays in completing or delivering our projects in the future or that we will not be subject to any liabilities for any such delays.

We rely on independent contractors and other third parties for construction, labour, engineering subcontracting, design, property management, sales and other key aspects of our property development business.

We rely on independent contractors to provide certain services relating to our projects, including construction, labour, engineering subcontracting, design, property management and sales. We cannot assure you that the services rendered by any of these independent contractors will always be satisfactory or meet our requirements for quality and safety. If the performance of any independent contractor is unsatisfactory, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of our projects. Moreover, we may incur additional costs due to a contractor's financial or other difficulties that may affect their ability to carry out the work for which they have been retained. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

If the performance of any of such independent contractors or third parties is not satisfactory to our customers, our reputation may suffer, which may adversely affect our business, financial condition and results of operations. In addition, a serious dispute with such independent contractors or third parties that we are unable to resolve could result in costly legal proceedings and therefore have a material adverse effect on our business, financial condition and results of operations. Furthermore, an increase in the cost of labour used by our contractors and other third parties engaged in our business may eventually be passed on to us in the form of higher contract fees at the time new contracts are entered into. Finally, because of our reliance on third parties, we have limited control over the costs related to the services they provide.

We may not be able to generate adequate returns on our properties held for long-term investment purposes and retain quality tenants.

Our investment property portfolio may increase in the future. Property investment is subject to varying degrees of risk. The investment returns available from investments in real estate depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties as well as the expenses incurred. Maximizing yields from properties held for investment also depends, to a large extent, on active ongoing management and maintenance of the properties. The ability to eventually dispose of investment properties will also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The operating income derived from and the value of property investment may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic maintenance, repair and re-letting.

Our commercial operations also compete for tenants with other properties based on, among other things, location, quality, maintenance, property management, rent levels and other lease terms. We cannot assure you that existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with ours would increase the competition for tenants and as a result we may have to reduce rent or incur additional costs to make our properties more attractive. If we are not able to retain our existing tenants or attract new tenants to replace those that leave or to lease our new properties, our rental occupancy rates may decline and thus materially and adversely affect our business, financial condition and results of operations.

Our results of operations may be materially and adversely affected as the fair value of our investment properties may fluctuate from time to time.

Our results of operations have historically been affected by adjustments in the estimated fair value of our investment properties. In accordance with our accounting policy, we are required to reassess the fair value of our investment properties on each reporting date, and gains or losses arising from fair value changes and the relevant deferred tax should be accounted for in our income statements in the period in which they arise. The amount of revaluation adjustments has been, and will continue to be, subject to the performance of the companies in which we invest and the market conditions of the industries these companies operate in. Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and accordingly do not increase our liquidity in spite of the increased profit represented by any fair value gains. For the years ended 31 December 2015, 2016 and 2017, we had fair value gains on our investment properties of RMB718.57 million, RMB842.01 million and RMB396.45 million, respectively.

Property valuation involves the exercise of professional judgment and requires the use of certain basis and assumptions. Favorable or unfavorable changes in the assumptions of market conditions used by our independent property valuer would result in changes to the fair value of our investment properties and corresponding adjustments to the amount of gains or losses reported in our income statement in the future. In addition, the amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanization and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property.

— Other Risks relating to Our Business and Group

Our business depends substantially on the continuing efforts of the members of our senior management and our ability to retain them, as well as on our ability to continue to attract and retain qualified personnel.

Our business depends, to a significant extent, on the capability and expertise of our senior management team members, including our directors and other members of our management who have operational experience in the retail business and property business. If one or more of our senior management team members are unable or unwilling to continue in their present positions, we may not be able to identify and recruit suitable replacements in a timely manner, or at all, and the implementation of our business strategies may be affected, which could materially and adversely affect our operations.

Moreover, we rely on our employees, which include qualified administrative, customer services, supervisory and management personnel for our daily operations and business expansion. We cannot assure you that we will be able to continue to attract and retain sufficient skilled and experienced employees in the future. If we fail to recruit, retain or train skilled employees, our growth and business prospects could be adversely affected. In addition, competition for talent in some areas of the PRC retail industry is intense and qualified individuals can be difficult to recruit. Consequently, we may not be able to easily or quickly replace lost personnel and we may incur additional expenses to recruit, train and retain new hires. Significant increases in employee turnover rates, which is generally high in the PRC retail industry, or significant increases in labour costs, due to competition for talents or changes in labour and healthcare laws, could have a material adverse effect on our results of operations and financial condition.

Decreasing shareholding interests in Suning.com and Suning Real Estate may result in deconsolidation of the two subsidiaries from the Group.

Revenues from Suning.com and Suning Real Estate accounted for nearly 95% of total revenue of the Group for the year ended 31 December 2017. Suning.com and Suning Real Estate are consolidated into the Group on the basis that Suning.com and Suning Real Estate are controlled by Mr. Zhang, the Guarantor's key shareholder, and in which the Guarantor has invested and owns 19.99% and 25% of the share capital, respectively. In addition, as of the date of this Offering Circular, the Guarantor has pledged approximately 7.84% of the share capital of Suning.com and 25% of the share capital of Suning Real Estate held by it, respectively, to secure certain indebtedness incurred by it. If any of the following events happens: (a) Mr. Zhang does not control Suning.com and/or Suning Real Estate; (b) the Guarantor's shareholding interests in Suning.com and/or Suning Real Estate decrease in the future; (c) the share pledge granted by the Guarantor over shares of Suning.com and/or Suning Real

Estate is enforced by the relevant creditor; or (d) there is any change in the accounting policies regarding our consolidation of Suning.com and Suning Real Estate, we may not continue to consolidate Suning.com and/or Suning Real Estate into the Group's financial statements, which could have a material adverse effect on our results of operations and financial condition. Moreover, if we were unable to consolidate Suning.com into the Group's financial statements, it would constitute a Relevant Event (as defined in "*Terms and Conditions of the Bonds*") and upon the occurrence of a Relevant Event, the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at 101% of their principal amount, together with accrued interest.

Suning.com is a listed company with certain other major shareholders and subject to relevant laws and listing rules relating to minority shareholders' protection. Our ability to fully utilise the revenues and assets of Suning.com may be affected.

Suning.com accounted for over 90% of the Group's revenues for the financial years of 2015, 2016 and 2017. Suning.com is consolidated into the Group on the basis that it is controlled by Mr. Zhang and the Guarantor owns 19.99% of its equity interest. Suning.com has been listed on the Shenzhen Stock Exchange since 2004 and is subject to the relevant laws, regulations and listing rules of the Shenzhen Stock Exchange, including without limitation, rules relating to corporate governance and minority shareholders' protection. Further, there are also other major shareholders whose interests may not necessarily be aligned with those of the Guarantor. The Guarantor will have to exercise its voting power and shareholder's right in compliance with the relevant laws, rules and regulations. The other major shareholders of Suning.com will continue to have the ability to influence the business and operation of Suning.com by exercising their voting power or otherwise. We cannot assure you that we will have full powers to direct the business and financial matters of Suning.com and there may be limitation on the Guarantor's ability to fully utilize the revenues and assets of Suning.com for the benefit of Bondholders.

The interests of the key shareholder of the Guarantor may conflict with the interests of the holders of the Bonds.

As of the date of this Offering Circular, Mr. Zhang owns 50% of issued share capital of the Guarantor. Based on the shareholding structure of the Group and certain contractual arrangements, Mr. Zhang is the actual controller of Suning.com and Suning Real Estate and can exercise significant influence on the operation of the Group. Subject to the Guarantor's articles of association and applicable laws and regulations, Mr. Zhang, as a key shareholder of the Guarantor, will continue to have the ability to exercise significant influence on the Guarantor's management, policies and business by controlling the composition of the Guarantor's board of directors, determining the timing and amount of the Guarantor's dividend payments, approving significant corporate transactions, including mergers and acquisitions, and approving the Guarantor's annual budgets. We cannot assure you that the Guarantor's key shareholder will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that will be in conflict with the best interest of the holders of the Bonds.

We may be unable to obtain external financing on favorable terms, or at all, to fund our ongoing operations, expansions and other obligations.

To fund our ongoing operations, existing and future capital expenditure requirements, acquisition and investment plans and other funding requirements, we need sufficient internal sources of liquidity or access to additional financing from external sources. We principally fund our operations from a combination of cash generated from our business operations, borrowings from banks and proceeds from issuance of equity and debt securities. Our ability to obtain external financing in the future depends on a number of factors that are beyond our control, including market conditions in debt and equity capital markets, investors' perception of our securities, lenders' perception of our creditworthiness, the PRC economy and the PRC regulations that affect the availability and financing costs for retail companies. If adequate funding is not available to us on favorable terms, or at all, it may materially and adversely affect our ability to fund our ongoing operations and other obligations, or to develop or expand our business.

We have substantial indebtedness, including short-term borrowings that will be mature within 1 year and we may incur additional indebtedness in the future, which may materially and adversely affect our financial condition and results of operations.

We have, and may from time to time incur, a substantial amount of bank and other borrowings. As of 31 December 2017, our outstanding bank and other borrowings totaled approximately RMB102,719 million, of which approximately RMB50,415 million of our borrowings will mature within one year. We may from time to time in the future issue new corporate bonds, asset-backed securities programs or look for other debt financing opportunities to refinance our existing loans and to support our business expansion. In addition, we have in the past entered into, and may from time to time in the future enter into, investment agreement or framework agreement for our future projects, under which we may be required to make capital commitments.

Our substantial indebtedness and high gearing could have significant implications, including, among others:

- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow for our business expansion, working capital and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors with lower levels of indebtedness;
- limit our ability to borrow additional funds; and
- increase our cost of additional financing.

Our limited insurance coverage may not cover all losses, which may increase our operational costs.

We maintain different types of insurance policies to cover our operations, including comprehensive asset insurance, public safety liability insurance, automobile liability insurance and product liability insurance to cover potential liability arising from the use of the products that we sell. We do not carry, however, insurance in respect of certain risks that we believe are not insured under normal industry practice in China, or which are uninsurable on commercially acceptable terms, if at all, such as those caused by war and civil disorder. Accordingly, there may be circumstances in which we will not be covered or compensated, in part or at all, for specific losses, damages and liabilities. In addition, we are subject to the risks of losses arising from the misappropriation of cash or other assets by our employees or third parties, which losses may not be sufficiently covered by our insurance policies. Any risk that is not adequately covered by insurance may have an adverse effect on our reputation and profitability.

Threats or potential threats to store, as well as failure to protect confidential information of our customers and network against security breaches may adversely affect us.

Data theft, information espionage, fraud, theft of goods or cash from our stores or other criminal activities often directed at the retail business, loss of confidential information of our customers or breach of security of computer or communications systems may adversely affect our business by causing us to implement costly security measures in recognition of actual or potential threats, by requiring us to invest significant time and expense developing, maintaining or upgrading our security and information technology systems or by causing us to incur significant costs to reimburse third parties for damages. These activities may also adversely affect our business by reducing consumer confidence in the market and by adversely affecting consumer spending habits. Despite our efforts to secure and maintain our store security, online platform and computer network, security could be compromised, confidential information including customer information could be leaked or system disruptions could occur. This could lead to disruption of operations, loss of sales, customer relationships, reputation and/or profits or cause us to incur significant costs to reimburse third parties for damages.

Our growth and profitability depend on the level of consumer confidence and spending in the PRC, and our business may be adversely affected by domestic and global economic and market conditions.

Our results of operations are sensitive to changes in overall economic and political conditions that affect consumer spending in the PRC. The retail industry and the property industry, in particular, are very sensitive to broad economic changes, retail purchases and property investments tend to decline during economic downturns. There are a number of factors that are beyond our control, including interest rates, recession, inflation and deflation, property prices and availability, consumer credit availability and terms, availability of consumer finance, tax rates and policy and unemployment trends influencing consumer confidence and spending. The domestic and international political environment, including military conflicts and political instability, may also affect consumer confidence and spending and may lead to a general reduction in the level of consumer spending which could in turn materially and adversely affect our growth and profitability.

We may be the subject of anti-competitive, harassing, or other detrimental conduct by third parties including complaints to regulatory agencies, negative blog postings, and the public dissemination of malicious assessments of our business that could harm our reputation and cause us to lose market share, customers and revenues.

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. Our brand name and our business may be harmed by aggressive marketing and communications strategies of our competitors. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. In addition, allegations, directly or indirectly against us, may be posted in internet chat-rooms or on blogs or websites by anyone, whether or not related to us, on an anonymous basis. Consumers value readily available information concerning retailers, manufacturers, and their goods and services and often act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media platforms and devices is virtually immediate, as is its impact. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our financial performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues.

We are subject to risks relating to our financial services business.

We are one of leading internet finance groups in China with a focus on O2O financial services business. We provide a wide range of financial service products covering payment, supply chain finance, consumer finance and wealth management and investment and insurance sales and other financial services products. Our operation in this new business sector involves new risks and challenges. For certain financial products, we have committed or will commit our own capital. Our limited track record in the internet finance sector may make it difficult for us to anticipate the demands and preferences in the market and develop financial products that meet such demands and preferences. We may not be able to successfully identify new product and service opportunities or develop and introduce these opportunities to our clients in a timely and cost-effective manner, or our clients may be dissatisfied in the returns from financial products that we offer. Furthermore, our ability to manage the quality of our loan portfolio will have a significant impact on the results of operations of our internet finance business. Deterioration in the overall quality of our loan portfolio may occur due to a variety of reasons, including factors beyond our control, such as a slowdown in the growth of the PRC or global economy or a liquidity or credit crisis in the PRC or global finance sectors, which may adversely affect the businesses, operations or liquidity of our suppliers, third-party sellers and customers or their ability to repay or roll over their debts. Our impairment loss on assets increased in 2017 and the expansion of our financial services business may continue to lead to an increasing impairment loss on assets in the future. Any significant deterioration in the asset quality of our internet finance business may have an adverse effect on our business, results of operations and financial condition.

Investors should not place any undue reliance on the financial information which are unreviewed or unaudited.

This Offering Circular includes certain selected consolidated financial information in relation to Suning.com as at and for the three months ended 31 March 2017 and 2018 and the six months ended 30 June 2017 and 2018. In particular, selected consolidated financial information in relation to Suning.com as at and for the six months ended 30 June 2017 and 2018 is derived from the published 2018 half-year report of Suning.com dated 30 August 2018, which for the avoidance of doubt, does not form part of this Offering Circular. Such interim consolidated financial information has not been audited or reviewed by an independent auditor, and may be adjusted pursuant to a subsequent review or audit. Consequently, such interim consolidated financial information should not be relied upon by investors as providing the same quality of information associated with information that has been subject to an audit or review. None of the Joint Lead Managers, the Trustee or the Agents makes any representation or warranty, express or implied, regarding the sufficiency of such financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate Suning.com's or the Group's financial condition, results of operations and results. Such financial information should not be taken as an indication of the expected financial condition, results of operations and results of Suning.com or the Group for the full financial year.

In addition, as a company listed on the Shenzhen Stock Exchange, Suning.com publishes annual, semi-annual and quarterly consolidated financial information in the PRC. Unless specifically included in this Offering Circular, such financial information does not form part of this Offering Circular, and should not be referred to or relied upon by potential investors. None of the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents is responsible to holders of the Bonds for the financial information of the Group from time to time published in the PRC and therefore investors should not place any reliance on any such financial information.

Risks Relating to the PRC

Adverse changes in the PRC's political, economic and social conditions, laws, regulations and policies could have an adverse effect on overall economic growth in China, which may adversely affect our business.

Most of our business and operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant extent, subject to economic, political and social developments in China. The Chinese economy differs from the economies of most other countries in many respects, including the extent of government intervention in the economy such as government control of foreign exchange and the allocation of resources, the general level of economic development and growth rates. Although the PRC government has implemented measures since the late 1970s 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 PRC government. In addition, the PRC government also continues to play a significant role in regulating industry development by imposing industrial policies, exercising significant control over China's economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may, however, also have a negative effect on us. For example, our business, financial condition, results of operations and prospects may be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, changes in interest rates and statutory reserve rates for banks or government control in bank lending activities.

In addition, natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Any such occurrences could cause different degrees of damage to the national and local economies in China and could cause severe disruption to our daily operations, including our store operation, fulfilment infrastructure and our customer service centers, and may even require a temporary closure of our stores and facilities, which in turn may adversely affect our business, financial condition and results of operations.

Uncertainties with respect to the PRC legal system could have an adverse effect on our operations.

The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law.

However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. 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) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention.

As a result of these uncertainties with respect to the PRC legal system, lack of uniform interpretation and effective enforcement, the Group may be subject to uncertainties in its operations. These uncertainties can also affect the legal remedies and protections available to investors, and can adversely affect the value of their investment.

It may be difficult to serve process within the PRC or to enforce any judgment obtained from non-PRC courts against us or our Directors who live in the PRC.

Most of the Group's assets and its subsidiaries are located in the PRC. In addition, substantially all of the Group's Directors and senior management reside within the PRC, and the assets of the Group's Directors and senior management may also be located within in the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's Directors and senior management, including for matters arising under applicable securities law. The PRC does not currently have treaties providing for the reciprocal recognition or enforcement of civil and commercial judgments of courts located in the United States, the United Kingdom, Singapore, Japan and most other western countries. An Arrangement between China and Hong Kong on Reciprocal Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdictions as Agreed to by the Parties Concerned was signed on 14 July 2006 and came into effect on 1 August 2008, subject to many restrictions on such arrangement. As a result, it may not be possible for investors to effect service of process upon our subsidiaries or our Directors resident in the PRC pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in the PRC of judgments of courts outside the PRC might be difficult or impossible.

Governmental control over currency conversion may limit our ability to utilize our cash effectively.

Significant portion of the Group's revenue is denominated in Renminbi. The Group also conducts business in overseas markets including Japan, Hong Kong and Macao. A portion of the Group's cash may also be required to be converted into other currencies in order to meet the Group's foreign currency needs, including payment to its suppliers and repayment of inter-company loan, if any.

Currently, Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to Chinese foreign exchange laws and regulations which would affect exchange rates and the Group's foreign exchange transactions. Although transactions conducted through the Group's current account are not subject to prior approval by SAFE under the current foreign control system in China, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Group might not be able to settle payments owed to overseas suppliers or pay dividends to the holders of the Bonds in foreign currencies. On the other hand, foreign exchange transactions under capital account in China continue to be not freely convertible and require the SAFE's prior approval, registration or filing. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

There is no assurance that the China's policies regarding foreign exchange transactions under the current account and the capital account will continue in the future. These foreign exchange policies may restrict the Group's ability to obtain sufficient foreign exchange, which could have an effect on the Group's foreign exchange transactions and the fulfilment of the Group's other foreign exchange requirements. If the Group fails to obtain approval from the SAFE to convert Renminbi into any foreign exchange where such needs arise, its business, financial condition and results could be adversely affected.

Our operations and financial performance could be adversely affected by labour shortage, increase in labour costs due to changes to the PRC labour-related laws and regulations.

The PRC Labour Contract Law became effective on 1 January 2008, and it was amended on 28 December 2012. The amendment took effect on 1 July 2013. The current PRC Labour Contract has imposed greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further it requires certain terminations to be based upon seniority and not merit. In the event we decide to significantly change or decrease our workforce, the PRC Labour Contract Law could adversely affect our ability to effect such changes in the most cost effective or timely manner to our business, hence may adversely affect our financial condition and results of operations. In addition, the PRC government has continued to introduce various new labour-related regulations after the promulgation of the PRC Labour Contract Law. Among other things, the paid annual provisions require that paid annual leaves ranging from five to fifteen days be available to nearly all employees and further require that employers compensate an employee for any annual leave days the employee is unable to take in the amount of three times of such employee's daily salary, subject to certain exceptions.

On 28 October 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law. According to the PRC Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay for the social insurance premiums for such employees.

As a result of the implementation of these and any future rules and regulations designed to enhance the standard for labour protection, our labour costs may continue to increase. Furthermore, as the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed fully in compliance, which may cause us to face labour disputes or governmental investigation. If we are deemed in violation of such labour laws and regulations, we could be subject to penalties, compensations to the employees and loss of reputation, and as a result our business, financial condition and results of operations could be materially and adversely affected.

Risks Relating to the Bonds and the Guarantee

The Bonds may not be a suitable investment for all investors.

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

The Bonds and the Guarantee are unsecured obligations.

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Bonds and payment under the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Bonds.

The obligations of the Guarantor under the Guarantee are structurally subordinated to the liabilities and obligations of the other members of the Group.

The Guarantor is a holding company as at the date of this Offering Circular. A substantial part of the Guarantor's operations are conducted through its subsidiaries. The Guarantor's ability to perform its obligations under the Guarantee is mainly dependent on the operations of the other members of the Group to service its indebtedness, including interest and principal on the Bonds. Any claim by the Trustee or the Bondholders against the Guarantor in relation to the Guarantee will be effectively subordinated to all existing and future liabilities and obligations of the other members of the Group (other than the Issuer), and all claims by creditors of such members will have priority to the assets of such entities over the claims of the Trustee or the Bondholders under the Guarantee.

The Bonds are redeemable in the event of certain withholding taxes being applicable.

Pursuant to the Terms and Conditions of the Bonds, the Issuer has the right to redeem the Bonds at any time in the event the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay any Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations as further described in "*Terms and Conditions of the Bonds - Redemption for Taxation Reasons*". An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Group may issue additional securities or raise additional capital in the future.

The Issuer may, from time to time, and without the consent of the Bondholders create and issue further securities (see "*Terms and Conditions of the Bonds — Further Issues*"). The Group may raise additional capital through such means and in such manner as the Group may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

The Issuer or the Guarantor may not be able to redeem the Bonds upon the due date for redemption thereof.

At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at 101% (in the case of a redemption for a Change of Control) or 100% (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest. If such an event were to occur or at maturity of the Bonds, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. There is also no assurance that the Guarantor would have sufficient liquidity at such time to make the required redemption of the Bonds. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's and the Guarantor's failure to repay, repurchase or redeem the relevant Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's, the Guarantor's or the Group's other indebtedness.

Income or gains from the Bonds may be subject to income tax or value added tax ("VAT") under PRC tax laws.

The Issuer is incorporated under the laws of the Cayman Islands. Pursuant to the Enterprise Income Tax Law of the PRC (the "**EIT Law**") and its implementation regulations, enterprises that are established under the laws of foreign countries and regions but whose "de facto management bodies" are within the PRC are treated as PRC tax resident enterprises for the purposes of the EIT Law. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purposes of the EIT Law and income or gains paid with respect to the Bonds may considered to be derived from sources within the PRC.

Under the EIT Law and its implementation rules, any income or gains realised by non-resident enterprises may be subject to PRC enterprise income tax if such income or gains are regarded as derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future or the Guarantor is required to discharge its obligations under the Guarantee, interest paid on the Bonds or Guarantee may be considered to be PRC source, in which case the Issuer or Guarantor, as the case may be, would be required to withhold income tax at a rate of 10% from payments of interest in respect of the Bonds to any non-resident enterprise holders, unless a lower rate is applicable. Any capital gain realized by a non-resident enterprise from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly may be subject to a PRC tax of up to 10% if the Issuer is treated as a PRC tax resident. Pursuant to the Individual Income Tax Law of the PRC and its implementation regulations, if the Issuer is considered to be a PRC tax resident enterprise or in the event that the Guarantor is required to perform its obligations under the Guarantee, the Issuer or Guarantor, as the case may be, may be obliged to withhold such individual income tax on payments of interests to non-resident individual holders of the Bonds. Any capital gain realized by a non-resident individual holder from transfer of the Bonds may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20% if the Issuer is a PRC tax resident enterprise.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the "**Arrangement**") which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

On 23 March 2016, the MOF and the SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (關於全面推開營業稅改徵增值稅試點的通知) (Caishui [2016] No. 36, "**Circular 36**"), which introduced a new VAT from 1 May 2016. According to Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to the value-added tax.

It is not clear from the interpretation of Circular 36 if the provision of loans to the Issuer could be considered services provided within the PRC, which could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that the Issuer will not be treated as "resident enterprises" under the EIT Law. PRC tax authorities could take the view that the holders of the Bonds are providing loans within the PRC because the Issuer is treated as a PRC tax resident. In such case, the issuance of the Bonds could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Bonds are providing loans within the PRC, or if the interest component of the amount payable by the Guarantor to the holders of the Bonds under the Guarantee is viewed as interest income arising within the territory of the PRC, the holders of the Bonds shall be subject to the value-added tax at the rate of 6% when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12% of the value-added tax payment and consequently, the combined rate of value-added tax and local levies would be around 6.72%.

VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to apply to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax or VAT on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions of the Bonds and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts under the premise of meeting certain requirements. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts in respect of matters governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

The Issuer has no material assets and will rely on remittances from the Guarantor or any other members of the Group to make payments under the Bonds.

The Issuer is a special purpose vehicle and will not carry on any business activity whatsoever other than in connection with the issue of the Bonds or any other bonds or notes and any other activities reasonably incidental thereto. The Issuer does not and will not have any material assets other than any amounts due to it from the Guarantor or any other members of the Group, and its ability to make payments under the Bonds will depend on its receipt of timely remittances from the Guarantor or any other members of the Group. In the event that the Guarantor or any other members of the Group do not make such remittances in a timely manner or at all, the Issuer's ability to make payments under the Bonds may be adversely affected.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Deed of Guarantee, the Agency Agreement and the Trust Deed by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds.

The Terms and Conditions of the Bonds provide that the Trustee may, without the consent of the Bondholders , agree to any modification of the Trust Deed, the Deed of Guarantee, the Terms and Conditions of the Bonds and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Trust Deed, the Deed of Guarantee, the Terms and Conditions of the Bonds and/or the Agency Agreement which is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in its opinion, proven.

The Terms and Conditions of the Bonds also contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting or participate in the written resolutions or electronic consents and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual holders of the Bonds.

In addition, the Trustee may, without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of the Trust Deed, the Deed of Guarantee, the Terms and Conditions of the Bonds and/or the Agency Agreement if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

The NDRC Circular is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds.

According to the NDRC Circular, if a PRC enterprise or an offshore branch or enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a tenor of one year or more, such PRC enterprise must, in advance of issuing such bonds, file certain prescribed documents with the NDRC and obtain the Enterprise Foreign Debt Pre-Issuance Registration Certificate (企業發行外債備案登記證明) from the NDRC in respect of such issue. According to the NDRC Circular, the enterprise must also report certain details of the bonds to the NDRC within 10 PRC business days upon the completion of the bond issue. The Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC dated 11 July 2018 evidencing such registration. The Guarantor also intends to file or cause to be filed with the NDRC the requisite information and documents within ten PRC Business Days after the Issue Date.

However, the NDRC Circular is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue and post-issue registration requirements. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. There is also risk that the registration with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Bonds in the PRC. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

If the Guarantor fails to complete the SAFE registration in connection with the Guarantee within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee.

Pursuant to the Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds. The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014. Although non-registration with SAFE does not render the Guarantee ineffective or invalid under the PRC laws, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. In addition, if the Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Guarantee in order to effect such remittance. As a result, there is no assurance that the Guarantor can remit money outside of the PRC to comply with its obligations under the Deed of Guarantee.

The Bonds will be represented by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System(s).

The Bonds will be represented by a Global Certificate which will be deposited with a common depositary for Euroclear and Clearstream (a "**Clearing System**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates representing Bonds. The Clearing System(s) will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificates, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Bonds by making payments to the Clearing System for distribution to their accountholders.

A holder of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing System(s) to receive payments under the Bonds. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Issuer or the Guarantor in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the debt of the Issuer or the Guarantor to be accelerated.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or the Guarantor, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer or the Guarantor under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows to repay in full all of the indebtedness of the Issuer or the Guarantor, or that it would be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favorable or acceptable to the Issuer or the Guarantor.

The insolvency laws of the Cayman Islands and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Issuer and the Guarantor were incorporated under the laws of the Cayman Islands and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve the Cayman Islands or PRC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including, without limitation, giving notice to the Issuer and the Guarantor pursuant to Condition 9 of the Terms and Conditions of the Bonds and taking enforcement steps pursuant to Condition 13 of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the Bondholders. The Trustee shall not be obliged to take any such actions if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws or regulations, it will be for the holders of the Bonds to take such actions directly.

An active trading market for the Bonds may not develop.

There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading market for, the Bonds.

The liquidity and price of the Bonds following this offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Public information about the Issuer and the Guarantor may be limited and PRC accounting standards differ from IFRS.

Neither the Issuer nor the Guarantor is listed on any stock exchange. There may be less publicly available information about the Issuer or the Guarantor than is regularly made available by public companies in certain other countries. In addition, the consolidated financial statements of the Guarantor are prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain respects from IFRS. See "*Summary of Certain Differences between PRC GAAP and IFRS*".

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

Investment in the Bonds is subject to exchange rate risk.

Investment in the Bonds is subject to exchange rate risks. The value of the U.S. dollar against the HK dollar, the RMB and other foreign currencies fluctuates and is affected by changes in the United States and international political and economic conditions and by many other factors. All payments of interest, principal and premium (if any) with respect to the Bonds will be made in U.S. dollars. As a result, the value of these U.S. dollar payments may vary with the prevailing exchange rates in the marketplace. If the value of the U.S. dollar depreciates against the HK dollar, the RMB or other foreign currencies, the value of a Bondholder's investment in HK dollar, RMB or other applicable foreign currency terms will decline.

TERMS AND CONDITIONS OF THE BONDS

The following, other than the words in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the U.S.$300,000,000 7.50 per cent. Guaranteed Bonds due 2021 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by a resolution of the sole director of Granda Century Limited 格蘭達世紀有限公司 (the "**Issuer**") passed on 30 July 2018 and the guarantee of the Bonds was authorised by a resolution of the shareholders of Suning Appliance Group Co., Ltd. (蘇寧電器集團有限公司) (the "**Guarantor**") passed on 12 June 2018. The Bonds are constituted by a Trust Deed (the "**Trust Deed**") dated on or about 11 September 2018 between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bonds have the benefit of a deed of guarantee (the "**Deed of Guarantee**") dated on or about 11 September 2018 executed by the Guarantor and the Trustee relating to the Bonds. An Agency Agreement (the "**Agency Agreement**") dated on or about 11 September 2018 relating to the Bonds has been entered into between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as the principal paying agent (the "**Principal Paying Agent**"), The Bank of New York Mellon SA/NV, Luxembourg Branch as the registrar (the "**Registrar**") and as the transfer agent (the "**Transfer Agent**") and any other agents named in it. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection during usual business hours at the principal office of the Principal Paying Agent (presently at One Canada Square, London E14 5AL) following written request and satisfactory proof of holding. "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these terms and conditions (these "**Conditions**") will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

The Bonds are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "Bondholder" and "holder" mean the person in whose name a Bond is registered.

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). These Conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions Relating to the Bonds in Global Form".*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2 Transfers of Bonds and Delivery of New Certificates

(a) **Transfer**: A holding of Bonds may, subject to Conditions 2(d) and 2(e), be transferred in whole or in part in the specified denomination as provided by Condition 1 upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require. In the case of a transfer of only part of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(b) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge**: Certificates, on transfer, shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment by the relevant Bondholder of any tax or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods**: No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after a Put Exercise Notice has been deposited in respect of such Bond pursuant to Condition 6(c), or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)).

(e) **Regulations**: All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. Each of the Issuer and the Registrar may change the regulations from time to time, with the prior written approval of the Trustee and (in the case of any regulation proposed by the Issuer) of the Registrar. A copy of the current regulations will be mailed (free of charge to the Bondholder and at the Issuer's expense) by the Registrar to any Bondholder upon written request and satisfactory proof of holding and is available at the specified office of the Transfer Agent.

3 Guarantee and Status

(a) **Guarantee**: The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) **Status**: The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

4 Negative Pledge and Other Covenants

(a) **Negative Pledge**: So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will ensure that none of its Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (a) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (b) such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) **Undertakings relating to the Guarantee**: The Guarantor undertakes to file or cause to be filed with the Nanjing Branch of the State Administration of Foreign Exchange ("**SAFE**"), the Guarantee within 15 PRC Business Days after the Issue Date in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and comply with all applicable

PRC laws and regulations in relation to the Guarantee. The Guarantor shall before the Registration Deadline and within five PRC Business Days after receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate substantially in the form set out in the Trust Deed signed by a director of the Guarantor confirming (A) the completion of the Cross-Border Security Registration and (B) no Relevant Event, Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred; and (ii) (A) certified true copies of the relevant registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) and the particulars of registration and (B) an English translation thereof and a certificate signed by a director of the Guarantor certifying that such translation is complete and accurate (the documents referred to in (i) and (ii), together the "**Registration Documents**"). In addition, the Guarantor shall procure that within five PRC Business Days after the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 16) confirming the completion of the Cross-Border Security Registration. The Trustee shall have no obligation or duty to monitor or ensure the registration of the Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Cross-Border Security Registration and/or the Registration Documents or to give notice to the Bondholders confirming the completion of the Cross-Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

(c) **Undertakings relating to NDRC**: The Guarantor undertakes to file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") the requisite information and documents within ten PRC Business Days after the Issue Date in accordance with the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**"). The Guarantor shall within three PRC Business Days after submission of such NDRC Post-issue Filing (i) provide the Trustee with a certificate signed by a director of the Guarantor confirming the submission of the NDRC Post-issue Filing, together with any document(s) (if any) evidencing due filing with the NDRC and (ii) procure that the Issuer gives notice to the Bondholders in accordance with Condition 16 of the same. The Trustee shall have no obligation to monitor and ensure the submission of the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing, and shall not be liable to the Bondholders or any other person for not doing so.

(d) **Issuer Activities**: The Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issue of the Bonds or any other bonds or notes and any other activities reasonably incidental thereto (such activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds or any other bonds or notes to any other Subsidiaries of the Guarantor).

(e) **Compliance Certificates and Financial Reports**: So long as any Bond remains outstanding, each of the Issuer and the Guarantor shall within 14 days of written demand by the Trustee furnish the Trustee with a Compliance Certificate in accordance with the Trust Deed (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Bondholder or any other person for such reliance), and the Guarantor shall furnish the Trustee with (A) a copy of the relevant Guarantor Audited Financial Reports (audited by an internationally or nationally recognised firm of independent accountants) within 150 days of the end of each Relevant Period and if such statements shall be in the Chinese language, together with an English translation of the same translated by (i) an internationally or nationally recognised firm of independent accountants or (ii) a professional translation service provider and checked by an internationally or nationally recognised firm of independent accountants, together with a certificate signed by a director of the Guarantor certifying that such translation is complete and accurate; and (B) a copy of the relevant Guarantor Unaudited Semi-Annual Financial Statements within 120 days of the end of each Relevant Period prepared on a basis consistent with the Guarantor Audited Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (i) an internationally or nationally recognised firm of independent accountants or (ii) a professional translation service provider and checked and confirmed by an internationally or nationally recognised firm of independent accountants together with a certificate signed by a director of the Guarantor certifying that such translation is complete and accurate.

In these Conditions:

"**Compliance Certificate**" means a certificate of the Issuer or the Guarantor, as the case may be, signed by any of its directors that, having made all reasonable enquiries, to the best knowledge, information and belief of the Issuer or the Guarantor, as the case may be, as a date (the "**Certification Date**") not more than five days before the date of the certificate that:

(a) no Relevant Event (as defined in Condition 6(c)), Event of Default (as defined in Condition 9) or Potential Event of Default (as defined in the Trust Deed) has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(b) the Issuer or the Guarantor, as the case may be, has complied with all its covenants and obligations under the Trust Deed, the Bonds, the Agency Agreement and the Deed of Guarantee or, if non-compliance has occurred, giving details of such non-compliance.

"**Guarantor Audited Financial Reports**" means, for a Relevant Period, the annual audited consolidated income statement, consolidated balance sheet, consolidated cashflow statements and consolidated statement of changes in owners' equity of the Guarantor and its consolidated subsidiaries, together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with the PRC GAAP;

"**Guarantor Unaudited Semi-Annual Financial Statements**" means, for a Relevant Period, the unaudited consolidated income statement, consolidated balance sheet, consolidated cashflow statements and consolidated statement of changes in owners' equity of the Guarantor and its consolidated subsidiaries, together with any statements, reports (including any directors' and review reports) and notes (if any) attached to or intended to be read with any of them, prepared in accordance with the PRC GAAP;

"**Issue Date**" means 11 September 2018;

"**PRC**" means the People's Republic of China, and for the purpose of these Conditions only, excluding Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan;

"**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing, the PRC;

"**PRC GAAP**" means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC from time to time;

"**Registration Deadline**" means the day falling 90 PRC Business Days after the Issue Date;

"**Relevant Indebtedness**" means any indebtedness issued outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock certificates or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market (which for the avoidance of doubt does not include bank borrowings or loans, such as bilateral loans, syndicated loans or club loans);

"**Relevant Period**" means, (i) in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of the Guarantor's financial year (being 31 December of that financial year) and, (ii) in relation to the Guarantor Unaudited Semi-Annual Financial Statements, each period of six months ending on the last day of the first half of the Guarantor's financial year (being 30 June of that financial year); and

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 7.50 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$37.5 per Calculation Amount (as defined below) on 11 March and 11 September in each year (each an "**Interest Payment Date**") commencing on 11 March 2019.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the date falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including 11 September 2018 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall (save as provided above in relation to equal instalments) be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

(a) **Final Redemption**: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 11 September 2021. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Taxation Reasons**: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount together with interest accrued to but excluding the date fixed for redemption, if (i) the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 5 September 2018, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee:

(A) a certificate signed by one director of the Issuer (or a certificate signed by one director of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; and

(B) an opinion in form and substance satisfactory to the Trustee of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders.

All Bonds in respect of which any notice of redemption is given under Condition 6(b) shall be redeemed on the date specified in such notice in accordance with this Condition 6(b).

(c) **Redemption for Relevant Events**: At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a "Put Exercise Notice"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

The "**Put Settlement Date**" shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice in writing to Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent by not later than 14 days (in the case of a redemption for a Change of Control) or five days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

The Trustee and the Agents shall not be required to (i) take any steps to ascertain whether a Relevant Event has occurred or (ii) investigate or verify the accuracy, content, completeness or genuineness of any document provided to it by the Issuer or any other person as part of or in connection with or to enable satisfaction of the Registration Condition, and shall not be responsible or liable to Bondholders, the Issuer or any other person for any loss arising from any failure to do so.

In these Conditions:

a "**Change of Control**" occurs when:

(A) Mr. Zhang Jindong and Ms. Bu Yang together cease to directly or indirectly own more than 51 per cent. of the issued share capital of the Guarantor; or

(B) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person or persons; or

(C) Suning.com Co., Ltd. ceases to be a Subsidiary of the Guarantor; or

(D) the Issuer ceases to be a wholly-owned Subsidiary (directly or indirectly) of the Guarantor.

a "**No Registration Event**" occurs when the Registration Condition is not satisfied on the day falling 90 PRC Business Days after the Issue Date;

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity);

"**Registration Condition**" means the receipt by the Trustee of the Registration Documents; and

a "**Relevant Event**" means a Change of Control or a No Registration Event.

(d) **Notices of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(e) **Purchase**: The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 13.

(f) **Cancellation**: All Certificates representing Bonds purchased by or on behalf of the Issuer, the Guarantor and their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

7 Payments

(a) **Method of Payment:**

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in U.S. dollars by transfer to an account in U.S. dollars maintained by the payee with a bank, details of which appear on the Register at the close of business on the Record Date.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.*

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

(b) **Payments subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payment Initiation**: Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated, or, in the case of payments of principal or premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by the stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

(e) **Delay in Payment**: Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) **Non-Payment Business Days**: If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are generally open for business and settlement of U.S. dollars payments in New York City, Hong Kong and in the place in which the specific office of the Principal Paying Agent is located.

8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC up to and including the aggregate rate applicable on 5 September 2018 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer, or as the case may be, the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within the Cayman Islands, then the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or the Guarantee, as the case may be):

(a) **Other Connection**: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Cayman Islands or the PRC other than the mere holding of the Bond; or

(b) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing such Bond is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of such Bond would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days (as if such last day were a Payment Business Day).

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

In addition, the Issuer and the Guarantor are permitted to make any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no Additional Tax Amounts will be payable on account of any such deduction or withholding.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor and any Bondholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 Events of Default

If any of the following events (each an "Event of Default") occurs the Trustee at its absolute discretion may, and if so requested in writing by holders of at least twenty-five per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest:

(a) **Non-Payment**: the Issuer and the Guarantor each fails to pay the principal of or any premium (if any) or interest on any of the Bonds when due and in the case of interest such failure continues for a period of seven days; or

(b) **Breach of Other Obligations**: the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Bonds, the Trust Deed or the Deed of Guarantee (other than where it gives rise to a right to redeem pursuant to Condition 6(c)), which default is incapable of remedy or, if such default is capable of remedy, such default is not remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; or

(c) **Cross-acceleration**: (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned in (i) to (iii) above in this Condition 9(c) have occurred equals or exceeds U.S.$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or the Guarantor or any of their respective Principal Subsidiaries and is not discharged or stayed within 45 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor or any of their respective Principal Subsidiaries on the whole or any material part of its undertakings or assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 45 days; or

(f) **Insolvency**: the Issuer or the Guarantor or any of their respective Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt, or unable to pay its debts as such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of their respective Principal Subsidiaries; or

(g) **Winding-up**: (x) an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding-up or dissolution of the Issuer or the Guarantor or any of their respective Principal Subsidiaries, or (y) the Issuer or the Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations, except, in each case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Subsidiaries, or (iii) a solvent voluntary winding up or dissolution of a Principal Subsidiary; or

(h) **Nationalisation**: any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor or any of their respective Principal Subsidiaries; or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done;

(j) **Illegality**: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds, the Trust Deed and/or the Deed of Guarantee; or

(k) **Unenforceability of Guarantee**: the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or

(l) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 9.

In these Conditions:

"**Principal Subsidiary**" means, at any time, any Subsidiary of the Guarantor:

(A) whose total revenue (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Guarantor, as shown by its latest audited consolidated income statement, is at least five per cent. of the consolidated total revenue as shown by the latest audited consolidated income statement of the Guarantor and its consolidated Subsidiaries; or

(B) whose gross profit (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Guarantor, as shown by its latest audited consolidated income statement, is at least five per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Guarantor and its consolidated Subsidiaries; or

(C) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Guarantor, as shown by its latest audited consolidated balance sheet, is at least five per cent. of the consolidated total assets as shown by the latest audited consolidated balance sheet of the Guarantor and its consolidated Subsidiaries; or

(D) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (x) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (y) on or after the date on which the first audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (A), (B) or (C) above of this definition,

provided that, in relation to paragraphs (A), (B) and (C) above of this definition:

(I) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are issued, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(II) if at any relevant time in relation to the Guarantor or any Subsidiary no financial statements are prepared and audited, the total revenue, gross profit or total assets of the Guarantor and/or any such Subsidiary (consolidated, if appropriate) shall be determined on the basis of pro forma financial statements (consolidated, if appropriate) prepared for this purpose; and

(III) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (I) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

A report by an Authorised Signatory (as defined in the Trust Deed) of the Issuer or the Guarantor (as the case may be) whether or not addressed to the Trustee that in its opinion a Subsidiary of the Issuer or the Guarantor (as the case may be) is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall (in the absence of a manifest error or an error which is, in the opinion of the Trustee, proven), be conclusive and binding on all parties.

10 Prescription

Claims against the Issuer or the Guarantor for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Modification and Waiver

(a) **Meetings of Bondholders**: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than fifty per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Deed of Guarantee (subject to Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. A resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed) or in the case of a written resolution or a resolution passed by way of electronic consents, whether or not they participated in such written resolution or such electronic consents.

(b) **Modification and Waiver**: The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee, that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in its opinion, proven, and (ii) any other modification (except as mentioned in the Trust Deed and the Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable.

(c) **Entitlement of the Trustee**: In connection with the exercise of its trusts, functions, rights powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the general interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 Enforcement

The Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Bonds and/or the Deed of Guarantee (as the case may be), but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least twenty-five per cent. in aggregate principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including without limitation provisions relieving it from taking proceedings to enforce payment or taking other steps, actions or proceedings unless first indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trustee and its parent, subsidiaries and affiliates are entitled (i) to enter into business transactions with the Issuer or the Guarantor, and/or any related entity and to act as trustee for the holders of any other securities issued by or guaranteed by or relating to, the Issuer / the Guarantor and any entity related to the Issuer / the Guarantor, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsels, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer, the Guarantor and the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default or Relevant Event has occurred or monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions.

15 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the Issue Date, the first payment of interest on them and the timing for complying with the requirements set out in these Conditions in relation to the Cross-Border Security Registration and the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Bonds. Any further securities forming a single series with the outstanding Bonds shall be constituted by a deed supplemental to the Trust Deed.

However, such further securities may only be issued if (i) a further or supplemental deed of guarantee is issued by the Guarantor (or an amendment is made to the Deed of Guarantee) on terms that are substantially similar to the Deed of Guarantee; and (ii) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Deed of Guarantee shall thereafter include any such further or supplemental deed of guarantee.

16 Notices

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of the Bonds shall also be published at the Issuer's expense in a daily newspaper of general circulation in Asia (which is expected to be the Asian Wall Street Journal). The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificate is held by or on behalf of Euroclear and Clearstream or any Alternative Clearing System, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream or such Alternative Clearing System, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

(a) **Governing Law**: The Trust Deed, the Agency Agreement, the Deed of Guarantee and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has irrevocably submitted to the exclusive jurisdiction of such courts.

(c) **Agent for Service of Process**: Each of the Issuer and the Guarantor has irrevocably appointed Suning International Limited of Rooms 05-15, 13A/F, South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings based on any of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement. If for any reason the Issuer or the Guarantor (as the case may be) ceases to have such an agent in Hong Kong, it will promptly appoint a new agent in Hong Kong to accept service of process and deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Waiver of Immunity:** Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgement made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds set out in this Offering Circular have the meaning in the paragraphs below. The following is a summary of certain of those provisions.

The Bonds will be represented by a Global Certificate in registered form, which will be registered in the name of a nominee for, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal, interest and premium (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds, save that the calculation of interest is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions of the Bonds and in accordance therewith.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system selected by the Issuer and approved in writing by the Trustee, the Principal Paying Agent and the Registrar through which the Bonds are held (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Payment

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and Clearstream or any Alternative Clearing System, any notice to holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream or such Alternative Clearing System, for communication by the relevant clearing system to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds and shall be deemed to have been given on the date of delivery to such clearing system.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.$1,000 in principal amount of Bonds for which the Global Certificate is issued.

Bondholder's Redemption

The Bondholder's redemption option in Condition 6(c) of the Terms and Conditions of the Bonds may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent within the time limits set out in that Condition, in accordance with the rules and procedures of Euroclear and Clearstream and any Alternative Clearing System, as applicable, failing which, in the form of the redemption notice available from any Paying Agent and stating the principal amount of Bonds in respect of which the option is exercised.

Issuer's Redemption

The option of the Issuer provided for in Condition 6(b) of the Terms and Conditions of the Bonds shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by those Conditions.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer, the Guarantor or any of their respective Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only) in the Schedule to the Global Certificate.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

The Global Certificate and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

USE OF PROCEEDS

The proceeds from the offering of the Bonds, before deducting selling commissions to be charged by the Joint Lead Managers and other estimated expenses to be payable by the Issuer or the Guarantor relating to the offering of the Bonds, will be U.S.$300 million. The Issuer intends to use the proceeds from the offering of the Bonds for refinancing certain existing indebtedness of the Group and for the Group's general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's consolidated capitalisation and indebtedness as at 31 December 2017 on an actual basis and as adjusted to give effect to the issue of the Bonds.

The summary consolidated financial information below should be read in conjunction with the Guarantor's consolidated financial statements as at and for the year ended 31 December 2017 and the notes to those statements included elsewhere in this Offering Circular.

	As of 31 December 2017			
	Actual		As adjusted	
	RMB (in thousands)	U.S.$[1] (in thousands)	RMB (in thousands)	U.S.$[1] (in thousands)
Short-term indebtedness				
Short-term borrowings	17,402,750.07	2,663,332.94	17,402,750.07	2,663,332.94
Non-current liabilities due within one year[2]	33,012,199.15	5,052,217.43	33,012,199.15	5,052,217.43
Total short-term indebtedness	50,414,949.22	7,715,550.37	50,414,949.22	7,715,550.37
Long-term indebtedness				
Long-term loans	24,351,461.18	3,726,770.10	24,351,461.18	3,726,770.10
Bonds payables	26,208,082.24	4,010,909.10	26,208,082.24	4,010,909.10
Bonds to be issued[3]	—	—	1,960,260.00	300,000.00
Long-term payables	1,744,083.95	266,916.22	1,744,083.95	266,916.22
Total long-term indebtedness	52,303,627.37	8,004,595.42	54,263,887.37	8,304,595.42
Total indebtedness	102,718,576.60	15,720,145.79	104,678,836.59	16,020,145.79
Total equity	89,755,277.53	13,736,230.53	89,755,277.53	13,736,230.53
Total capitalisation [4]	192,473,854.12	29,456,376.32	194,434,114.12	29,756,376.32

Notes:

(1) Calculated at the exchange rate of U.S.$1.00 = RMB6.5342 on 29 December 2017 as published by the PBOC.

(2) Deferred revenue of advertising space is excluded from non-current liabilities due within one year.

(3) This amount represents the gross proceeds which are expected to be received from the offering of the Bonds, before deducting the underwriting fees and commissions, and other estimated expenses payable by the Issuer or the Guarantor in connection with the issuance of the Bonds.

(4) Total capitalisation represents the sum of total indebtedness and total equity.

There has been no material adverse change in the consolidated capitalisation and indebtedness of the Guarantor since 31 December 2017.

DESCRIPTION OF THE ISSUER

The Issuer was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 26 May 2017.

Under the Cayman Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any of its financial statements. The Issuer is, however, required to keep proper books of account as are sufficient to show and to explain its transactions and which will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

The Issuer is an indirect wholly-owned subsidiary of the Guarantor. As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than the proposed issue of the Bonds and the on-lending of the proceeds thereof to the Guarantor or its subsidiaries, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

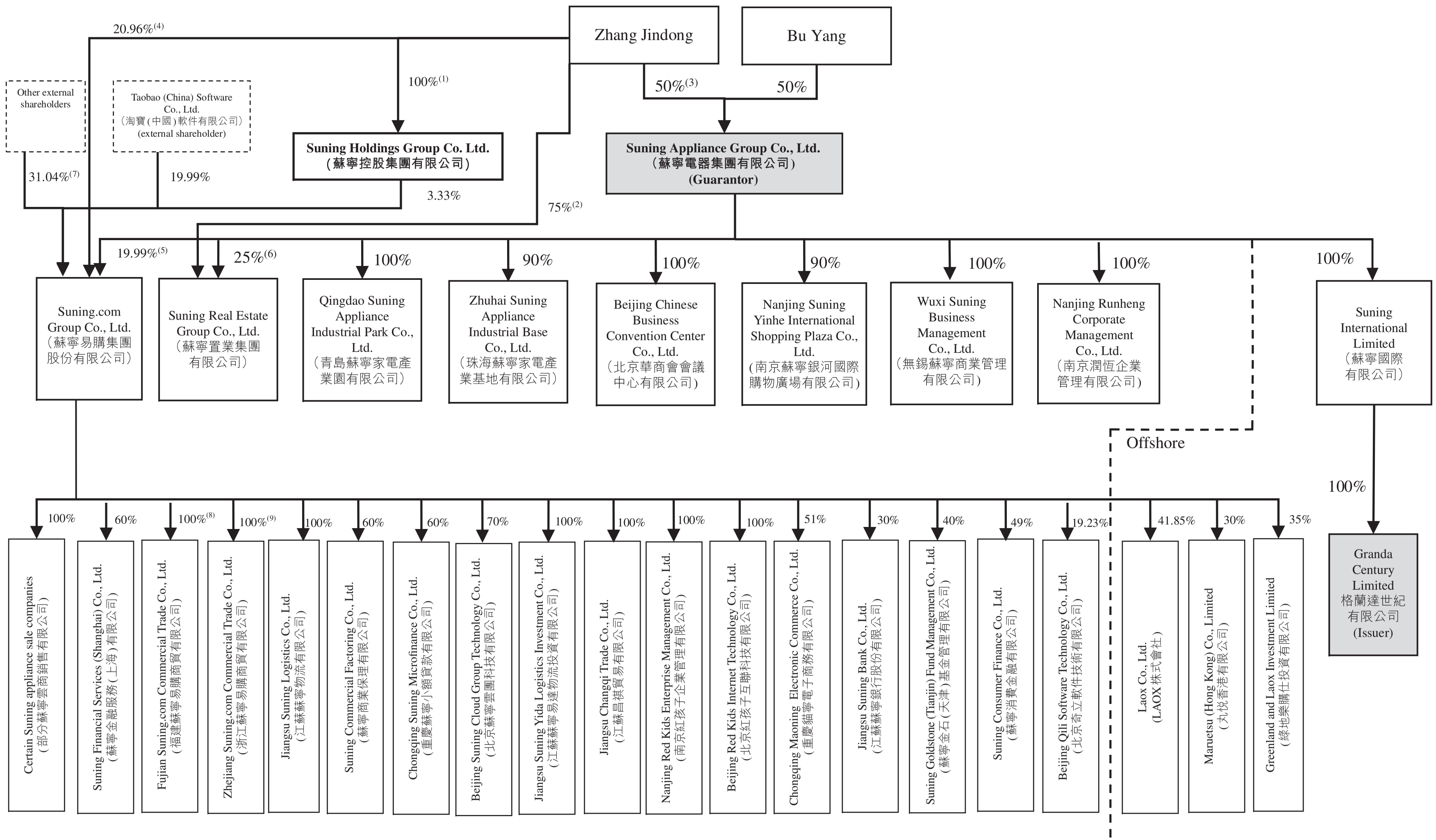
The sole director of the Issuer as at the date of this Offering Circular is Ms. Bu Yang.

The registered office of the Issuer is located at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 — 1205, Cayman Islands.

As at the date of this Offering Circular, the Issuer has no subsidiaries or employees.

CORPORATE STRUCTURE

The following is a simplified structure chart, showing the shareholders, principal subsidiaries and investee companies of the Guarantor as of the date of this Offering Circular.



Notes:

1. Mr. Zhang and persons acting in his concert together hold 100% stake in Suning Holdings Group Co. Ltd.
2. Mr. Zhang and persons acting in his concert together hold 75% stake in Suning Real Estate.
3. 39,000,000 equity interests held by Mr. Zhang, representing approximately 2.27% of the Guarantor's total share capital, were pledged as security for certain indebtedness incurred by the Guarantor.
4. 300,000,000 shares held by Mr. Zhang, representing approximately 3.22% of Suning.com's total share capital, were pledged for its stock pledged repo transactions.
5. 730,000,000 shares held by the Guarantor, representing approximately 7.84% of Suning.com's total share capital, were pledged as security for certain indebtedness incurred by the Guarantor.
6. The entire 25% stake in Suning Real Estate held by the Guarantor were pledged as security for certain indebtedness incurred by the Guarantor.
7. It excluded 1.98%, 1.34% and 1.37% stake in Suning.com held by Chen Jinfeng, Jin Ming and Suning Commerce Group Co., Ltd. — Phase 1 and 2 Employee Stock Plans, respectively.
8. Suning.com directly holds 90% stake and indirectly holds 10% stake in Fujian Suning.com Commercial Trade Co., Ltd.
9. Suning.com directly holds 89% stake and indirectly holds 11% stake in Zhejiang Suning.com Commercial Trade Co., Ltd.

DESCRIPTION OF THE GROUP

OVERVIEW

We are a leading integrated O2O retailer of comprehensive consumer products in China. We achieved GMV of more than RMB100 billion on both online and offline sales through self-developed online and offline channels and recorded a total operating income of over RMB200 billion for the year ended 31 December 2017. Our retail business segment accounted for more than 90% of our total principal operating income in 2017 and is substantially operated by Suning.com and its subsidiaries. Suning.com has been listed on Shenzhen Stock Exchange since 2004 and is ranked first amongst "2017 Top 100 Chain Store Operation Enterprises in China" in terms of revenue published by China Chain Store & Franchise Association in 2018. In addition, Suning.com was ranked first amongst 2017 major home appliance retailers in China with a market share of approximately 20% according to iResearch. Suning.com recorded a total GMV of RMB243.34 billion from online and offline platforms for the year ended 31 December 2017, among which sales from online channels contributed approximately 52% of its total sales. Suning.com was on the list of "Fortune Global 500" for two consecutive years in 2017 and 2018 with a revenue of U.S.$22.36 billion (equivalent of RMB148.59 billion) and U.S.$27.81 billion (equivalent of RMB181.69 billion) for the financial years of 2016 and 2017, respectively.

We started our retail business with our first air conditioner specialty store in Nanjing in 1990 and transformed into retail chains for selling a variety of electrical appliances in 2000. We ventured into e-commerce business by launching the online platform "suning.com" and commenced to develop our online and offline retail business in 2009. In addition to the expansion of channels, we also increased product offering to include home appliances, 3C products, maternal and child products, groceries and other products. In 2012, we unveiled our "Smart Service by High-tech Suning" ("科技蘇寧、智慧服務") O2O initiative, aiming at enhancing the integration of our online and offline retail channels. With the development of technology and increasing competition from both online and offline retailers, we became the pioneer of developing our "Smart Retail" strategy in March 2017. "Smart Retail" refers to a new retailing model aiming to provide our customers with an intelligent, tailored and comprehensive consumption, entertainment and leisure experiences by applying technology innovations including big data, artificial intelligence (AI) and internet of things (IoT) to the retail process so as to meet our customers' consumption demands anytime and anywhere through our integrated online and offline channels ("**Omni-channel**").

As of 31 March 2018, Suning.com built a nationwide offline network of 4,073 self-operated stores spanning 31 provinces and autonomous regions and 297 cities and 209 Retail Cloud Franchise Stores (零售雲加盟店) throughout China as well as 68 stores in overseas markets including 28 stores in Hong Kong and 40 stores in Japan. We have established a customer-orientated diversified stores model ecosystem with presences in different-tier markets in China. Our diversified stores model includes (i) commercial complex in first and second-tier markets providing one-stop shopping experience, (ii) convenience stores serving community customers and (iii) various specialty stores satisfying customers' demands for specialized and differentiated products in different tier markets including direct-sale stores and franchise stores covering third- and fourth-tier markets. As of 31 March 2018, we have developed and operated 23 Suning.com Plazas (蘇寧易購廣場) (three of which were under construction) and 24 Suning Plazas (蘇寧廣場) (12 of which were under construction), and operated 210 Suning CVS (蘇寧小店), 2,281 Direct-sale Stores (蘇寧易購直營店), 1,513 Home Appliance, 3C and Household Supplies Stores, 60 Redbaby Stores (紅孩子店) and 9 SuFresh Supermarkets (蘇鮮生) in China.

Our online retail business has achieved a remarkable growth over the past years through providing our customers with a wide range of products and enhanced shopping experiences on our online channel. Suning.com, our major online channel, is ranked top three among B2C e-commerce sites in terms of its market share in the third quarter of 2017 according to iResearch. Suning.com offers products of over 44 million SKU on its online platforms. Suning.com has also achieved a significant increase in its online sales for 2017 with a trading volume of tangible goods through online platforms of RMB126.70 billion, up 57.37% year-on-year. During the first quarter of 2018, Suning.com achieved a total trading volume of tangible goods through online platforms of approximately RMB39.77 billion, up 81.50% compared to the same quarter of 2017. The number of the monthly active users of Suning.com mobile app in December 2017 increased by 105.73% compared to January 2017. As of 31 December 2017, Suning.com, the substantial operator of our retail segment, had approximately 345 million registered members.

Whilst we are committed to further strengthening our retail business by providing our customers with quality and comprehensive consumption experiences, we have been developing other business segments such as real estate, logistics and financial services to support and complement our retail business. Our property development and management businesses serve to implement our "Smart Retail" model through the development, construction and operation of retail infrastructure such as commercial properties (e.g. Suning Plaza and Suning.com Plaza) and logistics and warehousing facilities. Moreover, our property and logistics businesses are in the process of implementing an asset-light business model by adopting a "build-operate-transfer to funds" model which enables us to revitalize fixed assets and property projects, generate cash flows and reinvest in obtaining and developing new property and logistics assets in a bid to develop infrastructures for our business at a faster pace and in a more efficient way. Our logistics business not only provides efficient delivery services to our retail customers, but also provides integrated warehousing and delivery services to third parties by leveraging its nationwide infrastructure network and intelligent delivery system. As of 31 March 2018, Suning.com (including TTK Express) operated warehousing facilities with GFA of approximately seven million sq.m., more than 3,700 operation routes as well as 21,904 terminal express delivery stations spanning 352 prefecture-level cities and 2,910 counties and towns in China. Our financial services provide our customers with financing solutions in a variety of scenarios such as supply chain finance and consumer finance, which not only increase our customer base but also enhance our customers' loyalty. In 2017, the trading volume of the financial services business of Suning.com recorded a year-on-year increase of 129.71% and exceeded RMB1 trillion.

The following table sets forth a breakdown of the revenue generated by each business segment and as a percentage of the total principal operating income of the Group for each respective period indicated:

	Year ended 31 December					
	2015		**2016**		**2017**	
	(RMB in billions)	**%**	**(RMB in billions)**	**%**	**(RMB in billions)**	**%**
Retail Business	130.30	94.56	143.97	93.68	178.83	91.48
Property Business	4.66	3.38	6.26	4.08	6.44	3.30
Others[1]	2.83	2.06	3.45	2.24	10.20	5.22
Total	**137.79**	**100.00**	**153.68**	**100.00**	**195.47**	**100.00**

Note 1: Others mainly include revenue from financial services business and installation and maintenance services business.

Note 2: Revenue from intragroup transactions is not included in the financial information in the table above.

Awards and Recognitions

The Group has received numerous awards and recognitions for its achievements in several industries, including the following recent awards and recognitions:

- Suning.com was ranked 1st amongst "2017 Top 100 Chain Store Operation Enterprises in China" in terms of revenue in 2017 published by China Chain Store & Franchise Association.

- Suning.com was ranked 46th amongst "2017 Top 250 Global Retailers" in terms of revenue in 2016 published by the U.S. National Retail Federation, up 11 spots compared to our ranking among "2016 Top 250 Global Retailers".

- Suning.com was ranked 1st amongst 2017 major home appliance retailers in China with a market share of approximately 20% according to iResearch.

- Suning.com was ranked top three among B2C e-commerce sites in terms of its market share in the third quarter of 2017 according to iResearch.

RECENT DEVELOPMENT

Favorable Results of the Substantial Operator of Our Retail Business Segment for the First Half of 2018

Based on the selected unaudited financial data of Suning.com for the first six months ended 30 June 2018, Suning.com, the substantial operator of our retail business segment, recorded favorable results due to the implementation of our Smart Retail strategies. In the first half of 2018, the total profit and net profit attributable to shareholders of Suning.com enjoyed a strong growth, compared to the same period in prior year. In addition, both of the total operating income and GMV of Omni-channel of Suning.com also increased during the first six months of 2018, compared to the corresponding period last year. As of 30 June 2018, the short-term borrowings and bonds payable of Suning.com increased compared to 31 December 2017 due to the increased purchases of inventories for the peak periods, the increase of the supply chain finance and consumer credit business of Suning.com and the issuance of new domestic bonds by Suning.com in the first half of 2018.

From the online channel perspective, there was a solid increase in the total trading volume of tangible goods of Suning.com through online platforms for the six months ended 30 June 2018 over the comparable period in 2017. From the perspective of offline channel, Suning.com continued to expand its nationwide offline network of self-operated stores and Retail Cloud Franchise Stores in China during the first six months of 2018.

In addition to the retail segment, the logistics and financial services segments of Suning.com also continued rapid growth in the first six months of 2018. Revenue of the logistics segment of Suning.com from the logistics services to third-party businesses (excluding TTK Express) saw a strong increase compared to the same period of 2017. The trading volume of the supply chain finance business of Suning.com in our ecosystem also continued to grow, compared to the same period in prior year.

Selected consolidated financial information in relation to Suning.com as at and for the six months ended 30 June 2017 and 2018 disclosed above is derived from the published 2018 half-year report of Suning.com dated 30 August 2018, which for the avoidance of doubt, does not form part of this Offering Circular. Such interim consolidated financial information has not been audited or reviewed by an independent auditor, and may be adjusted pursuant to a subsequent review or audit. Consequently, such interim consolidated financial information should not be relied upon by investors as providing the same quality of information associated with information that has been subject to an audit or review. None of the Joint Lead Managers, the Trustee or the Agents makes any representation or warranty, express or implied, regarding the sufficiency of such financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate Suning.com's or the Group's financial condition, results of operations and results. Such financial information should not be taken as an indication of the expected financial condition, results of operations and results of Suning.com or the Group for the full financial year. .

COMPETITIVE STRENGTH

Our unique integrated O2O Smart Retail model to capture the consumer market opportunities amid China's consumption upgrade

China's economy is expected to continue to enjoy strong growth and migrate from an investment-driven model to a consumption- and services-driven model, which will spur the consumption upgrade. With further urbanization in China and rising disposable income, consumers are more sophisticated now than before, and are willing to spend more on aspirational or lifestyle pursuits. The rising purchasing power of the world's largest middle class, fuelled by income growth, will reshape the consumption market and further realize the market potentials. The E-commerce market will continue to be prosperous and have an even wider reach. We believe that our unique Omni-channel Smart Retail model with seamless online-offline integration is well positioned to benefit from China's consumption trends and to cater to the aspirational and lifestyle needs of consumers.

Since becoming a pioneer in embarking on the transition from traditional offline retail to O2O business model in 2009, the seamless integration of our online and offline retail channels matured continuously into the 2010s when we opened a series of new-generation physical retail flagship stores in 2012 and declared a clear roadmap for Group-wide O2O integration in 2013. We are a leading O2O retailer achieving a GMV of more than RMB100 billion on both online and offline sales through self-developed online and offline channels. The successful integration of our online and offline sales and service channels creates a synergistic effect on the growth of our business. With user data obtained from approximately 345 million registered members of Suning.com participating in our online and offline retail networks, we have created "Data Mine" ("金礦"), a data analytical system that can help us analyse the consumption habits and needs of customers based on their residential areas. With better understanding of customer behaviors, we can effectively implement our digital marketing strategy. The synergy of both online and offline sales channels also helps to improve the logistics system. Customers who purchase products through our online channel can choose to pick up their purchases at a physical store close to them. Such interaction between online purchasers and offline store services also drives more customer traffic to offline stores. All these synergistic effects led to the outstanding growths of our business in 2017. According to Euromonitor, we was ranked second among the five largest retailers in China in terms of sales revenue, with total revenue of approximately RMB200.7 billion in 2017. Sales of Suning.com from online channels accounted for approximately 52% of its total sales in 2017. As of 31 March 2018, Suning.com, the substantial operator of our retail segment, built a nationwide offline network of 4,073 self-operated stores spanning 31 provinces and autonomous regions and 297 cities and 209 Retail Cloud Franchise Stores throughout China. Suning.com, our major online channel, was ranked one of the top three among B2C e-commerce sites in terms of its market share in the third quarter of 2017 according to iResearch. We believe that our Omni-channel sales platform will benefit us in further strengthening our business development and consolidating our industry-leading position.

One of the largest offline retail networks providing all-dimensional consumption scenarios for our Smart Retail

In order to provide customers with comprehensive consumption experiences, we have established a customer orientated store model ecosystem of "兩大、一小、多專 (Two Big, One Small and Multi-specialties)" covering a variety of consumption scenarios. "Two Big" refers to Suning.com Plaza (蘇寧易購廣場) and Suning Plaza (蘇寧廣場). Suning.com Plaza is mainly located in the commercial centers of first and second-tier markets and provides the widest spectrum of products including home appliances, 3C products, and maternal and child products. Compared to Suning.com Plaza, Suning Plaza is a bigger commercial complex and offers more product choices provided by third party sellers to customers. Our precision marketing enables us to strategically choose the products offering based on the consumption habits and needs of customers. Our real estate business also helps us to strategically identify suitable locations to build our plazas. As of 31 March 2018, we have developed and operated 23 Suning.com Plazas (three of which were under construction) with GFA of more than 810,000 sq.m. and 24 Suning Plazas (12 of which were under construction) with GFA of more than 2.71 million sq.m. in the city centers of first- and second-tier cities including Beijing, Shanghai, Nanjing, Tianjin and Chengdu. As of 31 March 2018, we completed an aggregate of 32 Suning.com Plaza and Suning Plaza development projects spanning 28 cities in China with the total GFA of 1.63 million sq.m..

"One Small" refers to Suning CVS (蘇寧小店). Located in close proximity of local communities in first and second-tier cities, Suning CVS can provide convenient services to customers within one kilometre from the location of our stores. As of 31 March 2018, Suning.com owned 210 Suning CVS.

"Multi-specialties" are specialized stores with a focus on certain differentiated products including home appliances, 3C and household supplies stores with GFA ranging from 2,000 to 8,000 sq.m. in first and second-tier cities and 1,000 to 3,000 sq.m. in third-tier cities, fresh food supermarkets with GFA ranging from 3,000 to 5,000 sq.m., maternal and child supplies stores (Redbaby) with GFA ranging from 1,000 to 6,000 sq.m., and smart household supplies stores (JIWU). With a wide range of products offered, these specialty stores create a comprehensive consumption platform for our retail business and can satisfy customers' demands for differentiated products. Diversified products offering also facilitates the practice of cross-selling, which helps to increase our market penetration and strengthen brand recognition.

In light of the enormous potential in these regions, Suning.com has developed the network of Suning Direct-sale Stores as one kind of specialty stores, which are our Smart Retail connecting points to county and town markets for mainly selling electrical appliances. In addition, Suning.com has opened Retail Cloud Franchise Stores (零售雲加盟店) since 2016 in order to expand our offline network. We provide medium and small franchisee retailers with services including supply chain, warehousing, finance and IT services. As of 31 March 2018, Suning.com owned 2,281 Direct-sale Stores and 209 Retail Cloud Franchise Stores.

Fast-growing online trade volumes along with better monetization of traffic generated from open marketplace

Sales of Suning.com from online channels accounted for approximately 52% of its total sales in 2017, demonstrating the growing importance of online channels in our retail business segment. Therefore, we have continuously strengthened the operating capabilities of our online channels. Suning.com, our major online channel, was ranked one of the top three among B2C e-commerce sites in terms of its market share in the third quarter of 2017 according to iResearch.

Our online platforms also provide an online marketplace for third-party sellers to distribute a wide spectrum of products, which not only increased the variety of our product offering but also effectively enhanced our traffic monetizing capabilities. Suning.com offers products of over 44 million SKU on its online platforms. In 2017, its total trading volume of tangible goods through online platforms rose to RMB126.70 billion from RMB80.51 billion in 2016 (RMB50.28 billion in 2015), representing a compound annual growth rate of approximately 58.7%, among which approximately RMB29.24 billion was transacted through the online marketplace compared to RMB18.64 billion and RMB10.0 billion in 2016 and 2015, respectively. In the first quarter of 2018, the total trading volume of tangible goods through online platforms of Suning.com was approximately RMB39.77 billion, up by 81.5% compared with the same quarter of 2017, and the online marketplace contributed approximately RMB12.87 billion.

With the popularity of mobile internet-enabled devices, we have developed apps and features adapted to mobile internet users. In 2017, the total number of registered members of Suning.com reached approximately 345 million compared to approximately 280 million in 2016, 250 million in 2015 and 167 million (excluding the users of PPTV) in 2014, representing a compound annual growth rate of approximately 27.4%. This enables us to collect extensive information for data mining to support and enhance our product development and marketing initiatives. Many of the registered members of Suning.com were users of our online channels (including Suning Football Club Fans, Inter Milan Football Club Fans and PPTV users) and offline channels (including hotel visitors and residents at our residential properties). In order to better analyse members' data and promote a seamless user experience, we upgraded the membership system and integrated the different membership of our retail, finance, creative culture and sports businesses into one to create an integrated membership system to make it more convenient and appealing for our customers. In December 2017, we launched "Super VIP" products providing special membership benefits, mainly including rebates for merchandises, exclusive client services, VIP after-sales service, PPTV and sports membership.

Diversified products offering and stable cooperative relationships with leading suppliers

We have established a household brand in the retail industry in China. Leveraging our strong brand recognition among customers and ample experience in both online and offline retail business operation, we have continuously expanded our product portfolio to meet customers' one-stop consumption demands for a quality lifestyle. Besides home appliances, we also offer 3C products, maternal and child products, daily necessities and fresh food through our offline stores and online platform. In addition, we invited third-party sellers to sell other products including apparel, jewellery, books and imported products to complement our own products offering in our plazas and online marketplace.

Leveraging our extensive nationwide sales network and large scale business model, we have attracted a broad portfolio of leading domestic and international brands and established long-term strategic alliances with our suppliers, including Midea, Gree, Haier, Apple, Huawei and Mi. We have been able to negotiate procurement agreements with our suppliers on favorable terms including favorable credit terms and exclusive offerings of tailor-made products for our stores.

We believe our diversified products offering and strong relationship with leading suppliers effectively lay a solid foundation for the development of our "Smart Retail" by meeting customers' increasing demands for one-stop consumption of a wide range of customized and differentiated products and services to enjoy a better and quality lifestyle, which in turn enables us to enhance customers' loyalty.

Strong financial and logistics capabilities to complement and support our Smart Retail model and enhance customers' experiences

We have established our own logistics distribution centers and network since 1997. Our logistics business has already formed a whole industry value-chain covering logistics assets operation and logistics service operation. We are a leading retail logistics service provider with integrated warehousing and distribution capabilities in China. On the one hand, our logistics operation plays an important role in our retail ecosystem by not only providing warehousing facilities but also enhancing our delivery capabilities. On the other hand, we also promote the open strategy by sharing our logistics network and services with third parties including suppliers and third-party merchants. For example, we opened our logistics platform to Alibaba and other third parties to achieve data-sharing and optimize utilization of recourses so as to improve operating efficiency, reduce fixed costs and create additional revenue sources. Revenue of the logistics segment of Suning.com from the logistics services to third-party businesses (excluding TTK Express) achieved a year-on-year increase of approximately 136.24% in 2017 compared to 2016.

In addition, with a view to revolutionizing the logistics industry and transforming it from a mere automation process into an intelligence-guided one, we have applied advanced technologies in our logistics business. For instance, we have experimented with the use of drone delivery, which can accurately deliver products to customers and improve our delivery services in remote areas. Having four autonomous logistics platforms and the automation of our logistics facilities have also significantly improved our operational efficiency and the ability to timely and flexibly respond to customers' demands.

We are one of the leading O2O finance groups in China. We have established an extensive offline network, with more than 130 fortune centers and about 4,000 physical stores providing financial services with a GMV of more than RMB400 billion with an aggregate deposit amount exceeding RMB10 billion as of 31 December 2017. In addition, we have developed online channels such as FinanceSN mobile app and an online portal for FinanceSN. Our growing financial technological capabilities in areas such as big data risk control, bio-character recognition, AI marketing engine, finance AI and finance cloud also play a crucial role in consolidating our leading position in the industry. Through a combination of our O2O financial service channels, we can provide a full suite of financial service products covering payment, supply chain finance, consumer finance and wealth management and investment and insurance sales and other financial services products. In particular, as of 31 March 2018, we have, in aggregate, invested more than RMB100 billion and RMB40 billion in supply chain finance and consumer finance respectively. As to our supply chain business, the non-performing loan ratio was as low as 0.17% as at 31 December 2017, showing our healthy business relationships with our suppliers. With the aim of combining supply chain finance and consumer finance, we provide factoring service and small-amount loans for suppliers, distributors, buyers and after-sale service providers, and loan and instalment services for corporate and individual customers, covering both upstream and downstream customers. The trading volume of the financial services business of Suning.com in 2017 recorded a year-on-year increase of approximately 129.71%. Our financial services not only increase our customer base but also enhance our customers' loyalty.

Outstanding technological innovation capabilities to lead the development of Smart Retail

Our technology infrastructure supports our fast-growing smart retail business and our technology innovation enables us to improve and consolidate our industry-leading position in the continuous development of retail business. We are committed to developing our capabilities in data analysis, cloud computing and smart hardware and the AI technology has also transformed our retail model. Our strong technology capabilities have been constantly applied to our products and services to promote "smart retail", "smart home", "smart industry" and "smart city". For example, with bio-character recognition technology, customers can pay by facial recognition in our Suning Biu unmanned stores. We offer the widest range of hi-tech products including "Little Biu" Smart Speaker ("小Biu智能音箱") and cooperate with our strategic partners to build a smart home ecosystem. Leveraging our technological capabilities, we work with leading industrial corporations to come up with smart solutions to improve their manufacturing capabilities. Our cloud computing capabilities also assist government departments to provide integrated smart city services. As of 31 December 2017, Suning.com employed 5,438 research and development professionals to design, develop and operate our technology platform.

We believe that our industry-leading technology innovation capabilities and their application in our products and services will improve the operational efficiency of our smart retail business and enhance customers' shopping experiences in pursuing aspirational and lifestyle upgrading consumptions, thereby enabling us to lead the development of China's Smart Retail and enhance our core competiveness.

Strong financial performance coupled with diversified financing channels

We have achieved significant increases in sales and net profits for the financial year of 2017 due to the implementation of our Smart Retail model. For the financial years of 2015, 2016 and 2017, our total operating income was approximately RMB139,639.10 million, RMB157,696.99 million and RMB200,745.94 million, respectively, our gross profit was approximately RMB20,919 million, RMB24,174 million and RMB30,260 million, respectively and our net profit was approximately RMB218.65 million, RMB712.48 million and RMB8,034.29 million, respectively. Our EBITDA (being the sum of total profit, fixed asset depreciation, intangible asset amortization, deferred expense amortization and interest expense recognized as financial expense) was RMB5.82 billion, RMB7.55 billion and RMB 16.37 billion respectively in 2015, 2016 and 2017.

In addition, we have been able to maintain our financial performance through effective financial management. We closely monitor our capital structure, actively explore diversified financing sources, including bank loans, equity and debt financing, to control financing costs, effectively establish receivables management system to closely monitor receivables, and strategically manage our payables by carefully selecting suppliers to obtain favorable credit terms. For the financial years of 2015, 2016 and 2017, our trade receivables turnover days were approximately 4, 4 and 5 days, respectively. For the financial years of 2015, 2016 and 2017, our working capital turnover days calculated based on the formula of "our inventory turnover days + accounts receivable turnover days - accounts payable turnover days" were approximately 35, 16 and -1, respectively (inventory turnover day refers to the average of beginning and ending balance of inventories multiplied by 365 then divided by the product of cost of goods sold multiplied by 2; accounts receivable turnover day refers to the average of beginning and ending balance of accounts receivable and notes receivable multiplied by 365 then divided by revenue; and accounts payable turnover day refers to the average of beginning and ending balance of accounts payable and notes payable multiplied by 365 then divided by the product of cost of goods sold multiplied by 2). In addition, we maintain an improving leverage ratio. As of 31 December 2015, 2016 and 2017, our total indebtedness to EBITDA ratio was 11.73x, 11.43x and 6.28x, respectively. Furthermore, the net cash flow from our operating activities (excluding the financial services business segment) in 2017 was RMB1,627 million, and the negative net cash flow from the financial services business segment was RMB6,207 million, resulting in the negative net cash flow from our operating activities of RMB4,581 million in 2017.

We have established long-term business relationships with about 40 major financial institutions in China including China Construction Bank, China Everbright Bank and Bank of Communications, with an aggregate credit line of approximately RMB103.9 billion and unused credit line of approximately RMB40.6 billion at the end of 2017. Through the initial public offering of our retail business on the Shenzhen Stock Exchange in 2004 and the offering of several bonds in the debt market, we were able to further diversify our financing sources and obtain funding through the capital markets. We believe our multiple financing channels will provide us with flexibility to fund our operations and enhance our liquidity position.

We believe that the competitive strengths of our Smart Retail model and effective financial management will enable us to further expand in our target markets, provide us with greater flexibility in capital management and help us achieve a sustainable long-term growth and increased profits.

Experienced management team and strategic cooperation with our major shareholder and partners

Members of our management team have an entrepreneurial spirit, extensive operational expertise and an in-depth knowledge of, and experience in, China's online and offline retail industry. Most of our board of directors and senior management members have extensive experience in the retail industry. Mr. Zhang, an important shareholder of the Guarantor, the controller and chairman of Suning.com, founded the Group in 1990 in Nanjing. Mr. Ren Jun, a director and chairman of management committee of Suning.com, joined our Group in 1999. Mr. Hou Enlong, president of Suning.com, joined our Group in 2001 and he is responsible for the daily operation and management of Suning.com and our logistics business. Mr. Huang Jinlao, the chairman of Jiangsu Suning Bank Co., Ltd., has assumed various positions in other sectors including being the standing committee member of the All-China Financial Youth Federation. Mr. Jin Ming, who joined our Group in 1993, became the president of Suning Real Estate in March 2017. He is responsible for the daily management of Suning Real Estate.

In 2016, we have entered into strategic investment and cooperation with Alibaba group, whereby a subsidiary of Alibaba acquired a 19.99% stake in Suning.com for approximately RMB28.3 billion, while Suning.com in turn acquired a 1.05% stake in Alibaba for approximately RMB14 billion. As of 31 May 2018, Alibaba group owned 19.99% stake in Suning.com and Suning.com owned 0.51% stake in Alibaba group. As part of the strategic partnership, we have launched our flagship store at Tmall.com and users may access the homepage of Tmall.com to purchase our specialty products. In addition, our joint procurement strategy increases the bargaining power of both companies, thus reducing our procurement costs. Our logistics network is also aligned with Cainiao's system so that we can receive online orders from Cainiao and further improve our reliable logistics services. We believe Alibaba group's extensive experience in the e-commerce retail industry can help us further integrate our online and offline sales channels.

We believe that the leadership, vision, management experience and the proven track record of our management team and our strategic cooperation with business partners have been and will continue to be instrumental in driving our success.

STRATEGIES

With our "Smart Retail" and "Omni-channel, Multi-type Customers and Diversified Products" ("全渠道、全客群、全品類") strategies, our goal is to strengthen our position as a leading smart retailer with a dominant market position in both online and offline retail industry in China. We believe our strong brand name, nationwide and customer-oriented retail network, diversified products offering, strong operating capabilities in internet technology, logistics and financial services have laid a strong foundation for us to achieve our goal. We plan to solidify our market position across channels and regions in China, achieve continuous strong growth and further improve our profitability through implementing the following strategies on our offline, online, supply chain and infrastructure platforms:

Strengthen our Omni-channel platform by continuously optimizing and integrating our online and offline channels

- We have achieved favorable results through the implementation of our Omni-channel strategy. We will continue to integrate our online and offline channels to meet our customers' demands to make purchases anytime and anywhere.

- We will continue to optimize our "Two Big, One Small and Multi-specialties" customer orientated store model ecosystem. We have formulated strategies to ensure that (i) the big shops cover more differentiated product categories; (ii) small shops are much closer to customers and (iii) specialty stores are more specialized. We will accelerate the expansion of our offline layout with focus on Suning.com Plazas, Retail Cloud Franchise Stores and Suning CVS particularly in those high growth areas. We will continue to develop integrated multi-function shopping centers such as Suning Plaza and Suning.com Plaza in prime locations of first and second-tier cities. In order to tap into the huge growth potential of third and fourth-tier cities, we will seek to further penetrate our offline channels in county and town markets by developing a wider retail network with improved product offering and experienced region management teams in these areas.

- We will continue to concentrate on increasing traffic, developing our membership programme, expanding product categories, increasing product varieties and strengthening members' loyalty to drive GMV growth for our online channels.

- Leveraging our strong technology capabilities, we will exploit more internet applications, such as mobile apps and online portals and increase the application of technology in our offline store operation to increase marketing efficiency and enhance customers' shopping experience.

- In terms of creating a stronger interaction between offline and online channels, we will continue to leverage on the results of our online big data analysis to conduct offline sales and marketing. Successful past experience includes our "Tele-marketing" (千里傳音) phone marketing strategy, whereby our sales representatives conduct cross-selling directly to customers based on the items shown in their online shopping carts.

Continue to strengthen our merchandising and inventory management capabilities

- We will continue to strengthen our supply chain by expanding and optimizing our product mix and devising different marketing strategies for different products. We will continue to promote our specialty stores including Home Appliance, 3C and Household Supplies Stores, supermarkets, and stores selling maternal and child stores to strengthen our brand recognition as a retailer with diverse specialized products. We will invite more merchants to sell products on our marketplace to further expand our products offering and assist third party merchants to provide high quality products and services to our customers by leveraging our traffic and data management capabilities.

- We will continuously strengthen our competitive advantages in respect of our home appliances and 3C products. By leveraging economies of scale and procurement capability, we will source from our suppliers more new products with exclusive sales by Suning stores, tailor-made products and differentiated products for home appliances and 3C products.

- By leveraging our big data analysis capability, we will continue to promote smart purchasing and liaise with suppliers for implementing customized sales and reverse manufacture under C2B model.

- We will continue to strengthen our inventory management capabilities by applying big data analysis and improve our procurement strategies based on more precise estimates and prediction of customer demands.

Continue to develop our logistics business platform with an integrated warehousing and distribution system

- Specialized and efficient logistics business operation will be one of our future key developments. We aim to establish an integrated warehousing and distribution system and build up an extensive nationwide network reaching more cities, towns and counties, especially in third and fourth-tier markets. We will speed up construction of logistics infrastructure facilities including high quality warehouses and optimize the logistics delivery stations and routes in a bid to improve our customers' experiences as well as improve the efficiency.

- We aim to become an excellent service provider for satisfying retail demands under a variety of scenarios by developing our same-city delivery services, community service network and third and fourth tier market network.

- We are in the process of experimenting with our technologies in various aspects of logistics business such as unmanned warehouses, drone delivery, self-driving vehicles, unmanned delivery stations and convenience stores. In particular, we will continue to invest in self-developed drones which can achieve automatic take-off and landing autonomously. The continuous investment in the application of advanced technology in smart logistics such as drone delivery will help us reduce costs while at the same time ensure accurate and speedy delivery to our end-customers. The improvement in the intelligence level of our logistics system will also supplement our capacity to deliver to remote areas, widen our customer base, and ultimately enhance customer satisfaction and provide them with an unparalleled shopping experience.

Continuous investment in the research and development and innovation of our technology infrastructure to support our Smart Retail model

- Our technologies are widely used in a multitude of retail scenarios, from front-end technology that supports our main customer interface on our websites and mobile apps, to the innovative Omni-channel technology to support the retail ecosystem with our offline stores and unmanned stores. We believe technology capability is a key to the success of our Smart Retail model and we will continue to increase investment in our technology research and development and optimize our technology infrastructure platform.

- We target to build up our specialized technology and research team responsible for providing support to the whole chain of our retail business. The main contents of our technology platform will include applying smart technology to expand retail scenarios, using smart purchasing tools under the new C2B model and building up smart logistics to achieve superior customer experience.

- We have been leveraging our big data and AI technologies to better understand and analyse customer's behaviors, and we are planning to devote additional resources and make further investments in big data analytics and AI technologies in the future. We will also make investments in areas such as blockchain technology and bio-character recognition to further improve the efficiency and security of our financial services.

Cultivate customer loyalty and attract new customers through the optimization of our membership program by way of internal consolidation and strategic partnership with external merchandisers

- In order to create a seamless and truly integrated membership experience to our loyal customers, we aim to continue to consolidate memberships among different service platforms within our Group and affiliated companies, so that our users can conveniently enjoy the full spectrum of benefits and rewards under each of our retail, finance, creative culture and sports service lines. We believe that such seamless integration does not only enhance customer satisfaction, but the sharing of members' data across our internal divisions also enables us to more comprehensively master members' data, cater to their individual preferences and needs, and ultimately cultivate customer loyalty.

- Apart from our existing "integrated membership" program which focuses on the integration of memberships among various service platforms within our Group and affiliated companies, we also plan to explore cooperation opportunities with external merchandisers such as partnering with hotels and airlines services companies. We envisage that under such strategic partnerships, our members can enjoy benefits and privileges that are otherwise exclusive to members of our strategic partners. At the same time, we will encourage members of our strategic partners to enjoy our Group's unique membership privileges, with a view to cultivating them into long-term loyal customers of our Group.

RETAIL BUSINESS

Overview of Retail Business

We are a leading integrated offline and online smart retailer in China providing a full range of products and services to our customers to meet their consumption demands for a quality lifestyle. Our retail business segment is substantially operated by Suning.com and its subsidiaries. In addition, the retail business of some of our other subsidiaries, including Suning Real Estate, also forms a small portion of our retail segment. Suning.com was listed on Shenzhen Stock Exchange in 2004. We started our retail business from the operation of first air conditioner specialty store in Nanjing in 1990 and transformed into chain store operation business for selling a variety of electrical appliances in 2000. We ventured into e-commerce business and commenced to develop our online and offline retail business in 2009. In addition to the expansion of channels, we also increased the product categories that we offer to include home appliances, 3C products, maternal and child products and daily necessities. In March 2017, we launched our Smart Retail strategy, through which we aim to integrate our online and offline channels by applying advanced technology including big data, AI and IoT and provide our customers with diversified products and services through our Omni-channel. Omni-channel takes benefits of both online and offline channels, through which we can provide our customers with a unique shopping experience cross channels. Our retail business achieved favorable performance results after years of transformation. Suning.com was on the list of "Fortune Global 500" for two consecutive years in 2017 and 2018 with a revenue of U.S.$22.36 billion (equivalent of RMB148.59 billion) and U.S.$27.81 billion (equivalent of RMB181.69 billion) for the financial years of 2016 and 2017, respectively. During the first quarter of 2018, the revenue of Suning.com was RMB49.62 billion, up 32.76% compared to the same quarter of 2017, and the net profit attributable to equity shareholders of Suning.com was approximately RMB111 million, up 42.15% compared with the same quarter of 2017.

Overview of Smart Retail

Consumer behaviors have transformed in recent years and more customers demand more interactive, customized and efficient shopping experiences. Both online and offline retailers are seeking to transform their retailing model to better satisfy customers' demands. Each retail channel has its inherent strengths and disadvantages and can complement and support each other, and hence the integration of different channels becomes the trend in the retail industry. With the rapid development of technology and increasing competition from both online and offline retailers, we became the pioneer of launching our "Smart Retail" strategy in March 2017. "Smart Retail" refers to a new retailing model aiming to provide our customers with an intelligent, tailored and comprehensive consumption, entertainment and leisure experiences by applying technology innovations including big data, AI and IoT to the retail process so as to meet our customers' consumption demands anytime and anywhere through our Omni-channel. Smart Retail resembles the third era of transformation of the retail industry, evolving from bricks-and-mortar to e-commerce and to the present model.

Our "Omni-channel, Multi-type Customers and Diversified Products" ("全渠道、全客群、全品類") strategy is one of the foundation of our Smart Retail model. Since 2009, we have committed to strengthening operating capabilities to provide multi-type customers with different products through our Omni-channel. Moreover, we have increasingly strengthened our operating capabilities in technology development, logistics and financial services to support and complement our retail business.

Pillar of our Smart Retail - Omni-channel Platform

We sell a wide range of products in China through our Omni-channel. As of 31 March 2018, our Omni-channel platform consisted of (i) a nationwide offline network of 4,073 self-operated stores spanning 31 provinces and autonomous regions and 297 cities and 209 Retail Cloud Franchise Stores throughout China built by Suning.com and (ii) online channel, including Suning.com, a comprehensive B2C shopping website, a flagship store at Tmall.com and several differentiated mobile apps. Our highly integrated online and offline sales and service channels complement, support and promote each other, thereby creating a synergistic effect on our business. Our offline sales channels provide on-the-ground sales and services to our customers through our customer-orientated store model ecosystem. Customers are able to see and test the actual products and enjoy the first-hand experience at our offline stores which may be preferred by certain customers especially when the products are 3C products or large items. Our online sales and service channel offers our diversified products to our customers with easy access and provides an online marketplace for third-party sellers to distribute a wide spectrum of products. Online shopping has become popular in recent years. Retailers, through online channel, can provide customers with convenient and efficient shopping experience with a wider range of sources to be selected from than the traditional offline channels. At the same time, our Omni-channel collects extensive information for data mining to support and enhance our product development and marketing initiatives. As of 31 December 2017, Suning.com, the substantial operator of our retail segment, had registered members of approximately 345 million. We have retail business not only in China but also in overseas markets covering Hong Kong, Macao and Japan. Our overseas stores mainly provide home appliances and 3C products to customers outside of China.

The table below sets forth the breakdown of the GMV of Suning.com by sales channels for the periods indicated.

	Year ended 31 December					
	2015		2016		2017	
	RMB (in billions)	%	RMB (in billions)	%	RMB (in billions)	%
Offline Channels	112.11	69.04	107.90	57.27	116.65	47.94
Online Channels	50.28	30.96	80.51	42.73	126.70	52.06
Total	**162.38**	**100.00**	**188.41**	**100.00**	**243.34**	**100.00**

According to the unaudited financial statements of Suning.com for the first three months ended 31 March 2018 prepared in accordance with PRC GAAP, Suning.com recorded favorable results due to the implementation of our Smart Retail strategies. During the first quarter of 2018, Suning.com's GMV of Omni-channel (including provision of after-sales and financial services) recorded RMB69.33 billion, up 46.33% compared with the same quarter of 2017. And Suning.com also achieved the GMV of self-operated products of RMB26.91 billion on its online platform in the first quarter of 2018, up 55.15% compared to the same quarter of 2017.

Interaction between Online and Offline Channels

Our Omni-channel significantly expanded our customer reach by driving customer traffic to each other in a cost competitive manner. Our nationwide presence of stores enhances our brand recognition and customers' loyalty as they can easily access our products and services at our offline stores. We design our offline stores to create more interaction with users, such as making the selling area of kitchen products, televisions and air conditioners a model of real home kitchen, living room and cafe room, respectively, so that our customers can enjoy our products through immersive experience. In addition, we add high-tech genes to our offline stores and integrate our online services and offline products to make shopping more convenient and interesting. For example, our unmanned stores provide customers with both great experience of our products at offline stores and online services including member registration and payment services to enhance their recognition of our brand as a great smart retailer with integrated O2O businesses. Customers who purchase products through our online channel can also choose to pick up their purchases and enjoy our after-sales services including products return and exchange if needed at an offline store close to them. Such interaction between online purchasers and offline store services also drives customer traffic to our offline stores and further increases purchases of products at our offline stores. In addition, we set many touch points to our online platform in our offline stores for customers to use our online services. For example, we provide QR codes in our SuFresh stores for customers to order fresh products online and access our YiFuBao payment services.

Offline Retail Stores

We started our business with our first air conditioner retail store in Nanjing in 1990 and transformed into retail chains for selling a variety of electrical appliances in 2000. After more than 20 years of operations, we have expanded our sales network nationwide in China and into the overseas markets. The following table sets forth the number of retail stores operated by Suning.com as of 31 December 2015, 2016 and 2017, respectively.

	As at 31 December		
	2015	2016	2017
Mainland China	2,588	3,425	3,799
Hong Kong	28	24	25
Japan	33	42	43
Total	**2,649**	**3,491**	**3,867**

Customer Orientated Store Model Ecosystem

We are committed to offering our customers with pleasant shopping experiences through optimizing product mix, store layout and shopping environment. In the past, we operated our home appliances and 3C products retail business mainly through traditional stores including flagship stores, centre stores and community convenience stores. Since launching our O2O business model in 2009, we have started the upgrading and transformation of our store model system by leveraging our internet technology capabilities. We have established a customer orientated store model ecosystem of "兩大、一小、多專 (Two Big, One Small and Multi-specialties)" covering different consumption scenarios.

"Two Big" refers to Suning.com Plaza (蘇寧易購廣場) and Suning Plaza (蘇寧廣場). Suning.com Plaza is a commercial complex with gross floor area (GFA) ranging from 30,000 to 80,000 sq.m. and mainly located in the first and second-tier markets. Suning.com Plaza provides the widest spectrum of products by consolidating Suning.com's different specialty stores including home appliance, 3C and household supplies stores, supermarkets, maternal and child supplies stores, Suning cinema and other high-quality stores operated by third-parties. Third-party stores mainly provide dining and entertainment services which are supplementary to our self-operated stores. As a good demonstration of our Smart Retail model, Suning.com Plaza provides one-stop shopping services and creates excellent Smart Retail shopping experiences to customers by applying internet technology, internet of things, intelligence augmented reality (AR). Suning Plaza is a bigger commercial complex with GFA ranging from 100,000 to 150,000 sq.m. and mainly located in the centre of provincial cities. Compared to Suning.com Plaza, Suning Plaza offers more product choices provided by third party sellers to customers. As of 31 March 2018, we have developed and operated 23 Suning.com Plazas (three of which were under construction) with GFA of more than 810,000 sq.m. and 24 Suning Plazas (12 of which were under construction) with GFA of more than 2.71 million sq.m. in the city centers of first- and second-tier cities including Beijing, Shanghai, Nanjing, Tianjin and Chengdu. As of 31 March 2018, we completed an aggregate of 32 Suning.com Plaza and Suning Plaza development projects spanning 28 cities in China with the total GFA of 1.63 million sq.m..

"One Small" refers to Suning CVS (蘇寧小店). Suning CVS can provide convenient services to customers within one kilometre from the location of our stores. Suning CVS, as our offline convenience stores, are mainly located in close proximity of local communities, central business districts and transportation cross-points. Suning CVS generally have GFA ranging from 80 to 200 sq.m. and are mostly located in first and second-tier cities. Serving as the service stations nearest to customers, Suning CVS provide customers with food and daily necessities, dining services and other services. In addition, Suning CVS serve as our delivery pick-up stations which form an important part of our logistics system. Customers can also access our products through the mobile app of Suning CVS. As of 31 March 2018, Suning.com owned 210 Suning CVS. In April 2018, we entered into a share purchase agreement to acquire the China retail operation from Distribuidora Internacional de Alimentación, S.A., a Spanish retail group which owns over 300 self-operated and franchise stores in Shanghai. This acquisition can further increase our convenience stores in Shanghai.

"Multi-specialties" are specialized stores with a focus on certain differentiated products including Home Appliance, 3C and Household Supplies Stores with GFA ranging from 2,000 to 8,000 sq. m. in first and second-tier cities and 1,000 to 3,000 sq.m. in third-tier cities (in different forms such as cloud stores, traditional stores and county and town stores), fresh food supermarkets (SuFresh Supermarkets) with GFA ranging from 3,000 to 5,000 sq.m., maternal and child supplies stores (Redbaby) with GFA ranging from 1,000 to 6,000 sq.m., and smart household supplies stores (JIWU).

Suning Direct-sale Stores are our Smart Retail connecting points to county and town markets in the PRC for mainly selling electrical appliances and service points to our registered members in those areas. Suning Direct-sale Stores help the Group penetrate to the third and fourth tiers markets. They generally have GFA from 200 to 700 sq.m. Besides our Direct-sale Stores, we have opened Retail Cloud Franchise Stores (零售雲加盟店) since 2016 for further expanding our offline channel in county and town markets. By leveraging our extensive experience and outstanding capabilities in the operation of the whole chain of retail business, we can provide medium and small franchisee retailers with services including supply chain, warehousing, finance and IT services. As of 31 March 2018, Suning.com owned 2,281 Direct-sale Stores and 209 Retail Cloud Franchise Stores.

The following table sets forth the number and GFA of retail stores of Suning.com in China by categories as of 31 March 2018.

	As at 31 March 2018		
	No.	**GFA (000 sq. m.)**	**% of Total GFA**
Self-operated stores			
Home Appliance, 3C and Household Supplies Stores	1,513	4,725.6	89.82%
Redbaby Stores	60	105.9	2.01%
SuFresh Supermarkets	9	19.8	0.38%
CVS	210	29.3	0.56%
Direct-sale Stores	2,281	380.8	7.24%
Sub-total	**4,073**	**5,261.4**	**100%**
Retail Cloud Franchise Stores	209	NA*	NA*
Total	**4,282**	**5,261.4**	**100%**

**Note: the information on the GFA of Retail Cloud Franchise Stores in China is not available.*

We opened our first "JIWU" (極物) ("Ultimate Creation") store in Nanjing in 2018. Catering for a personalized consumption culture, JIWU is committed to providing the young customers in China with ultimate experiences in a quality lifestyle. By cooperating with the manufacturers for Tier 1 premium international brands, JIWU supplies high-quality household products to customers. By optimizing the manufacturing process, we can cut out brand premium and middleman mark-up, and provide affordable high quality products to our customers under our own brand. JIWU also offers our customers with Suning's innovative electronic products.

Store Location and Site Selection

We believe that site selection is critical to the success of our retail stores. Over the years, our management has accumulated valuable experience in identifying and evaluating prospective store locations. Based on different consumption scenario in different tier markets and our store model ecosystem, we consider and evaluate the following factors when choosing the location of a new store:

- whether it is located in a central or prime shopping district;
- its convenience and accessibility for our target consumers;
- the expected pedestrian traffic;
- the size of the available space;
- the availability of supporting facilities, including parking lots; and
- competition in the surrounding area.

The following table sets forth the number and GFA of retail stores of Suning.com by categories in different tier markets of China as of 31 December 2017.

	As at 31 December 2017									
	Home Appliance, 3C and Household Supplies Stores		Redbaby Stores		SuFresh Supermarkets		CVS		Direct-sale Stores	
Markets*	No.	GFA (000 sq.m.)	No.	GFA (000 sq.m.)	No.	GFA (000 sq.m.)	No.	GFA (000 sq.m.)	No.	GFA (000 sq.m.)
First-tier	453	1,875.3	24	55.2	7	15.3	23	3.1	67	13.6
Second-tier	453	1,433.8	16	31.3	2	5.1	—	—	112	26.8
Third-tier	533	1,143.9	13	22.9	—	—	—	—	923	159.6
Fourth-tier	60	107.6	—	—	—	—	—	—	1,113	155.1
Total	**1,499**	**4,560.6**	**53**	**109.4**	**9**	**20.4**	**23**	**3.1**	**2,215**	**355.1**

**Note: First-tier market refers to sub-provincial cities or higher level cities. Second-tier market refers to prefecture-level cities other than cities in the first-tier market. Third-tier market refers to counties, county-level cities and suburb areas. Fourth-tier market mainly refers to township-level regions.*

We will continue to expand our retail stores by way of "lease, construction, merger, acquisition and cooperation". As of 31 December 2017, the owned-stores, stores leased from third parties and stores obtained by other ways including cooperation with major property developers of Suning.com had GFA of approximately 193,200 sq.m., 4,524,500 sq.m. and 330,900 sq.m., respectively.

To control our rental cost and make advanced planning, we have entered into strategic investment agreements with a number of China's leading property developers, including Wanda, Evergrande and Sunac, which will provide commercial facilities to us, to enable our stores to cultivate personalized shopping experiences in different regions and communities.

Overseas markets

We have extensive experiences in the operation and management of overseas retail business. We started our overseas market development in 2009 through the acquisition of Citicall, a Hong Kong based retail chain of electronic appliances, and LAOX, a listed Japanese retailer of duty-free chain store, respectively. We use our Suning brand for our offline stores and online platforms in Hong Kong and Macao. Having ample experiences and strong technology capabilities, we intend to implement our Smart Retail strategy for our overseas retail business and expand our businesses including logistics and financial services to the markets around the "belt and road" areas including the South East Asia market.

We constantly evaluate the performance of our stores in overseas market and continue to open new stores and close underperforming stores. As of 31 March 2018, Suning.com had 28 retail stores in Hong Kong and 40 retail stores in Japan. All of those overseas stores are leased from third parties and the total GFA of those stores is approximately 38,900 sq.m. as of 31 December 2017. Suning.com recorded a principal operating income of RMB6.58 billion from its overseas retail business for the year ended 31 December 2017. In particular, the principal operating income of Suning.com derived from Japan market reached RMB3.87 billion in 2017.

Online Platform

As a leading retail company, we are devoted to making our retail business smarter not only by providing high-quality products, but also better serving our customers. Since our first venture into e-commerce business in 2009, consumer recognition and brand reputation of our online retail business have been continuously improved. Our online platforms comprise (i) Suning.com shopping mall which is also accessible through mobile application, (ii) flagship store at Tmall.com and (iii) other specialized mobile apps.

Suning.com

We officially launched our online shop "suning.com" (www.suning.com.cn), our e-commerce platform, in 2010, to develop our Omni-channel and diversified operation. Our online platform provides a sales channel not only for our products but also for merchandise sold by other sellers. With the increasing popularity of mobile internet-enabled devices, we have also developed apps and features adapted to mobile internet users, and we currently offer mobile access through our mobile website m.suning.com and various mobile apps for smart phone users.

Currently, Suning.com has the following key elements:

- *B2C Business*: we mainly sell home appliance, 3C and household goods on our Suning.com platform, aiming to enable our customers to purchase our merchandise anytime and anywhere.

- *Suning.com Marketplace*: we provide a sales platform for a wide range of merchandise sold by third-party shops. We receive commissions from the third-party shops for our services provided to them on our online platform. The wide range of products sold on our Suning.com marketplace include electrical appliances, 3C, home furniture, food and beverage, cosmetics, sporting goods, automotive supplies, books and financial services. Through such initiative as an online platform service provider, we believe our products can gain more exposure, thereby attracting various groups of customers and increasing the overall sales volume.

Flagship store on Tmall.com

As part of our strategic partnership with Alibaba group in 2015, we have launched our flagship store at Tmall.com and users can easily access the homepage of Tmall.com to purchase our products including consumer electronic products, maternal and child products, cosmetics and imported goods. Japan's leading duty-free group LAOX, in which Suning.com holds a majority stake, also launched its official overseas flagship store on Tmall Global, an overseas platform and an extension of Tmall.com's B2C business which enables overseas merchants to enter into China's online retail market. We believe the cooperation with Alibaba can improve our brand recognition and increase the market shares of our specialty products.

Suning Mobile Apps and Shops

Apart from the Suning.com mobile app, mobile users can also have direct access to our diversified products and services through other mobile apps, including SuFresh app, Suning CVS app and Suning Plaza app. Approximately 89% of orders fulfilled of Suning.com were placed through Suning.com mobile app and the WAP version of the website of Suning.com in December 2017, as compared to approximately 83%, 60% and 32% in the same period in 2016, 2015 and 2014, respectively.

Our online platform focuses on traffic operation, products operation and members marketing to enhance operating capabilities and optimize customers' shopping experience. We also strengthen our cooperation with main web portals and internet video media in order to increase the brand recognition and popularity of our supermarkets and maternal and child products. In 2017, we launched a few online promotional campaigns including "Happy Shopping Sharing" and "Suning Special Sales" to strengthen our online operating capabilities and to meet a range of consumption scenarios. We will increase more first-sales of new 3C products by cooperating with suppliers and exclusive sales for those best sellers and continue to increase SKUs for those life electrical appliances and grocery products frequently purchased by customers. Suning.com has recorded a significant increase in its online sales for the financial year of 2017 and its trading volume of tangible goods through online platforms was RMB126.70 billion, up to 57.37% year-on-year. The number of the monthly active users of Suning.com mobile app in December 2017 increased by 105.73% compared to January 2017. As of 31 December 2017, Suning.com, the substantial operator of our retail segment, had approximately 345 million registered members.

The following table sets forth information on the online sales of Suning.com for the years ended 31 December 2015, 2016 and 2017, respectively:

	Year ended 31 December		
	2015	**2016**	**2017**
	(RMB in millions)	**(RMB in millions)**	**(RMB in millions)**
Number of registered members (million)	250	280	345
GMV of our online platform	50,275	80,510	126,696
— GMV of self-operated (with tax)	40,293	61,870	97,460
— GMV of marketplace (with tax)	9,982	18,640	29,236
Percentage of orders through Suning.com mobile app and the WAP version of the website of Suning.com compared to total GMV of online platform in December 2015, 2016 and 2017, respectively	60%	83%	89%

As of 31 March 2018, the number of monthly active users of Suning.com mobile app saw an increase of 60.48% compared to the same quarter of 2017. In March 2018, the number of orders generated by Suning.com mobile app accounted for 90.2% of the total online orders.

Pillar of our Smart Retail - Diversified Products

We continually seek to expand our products offering to meet customers' demands. Our current products can be broadly divided into the following main categories sourced from both international and domestic suppliers:

- Telecommunication products
- Small electrical appliances and other small products (including maternal and child products, beauty products, household food and other daily necessities)
- Refrigerators and washing machines
- Digital and information technology products
- Audio visual products
- Air-conditioners
- Others (including financial services, installation and repair service, platform market service, logistics service and others)

The following table shows a breakdown of contribution from each business segment and each product category to the total operating income of Suning.com for 2015, 2016 and 2017, respectively:

	Year ended 31 December					
	2015		2016		2017	
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
Telecommunication products	27,042.13	19.95	34,215.05	23.03	49,129.42	26.14
Small electrical appliances and other small products	22,929.72	16.92	25,682.28	17.28	33,858.95	18.02
Refrigerators and washing machines	21,651.40	15.97	22,209.54	14.95	25,662.26	13.66
Digital and IT products	22,083.43	16.29	24,137,88	16.24	25,108.02	13.36
Audio visual products	23,195.01	17.11	21,480.39	14.46	24,244.17	12.90
Air-conditioners	13,033.27	9.62	15,898.87	10.70	20,388.15	10.85
Sub-total (Principal operating income from retail business of Suning.com)	**129,934.96**	**95.86**	**143,624.01**	**96.66**	**178,390.97**	**94.93**
Principal operating income from service and other business of Suning.com#	3,959.07	2.92	2,828.64	1.90	6,624.74	3.52
Other operating income	1,653.60	1.22	2,132.68	1.44	2,912.05	1.55
Total operating income	**135,547.63**	**100**	**148,585.33**	**100**	**187,927.76**	**100**

Note: Revenue from intragroup transactions is included in the financial information in the table above.
#Note: It includes revenue from financial service business and installation and maintenance service business.

We have made continuous efforts to increase sales and profitability through diversifying and differentiating our products offering. By leveraging long-term relationships with our key suppliers, not only are we able to procure products at low prices, we are also able to secure first-sales for new products and exclusive sales for certain best sellers. In addition, we invite third-party sellers to offer customers with additional categories of products, through our online marketplace and plazas.

Procurement and Inventory Management

Our ability to identify and purchase an appropriate mix of merchandise that is in line with the latest market trends and customer preferences has been critical to our success. We have adopted various measures to effectively manage procurement. We mainly procure at the central level of Suning.com, supplemented by procurement at subsidiary level and from associates. By entering into sales agreements with our subsidiaries and associates, we sell those products procured at Suning.com level to our subsidiaries and associates based on their orders. Subsidiaries and associates may also make their own procurement plans based on the actual circumstances of local sales and order merchandise from suppliers directly after obtaining approval from group level. The merchandise operation head office will be responsible for settling procurement with suppliers and such approval application will be made by way of bottom-up. Suning.com manages funds of the subsidiaries and associates by way of separate lines of revenue and expenditure. In 2017, the total procurement amount of Suning.com was approximately RMB164,975.81 million.

In addition to the traditional procurement under B2C model, we have continuously refined our sourcing. "Smart Retail" boasts a new model of consumer to business (C2B) which is based on the analysis of big data to offer its global partners with forward-looking marketing insights. Thus, brands can accurately set the position and targets as well as the price. We have provided over 15,000 brands with our operation analysis services to help them track and adjust their sales strategies during the promotion period. In addition, our intelligent supply engine, which is based on data analysis, has operated around 100 million times and supported nearly 4,000 stores to help allocate inventories at the most convenient locations for targeting customers. We have already successfully launched Whirlpool Aroma Air Conditioner, Haier Hello Kitty Washing Machine, Mi 4S, Huawei Glory 5C and HP Yang Yang Bespoke Laptop. In 2017, we have entered into extensive retail cooperation with certain key suppliers including Hon Hai. Our cooperation will focus on the knowledge sharing of big data analytics to optimize strategies and products from manufacturing to marketing, creating customized services.

We will also consider our inventory level when implementing our purchasing plan. Our inventory turnover days vary according to the types of merchandise. We ensure that we maintain adequate stock levels for generally fast-moving consumer goods to avoid being out of stock. For slow-moving ones, we require our stores to maintain at least a minimum stock level in order to provide their customers with a wide variety of products. We track our inventory at all stages of the receiving and order fulfilment process. Once the order has been shipped, our system automatically updates the inventory level of each product in the order, ensuring that additional inventory will be ordered as needed. Our sophisticated business intelligence system enables us to refine our merchandise sourcing strategy to manage our inventory turnover and control costs and to leverage our large customer database to create customized product recommendations and cost-effective and targeted advertising.

Our Suppliers

Our suppliers include domestic and international brand companies. In 2015, 2016 and 2017, the products supplied by the largest supplier of Suning.com (in terms of brands), the substantial operator of our retail segment, as a percentage of total procurement accounted for approximately 12.36%, 10.69% and 19.09%, respectively, and products supplied by the top five suppliers of Suning.com (in terms of brands), as a percentage of total procurement accounted for approximately 38.45%, 27.37% and 37.05%, respectively.

We will evaluate our strategic cooperation with suppliers by considering their sales contribution, gross profit margin contribution and funds use. Based on our evaluation, we will then enter into supply framework agreement with our suppliers which typically has a term of one year. These framework agreements set forth key terms in relation to supply prices, credit terms and discounts and rebates rules. We will enter into a separate agreement with our suppliers in respect of after-sales services. Under certain supply agreements between our key suppliers and us, the suppliers have agreed to offer us favorable sales rebate with respect to certain types of products and have agreed to sell to us at relatively low prices compared to other retailers.

We have continued to maintain long-term, stable and strong strategic partnerships with our suppliers of different categories of products, including Midea, Gree, Haier, Apple, Huawei, Mi, Abbott, Kao and P&G. We keep long-term partnerships with most of our suppliers especially those supplying home appliances and 3C products. As a result, we have been able to negotiate supply agreements with our suppliers on favorable terms including favorable credit terms.

Marketing and Sales

We believe that the most effective way of marketing is to continuously enhance our customer experience, as customer satisfaction engenders word-of-mouth referrals leading to repeat purchases. We have built an extensive base of loyal customers primarily through providing superior customer experience and conducting marketing and brand promotion activities.

In addition to continuous marketing activities through traditional online and offline channels, we have also designed innovative programs and promotion activities to further enhance the brand awareness of both ours and our partners, and to better reach our customers.

We host a wide variety of promotional campaigns, particularly during holiday periods. We have successfully launched major sales campaigns on certain dates of a year including “4.18”, “6.18”, "8.18" and "11.11" and other special sales campaigns. "8.18 Shopping Festival" is an annual online-to-offline sales event that runs from August 1 to August 18, which has been launched in 2014 and become a fixture on our retail calendar every year. It features discounts and promotional campaigns across our domestic and international retail channels, including more than 4,000 self-operated brick-and-mortar stores and our e-commerce platform.

With the increasing popularity of mobile internet-enabled devices, approximately 89% of orders fulfilled of Suning.com were placed through Suning.com mobile app and the WAP version of the website of Suning.com in December 2017. In order to further improve customer experience and increase user engagement on mobile internet, we are exploring cooperation opportunities with many business partners on the mobile side. We have also formed strategic partnerships with PPTV and other internet content providers with the aim of leveraging these companies' massive user bases to strengthen collaboration in targeted marketing, user access points and content-driven marketing. Suning.com incurred RMB2,963.26 million, RMB3,213.90 million and RMB4,578.19 million of marketing expenses in 2015, 2016 and 2017, respectively.

Fulfilment

When a customer places an order, our delivery management system automatically processes the order and matches it to the warehouse having the appropriate inventory. Picking is done on the basis of instructions that are generated automatically by our warehouse management system. The warehouse management system also automatically generates the bar codes and shipping labels that allow our staff to match the items to the correct order in the packing process. After picking, packing, and sorting process, the order is shipped to a delivery or pickup station in the customer's city for further handling and delivery. If a customer order contains products from different warehouses, the products will be combined at the last-mile delivery station and then sent to the customer in one delivery. If the customer's address is not the one to which we make delivery, we will have a third-party courier picked up the order in our sorting centre to make the delivery. In some cases we also use third-party couriers to carry orders between a sorting centre and a delivery station. Once the order has been shipped, our system automatically updates the inventory level of each product in the order, ensuring that additional inventory will be ordered as needed. Our customers can track the shipping status of their orders on our websites or mobile apps at each step in the process.

In order to enhance customers' shopping experience, Suning.com has continuously improved merchandise delivery infrastructure and members service quality and launched nationwide services including "half-day delivery", "next day delivery", "on time delivery", "check for customer" and "installation while delivery" and so on.

We are in the process of constructing new, larger, custom-designed region delivery centers and automatic pick centers. As of 31 March 2018, Suning.com had 8 automatic pick centers covering Nanjing, Shanghai, Wuhan, Chengdu, Chongqing, Xi'an, Shenyang and Shaoxing and 38 regional delivery centers covering Beijing, Nanjing and Tianjin and other major cities in operation.

We also have a dedicated internal division responsible for the research, development and application of smart logistics and unmanned technology, all of which represent the future trend in the logistics industry. With the development of a series of cutting-edge technologies such as intelligent hardware, internet of things, big data, robotics, image and vision recognition, machine learning, deep learning, and smart logistics devices, we intend to revolutionize the logistics industry and transform it from automation into intelligence. We are also in the process of experimenting with these technologies in a wide range of logistics business areas such as unmanned warehouses, drone delivery, self-driving vehicles, unmanned delivery stations and convenience stores, among others. We will continue to invest in smart logistics to improve the intelligence level of our logistics system and to provide consumers with unparalleled shopping experiences.

Customer Services

Providing satisfactory customer services is a high priority. Our commitment to customers is reflected in the high service levels provided by our customer service staff as well as in our product return and exchange policies.

"Integrated membership" program. As of 31 December 2017, Suning.com, the substantial operator of our retail segment, had approximately 345 million registered members and many of them were users of our online channels (including Suning Football Club Fans, Inter Milan Football Club Fans and PPTV users) and offline channels (including hotel visitors and residents at our residential properties). In order to better analyse members' data and promote a seamless user experience, we upgraded the membership system and integrated the different membership of our retail, finance, creative culture and sports businesses into one to create an integrated membership system to make it more convenient for our customers. In December 2017, we launched "Super VIP" products providing special membership benefits, mainly including rebates for merchandises, exclusive client services, VIP after-sales service, PPTV and sports membership.

*7*24 customer service*. We believe instant responses to customers' queries and complaints are instrumental in creating excellent customer shopping experiences. We provide 7*24 customer service. Customers can make queries and file complaints at any time via various channels such as phone calls and online written instant messengers. We provide separate hot lines for general retail business, financial services and logistics services related enquires.

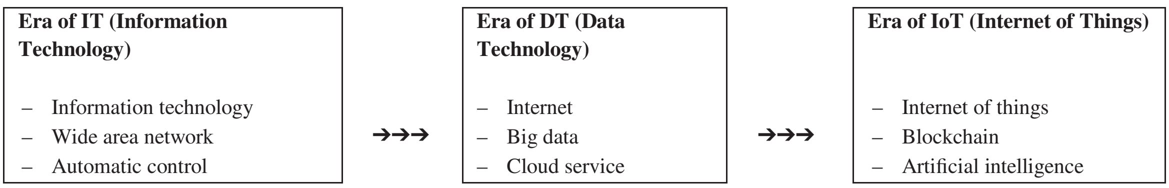
Returns and exchanges. We accept returns or exchanges within seven days of purchase for most of our products subject to certain exceptions. Merchandise with defects can be returned for exchange within 15 days of purchase. For some home appliances and life electronics appliances, we accept returns within 30 days and exchange within 365 days of purchase. Customers can choose pick-up of the merchandise by us, mail the merchandise to one of our logistic centers, or bring the product to one of our offline retail stores. We also have separate return and exchange policy for the products sold by third party sellers.

Technology

Technology is the key to the success of our future business development and the evolution of our ecosystem. Our proprietary technology platform supports our rapidly growing processing capacity requirements. In addition, our technology platform provides us with detailed and accurate prediction of market trend based on our cloud computing infrastructure, comprehensive operating data from our value chain and advanced business intelligence analytics supported by AI technologies.

The following chart sets forth the technology factor of Smart Retail.

Technology Factors of Smart Retail - Iteration of Technology



As of 31 December 2017, Suning.com had five data centers and employed 5,438 research and development professionals to design, develop and operate our technology platform. We have established a unified information system for monitoring front-end products, background operation and internal management. We can do real time management of the whole process from products, supply chain, finance, logistics services and sales and marketing. We have established research institutes covering IT, logistics and finance for providing forward-looking supports to our retail, logistics, financial business development. We have established Silicon Valley Institute as our U.S. R&D centre in 2013. A blockchain lab, launched in July 2017 under our financial research institute, focused on research relating to blockchain and its application in the financial industry.

We have continuously increased our investment in developing our technology capabilities in 2017. We collaborated with SenseTime, a global pioneering AI company and deep learning platform developer, in developing our unmanned stores. With facial recognition and radio frequency identification technology, our registered and authenticated members can make purchases in our unmanned store and check out automatically without cashier involved. Since launching our first unmanned store "Biu" in Nanjing in August 2017, we have unveiled another four unmanned stores in Shanghai, Beijing, Chongqing and Xuzhou. In addition, our technologies have been constantly applied to our products and services to promote "smart retail", "smart home", "smart industry" and "smart city". We offer the widest range of hi-tech products including "Little Biu" Smart Speaker ("小Biu 智能音箱") and cooperate with our strategic partners to build a smart home ecosystem. Leveraging our technological capabilities, we work with leading industrial corporations to come up with smart solutions to improve their manufacturing capabilities. Our cloud computing capabilities also assist government departments to provide integrated smart city services.

Competition

Both online and offline retail markets in China are intensely competitive. Our current or potential competitors include major e-commerce companies in China that offer similar merchandise or a wide range of general merchandise product categories and major traditional retailers in China offering 3C products. We believe our unique integrated online and offline retail channel offers us a key and distinct competitive advantage.

We also anticipate that the online retail market will continually evolve and will continue to experience rapid technological changes, evolving industry standards, changing customer expectations, and frequent innovation. We must continually innovate to remain competitive. In addition, new and enhanced technologies may increase the competition in the online retail industry. New competitive business models may appear, for example, based on new forms of social media or social commerce. We believe our ability to deliver a high quality customer experience, range of focused service and brand recognition and reputation enable us to be well-positioned to effectively compete. However, some of our current or potential competitors may have a longer operating record, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than we do.

Logistics Business Segment

Our first generation of self-developed logistics distribution system was established in Nanjing in 1997. We have already formed a whole industry value-chain covering logistics assets operation and logistics service operation. We are a leading retail logistics service provider with integrated warehousing and distribution capabilities in China. On the one hand, our logistics operation plays an important role in our retail ecosystem by not only providing warehousing facilities but also enhancing our delivery capabilities. On the other hand, we also promotes the open strategy by sharing our logistics network and services with third parties including suppliers and third-party merchants.

Through our strategic cooperation with Alibaba group since 2015, we started our partnership with Cainiao, Alibaba's logistics affiliate. By leveraging our well-developed distribution network and Cainiao's intelligent delivery solutions, we provide customers with supreme delivery experience to ensure that our customers can receive goods they order in as little as two hours.

In 2017, we acquired TTK Express in order to strengthen our last-kilometre and small-item delivery capabilities. At the end of 2017, we completed the integration of IT system, work processes and data systems of TTK Express into our own logistics system, as well as improving the service quality and business volume of TTK Express. By leveraging our logistics system, we will continue to improve the service quality of TTK Express, optimize its franchise network and develop same-city delivery business.

Suning.com has continuously increased our logistics services offering to customers including providing nationwide "half-day delivery" and "next day delivery", "night delivery" (i.e. delivery of goods before 10 p.m.) covering 13 provinces as well as "integrated delivery and assembly services" covering 114 cities. Customers may also book delivery services (covering 2,810 counties and towns as of 31 March 2018) to receive their purchases within a week at any time specified by them. We also provide after-sale services by sending out experts in as little as an hour to inspect and repair our customers' home appliances and 3C products. Our delivery efficiency and service quality have been continuously improved.

As of 31 March 2018, we had 8 automatic pick centers covering Nanjing, Shanghai, Wuhan, Chengdu, Chongqing, Xi'an, Shenyang and Shaoxing and 38 regional delivery centers covering Beijing, Nanjing and Tianjin and other major cities in operation. As of 31 March 2018, Suning.com (including TTK Express) owned warehousing facilities with GFA of approximately seven million sq.m., more than 3,700 operation routes as well as 21,904 terminal express delivery stations spanning 352 prefecture-level cities and 2,910 counties and towns in China. Revenue of the logistics segment of Suning.com from the logistics services to third-party businesses (excluding TTK Express) achieved a year-on-year increase of approximately 136.24% in 2017 compared to 2016 and saw an increase of 84.84% during the first quarter of 2018 compared to the same quarter of 2017.

Furthermore, we are also committed to adopting an asset-light business model. Under this model, we build and operate properties such as warehousing facilities for a certain period of time before transferring them to real estate funds formed by us and other business partners. We would then continue to operate and manage the relevant transferred logistics properties as a general partner. In 2016, we cooperated with CITIC Goldstone Fund to create a REIT supported by six logistics facilities initially owned by us. In November 2017, Jiangsu Suning Logistics Co., Ltd. and Shenzhen Capital Group Co., Ltd. (深圳創新投資集團有限公司) agreed to jointly establish a logistics real estate fund targeting to raise as much as RMB30 billion, which will be in turn applied towards the acquisition of our warehousing logistics facilities and investment in and acquisition of other quality warehousing logistics facilities, with the target portfolio comprising logistics facilities of approximately 12 million to 15 million sq.m..

Financial Services Business Segment

We are one of the leading internet finance groups in China with a focus on O2O financial services business. We started our financial services business by operating third-party payment business in 2011. With 14 financial business licenses or qualifications, we can provide a full suite of financial service products covering payment, supply chain finance, consumer finance, assets management and investment, insurance sales and other financial services products. The trading volume of the financial services business of Suning.com in 2017 recorded a year-on-year increase of approximately 129.71%.

Our financial services are based on our Omni-channel and we provide O2O financial services to cover a wide range of scenarios in the retail process. Customers shopping through our Omni-channel can use our payment services and consumer finance products including payment by instalment. Our suppliers and third-party sellers on our platform can use our payment services and supply chain finance products including commercial factoring services. In particular, our Suning Pay, which had 200 million registered members as at 31 December 2017, provides a convenient means of payment. Customers can access our service on our online website at jinrong.suning.com and FinanceSN mobile app. We provide online payment services for transactions on Suning.com and other third party retailers mainly through YiFuBao, our online payment processing platform. Customers can also access our assets management services through our offline fortune centers and Jiangsu Suning Bank Co., Ltd., established in 2017 in which we hold 30% equity interests. Through a combination of our O2O financial service channels, we have established a full range of financial services for both suppliers and customers. During the first quarter of 2018, the financial services segment of Suning.com witnessed an increase of 257.8% in penetration rate of financial payment business.

In addition, we offer a wide range of other financial products. FinanceSN helps our customers manage a wide spectrum of their wealth, ranging from small change asset management to funds management. In the first quarter of 2018, the financial services segment of Suning.com recorded an increase of 127.5% in investment amount for consumer finance business compared to the same quarter of 2017. We are one of the companies selected for the pilot programme of financial holding companies in China. Due to the wide variety of financial services solutions we offer, our sales of financial products achieved an aggregate transaction volume of more than RMB400 billion as of 31 December 2017. FinanceSN raised approximately RMB6.67 billion and RMB5.34 billion through private placements in January and December 2017, respectively, giving it a valuation of approximately RMB32.3 billion based on the latest round of fundraising.

We have strengthened our financial technology capabilities, with continuous developments in areas such as bio character recognition, big data risk control, bio-character recognition, AI marketing engine, finance AI and finance cloud. By using financial technology including facial recognition and finger log in, we have significantly shortened our registration and payment processes. As to bio character recognition, our facial recognition systems have achieved an accuracy rate of over 99% on the recognition standard test. With our bio character recognition technology, customers can pay by facial recognition in our Suning Biu unmanned stores. We also launched Suning Storekeeper (金掌櫃), an intelligent marketing and management system, which facilitated transactions of over RMB14 billion as of 31 December 2017. We launched our black list sharing platform supported by blockchain technology and big data analysis and anti-fraud intelligence map in 2018 in order to further combat financial fraud. In 2017, the rate of transaction loss caused by fraud has been reduced to 0.005%.

PROPERTY BUSINESS

Our property business mainly consists of two components: (i) we develop, operate and hold commercial properties in prime locations in first and second-tier cities which serve to support our Smart Retail strategy by providing offline infrastructure such as Suning Plaza and Suning.com Plaza; and (ii) we operate and manage commercial properties that are either developed by us but sold to real estate funds or third parties or developed by other property developers.

Key commercial properties developed and operated by us include Suning.com Plaza (蘇寧易購廣場), Suning Plaza (蘇寧廣場) and Suning Smart City (蘇寧睿城). Suning.com Plaza and Suning Plaza are two important components of our customer-orientated store model ecosystem. As part of the implementation of our Smart Retail strategy, we have developed dozens of Suning Plazas and Suning.com Plaza, all of which are located in the city centre of first and second-tier cities including Beijing, Shanghai, Nanjing, Tianjin and Chengdu. Each plaza is strategically located in a central business district and mainly comprises large shopping centers, life plazas, five star hotels, Grade "A" offices and serviced apartments. Suning Smart City is a modern high-tech park that includes a headquarter base, office buildings designed for hi-tech companies, data centers, five-star hotels and commercial complexes, luxury properties and serviced apartments. We intend to continue to develop and hold such core commercial properties which are important offline infrastructure of our retail business.

Similar to our logistics business segment, we also adopted the asset-light business model for our property business, under which we first develop and manage commercial properties such as Suning Plaza and hotels before transferring some of them to funds formed by us and other business partners. Then, we would continue to operate and manage those transferred properties as a general partner of the fund. Since 2014, we have cooperated with CITIC Goldstone, Ping An Securities and CITIC Securities to initiate asset securitizations by issuing five onshore REITs with a total market capitalization of over RMB10 billion as of 31 December 2017. The underlying assets include 25 self-owned stores, two Suning Plazas in Chengdu and Lianyungang as well as Sofitel Lianyungang Suning. Such asset-light business model could revitalize the fixed assets and property projects of the Group, generate cash flows for reinvestment in the development of new properties and logistics assets in a bid to develop infrastructures for our retail business at a faster pace and in a more efficient way. From the property management perspective, we maintain our control over the operation of these transferred properties. From a financial point of view, it could optimise the financial performance and lower the debt-to-asset ratio of our Group.

Apart from the asset-light business model, we would also dispose of office, residential properties and apartments located above our commercial properties and work with real estate developers in some of the development projects to optimise and facilitate the development and sale of the properties of the Group as well as revitalize our cash flow.

As of 31 March 2018, the total accumulated GFA of property projects held by us was 6.67 million sq.m., among which, (i) completed projects, projects under development and projects held for future development accounted for approximately 25%, 25% and 50%, respectively; (ii) projects located in first-tier, second-tier, and third-and-fourth-tier cities accounted for approximately 2%, 57% and 41%, respectively; and (iii) projects held by our Group, managed and operated by our Group through real estate funds/REITs and disposed accounted for approximately 63%, 3% and 34%, respectively.

Intellectual Property Rights

Our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property are critical to our success, and we rely on copyright, trademark and patent laws and confidentiality, invention assignment and non-compete agreements with our employees and other parties to protect our intellectual property rights.

We conduct our business and marketing primarily under our brand name “SUNING”, “苏宁” or “蘇寧”. “SUNING” or “苏宁”, registered trademarks in the PRC, and “蘇寧”, a registered trademark in Hong Kong, are owned by Suning.com.

Insurance

We maintain different types of insurance policies to cover our operations, including comprehensive asset insurance, public safety liability insurance, automobile liability insurance and product liability insurance to cover potential liability arising from the use of the products that we sell. We do not carry, however, insurance in respect of certain risks that we believe are not insured under normal industry practice in China, or which are uninsurable on commercially acceptable terms, if at all, such as those caused by war and civil disorder. See “*Risk Factors—Risk Relating to Our Business—Our limited insurance coverage may not cover all losses, which may increase our operational costs*”.

Employees

We recruit and promote individuals based on merit and their development potentials. The remuneration package inclusive of bonus offered to our employees is generally determined with reference to their performance and the prevailing salary levels in the market. We train our staff at all levels through orientation programs and subsequent continuous on-the-job skills development training. We have developed various professional training courses and materials and arranged external professionals to enhance the quality of training. As of 31 December 2017, we had approximately 73,000 employees.

Legal Proceedings

From time to time, we may be involved in various legal proceedings and claims and administrative penalties that arise in the ordinary course of business. There had not been any legal proceedings or disputes that have resulted in any material adverse effect on our business for the past three financial years. We are not engaged in any material litigation, arbitration or claim and no material litigation, arbitration or claim is known to us to be pending or threatened against us.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GUARANTOR

Directors

The Board of Directors currently consists of three directors. The Board of Directors is responsible for convening shareholders' meetings and reporting the work of the Board of Directors at the shareholders' meetings, implementing the resolutions passed at the shareholders' meetings, determining the business plans and investment plans, formulating the annual budget and final accounts, and exercising other powers, functions and duties as stipulated in the articles of association of the Guarantor. The table below sets forth certain information regarding the directors as at the date of this Offering Circular:

Name	Age	Position
Bu Yang (卜揚)	44	Chairman
Pei Bo (裘博)	36	Director
Shu Chun (舒春)	37	Director

Ms. Bu Yang, age 44, has been the chairman of the Board of Directors and the chief executive officer of the Guarantor since 2014. Ms. Bu Yang joined the Guarantor in 1997. Ms. Bu Yang is the legal representative and a shareholder of the Guarantor.

Mr. Pei Bo, age 36, is a director of the Guarantor and joined the Guarantor in 2004. Mr. Pei Bo also serves as an assistant director of development centre of chain development head office of Suning Real Estate.

Mr. Shu Chun, age 37, is a director of the Guarantor and joined the Guarantor in 2005. Mr. Shu Chun also serves as a deputy director of the president office of Suning Real Estate.

Supervisors

The Board of Supervisors currently consists of two supervisors. The Board of Supervisors is responsible for monitoring the financial matters and overseeing the actions of the Board of Directors and the senior management. The table below sets forth certain information regarding the supervisors as at the date of this Offering Circular:

Name	Age	Position
Li Kang (李康)	39	Supervisor
Shao Anmei (邵安梅)	42	Supervisor

Mr. Li Kang, age 39, is a supervisor of the Guarantor and he joined the Guarantor in 1999. He also serves as the deputy manager of funds settlement department of funds management centre of the Guarantor.

Ms. Shao Anmei, age 42, is a supervisor of the Guarantor and she joined the Guarantor in 1999.

Senior Management

The senior management is appointed by and accountable to the Board of Directors. The senior management is primarily responsible for implementing the decision of the Board of Directors regarding the management of the operations, implementing the annual business and investment plans, setting up the corporate governance structure and drafting detailed corporate protocols, and appointing and dismissing other senior management.

The table below sets forth certain information regarding members of the senior management as at the date of this Offering Circular:

Name	Age	Position
Bu Yang (卜揚)	44	Chairman
Zhang Hui (張暉)	44	Vice director of funds management centre
Wang Qing (王青)	42	Financial officer

Ms. Bu Yang, age 44, has been the chief executive officer of the Guarantor since 2014. For Ms. Bu Yang's biography, see "*Directors*" above.

Mr. Zhang Hui, age 44, is the vice director of funds management centre of the Guarantor and he joined the Guarantor in 1994. Mr. Zhang Hui also serves as the deputy director of funds management centre of the Guarantor.

Ms. Wang Qing, age 42, is the financial officer of the Guarantor and she joined the Guarantor in 1994. Ms. Wang Qing also serves as the financial office of the Guarantor.

EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the interbank foreign exchange spot market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0% The band was further expanded to 2.0% on 14 March 2014. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre (the "**CFETS**") daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. On 11 December 2015, CFETS, a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. In January and February 2016, Renminbi experienced further fluctuations in value against the U.S. dollar. From 1 January 2017, according to the sampling rule of "CNY versus FX currency pair listed on CFETS", CFETS will add 11 currencies newly listed on CFETS in 2016 and the number of basket currencies will increase from 13 to 24. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the exchange rate of the Renminbi against the U.S. dollar for the periods presented.

		Noon buying rate(1)		
Period	**Low**	**Average(2)**	**High**	**Period End**
		RMB per U.S.$1.00		
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2221	6.2990	6.3879	6.2301
2013	6.0537	6.1412	6.2438	6.0537
2014	6.0402	6.1704	6.2591	6.2046
2015	6.1870	6.2869	6.4896	6.4778
2016	6.4480	6.6549	6.9580	6.9430
2017	6.4773	6.7350	6.9575	6.5063
2018				
January	6.2841	6.4233	6.5263	6.2841
February	6.2649	6.3183	6.3471	6.3280
March	6.2685	6.3174	6.3565	6.2726
April	6.2655	6.2967	6.2967	6.3325
May	6.3325	6.3701	6.4175	6.4096
June	6.385	6.4651	6.6235	6.6171
July	6.6123	6.7164	6.8102	6.8038

Notes:

(1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations and the overseas financing. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations or the overseas financing.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts do not constitute binding precedents, but are used for purposes of judicial reference and guidance.

The National People's Congress of the PRC ("**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC has the power to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council and the provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution holds the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies that promulgate such laws.

PRICING LAW

Pursuant to the Pricing Law of the PRC (中華人民共和國價格法) ("**Pricing Law**") issued by the NPC on 29 December 1997, determination of prices must be in line with the law of value. Prices of most commodities and services shall be determined by the market, and prices of a small number of commodities and services can be government-guided prices or government-set prices. Market-regulated prices mean those prices determined independently by the providers of commodities and services ("**Providers**") and formed through market competition. Government-guided prices mean those prices determined by the Providers in accordance with the baseline prices, with a range of fluctuations set by competent price administrative departments or other relevant government departments based on the provisions of the Pricing Law. Government-set prices mean those prices determined by the competent price administrative departments or other relevant government departments in accordance with the Pricing Law.

The Pricing Law further provides that, when necessary, the government may enforce government-guided or government-set prices for the following commodities and services:

1. a small number of commodities vital for the economic development and people's life;

2. a small number of commodities that involve the use of rare resources;

3. commodities under natural monopoly management;

4. essential public utilities; and

5. essential public welfare services.

REGULATIONS RELATING TO PRODUCT QUALITY AND CONSUMER PROTECTION

The Product Quality Law applies to all production and sale activities in China. Pursuant to this law, products offered for sale must satisfy relevant quality and safety standards. Enterprises may not produce or sell counterfeit products in any fashion, including forging brand labels or giving false information regarding a product's manufacturer. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes physical injury to a person or damage to another person's property, the victim may claim compensation from the manufacturer or from the seller of the product. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer. Similarly, if the manufacturer pays compensation and it is the seller that should bear the liability, the manufacturer has a right of recourse against the seller.

The Consumer Protection Law sets out the obligations of business operators and the rights and interests of the consumers in China. Pursuant to this law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacement of commodities, repairing, ceasing damages, compensation, and restoring reputation, and even subject the business operators or the responsible individuals to criminal penalties when personal damages are involved or if the circumstances are severe. The Consumer Protection Law was further amended in October 2013 and became effective in March 2014. The amended Consumer Protection Law further strengthen the protection of consumers and impose more stringent requirements and obligations on business operators, especially on the business operators through the internet. For example, the consumers are entitled to return the goods (except for certain specific goods) within seven days upon receipt without any reasons when they purchase the goods from business operators on the internet. The consumers whose interests have been damaged due to their purchase of goods or acceptance of services on online marketplace platforms may claim damages from sellers or service providers. Where the providers of the online marketplace platforms are unable to provide the real names, addresses and valid contact details of the sellers or service providers, the consumers may also claim damages from the providers of the online marketplace platforms. Providers of online marketplace platforms that know or should have known that sellers or service providers use their platforms to infringe upon the legitimate rights and interests of consumers but fail to take necessary measures must bear joint and several liabilities with the sellers or service providers. Moreover, if business operators deceive consumers or knowingly sell substandard or defective products, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services.

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATION SERVICES

Licenses for Value-Added Telecommunication Services

The Telecommunication Regulations of the People's Republic of China (中華人民共和國電信條例) (the "**Telecommunication Regulations**") promulgated by the State Council on September 25 2000 and last amended on 6 February 2016, provide a regulatory framework for telecommunications services providers in mainland China. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalog of Telecommunications Business (電信業務分類目錄) attached to the Telecommunications Regulations and last amended by the Ministry of Industry and Information Technology("**MIIT**") on 28 December 2015, information services provided via public networks and Internet fall within value-added telecommunications services.

The Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) (the "**Internet Measures**"), which was promulgated by the State Council on 25 September 2000 and amended on 8 January 2011, set out guidelines on provision of internet information services. The Internet Measures classified internet information services into commercial internet information services and non-commercial internet information services, and a commercial operator of internet content provision services must obtain a ICP License for the provision of internet information services from the appropriate telecommunications authorities. The Administrative Measures for Telecommunications Businesses Operating Licensing (電信業務經營許可管理辦法), which was promulgated by MIIT on 3 July 2017 and became effective on 1 September 2017, provides that a commercial operator of value-added telecommunications services must first obtain an ICP License, from MIIT or its provincial level counterparts. In addition, in the first quarter of every year while the operator is holding the license, it must report information such as business performance and service quality to the issuing authorities.

REGULATIONS RELATING TO E-COMMERCE

China's e-commerce industry is at an early stage of development and there are few PRC laws or regulations specifically regulating the e-commerce industry. In May 2010, the State Administration of Industry and Commerce adopted the Interim Measures for the Administration of Online Commodities Trading and Relevant Services (網絡商品交易及有關服務行為管理暫行辦法), which took effective in July 2010. Under these measures, enterprises or other operators which engage in online commodities trading and other services and have been registered with the State Administration of Industry and Commerce or its local branches must make the information stated in their business license available to the public or provide a link to their business license on their website. Online distributors must adopt measures to ensure safe online transactions, protect online shoppers' rights and prevent the sale of counterfeit goods. Information on products and transactions released by online distributors must be authentic, accurate, complete and sufficient.

In January 2014, the State Administration of Industry and Commerce promulgated the Administrative Measures for Online Trading (網絡交易管理辦法), which terminated the above interim measures and became effective in March 2014. The Administrative Measures for Online Trading further strengthen the protection of consumers and impose more stringent requirements and obligations on online business operators and third-party online marketplace operators. For example, online business operators are required to issue invoices to consumers for online products and services. Consumers are generally entitled to return products purchased from online business operators within seven days upon receipt, without giving any reason. Online business operators and third-party online marketplace operators are prohibited from collecting any information on consumers and business operators, or disclosing, selling or providing any such information to any third party, or sending commercial electronic messages to consumers, without their consent. Fictitious transactions, deletion of adverse comments and technical attacks on competitors' websites are prohibited as well. In addition, third-party online marketplace operators are required to examine and verify the identifications of the online business operators and set up and keep relevant records for at least two years. Moreover, any third-party online marketplace operator that simultaneously engages in online trading for products and services should clearly distinguish itself from other online business operators on the marketplace platform. We are subject to these measures as a result of our online direct sales and online marketplace.

REGULATIONS RELATING TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

Mobile internet application is governed by the Provisions on the Administration of Mobile Internet Applications Information Services (移動互聯網應用程序信息服務管理規定) (the "**Provisions on Administration of Application**") promulgated by the Cyberspace Administration of China on 28 June 2016 and became effective on 1 August 2016.

Pursuant to the Provisions on Administration of Application, application information service providers shall obtain the relevant qualifications prescribed by laws and regulations, strictly implement their information security management responsibilities, and carry out the duties including to establish and complete user information security protection mechanism, to establish and complete information content inspection and management mechanisms, to protect users' right to know and right to choose in the process of usage, and to record users' daily information and preserve it for 60 days. Application store services providers shall, within 30 days of the business going online and starting operations, conduct filing procedures with the local cyber security and informatization department. Furthermore, internet application store service providers and internet application information service providers shall sign service agreements to determinate both sides' rights and obligations.

ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental protection for real estate developments in China include the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law of the PRC (中華人民共和國環境噪音污染防治法), the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, or an environmental impact statement must be submitted by a developer and approved by the relevant environmental regulatory authority, before the relevant authority will grant an approval for the commencement of construction of the real estate development. In addition, upon completion of the construction project, the developers shall, upon completion of a construction project for which an environmental impact report or an environmental impact statement has been prepared, carry out acceptance check of the supporting environmental facilities being constructed and prepare an acceptance report according to the standards and procedures required by the environmental protection administrative authorities of the State Council, and such supporting environmental protection facilities shall be put into operation simultaneously or used together with the main body of the project.

REGULATIONS ON LABOUR PROTECTION

Enterprises in China are mainly subject to the following PRC labour laws and regulations: Labour Law of the PRC (中華人民共和國勞動法), PRC Employment Contracts Law (the "**Employment Contracts Law**") (中華人民共和勞動合同法), the Regulation of Insurance for Work-Related Injury (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Provisional Measures on Insurance for Maternity of Employees (企業職工生育保險試行辦法), the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), the Administrative Regulation on Housing Fund (住房公積金管理條例) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

Pursuant to Labour Law of the PRC companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is the PRC Employment Contracts Law, which was promulgated by the Standing Committee of the NPC on 29 June 2007 and came into effect on 1 January 2008, and was amended on 28 December 2012. Pursuant to the Employment Contracts Law, employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

As required under the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Provisions on Registration of Social Insurance and the Administrative Regulation on Housing Fund, enterprises in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing accumulation fund.

NDRC RULES REGARDING OVERSEAS FINANCING

According to the NDRC Circular, which was issued by the NDRC on 14 September 2015 and came into effect on the same day, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of not less than one year, such enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure an enterprise foreign debt pre-issuance registration certificate (the "**NDRC Pre-Issuance Registration Certificate**") from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC is expected to issue a decision on the submission within seven working days after it accepts the submission.

According to the NDRC Notice, an enterprise shall report the information relating to the issuance of the bonds to the NDRC within 10 working days in the PRC from the completion of the bond issuance (the "**NDRC Post-issuance Reporting**"). The NDRC Circular provides that, in the case where the reported information relating to the issuance of foreign debts significantly varies from the information indicated in the filing and registration application filed with the NDRC, the enterprise shall provide an explanation regarding such variance in the NDRC Post-issuance Reporting. In addition, if an enterprise maliciously and falsely reports the size of its issuance of foreign debts, the NDRC shall list the enterprise as an enterprise with poor credit in the national credit information platform.

FOREIGN EXCHANGE ADMINISTRATION

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The principal law governing foreign exchange in the PRC is the PRC Administrative Regulations on Foreign Exchange (中華人民共和國外匯管理條例, the "**Foreign Exchange Regulations**"). The Foreign Exchange Regulations was enacted by the State Council on 29 January 1996 and implemented on 1 April 1996. On 14 January 1997 and 5 August 2008, the State Council amended the Foreign Exchange Regulations. According to the Foreign Exchange Regulations, Renminbi is freely convertible for "current account transactions", which refers to any transaction account for international receipts and payments involving goods, services, earnings and frequent transfers. For "capital account transactions" which refers to any transaction account for international receipts and payments that result in any change in external assets and liabilities, including, inter alia, capital transfers, direct investments, securities investments, derivatives and loans, prior approval of and registration with the SAFE or its local branches is generally required.

Pursuant to the Administrative Regulation of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定), which was promulgated by the PBOC on 20 June 1996 and came into effect on 1 July 1996, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorised to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account transactions, obtaining approval from the SAFE or its local branches.

On 9 June 2016, the SAFE promulgated the Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (關於改革和規範資本項目結匯管理政策的通知, the "**SAFE Circular 16**") which took effect on the same day. According to the SAFE Circular 16, enterprises registered in PRC could settle the external debts in foreign currencies to Renminbi at their own discretion. The SAFE Circular 16 sets a uniform standard for discretionary settlement of foreign currencies under capital accounts (including but not limited to foreign currency capital, external debts and repatriated funds raised through overseas listing), which is applicable to all enterprises registered in PRC. It reiterated that the Renminbi funds obtained from the settlement of foreign currencies shall not be used directly or indirectly for purposes beyond the company's scope of business, and shall not be used for domestic securities investment or investments and wealth management products other than principal-protected products issued by banks, unless otherwise expressly prescribed. Furthermore, such Renminbi funds shall not be used for disbursing loans to non-affiliated enterprises, unless the scope of business expressly provides so; and shall not be used to construct or purchase real estate not for self-use (except for real estate enterprises).

CROSS-BORDER SECURITY LAWS

On 12 May 2014, SAFE promulgated the "Notice concerning the Foreign Exchange Administration Rules on Cross-Border Security and the relating implementation guidelines" (國家外匯管理局關於發布《跨境擔保外匯管理規定》的通知) (collectively the "**New Regulations**"). The New Regulations, which come into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing or any other SAFE administrative requirements; (v) removing

SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the New Regulations. The New Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸) ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai (外保內貸) ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore guarantor or security provider is a non-bank financial institution or corporation, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 working days after its execution (or 15 working days after the date of any change to the security). If the onshore guarantor or security provider is a bank, it is required to file the relevant information on a periodical basis to SAFE through the online SAFE Capital Account Transactions System. The funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. The onshore security provider which is a non-bank financial institution or corporation can pay to the offshore creditor direct (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by an onshore entity. In addition, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interests, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC Laws.

However, according to Circular of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Management and Improving Authenticity and Compliance Review (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) which came into effect on 26 January 2017, the proceeds from any such offshore bond issuance can directly or indirectly be transferred for onshore use by means of loans or equity investment.

Under the New Regulations:

- non-registration does not render the outbound guarantee/security ineffective or invalid under PRC law although SAFE may impose penalties on the guarantor or security provider if registration is not carried out within the stipulated time frame of 15 working days; and

- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the guarantor or security provider under the guarantee or security in question) as domestic banks may require evidence of SAFE registration in order to effect such remittance, although this does not affect the validity of such guarantee/security itself.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Bondholder or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisors concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(c) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**") and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

PRC

Income Tax

Pursuant to the PRC EIT Law effective on 1 January 2008 and amended on 24 February 2017 and the Individual Income Tax Law of the PRC, as amended on 30 June 2011 and effective on 1 September 2011 ("**IIT Law**"), and their implementation rules respectively, if the Issuer is treated as a PRC "resident enterprise", the interests paid by the Issuer in respect of the Bonds might be regarded as income derived from sources within the PRC under the EIT Law or the IIT Law (as the case may be),in such case an income tax will be imposed on the interests by way of withholding in respect of the Bonds, paid by the Issuer to non-resident Bondholders, including non-resident enterprises and non-resident individuals. The current rates of such income tax are 20% (for non-resident individuals) and 10% (for non-resident enterprises) of the gross amount of the interest, unless a lower rate is applicable. For example, the tax so charged on interests paid on the Bonds to non-resident Bondholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement between the PRC and Hong Kong for Purpose of the Avoidance of Double Taxation will be 7% of the gross amount of the interest pursuant to the arrangement between the PRC and Hong Kong and relevant interpretation of the arrangement formulated by SAT of the PRC.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax under the IIT Law and its implementation rules. If such gains are subject to PRC income tax, the 10% enterprise income tax rate and 20% individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds. In addition, as the Guarantor is a PRC resident enterprise, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Guarantor will be obliged to withhold PRC enterprise income tax at a rate of 10% on such payments to non-PRC resident enterprise holders of the Bonds and 20% for non-resident individual holders of the Bonds if such interest payments are deemed to be derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, which allows a lower rate of withholding tax, such lower rate may apply to qualified holders of the Bonds.

Value Added Tax

On 23 March 2016, MOF and SAT issued Circular 36, which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent unless otherwise provided for by MOF and SAT. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6%

Circular 36 further clarified that "loan services" refer to the activities of lending capital for another's use and receiving the interest income thereon. Based on such an interpretation, the issuance of Bonds may be treated as the Bondholders providing loans to the Issuer or the Guarantor, which thus shall be regarded as the provision of financial services. Accordingly, if the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Bonds are providing loans within the PRC, or if the interest component of the amount payable by the Guarantor to the holders of the Bonds under the Guarantee is viewed as interest income arising within the territory of the PRC, the holders of the Bonds shall be subject to the value-added tax at the rate of 6% when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12% of the value-added tax payment and consequently, the combined rate of value-added tax and local levies would be around 6.72%. Given that the Issuer or the Guarantor pays interest income to the holders of the Bonds who are located outside of the PRC, the Issuer or the Guarantor, acting as the obligatory withholder in accordance with applicable law, shall withhold the value-added tax and local levies from the payment of interest income to holders of the Bonds who are located outside of the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the value-added tax or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

The Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in "*Terms and Conditions of the Bonds*".

Stamp Duty

No PRC stamp duty will be imposed on non-resident holders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC. The Issuer intends to maintain the register of holders of the Bonds outside the PRC.

Cayman Islands

Under the existing laws of the Cayman Islands, payments of interest, principal or premium on the Bonds will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Bonds, as the case may be, nor will gains derived from the disposal of the Bonds be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Bonds. The holder of any Bonds (or a legal personal representative of such holder) whose Bonds are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Bonds. Certificates evidencing registered Bonds, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a registered Bond, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by the company if any such documents are executed in or brought into the Cayman Islands or produced before the courts of the Cayman Islands.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Commission's Proposal remains subject to negotiation between participating Member States and the legality and scope of the tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating member states may decide to withdraw.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Guarantor's Audited Financial Statements included in this Offering Circular were prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain differences between PRC GAAP and IFRS. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Guarantor. The Guarantor is responsible for preparing the summary below. The summary is not meant to be exhaustive, there is no assurance regarding the completeness of the summary and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Guarantor, other potentially significant accounting and disclosure differences may have required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

In making an investment decision, investors must rely upon their own examination of the Guarantor, the Group, the terms of the offering and the financial information included herein. Potential investors should consult their own professional advisors for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information included herein.

Transfer from inventories to investment property carried at fair value

In accordance with to "*PRC Accounting Standards No. 3 — Investment Property*", for a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount, shall be recognised in profit or loss, if and only if the fair value at that date is less than its previous carrying amount. Otherwise, such difference shall be recognized in other comprehensive income to be subsequently recycled to profit or loss, while in accordance with IAS 40 "*Investment Property*", any difference between the fair value of the property at the transfer date and its previous carrying amount shall be recognised in profit or loss.

Reversal of Impairment Losses on Assets

In accordance with to "*PRC Accounting Standards No. 8 — Impairment of Assets*", an asset impairment loss that has been recognised shall not be reversed in subsequent accounting periods, while in accordance with IAS 36 "Impairment of Assets", an entity shall assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognised in prior periods for an asset other than goodwill can be reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount of that asset since the last impairment loss was recognised.

As at 31 December 2015, 2016 and 2017, the Group had no such reversal of impairment losses on assets. Therefore, the above technical difference had no substantial impact on the audited or reviewed financial statements included elsewhere in this Offering Circular.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with China CITIC Bank International Limited, CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, China Everbright Bank Co., Ltd., Hong Kong Branch, China Minsheng Banking Corp., Ltd., Hong Kong Branch, CMBC Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (together, the "**Joint Lead Managers**") dated 5 September 2018 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, the Guarantor has agreed to guarantee and the Joint Lead Managers have severally and not jointly agreed with the Issuer and the Guarantor to subscribe and pay for, or to procure subscribers to subscribe and pay for, the principal amount of the Bonds as set forth opposite their names in the following table.

Joint Lead Managers	**Principal amount of the Bonds (U.S.$)**
China CITIC Bank International Limited	33,334,000
CLSA Limited	33,333,000
The Hongkong and Shanghai Banking Corporation Limited	33,334,000
UBS AG Hong Kong Branch	33,334,000
China Everbright Bank Co., Ltd., Hong Kong Branch	33,333,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	33,333,000
CMBC Securities Company Limited	33,333,000
Guotai Junan Securities (Hong Kong) Limited	33,333,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	33,333,000
Total	300,000,000

The Joint Lead Managers are offering the Bonds in accordance with the terms of the Subscription Agreement and subject to certain conditions contained in the Subscription Agreement, including, *inter alia*, the receipt by the Joint Lead Managers of documentation related to the issuance and sale of the Bonds and legal opinions. The Subscription Agreement may be terminated by the Joint Lead Managers in certain circumstances at any time prior to payment of the net subscription monies of the Bonds to the Issuer. The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds.

The Issuer (failing whom the Guarantor) has agreed to pay, through the Joint Lead Managers, a commission to certain private banks based on the principal amount of the Bonds purchased by the clients of such private banks.

The Issuer (failing whom the Guarantor) will pay the Joint Lead Managers' customary fees and commissions in connection with the offering and will reimburse the Joint Lead Managers for certain fees and expenses incurred in connection with the offering.

The Joint Lead Managers propose initially to offer the Bonds at the Issue Price set forth on the cover page of this Offering Circular and for resale in transactions not requiring registration under the Securities Act pursuant to Regulations S.

If a jurisdiction requires that the issue of the Bonds be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the issue of the Bonds shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

New Issue of the Bonds

The Bonds are a new issuance of securities with no established trading market. Application will be made to the Hong Kong Stock Exchange for permission to deal in, and for listing of, the Bonds by way of debt issues to Professional Investors only. However, no assurance can be given as to the liquidity of any trading market for the Bonds. A liquid or active public trading market for the Bonds may not develop. If an active trading market for the Bonds does not develop, the market price and liquidity of the Bonds may be adversely affected. If the Bonds are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the performance of the Issuer and the Guarantor and other factors.

Price Stabilisation and Short Positions

In connection with the issue of the Bonds, the Stabilising Manager(s) or any person acting on behalf of the Stabilising Manager(s) may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager(s) or any person acting on behalf of the Stabilising Manager(s) shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilising Manager(s) or any person acting on behalf of the Stabilising Manager(s) will undertake stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Joint Lead Managers.

Neither the Issuer, the Guarantor nor the Joint Lead Managers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Bonds. In addition, neither the Issuer, the Guarantor nor the Joint Lead Managers make any representation that any Joint Lead Manager or its agent will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Other Relationships

Each of the Joint Lead Managers or its affiliates may place orders, receive allocations and purchase the Bonds for its or its own account and enter into transactions, including, without limitation, credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Bonds or the securities of the Issuer, the Guarantor and their respective subsidiaries or associates and the other members of the Group at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchaser of the Bonds). Each Joint Lead Manager and/or its affiliate(s) may purchase Bonds and be allocated Bonds for asset management and/or proprietary purposes, acting as investor for their own accounts and not with a view to distribution, and may in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or the Guarantor or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see "*Risk Factors — Risks Relating to the Bonds and the Guarantee — The liquidity and price of the Bonds following this offering may be volatile*."). The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds and could adversely affect the trading prices of the Bonds. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associates or other members of the Group from time to time. They have received, and may in the future receive, customary fees and commissions for these transactions. In addition to the transactions noted above, the Joint Lead Managers and their affiliates may, from time to time, engage in other transactions with, and perform services for, the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associates or other members of the Group in the ordinary course of their business. In addition, the Joint Lead Managers and certain of their respective subsidiaries and affiliates may hold shares or other securities in the Issuer or the Guarantor as beneficial owners, on behalf of clients or in the capacity of investment advisors.

Selling Restrictions to the Offering

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer, the Guarantor or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Guarantor or the Joint Lead Managers.

United States

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented that it has not offered or sold, and agreed that it will not offer or sell, any Bond and the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bond and the Guarantee. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented and agreed that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act ("**Regulation D**")), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Bonds and the Guarantee in the United States.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (A) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under the SFO; or (B) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Joint Lead Manager has represented, warranted and agreed that no Bonds will be offered or sold and may not be offered or sold in the PRC (for such purposes, not including the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan) directly or indirectly, except in compliance with applicable laws and regulations of the PRC. The Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC to any person to whom it is unlawful or make the offer or solicitation in the PRC.

Singapore

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Bonds as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Each Joint Lead Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the MAS. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds may not be circulated or distributed, nor may any Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**") and, accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the Law of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Cayman Islands

No offer or invitation may be made to the public in the Cayman Islands to subscribe for the Bonds. The Bonds have not been and will not be offered or sold in the Cayman Islands.

GENERAL INFORMATION

1. **Clearing System:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 184342294 and the ISIN for the Bonds is XS1843422947. The Legal Entity Identifier of the Issuer is 300300782IR1H6LDD623.

2. **Authorisations:** Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of their respective obligations under the Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the sole director of the Issuer dated 30 July 2018. The giving of the Guarantee was authorised by a resolution of the shareholders of the Guarantor dated 12 June 2018.

3. **Registrations and Filings:** The Guarantor will undertake to file or cause to be filed with the NDRC and SAFE after the Issue Date, within the time period prescribed by the NDRC and SAFE respectively, in each case pursuant to relevant laws and regulations, the requisite information and documents as required by the relevant regulatory authority.

4. **No Material and Adverse Change:** Save as disclosed in this Offering Circular, there has been no material adverse change, or any development or event likely to involve a prospective material adverse change, in the condition (financial or otherwise), prospects, properties, results of operations, business or general affairs of the Issuer, the Guarantor or the Group since 31 December 2017.

5. **Litigation:** None of the Issuer, the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings which the Issuer or the Guarantor believes is material in the context of the Bonds or the giving of the Guarantee nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.

6. **Available Documents:** So long as any of the Bonds is outstanding, copies of the Guarantor's Audited Financial Statements, the Issuer's and the Guarantor's articles of association, the Trust Deed, the Deed of Guarantee and the Agency Agreement will be available for inspection from the Issue Date upon prior written request and satisfactory proof of holding during normal business hours (being between 9:00 a.m. to 3:00 p.m.) at the specified office of the Principal Paying Agent, which at the date of this Offering Circular is at One Canada Square, London E14 5AL.

7. **Financial Statements**: The audited consolidated financial information of the Guarantor as at and for the year ended 31 December 2015 included in this Offering Circular has been extracted from the Guarantor's consolidated financial statements as at and for the year ended 31 December 2016 and the audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2016 and 2017 included in this Offering Circular has been extracted from the Guarantor's consolidated financial statements for the year ended 31 December 2017. The Guarantor's Audited Financial Statements have been audited by Talent Certified Public Accountants (Special General Partnership).

   This Offering Circular also includes certain selected consolidated financial information in relation to Suning.com as at and for the three months ended 31 March 2017 and 2018 and the six months ended 30 June 2017 and 2018. In particular, selected consolidated financial information in relation to Suning.com as at and for the six months ended 30 June 2017 and 2018 is derived from the published 2018 half-year report of Suning.com dated 30 August 2018, which for the avoidance of doubt, does not form part of this Offering Circular. Such interim consolidated financial information has not been audited or reviewed by an independent auditor, and may be adjusted pursuant to a subsequent review or audit. Consequently, such interim consolidated financial information should not be relied upon by investors as providing the same quality of information associated with information that has been subject to an audit or review.

None of the Joint Lead Managers, the Trustee or the Agents makes any representation or warranty, express or implied, regarding the sufficiency of such financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate Suning.com's or the Group's financial condition, results of operations and results. Such financial information should not be taken as an indication of the expected financial condition, results of operations and results of Suning.com or the Group for the full financial year.

8. **Issuer's Financial Statements:** Under the Cayman Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any of its financial statements. The Issuer is, however, required to keep proper books of account as are sufficient to show and to explain its transactions and which will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

9. **Listing of Bonds:** Application will be made to the HKSE for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 12 September 2018.

INDEX TO FINANCIAL STATEMENTS

AUDITOR'S REPORT

Report No.Talent (zhuan) （2018）00587

Suning Appliance Group Co., Ltd:

I.Opinion

We have audited the financial statements of Suning Appliance Group Co., Ltd, which comprise the consolidated and company's balance sheets as at December 31, 2017, the consolidated and company's income statements, the consolidated and company's cash flow statements and the consolidated and company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Suning Appliance Group Co., Ltd, as at December 31, 2017, and the consolidated and company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises("ASBEs").

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Suning Appliance Group Co., Ltd. in accordance with China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Suning Appliance Group Co., Ltd.'s Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Suning Appliance Group Co., Ltd.'s ability to continue as a going concern, disclosing, as applicable , matters related to going concern and using the going concern assumption unless management either intends to liquidate Suning Appliance Group Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

IV. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing(“CSAs”) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control .

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) Conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Suning Appliance Group Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists,we are required by CSAs to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Suning

Appliance Group Co., Ltd. to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Suning Appliance Group Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Talent Certified Public Accountants
（Special General partnership）

Chinese Certified Public Accountant:

Nanjing, China

Chinese Certified Public Accountant:

20 Apr. 2018

Consolidated Balance Sheet

At 31 December 2017

Prepared by Suning Appliance Group Co.,Ltd — Unit: RMB

Assets	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	V.1	39,212,626,103.94	33,021,530,548.17
Balances with clearing agencies			
Placements with banks and other financial institutions			
Financial assets at fair value through profit or loss	V.2	2,930,110,908.69	2,228,632,791.09
Derivative financial assets			
Notes receivable	V.3	22,169,395.95	40,081,411.81
Accounts receivable	V.4	3,437,701,808.45	2,030,707,948.71
Prepayments	V.5	9,136,625,261.90	10,734,617,414.10
Premiums receivable			
Amounts receivable under reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Interest receivable	V.6	1,784,944,752.50	1,824,640,777.29
Dividends receivable		-	5,818,700.00
Other receivables	V.7	35,495,892,960.77	24,314,081,051.10
Financial assets purchased under resale agreements			
Inventories	V.8	37,780,597,334.26	45,468,540,399.04
Assets held for sale			
Non-current assets due within one year			
Other current assets	V.9	19,981,857,682.77	21,226,783,467.70
Total Current Assets		149,782,526,209.23	140,895,434,509.01
Non-current Assets:			
Loans and advances to customers	V.10	10,428,113,086.05	4,221,125,786.64
Available-for-sale financial assets	V.11	53,414,206,985.61	26,386,206,846.14
Held-to-maturity investments			
Long-term receivables		718,173,412.96	707,763,710.53
Long-term equity investments	V.12	3,125,107,719.54	1,805,643,372.41
Investment properties	V.13	27,179,645,114.78	24,240,730,421.55
Fixed assets	V.14	20,813,425,936.89	14,879,838,573.01
Construction in progress	V.15	471,917,631.91	1,569,270,532.41
Materials for construction of fixed assets		9,389,564.39	4,692,743.68
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets	V.16	7,475,649,833.80	5,125,513,744.51
Development expenditure		1,406,602.17	2,967,464.76
Goodwill	V.17	2,401,796,475.60	433,815,464.38
Long-term prepaid expenses	V.18	1,195,979,801.08	1,173,162,487.00
Deferred tax assets	V.19	4,830,450,406.69	4,545,064,502.91
Other non-current assets	V.20	2,039,917,819.45	1,992,270,929.65
Total Non-current Assets		134,105,180,390.92	87,088,066,579.58
Total Assets		283,887,706,600.15	227,983,501,088.59

Legal Representative:Yang Bu — Person in Charge of the Accounting Body:Qing Wang — Chief Accountant:Xiaobing Liu

Consolidated Balance Sheet(Continued)

At 31 December 2017

Prepared by Suning Appliance Group Co.,Ltd | Unit: RMB

Liabilities and Owners' Equity	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	V.21	17,402,750,074.44	12,877,517,090.31
Loans from the central bank			
Customer deposits and deposits from banks and other financial institutions			
Taking from banks and other financial institutions			
Financial liabilities at fair value through profit or loss	V.22	50,889,000.00	38,650,000.00
Derivative financial liabilities			
Notes payable	V.23	27,737,930,809.40	26,303,973,169.25
Accounts payable	V.24	17,463,355,657.36	17,717,649,181.27
Receipts in advance	V.25	5,935,157,153.55	5,820,684,250.32
Financial assets sold under repurchase agreements			
Fees and commissions payable			
Employee benefits payable	V.26	922,701,465.15	454,453,411.58
Taxes payable	V.27	4,708,844,889.72	2,993,975,057.33
Interest payable	V.28	263,752,796.47	305,055,145.50
Dividends payable		3,104,008.99	3,104,008.99
Other payables	V.29	20,082,995,641.66	10,333,219,123.12
Amounts payable under reinsurance contracts			
Insurance contract reserves			
Funds from securities trading agency			
Funds from underwriting securities agency			
Liabilities held for sale			
Non-current liabilities due within one year	V.30	33,026,439,784.04	28,742,283,809.15
Other current liabilities	V.31	1,194,398,548.83	1,174,059,275.55
Total Current Liabilities		128,792,319,829.61	106,764,623,522.37
Non-current Liabilities:			
Long-term borrowings	V.32	24,351,461,177.39	15,910,326,674.85
Bonds payable	V.33	26,208,082,243.59	26,046,868,984.50
Including: Preferred shares			
Perpetual bonds			
Long-term payables		1,744,083,953.29	2,780,607,365.07
Long-term employee benefits payable	V.35	44,013,929.35	25,124,577.34
Special payables			
Provisions		67,868,218.89	56,367,584.26
Deferred income	V.36	2,114,471,238.87	1,961,647,755.19
Deferred income tax liabilities		4,586,832,675.82	3,360,530,477.54
Other non-current liabilities	V.37	6,223,295,805.98	1,815,005,092.59
Total non-current liabilities		65,340,109,243.18	51,956,478,511.34
Total liabilities		194,132,429,072.79	158,721,102,033.71
Owners' Equity			
Paid-in capital	V.38	239,000,000.00	239,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	V.39	2,972,426,795.47	2,582,772,579.16
Less: Treasury shares			
Other comprehensive income		1,940,548,572.26	44,281,632.34
Special reserve		-	
Surplus reserve	V.40	110,389,614.39	100,000,000.00
General risk reserve		259,480,165.01	131,476,605.60
Retained profits	V.41	3,905,763,451.02	2,245,116,385.03
Total owners' equity attributable to equity holders of the Company		9,427,608,598.15	5,342,647,202.13
Minority interests		80,327,668,929.21	63,919,751,852.75
Total Owners' Equity		89,755,277,527.36	69,262,399,054.88
Total Liabilities and Owners' Equity		283,887,706,600.15	227,983,501,088.59

Legal Representative:Yang Bu   Person in Charge of the Accounting Body:Qing Wang   Chief Accountant:Xiaobing Liu

Consolidated Income Statement

For the year ended 31 December 2017

Prepared by Suning Appliance Group Co.,Ltd — Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total operating income		200,745,938,551.55	157,696,988,153.76
Including: Operating income	V.42	200,745,938,551.55	157,696,988,153.76
Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		204,873,888,901.12	161,195,166,472.02
Including: Operating costs	V.42	170,486,058,260.16	133,523,148,975.36
Interest expenses			
Fee and commission expenses			
Surrenders			
Claims and policyholder benefits (net of mounts			
Changes in insurance contract reserves (net of reinsurers' share)			
Insurance policyholder dividends			
Expenses for reinsurance accepted			
Taxes and surcharges	V.43	1,910,852,536.16	1,368,412,573.55
Selling expenses		21,034,305,338.29	17,758,403,896.40
Administrative expenses		6,351,647,229.33	4,935,455,426.04
Financial expenses	V.44	4,383,314,640.41	3,268,306,452.23
Impairment losses of assets		707,710,896.77	341,439,148.44
Add: Gains from changes in fair values (Losses are indicated by " - ")		558,030,267.12	808,324,147.53
Investment income (Loss is indicated by " - ")	V.45	12,555,965,781.44	2,076,195,182.03
Including: Income from investments in associates and joint ventures		-167,141,368.16	-126,248,773.52
Loss (income) from disposal of assets		-10,013,019.04	503,036,548.80
Other income	V.46	582,200,154.79	
III. Operating profit (Loss is indicated by " - ")		9,558,232,834.74	-110,622,439.90
Add: Non-operating income	V.47	425,848,624.62	1,661,920,413.92
Less: Non-operating expenses	V.48	205,392,526.12	167,272,047.78
IV. Total profit (Total loss is indicated by " - ")		9,778,688,933.24	1,384,025,926.24
Less: Income tax expenses	V.49	1,744,402,058.16	671,541,416.72
V. Net profit (Net loss is indicated by " - ")		8,034,286,875.08	712,484,509.52
(I) Categorized by the nature of continuing operation			
Net income from continuing operations ("-" for net loss)		8,034,286,875.08	712,484,509.52
Net income from discontinued operations ("-" for net loss)			
(II) Categorized by ownership			
Attributable to non-controlling interests		6,235,246,635.29	676,665,134.60
Attributable to owners of Parent Company		1,799,040,239.79	31,730,188.11
Net profit achieved by the merged party before the merger			4,089,186.81
VI. Other comprehensive income, net of tax		9,508,946,104.51	1,116,300,751.38
Attributable to owners of Parent Company		1,896,266,939.92	-673,974,574.51
(I). Items that will not be reclassified to profit or loss			
1.Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes			
2. Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method			
(II). Items that may subsequently be reclassified to profit or loss		1,896,266,939.92	-673,974,574.51
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method			
2. Gains/Losses on changes in fair value of available-for-sale financial assets		2,337,966,969.94	248,895,833.06
3. Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Effective gains/losses on cash flow hedges			
5. Differences arising from translation of foreign currency-denominated financial statements		-326,451,399.71	94,211,369.22
6. The amount of fair value of investment real estate measured by the fair value model greater than the book value on the conversion date		-115,248,630.31	-1,017,081,776.79
Attributable to non-controlling interests		7,612,679,164.59	1,790,275,325.89
VII. Total comprehensive income		17,543,232,979.59	1,828,785,260.90
Attributable to owners of Parent Company		3,695,307,179.71	-638,155,199.59
Attributable to non-controlling interests		13,847,925,799.88	2,466,940,460.49
VIII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal Representative:Yang Bu — Person in Charge of the Accounting Body:Qing Wang — Chief Accountant:Xiaobing Liu

Consolidated Cash Flow Statement

For the year ended 31 December 2017

Prepared by Suning Appliance Group Co.,Ltd — Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		231,079,657,530.31	183,234,897,464.01
Net increase in customer deposits and deposits from banks and other financial institutions			
Net increase in loans from the central bank			
Net increase in taking from banks and other financial institutions			
Cash receipts from premiums under direct insurance contracts			
Net cash receipts from reinsurance business			
Net cash receipts from policyholders' deposits and investment contract liabilities			
Net cash receipts from disposal of financial assets held for trading			
Cash receipts from interest, fees and commissions			
Net increase in taking from banks			
Net increase in financial assets sold under repurchase arrangements			
Receipts of tax refunds		30,051,006.44	
Other cash receipts relating to operating activities		28,045,656,098.52	11,916,530,361.31
Sub-total of cash inflows from operating activities		259,155,364,635.27	195,151,427,825.32
Cash payments for goods purchased and services received		191,839,295,772.08	153,668,791,498.18
Net increase in loans and advances to customers		6,286,149,275.99	2,911,490,331.18
Net increase in balance with the central bank and due from banks and other financial institutions			
Cash payments for claims and policyholders' benefits under direct insurance contracts			
Cash payments for interest, fees and commissions			
Cash payments for insurance policyholder dividends			
Cash payments to and on behalf of employees		8,705,818,950.12	6,807,021,022.60
Payments of various types of taxes		5,868,431,628.96	4,970,824,251.31
Other cash payments relating to operating activities		51,036,449,427.24	21,836,702,917.41
Sub-total of cash outflows from operating activities		263,736,145,054.39	190,194,830,020.68
Net Cash Flow from Operating Activities		-4,580,780,419.12	4,956,597,804.64
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		238,497,784,519.39	177,490,014,803.28
Cash receipts from investment income		14,046,991,684.82	79,423,303.85
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		30,781,765.75	1,789,332,198.99
Net cash receipts from disposals of subsidiaries and other business units		2,188,519,288.82	1,793,919,758.68
Other cash receipts relating to investing activities			
Sub-total of cash inflows from investing activities		254,764,077,258.78	181,152,690,064.80
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		5,133,493,208.79	3,180,321,673.18
Cash payments to acquire investments		249,942,848,159.00	222,737,552,940.28
Net increase in pledged loans receivables			
Net cash payments for acquisitions of subsidiaries and other business units		4,025,332,413.48	72,116,914.86
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		259,101,673,781.27	225,989,991,528.32
Net Cash Flow from Investing Activities		-4,337,596,522.49	-44,837,301,463.52
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		2,036,258,000.00	35,416,387,222.94
Including: cash receipts from capital contributions from minority owners of subsidiaries		2,036,258,000.00	35,416,387,222.94
Cash receipts from borrowings		55,921,013,311.75	59,370,148,776.85
Cash receipts from issue of bonds		20,290,564,000.00	11,000,000,000.00
Other cash receipts relating to financing activities		1,110,000,000.00	3,100,000,000.00
Sub-total of cash inflows from financing activities		79,357,835,311.75	108,886,535,999.79
Cash repayments of borrowings		59,380,853,394.71	57,859,677,062.33
Cash payments for distribution of dividends or profits or settlement of interest expenses		4,267,447,109.15	8,352,403,634.83
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		584,851,575.40	367,806,832.85
Other cash payments relating to financing activities		1,358,636,155.63	228,501,008.00
Sub-total of cash outflows from financing activities		65,006,936,659.49	66,440,581,705.16
Net Cash Flow from Financing Activities		14,350,898,652.26	42,445,954,294.63
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		-268,372,250.98	101,844,384.78
V. Net Increase in Cash and Cash Equivalents		5,164,149,459.67	2,667,095,020.53
Add: Opening balance of Cash and Cash Equivalents		21,589,107,449.98	18,922,012,429.45
VI. Closing Balance of Cash and Cash Equivalents		26,753,256,909.65	21,589,107,449.98

Legal Representative:Yang Bu   Person in Charge of the Accounting Body:Qing Wang   Chief Accountant:Xiaobing Liu

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2017

Prepared by Suning Appliance Group Co.,Ltd

Unit: RMB

Item	Amount for the current period													
	Attributable to owners of the Company												Minority interests	Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained profits	Others		
		Preferred shares	Perpetual bonds	Other										
I. Closing balance of the preceding year	239,000,000.00				2,582,772,579.16		44,281,632.34		100,000,000.00	131,476,605.60	2,245,116,385.03		63,919,751,852.75	69,262,399,054.88
Add: Changes in accounting policies														
Corrections of prior period errors														
Adjustments for business combination under common control														
Others														
II. Opening balance of the current year	239,000,000.00				2,582,772,579.16		44,281,632.34		100,000,000.00	131,476,605.60	2,245,116,385.03		63,919,751,852.75	69,262,399,054.88
III. Changes for the year (Losses are indicated by " - ")					389,654,216.31		1,896,266,939.92		10,389,614.39	128,003,559.41	1,660,647,065.99		16,407,917,076.46	20,492,878,472.48
(I) Total comprehensive income							1,896,266,939.92				1,799,040,239.79		13,847,925,799.88	17,543,232,979.59
(II) Owners' contributions and reduction in capital					389,654,216.31								3,144,842,851.98	3,534,497,068.29
1. Capital contribution from owners													3,141,089,173.75	3,141,089,173.75
2. Capital increased by holders of other equity instruments														
3. Share-based payment recognised in owners' equity													2,780,335.32	2,780,335.32
4.Others					389,654,216.31								973,342.91	390,627,559.22
(III) Profit distribution									10,389,614.39	128,003,559.41	-138,393,173.80		-584,851,575.40	-584,851,575.40
1. Transfer to surplus reserve									10,389,614.39		-10,389,614.39			
2. Withdrawing general risk preparation.										128,003,559.41	-128,003,559.41			
3. Distributions to owners													-584,851,575.40	-584,851,575.40
4. Others														
(IV) Transfers within owners' equity														
1. Capitalisation of capital reserve														
2. Capitalisation of surplus reserve														
3. Loss offset by surplus reserve														
4. Others														
(V) Special reserve														
1. Transfer to special reserve in the period														
2. Amount utilised in the period														
(VI) Others														
IV. Closing balance of the current year	239,000,000.00				2,972,426,795.47		1,940,548,572.26		110,389,614.39	259,480,165.01	3,905,763,451.02		80,327,668,929.21	89,755,277,527.36

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Consolidated Statement of Changes in Owners' Equity (Continued)

For the year ended 31 December 2017

Prepared by Suning Appliance Group Co.,Ltd

Unit: RMB

項 目	Amount for the same period of last year													
	Attributable to owners of the Company												Minority interests	Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained profits	Others		
		Preferred shares	Perpetual bonds	Other										
I. Closing balance of the preceding year	239,000,000.00				2,932,365,251.35		718,256,206.85		100,000,000.00	27,863,850.34	1,911,745,885.98		35,671,770,622.31	41,601,001,816.83
Add: Changes in accounting policies														
Corrections of prior period errors														
Adjustments for business combination under common control														
Others														
II. Opening balance of the current year	239,000,000.00				2,932,365,251.35		718,256,206.85		100,000,000.00	27,863,850.34	1,911,745,885.98		35,671,770,622.31	41,601,001,816.83
III. Changes for the year (Losses are indicated by "—")					-349,592,672.19		-673,974,574.51			103,612,755.26	333,370,499.05		28,247,981,230.44	27,661,397,238.05
(I)Total comprehensive income							-673,974,574.51				31,730,188.11		2,466,940,460.49	1,824,696,074.09
(II) Owners' contributions and reduction in capital					-349,592,672.19						-57,178,721.68		26,148,847,602.80	25,742,076,208.93
1. Capital contribution from owners					-2,483,102,189.13								29,297,193,296.44	26,814,091,107.31
2.Capital increased by holders of other equity instruments														
3. Share-based payment recognised in owners' equity														
4.Others					2,133,509,516.94						-57,178,721.68		-3,148,345,693.64	-1,072,014,898.38
(III)Profit distribution										103,612,755.26	358,819,032.62		-367,806,832.85	94,624,955.03
1. Transfer to surplus reserve														
2. Withdrawing general risk preparation.										103,612,755.26	-103,612,755.26			
3.Distributions to owners													-367,806,832.85	-367,806,832.85
4.Others											462,431,787.88			462,431,787.88
(IV) Transfers within owners' equity														
1. Capitalisation of capital reserve														
2. Capitalisation of surplus reserve														
3. Loss offset by surplus reserve														
4. Others														
(V) Special reserve														
1. Transfer to special reserve in the period														
2. Amount utilised in the period														
(VI) Others														
IV. Closing balance of the current year	239,000,000.00				2,582,772,579.16		44,281,632.34		100,000,000.00	131,476,605.60	2,245,116,385.03		63,919,751,852.75	69,262,399,054.88

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Balance Sheet of the Company

At 31 December 2017

Prepared by Suning Appliance Group Co.,Ltd — Unit: RMB

Assets	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances		3,941,448,409.37	3,228,159,440.07
Financial assets at fair value through profit or loss			
Notes receivable			
Accounts receivable	XII.1	1,349,316.86	2,439,332.64
Prepayments		8,167,280.13	595,821.41
Interest receivable		1,771,578,747.74	3,761,929,121.44
Dividends receivable			
Other receivables	XII.2	34,593,637,464.10	28,815,387,357.53
Inventories		802,122.44	857,511.02
Assets held for sale			
Non-current assets due within one year			
Other current assets		9,832,822,603.20	299,427,450.63
Total Current Assets		50,149,805,943.84	36,108,796,034.74
Non-current Assets:			
Loans and advances to customers			
Available-for-sale financial assets		1,758,629,540.74	789,797,804.39
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XII.3	14,376,016,799.92	14,086,727,744.08
Investment properties		3,703,020,800.00	4,011,183,600.00
Fixed assets		1,697,915,129.11	973,785,966.36
Construction in progress			
Materials for construction of fixed assets			
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets		57,098,888.67	59,037,585.11
Development expenditure			
Goodwill			
Long-term prepaid expenses		1,210,480.10	1,632,450.95
Deferred tax assets		17,261,524.17	21,446,254.16
Other non-current assets		1,836,297,719.34	1,045,766,828.28
Total Non-current Assets		23,447,450,882.05	20,989,378,233.33
Total Assets		73,597,256,825.89	57,098,174,268.07

Legal Representative:Yang Bu   Person in Charge of the Accounting Body:Qing Wang   Chief Accountant:Xiaobing Liu

Balance Sheet of the Company(Continued)

At 31 December 2017

Prepared by Suning Appliance Group Co.,Ltd — Unit: RMB

Liabilities and Owners' Equity	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings		8,500,000,000.00	6,688,000,000.00
Financial liabilities at fair value through profit or loss			
Notes payable			
Accounts payable		5,459,498.14	6,460,032.75
Receipts in advance		1,035,877.55	270,754.06
Employee benefits payable		3,389,728.75	3,007,924.82
Taxes payable		204,276,183.57	187,296,018.83
Interest payable		61,415,726.86	124,642,511.88
Dividends payable			
Other payables		4,489,763,379.35	1,986,495,146.24
Liabilities held for sale			
Non-current liabilities due within one year		19,543,509,548.64	12,509,342,000.00
Other current liabilities		852,181.12	
Total Current Liabilities		32,809,702,123.98	21,505,514,388.58
Non-current Liabilities:			
Long-term borrowings		14,720,690,000.00	7,478,000,000.00
Bonds payable		19,377,803,258.66	21,550,834,444.42
Including: Preferred shares			
Perpetual bonds			
Long-term payables			
Special payables			
Provisions			
Deferred income			
Long-term employee benefits payable			
Deferred income tax liabilities		284,914,383.62	272,883,017.00
Other non-current liabilities			
Total non-current liabilities		34,383,407,642.28	29,301,717,461.42
Total liabilities		67,193,109,766.26	50,807,231,850.00
Owners' Equity			
Paid-in capital		239,000,000.00	239,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		1,818,018,783.89	1,818,018,783.89
Less: Treasury shares			
Other comprehensive income		160,300,822.23	150,992,324.60
Surplus reserve		110,389,614.39	100,000,000.00
Special reserve			
General risk reserve			
Retained profits		4,076,437,839.12	3,982,931,309.58
Total Owners' Equity		6,404,147,059.63	6,290,942,418.07
Total Liabilities and Owners' Equity		73,597,256,825.89	57,098,174,268.07

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Income Statement of the Company

For the year ended 31 December 2017

Prepared by Suning Appliance Group Co.,Ltd Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Operating income	XII.4	3,608,822,619.34	3,763,277,697.64
Less: Operating costs	XII.4	1,925,453,697.01	2,287,945,355.81
Taxes and surcharges		42,423,527.43	39,379,625.84
Selling expenses		21,327,492.64	20,326,394.86
Administrative expenses		95,082,477.31	74,065,861.55
Financial expenses		1,611,174,980.62	1,420,851,317.55
Impairment losses of assets		738,708.59	
Add: Gains from changes in fair values (Losses are indicated by “ - ”)		35,714,136.34	143,985,444.21
Investment income (Loss is indicated by “ - ”)	XII.5	171,447,257.10	145,491,084.72
Loss (income) from disposal of assets			
Other income		32,828.82	
II. Operating profit (Loss is indicated by “ - ”)		119,815,958.00	210,185,670.96
Add: Non-operating income		40,933.19	3,712,297.77
Less: Non-operating expenses		2,847,483.19	4,268,217.20
III. Total profit (Total loss is indicated by “ - ”)		117,009,408.00	209,629,751.53
Less: Income tax expenses		13,113,264.07	41,077,893.00
IV. Net profit (Net loss is indicated by “ - ”)		103,896,143.93	168,551,858.53
Net income from continuing operations (“-” for net loss)			
Net income from discontinued operations (“-” for net loss)			
V. Other comprehensive income, net of tax		9,308,497.63	65,700,864.01
(I). Items that will not be reclassified to profit or loss			
1. Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes			
2. Share of other comprehensive income of investees that will not be reclassified to profit or loss under			
(II). Items that may subsequently be reclassified to profit or loss		9,308,497.63	65,700,864.01
1. Share of other comprehensive income - available-for-sale financial assets that will be reclassified to profit or loss under equity method			
2. Share of other comprehensive income-translation of foreign currency-denominated financial statements under			
3.Gains/Losses on changes in fair value of available-for-sale financial assets		-16,627,799.71	5,486,632.49
4. Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
5. Effective portion of cash flow hedging gains and losses			
6. Differences arising from translation of foreign currency-denominated financial statements			
7.The amount of fair value of investment real estate measured by the fair value model greater than the book value on the conversion date		25,936,297.34	60,214,231.52
VI. Total comprehensive income		113,204,641.56	234,252,722.54
VIII. Earnings per share :			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Cash Flow Statement of the Company

For the year ended 31 December 2017

Prepared by Suning Appliance Group Co.,Ltd — Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		180,830,821.26	270,768,411.45
Cash receipts from interest, fees and commissions			
Receipts of tax refunds			
Other cash receipts relating to operating activities		41,418,282,085.38	24,467,086,564.29
Sub-total of cash inflows from operating activities		41,599,112,906.64	24,737,854,975.74
Cash payments for goods purchased and services received		23,629,847.18	52,719,674.44
Net increase in loans and advances to customers			
Cash payments to and on behalf of employees		33,025,871.51	26,108,631.85
Payments of various types of taxes		234,686,510.54	167,372,185.47
Other cash payments relating to operating activities		38,753,223,903.26	20,221,320,805.42
Sub-total of cash outflows from operating activities		39,044,566,132.49	20,467,521,297.18
Net Cash Flow from Operating Activities		2,554,546,774.15	4,270,333,678.56
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		13,400,122,234.62	35,316,323,450.74
Cash receipts from investment income		170,415,878.21	105,345,584.83
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets			
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities			
Sub-total of cash inflows from investing activities		13,570,538,112.83	35,421,669,035.57
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,164,350,608.57	813,876,177.93
Cash payments to acquire investments		24,511,539,439.88	40,087,366,618.24
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		25,675,890,048.45	40,901,242,796.17
Net Cash Flow from Investing Activities		-12,105,351,935.62	-5,479,573,760.60
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions			
Cash receipts from borrowings		33,813,631,820.00	25,783,297,204.70
Cash receipts from issue of bonds		8,570,000,000.00	14,458,784,777.75
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		42,383,631,820.00	40,242,081,982.45
Cash repayments of borrowings		28,724,774,271.36	34,950,860,005.02
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,254,553,417.87	3,556,653,711.07
Other cash payments relating to financing activities			
Sub-total of cash outflows from financing activities		31,979,327,689.23	38,507,513,716.09
Net Cash Flow from Financing Activities		10,404,304,130.77	1,734,568,266.36
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
V. Net Increase in Cash and Cash Equivalents		853,498,969.30	525,328,184.32
Add: Opening balance of Cash and Cash Equivalents		1,103,759,440.07	578,431,255.75
VI. Closing Balance of Cash and Cash Equivalents		1,957,258,409.37	1,103,759,440.07

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Statement of Changes in Owners' Equity of the Company

For the year ended 31 December 2017

Prepared by Suning Appliance Group Co.,Ltd

Unit: RMB

Item	Amount for the current period									
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Special reserve	General risk reserve	Retained profits	Others	Total owners' equity
I. Closing balance of the preceding year	239,000,000.00	1,818,018,783.89		150,992,324.60	100,000,000.00			3,982,931,309.58		6,290,942,418.07
Add: Changes in accounting policies										
Corrections of prior period errors										
II. Opening balance of the current year	239,000,000.00	1,818,018,783.89		150,992,324.60	100,000,000.00			3,982,931,309.58		6,290,942,418.07
III. Changes for the year (Losses are indicated by " - ")				9,308,497.63	10,389,614.39			93,506,529.54		113,204,641.56
(I)Net profits								103,896,143.93		103,896,143.93
(II)Other comprehensive income				9,308,497.63						9,308,497.63
Subtotal of (I) and (II)				9,308,497.63				103,896,143.93		113,204,641.56
(III) Owners' contributions and reduction in capital										
1. Capital contribution from owners										
2. Share-based payment recognised in owners' equity										
3. Others										
(IV) Profit distribution					10,389,614.39			-10,389,614.39		
1. Transfer to surplus reserve					10,389,614.39			-10,389,614.39		
2. Distributions to owners										
3. Withdrawing general risk preparation.										
4. Others										
(V) Transfers within owners' equity										
1. Capitalisation of capital reserve										
2. Capitalisation of surplus reserve										
3. Loss offset by surplus reserve										
4. Others										
(VI) Special reserve										
1. Transfer to special reserve in the period										
2. Amount utilised in the period										
(VII) Others										
IV. Closing balance of the current year	239,000,000.00	1,818,018,783.89		160,300,822.23	110,389,614.39			4,076,437,839.12		6,404,147,059.63

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Statement of Changes in Owners' Equity of the Company(Continued)

For the year ended 31 December 2017

Prepared by Suning Appliance Group Co.,Ltd — Unit: RMB

Item	Amount for the same period of last year									
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Special reserve	General risk reserve	Retained profits	Others	Total owners' equity
I. Closing balance of the preceding year	239,000,000.00	1,818,018,783.89		85,291,460.59	100,000,000.00			3,814,379,451.05		6,056,689,695.53
Add: Changes in accounting policies										
Corrections of prior period errors										
II. Opening balance of the current year	239,000,000.00	1,818,018,783.89		85,291,460.59	100,000,000.00			3,814,379,451.05		6,056,689,695.53
III. Changes for the year (Losses are indicated by "－")				65,700,864.01				168,551,858.53		234,252,722.54
(I)Net profits								168,551,858.53		168,551,858.53
(II)Other comprehensive income				65,700,864.01						65,700,864.01
Subtotal of (I) and (II)				65,700,864.01				168,551,858.53		234,252,722.54
(III) Owners' contributions and reduction in capital										
1. Capital contribution from owners										
2. Share-based payment recognised in owners' equity										
3. Others										
(IV) Profit distribution										
1. Transfer to surplus reserve										
2. Distributions to owners										
3.Withdrawing general risk preparation.										
4.Others										
(V) Transfers within owners' equity										
1. Capitalisation of capital reserve										
2. Capitalisation of surplus reserve										
3. Loss offset by surplus reserve										
4. Others										
(VI) Special reserve										
1. Transfer to special reserve in the period										
2. Amount utilised in the period										
(VII) Others										
IV. Closing balance of the current year	239,000,000.00	1,818,018,783.89		150,992,324.60	100,000,000.00			3,982,931,309.58		6,290,942,418.07

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Suning Appliance Group Co.Ltd

Notes to the financial statements

I. Basic Information About The Company

Suning Appliance Group Co.,Ltd(the “Company”) (Former Jiangsu Suning Appliance Co., Ltd.) was established on 24 Nov. 1999. The registered capital was RMB 30 million. Jiangsu Suning Home Appliance Co., Ltd. held 88.44% shareholding (RMB 26.532 million) and Jiangsu Suning Science and Technology Industry Investment Co., Ltd. held 11.56% shareholding (RMB 3.468 million). The registered capital had been verified by Nanjing Sanlian Certified Public Accountants, and had been issued the capital verification report Sanlianyanzi [1999]105.

On 26 Jun. 2000, Jiangsu Suning Science and Technology Industry Investment Co., Ltd. transferred 11.56% shareholding of the company to Jiangsu Suning Investment Development Co., Ltd.

On 16 Jul. 2000, Jiangsu Suning Investment Development Co., Ltd. transferred the 11.56% shareholding of the company to Jiangsu Wantai Investment and Development Co. Ltd.

On 22 Dec. 2000, Jiangsu Suning Home Appliance Co., Ltd. (Renamed as “Suning Home Appliance (Group) Co., Ltd.”)reached a transfer agreement with Jiangsu Wantai investment and Development Co. Ltd. and Xiaomeng Liu: Jiangsu Suning Home Appliance Co., Ltd. transferred the 83.44% shareholding held to Jiangsu Wantai Investment and Development Co. Ltd. and the 5% shareholding held to Xiaomeng Liu.Both of transferations were priced at original capital contribution.

On 31 Mar. 2002, Jiangsu Wantai Investment and Development Co. Ltd. transferred RMB 15.3 million of the original capital contribution to Jindong Zhang, RMB 4.5 million to Weimin Sun, RMB 4.2 million to Jinfeng Chen, RMB 4.5 million to Xiaomeng Liu.

On 17 Dec. 2002, according to the shareholders' committee resolution and the amending Articles of Association, the company increased registered capital by RMB 40 million with Cash and bank, the registered capital was increased to 70 million. The details of increased registered capital:Jindong Zhang offered RMB 4.3 million; Xiaomeng Liu offered RMB 23.4 million; Weimin Sun offered RMB 8.1 million; Jinfeng Chen offered RMB 4.2 million. The registered capital had been verified by Nanjing Tianzheng Certified Public Accountants, and had been issued the capital verification report Tianzhengyanzi [2002]1858.

On 14 Aug. 2004, according to the shareholders' committee resolution and the amending Articles of Association, the company increased registered capital by RMB 40 million with retained profits. The company's registered capital was increased to RMB 110 million. The registered capital had been verified by Jiangsu Dahua Certified Public Accountants, and had been issued the capital verification report Dahuayanzi [2004]49.

On 24 Apr. 2006, according to the shareholders' committee resolution and the amending Articles of Association, the company increased registered capital by RMB 90 million with retained profits. The company's registered capital was increased to RMB 200 million. The registered capital had been verified by Jiangsu Zhongxing Certified Public Accountants, and had been issued the capital verification report Dahuayanzi [2006]21.

On 3 Jun. 2008, according to the shareholders' committee resolution and the amending Articles of Association, Jinfeng Chen transferred the 6% shareholding of the company to Xiaomeng Liu, and 6% shareholding of the company to Weimin Sun. After that transferation, the ownership structure of the company was Xiaomeng Liu invested RMB 96 million, accounting for 48% of the registered capital; Jindong Zhang invested RMB 56 million, accounting for 28% of the registered capital; and Weimin Sun invested RMB 48 million, accounting for 24% of the registered capital.

On 27 Sep. 2008, Jiangsu Suning Appliance Co., Ltd. was renamed Jiangsu Suning Appliance Group Co., Ltd.

On 17 Nov. 2009, Jiangsu Suning Appliance Group Co., Ltd. was renamed Suning Appliance Group Co., Ltd.

On 28 Feb. 2013, Jindong Zhang reached a Debt-to-equity Agreement of RMB 39 million monetary obligation with Suning Appliance Group Co., the company's total registered capital increased to RMB 239 million. The registered capital had been verified by Jiangsu Tianning Certified Public Accountants, and had been issued the capital verification report Sutianningyanzi [2013]V-30.

On 24 Oct. 2013, according to the shareholders' committee resolution and the amending Articles of Association, Xiaomeng Liu transferred the total shareholding of the company to Yang Bu. Then the ownership structure of the company was: Yang Bu invested RMB 96 million, accounting for40.17% of the registered capital; Jindong Zhang invested RMB 95 million, accounting for 39.75% of the registered capital; and Weimin Sun invested RMB 48 million, accounting for 20.08% of the registered capital.

On 18 Jun. 2015, according to the shareholders' committee resolution and the amending Articles of Association, the company increased registered capital by RMB 1,475.29 million. The company's registered capital was increased to RMB 1,714.29 million. Then the ownership structure of the company was: Yang Bu invested RMB 841.71 million, accounting for49.10% of the registered capital; Jindong Zhang invested RMB 824.58 million, accounting for 48.10% of the registered capital; and Weimin Sun invested RMB 48 million, accounting for 2.80% of the registered capital. The above registered capital has been completed on 23 Jun. 2015.

On 10 Apr.2017, according to the shareholders' committee resolution and the amending Articles of Association, Weimin Sun transferred the total shareholding of the company to Jindong Zhang and Yang Bu. Then the ownership structure of the company was: Jindong Zhang invested RMB 857.145million, accounting for 50% of the registered capital; Yang Bu invested RMB 857.145million, accounting for 50% of the registered capital.

Business scope: manufacturing, selling, and after-sale servicing appliances and accessories; special lighting appliance for vehicles; electronic component; manufacturing electrical equipment and electrical signal equipment; leasing and repairing plants; estate management; indoor decoration; landscaping; economic information consultation; industrial investment; hotel management; car rental; health service; ticket service; parking lot service; Department store, jewelry, Arts, flower, Domestic and imported cosmetics, elevator; selling electrical products, construction equipment, computer equipment and office equipment; laundry service; leasing site; Domestic commodity display service, corporate image planning; human resources training; importing and exporting goods and technology; developing and selling computer software; enterprise management services; convention services; the manufacture and sale of Chinese and Western-style food ,audio-visual products; cigarettes, tobacco and cigars retail; books and periodicals; food; accommodation; bar; bath; swimming; telecommunications services.

Legal Representative: Yang Bu

Unified social credit code: 91320000714092103D

Registered address: No. 68, Huaihailu Road, Nanjing

For consolidation scope of the year2017, please refer to Notes VII "Equity in other entities" in detail. The new subsidiaries had been consolidated in this year were: TTK Express,Aidu Communications and Ogitsu.For detail of changes in consolidation scope of the year, please refer to Notes VI"Change in consolidation scope".

II. Basis Of Preparation Of Consolidated Financial Statements

The main shareholder of the company is Jindong Zhang. The scope of consolidated financial statements: companies controlled by Jindong Zhang while invested by the Group.

III. The Company’s Significant Accounting Policies, Accounting Estimates, and Prior Period Errors

1. Statement of compliance with Accounting Standard for Business Enterprise

The financial statements of the Company have been prepared in accordance with Accounting Standard for Business Enterprise, and present truly and completely, the position as of 31 December 2017, and the results of operations and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Functional currency

The Group adopts RMB as functional currency.

4. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

4.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and (the carrying amount of the consideration paid for the combination or the aggregate face value of shares issued as consideration) is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. The “combining date” refers to the date on which the combining party actually obtains control on the combined party.

4.2 Business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, the equity securities issued by the acquirer in exchange for control of the acquire, the expenses for audit, legal services and assessment, and other administrative expenses, which are recorded into the profits and losses in the current period. The trading expenses for the equity securities or debt securities issued by the acquirer as the combination consideration shall be recorded into the amount of initial measurement of the equity securities or debt securities. The “combining date” refers to the date on which the combining party actually obtains control on the combined party.

The acquiree’s identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer’s interest in the fair value of the acquiree’s identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer’s interest in the fair value of the acquiree’s identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

5. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is the group and subsidiaries controlled by Jindong Zhang while invested by the group. Consolidation of subsidiary starts from the control on the subsidiary by the Group and ends at the loss of control on the subsidiary by the Group.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements. Adjustments shall be made to subsidiary’s financial statements based on the fair value of its all identifiable assets, liability or contingent liability on the acquisition date.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company. All significant intra-group balances, transactions and unrealized profits are eliminated on consolidation. If there is evidence that the loss is related to the impairment of assets and not offset should be made.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within owners' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

6. Recognition criteria of cash and cash equivalents

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

7. Translation of transactions and financial statements denominated in foreign currencies

7.1 Transactions denominated in foreign currencies

Foreign currency transactions are translated at the spot exchange rate issued by People's Bank of China on the 1st day of the year. Monetary assets and liabilities in foreign currencies are translated into RMB at the exchange rate prevailing at the end of each month. Exchange differences arising from the settlement of monetary items are charged as in profit or loss for the period. Exchange differences of specific borrowings related to the acquisition or construction of a fixed asset should be capitalized as occurred, before the relevant fixed asset being acquired or constructed is ready for its intended uses.

7.2 Translation of financial statements denominated in foreign currencies

The asset and liability items in the foreign currency balance sheet should be translated at a spot exchange rate at the balance sheet date. Among the owner's equity items except “retained profit”, others should be translated at the spot exchange rate when they are incurred. The income and expense should be translated at spot exchange rate when the transaction incurs. Translation difference of foreign currency financial statements should be presented separately under the other comprehensive income title. Foreign currency cash flows are translated at the spot exchange rate on the day when the cash flows incur. The amounts resulted from change of exchange rate are presented separately in the cash flow statement.

8. Financial instruments

Financial instruments refer to contracts that form financial assets of a company and form financial liabilities or equity instruments of other companies.

8.1 Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognized directly in equity, is recognized in profit or loss.

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

8.2 Classification, recognition and measurement of financial assets

(i) On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(ii) Financial assets are initially measured at fair value. For financial assets at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets, transaction costs are included in their initial recognised amounts.

(iii) The subsequent measurement of financial assets

A. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss. A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term. (2) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

B. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

C. Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including accounts receivable and other receivables.

D. Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale financial assets are subsequently measured at fair value. Interests for the period in which the assets are held as investment in debt instrument is calculated using the effective interest method and is charged to profit or loss for the period as ‘Investment.income’. Gains or losses arising from changes in the fair value are recognised as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss. Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains.

(IV) Impairment of financial assets

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

A. Impairment of financial assets measured at amortised cost. If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

B. When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

8.3 Classification, recognition and measurement of financial liabilities

(i) Financial liabilities of an entity are classified at initial recognition as “financial liabilities at fair value through profit or loss” and “other financial liabilities” on initial recognition.

(ii) As for a financial liability measured at fair value and whose changes are recorded in current gains and losses, the relevant trading expense is directly recorded in the profits and losses for the current period. As for other financial liabilities, the relevant trading expenses are recorded in the initially recognized amounts.

(iii) The subsequent measurement of financial liabilities

A. Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition. Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss.

B. Other financial liabilities are measured at amortised cost using the effective interest method.

8.4 Determination of the fair value of Financial instruments

(i) As for the financial instruments for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof.

(ii) Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques.

8.5 Transfer of financial assets

It refers to the transfer or transfer of financial assets to the other party outside the issuer of the financial asset (the transferee)

The Group derecognises a financial asset if the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; The Group should not derecognize a financial asset if substantially all the risks and rewards of ownership of the financial asset is retained.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, there are two following conditions: (i) If it has retained control of the financial asset, it should recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. (ii) If it has not retained control of the financial asse, it should derecognise the financial asset.

9. Receivables

Receivabels include accounts receivable, other receivables, loans and advances to customers and notes receivable,etc.

9.1 Receivables that are individually significant and for which bad debt provision is individually assessed.

For receivables that are individually significant, the Group assesses the receivables individually for impairment. If there is defined evidence for receivables not to be received, the receivables shall be recognized as the loss of bad debt.

A receivable that exceeds RMB100million is deemed as an individually significant receivable by the Group.

The accruing method of the receivables that are individually significant: The bad debt provisions shall be accrued based on the difference between current value of future cash flow and the carrying amounts.

9.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis

The Group classifies the receivables that are not individually significant and those that are individually significant but are not impaired individually into groups of financial assets according to the similarity and relevance of credit risk characteristics.

Basis for determining portfolios:

① Government Grants portfolio: all government grants receivalbe;

② Energy-saving subsidies portfolio: all energy-saving subsidies receivable ;

③ Financial products with guaranteed principal and income portfolio: all guaranteed principal and income financial products receivable;

④ Other receivables portfolio that are not individually significant:short-term receivables except government grants, energy-saving subsidies and guaranteed principal and income financial products;

⑤ House rental guarantee and purchase guarantee portfolio:all long-term receivable relating to house rental guarantee and purchase guarantee;

⑥ Related party portfolio: all related party receivable.

Bad debt provision methods for portfolios are as follows:

① Government Grants portfolio:The proportion of accounts receivable (%) is zero according to the actual loss rate in previous years, and in combination with the current situation;

② Energy-saving subsidies portfolio: The proportion of accounts receivable (%) is zero according to the actual loss rate in previous years, and in combination with the current situation;

③ Financial products with guaranteed principal and income portfolio: The proportion of accounts receivable (%) is zero according to the actual loss rate in previous years, and in combination with the current situation;

④ Other receivables portfolio that are not individually significant:aging analysis

⑤ House rental guarantee and purchase guarantee portfolio: The proportion of accounts receivable (%) is zero according to the actual loss rate in previous years, and in combination with the current situation;

⑥ Related party portfolio: The proportion of accounts receivable (%) is zero according to the actual loss rate in previous years, and in combination with the current situation;

Portfolios that aging analysis is used for bad debt provision:

Aging	Provision as a proportion of accounts receivable	Provision as a proportion of other receivables
Within 1 year (inclusive)	1%~5%	1%~5%
1-2 years	5%~10%	5%~10%
2-3 years	5%~20%	5%~20%
3-4 years	30%	30%
4-5 years	30%~60%	30%~60%
Over 5 years	30%~100%	30%~100%

9.3 Accounts receivable that are not individually significant but for which bad debt provision is individually assessed:

If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

9.4 Loans and advances to customers that are individually significant and for which bad debt provision is individually assessed. If there exists objective evidence that the

Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made. The Group classifies the loans and advances to customers that are not individually significant and those that are individually significant but are not impaired individually into groups of financial assets according to the similarity and relevance of credit risk characteristics.

9.5 If the company transfers receivables to a financial institution without recourse, the difference between the transaction amount after deducting the book value of the receivables that have been written off and the related taxes and expenses is recognized in the profit or loss for the current period.

10. Inventories

10.1 The Group's inventories mainly include raw materials, work in progress, properties under development, finished goods, completed properties for sale, goods on hand, low-valuable consumable, etc.

10.2 Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

10.3 The cost of inventory sales is calculated using the first-in-first-out method.For goods on hand using selling price method, the difference between the selling price and the sales cost of the sold goods sold at the end of the period should be adjusted to reflect the actual cost.

10.4 Packaging materials and low cost and short-lived consumable items are amortised using the immediate write-off method.

10.5 The perpetual inventory system is maintained.

10.6 At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

10.7 Development cost of properties comprises costs for acquiring the land use rights, expenditures of support infrastructure, expenditures of construction, etc.

10.8 The cost of acquiring the land use rights should be included in the development cost of properties according to the proportion of actual cost of the commercially available house.

Expenditures of support infrastructure include non-operating support infrastructure of culture and education, administrative management, municipal public facilities, which should be included in the development cost of properties according to proportion of the sales area of residential quarters. If expenditures of support infrastructure have not yet or unpaid , accrued expenditures should be made.

10.9 The construction cost is included in the development cost according to the actual payment of the project and materials.

10.10 Costs of completed properties for rental , turnover houses should be amortised in the period of return.

11. Long-term equity investments

11.1 Determination of investment cost

(i) For a long-term equity investment acquired through a business combination, investment cost is determined in the following ways:

A. For a long-term equity investment acquired under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the owners' equity of the acquiree at the date of combination. The trading expenses relating to the business combination are recorded into the profits and losses in the current period.

B. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition.

(ii) Other long-term equity investments acquired from other than acquisitions, the investment cost is determined in the following methods:

A. The cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid.

B. For long-term equity investment acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued.

C. For long-term equity investment injected to the entity by the investor, the investment cost is the consideration as specified in the relevant contract or agreement.

11.2 Subsequent measurement and recognition of profit or loss

(i)Investment in subsidiary

In consolidated financial statements, please refer to notes III.5 to financial statements.

In parent’s financial statements, cost method should be accounted for investment in subsidiary, Cash dividend or profit declared by investee shall be recognized as investment gain/loss for the period based on the proportion share in the investee.

(ii) Investment in associates and joint ventures

The Group adopts equity method for investment in associates and joint ventures.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group’s share of the fair value of the investee’s identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group’s share of the fair value of the investee’s identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profit or loss of the investee for the period as investment income or loss for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period.

Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

For long-term equity investments in associates and joint ventures which had been held by the Group before its first-time adoption of Accounting Standards for Business Enterprises, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the investee's net assets at the time of acquisition, the excess is amortised and is recognised in profit or loss on a straight line basis over the original remaining life.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as other comprehensive income which is included in the capital reserve. For a long-term equity investment accounted for using the equity method, the amount included in the owners' equity attributable to the percentage interest disposed is transferred to profit or loss for the period.

(iii) Other long-term equity investments

Under the cost method, a long-term equity investment is measured at initial investment cost, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

11.3 Basis for determining joint control and significant influence over investee

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control.

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

12. Investment properties

An investment property is measured initially at cost, and subsequently measured using the fair value model. The basis of adopting the fair value model by the group:

(i) There is an active property market in the location in which the Group's investment property is situated.

(ii) The Group can obtain the market price and other relevant information regarding the same or similar type of property from the property market so as to reasonably estimate the fair value of the investment property.

The Group uses the fair value model for subsequent measurement of the investment property, with changes in the fair value included in profit or loss for the period in which they arise.

When there is an objective evidence that investment property is converted to the self-use property, entry value of the self-use property is the fair value of that investment property on the conversion date, with changes in the fair value included in profit or loss for the period. When the self-use property or inventory converts to investment property with fair value method, the investment property is measured at fair value on conversion date. If fair value on conversion date is less than carrying amount of the self-use property or inventory, the difference should be included in profit or loss for the period. If carrying amount of the self-use property or inventory is less than fair value on conversion date, the difference should be included in owner’s equity.

13. Fixed assets

13.1 Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year.

13.2 A fixed asset is recognised only when both of the conditons are satisfied:

(i) It is probable that economic benefits associated with the asset will flow to the Group;

(ii) The cost of the asset can be measured reliably.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if they meet those conditions above. Otherwise they are recognised in profit or loss for the period.

13.3 A fixed asset is depreciated over its useful life using the straight-line method, the useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period (years)	Annual depreciation rate (%)
Buildings	8～40	11.875～2.375
Machinery and equipment	3～10	31.67～9.70
Transportation vehicles	5～10	19.00～9.50
Electronic equipment	3～5	32.33～19.00
Biological assets	10	9.50
Others equipment	5	19.04～19.00

13.4 The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

14. Construction in progress

Construction in progress is measured at its actual costs. Construction in progress is transferred to a fixed asset when it is ready for intended use.

15. Borrowing Costs

15.1The borrowing cost includes the interest expenses of the borrowing, amortization of underflow or overflow from borrowings, additional expenses and the foreign exchange profit and loss because of foreign currency borrowings. Borrowing costs directly attributable to the construction or production of qualifying asset are capitalised Other borrowing costs are recognised as an expense in the period in which they are incurred.

15.2 When expenditures for such asset and borrowing costs are incurred and activities relating to the construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs is suspended during periods in which the construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. The borrowing costs shall stop to be capitalized when the assets come into the expected condition of use or available for sale. The borrowing costs subsequently incurred should be recorded into profit and loss when occurred.

15.3The method of borrowing costs capitalisation

(i) Where funds are borrowed under a specific-purpose borrowing, the amount of interest (the interest expenses of the borrowing, amortization of underflow or overflow from borrowings) to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

(ii) Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest (the interest expenses of the borrowing, amortization of underflow or overflow from borrowings, additional expenses and the foreign exchange profit and loss because of foreign currency borrowings) to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

15.4 Where funds are borrowed for development of property, borrowing costs directly attribute to the cost of the development of property before completion. The borrowing costs subsequently incurred should be recorded into profit and loss when the property comes into the expected condition of use or available for sale.

16.Intangible assets

Intangible assets include land use rights, software, rights for lease lower than market price,brand and domain name, customer relations ,customer list and sales network,etc.

16.1 Land use rights

The original cost of land use rights is amortised over its estimated useful life of 40 to 70 years using the straight-line method. If the price of purchased land and buildings can not be reasonably allocated between land use rights and buildings, all of which are recorded as fixed assets.

16.2 Software

The original cost of software is amortised over its estimated useful life 5 years using the straight-line method

16.3 Rights for lease lower than market price

It is an intangible asset recognized in business combination because of the consideration paid by the Group for lease lower than market prices. Rights for lease lower than market price are measured at fair value, and amortised over estimated useful life using the straight-line method.

16.4 Brand and domain name, customer relations ,customer list and sales network

They are intangible assets recognized in business combination, which are measured at fair value, and amortised over estimated useful life using the straight-line method.

16.5 For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

16.6 Research and development expenditure

The expenditures for internal research and development of system software in the Group shall be classified into research expenditures and development expenditures.

Expenditure during the research phase is recognised as an expense in the period in which it is incurred; Expenditure during the development phase that meets all of the following conditions at the same time is recognised as intangible asset:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- the Group has the intention to complete the intangible asset and use or sell it;
- the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditure during development phase that does not meet the following conditions is recognised in profit or loss for the period. The expenditure during development phase that has been included in profit and loss during the previous period is not reconfirmed as assets later. Expenditure during development phase that has been capitalised in the development stage are shown on the balance sheet as development expenditures, and become intangible assets from the date that the project comes into the expected condition of use.

17.Impairment of long-term assets

For non-current financial Assets of long-term equity investment, investment property measured at cost,investment property with cost model, fixed assets, construction in progress, intangible assets with limited service life,etc, the Company should judge whether decrease in value exists on the date of balance sheet. Recoverable amounts should be tested for decrease in value if it exists. Goodwill arising in a business combination, intangible asset with infinite useful life and other non-accessible intangible assets are tested for impairment annually no matter there is any indication of impairment or not.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount shall be impaired and the difference is recognised as an impairment loss and charged to profit or loss for the period.

Estimate of recoverable amount is the higher of its fair value of asset(assets group or assets portfolio)less costs to sell and the present value of the future cash flows expected to be derived from the asset.

Asset fair value should be determined according to negotiated sales price of fair trade. If no sales agreement exists but with asset active market, fair value should be determined according to the buyer’s price of the asset. If no sales agreement or asset active market exists, asset fair value could be acquired on the basis of best information available. Present value of predicted asset cash flow should be determined by the proper discount rate according to assets in service and predicted cash flow of final disposal. Asset depreciation reserves should be calculated on the basis of single Assets. If it is difficult to predict the recoverable amounts for single Assets, recoverable amounts should be determined according to the belonging asset group. Asset group is the minimum asset combination producing cash flow independently.

Impairment loss amount of assets group or assets portfolio should firstly be deducted and shared to the book value of business goodwill of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business goodwill.The book value of the assets after deducton should not be lower than the highest of fair value of assets less costs to sell , the present value of the future cash flows expected to be derived from the asset and zero.

Once an impairment loss on the assets is recognised, it is not reversed in a subsequent period.

18. Long-term prepaid expenses

Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived. If the deferred expense cannot take benefit for the future accounting period, the unamortized balance of the deferred expenses should be transferred into the current profit or loss.

19. Employee benefits

Employee’s benefit comprises short-term benefit, post-employment benefit, termination benefit and other long-term employee’s benefit

19.1short-term benefit

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure and personnel education fund etc. The employee benefits of the Group are either included in cost of related assets or charged to profit or loss in the period when they are incurred. Non-monetary employee benefits are measured at fair value.

19.2Post-employment benefits

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

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

19.3Termination benefits

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

The internal retire plan of the employees should be handled by adopting the same principles of the above demission welfare. The Company includes the salary and the paid social insurance charges planed to pay by the personnel retreated inside during the period from the date when ceased the services to the normal retire date in the current gains and losses (demission welfare) when met with the recognition conditions of the estimated liabilities.

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

20.Provisions

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

19.2 The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

21. Revenue

21.1 Revenue from sale of goods is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.
21.2 Revenue from rendering of services is recognised when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably.
21.3 Revenue from a alienating the right of use assets is recognized when satisfying requirements related economic benefit flows in very possibly, income can be measured reliably.
21.4 Revenue from sale of properties is recognized when(1) The sales contract has been signed; (2) The project of properties has been completed; (3) the associated costs incurred or to be incurred can be measured reliably;(4) The conditions for the transfer of completed and developed products agreed upon in the contract have been reached;(5) the Group has transferred to the buyer the significant risks and rewards of ownership of the properties; (6) the amount of revenue has been collected or assured that it can be obtained.
21.5 Revenue from rental property, property managemenis recognized according to the rental and management fees in the agreements on time.

22. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, excluding the capital that the government invests as the investor who enjoys the corresponding owner’s equity. Assets-related government grant is the government fund obtained by the company for the purpose of long-term assets purchase and construction or establishment in the other forms.Income-related grants are the grant given by the government apart from the assets-related grants.If no grant objective indicated clearly in the government documents, the following ways shall be adopted : (1)The government document clears the specific project for the grant, it shall divide according to the relative ratio of asset expenditure amount and entry cost expenditure amount to be formed in the budget of specific project, review according to the division ratio at each balance sheet date, and change when necessary;(2) The government document only makes the general expression on the usage without indicated specific project, it shall be the income-related government grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.
A government grant shall be recognized when the company complies with the conditions attaching to the grant and when the company is able to receive the grant.

Government grants related to operating activities shall be recorded as other income or reducing related costs in accordance with the essence of economic activities. Those not related to the operating activities of enterprises are recorded as non-operating income.
For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.
A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

The government grants shall be recognized by the following conditions:

① The company can meet the conditions attached to government grants.

② The company can receive government grants.

23. Deferred tax assets/ deferred tax liabilities

23.1 The group adopts the balance sheet liability method for income tax accounting.

23.2 Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised r in owner’s equity;

23.3 The amount of the income tax payable which is based by the calculation of the current income tax expenses, are according to the result measured from the corresponding adjustment of the pre-tax accounting profit of this Reporting Period which in accord to the relevant regulations of the tax law.

23.4 Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

23.5 However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

23.6 At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

23.7 When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

24. Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Where a lease satisfies one or more of the following criteria, it shall be recognized as a finance lease:

24.1 The ownership of the leased asset is transferred to the lessee when the term of lease expires;

24.2 The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised;

24.3 Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset;

24.4 In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date; in the case of the lessor, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning;

25.5 The leased assets are of a specialized nature that only the lessee can use them without making major modifications.

An operating lease is a lease other than a finance lease.

Irrevocable operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Where a sale and leaseback transaction is determined as an operating lease, any balance between the sales proceeds and the carrying amount of the asset shall be deferred and amortized as an adjustment to the lease payments in light of the proportion of the lease payments during the lease term. However, in case any evidence shows that the sale and leaseback transaction is based on the fair value, the balance between the sales proceeds and the carrying amount of the asset shall be recorded in the profits and losses of the current period.

25. Share-based payments

A share-based payment is a transaction which the Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees. The Group's share-based payments include equity-settled share-based payments and cash-settled share-based payments.

Stock option plan in the Group is the equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date.Employees will not be allowed to exercise that option unless specified performance conditions are met. The fair value of stock option is determined by using Black-Scholes Option Pricing Model.

On each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the stock option on the date of the grant. On the balance sheet date, the subsequent information indicates that the number of vested stock option is different from the previous estimate, an adjustment shall be made and on the vesting date, the estimate shall be adjusted to equal the number of the actually vested equity instruments. The Group shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been confirmed.On the vesting date, when the group issues new shares,the Group shall, based on the number of the equity instruments of which the right is actually exercised, calculate and confirm the amount of the paid-in capital and capital reserve to be transferred in, and which should deducte any transaction costs directly attributable to the group, and capital reserve recognized during the vesting period also should be reversed.

26. Changes in Accounting Policies, Accounting Estimates

26.1 In 2017, the Ministry of Finance announced or amended and implemented “Accounting Standards for Business Enterprises No.42-Held for Sale non-current assets, disposal group and discontinued operation", No.16-Government Grants, and “Financial Statements Format ”(Caikuai[2017]No.30).The Group started adopting standards above and the impact on the Group's financial statements of the year 207 is shown below:

Changes in accounting policies	Affected items	Affected amount
A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities. The Group has accounted for the above change in accounting policy retrospectively.	None	None
Gain/loss on non-current assets disposal and on	Gain on asset disposal	Year 2016

non-monetary assets exchange presented under "non-operating income/expense"is changed to "Gain on asset disposal". This accounting policy change shall be retrospectively adjusted in year 2016.	Non-operating incom	RMB503,036.50 thousand RMB-503,036.50 thousand

26.2 Since 2017, the Group has applied the allowance method to receivables (including accounts receivable and other accounts receivable). Based on the actual loss rate of the previous year, and taking into account the current situation, the following rates are applied to the portfolio of for provision of bad debts calculated using the age analysis method:

Aging	Provision as a proportion of accounts receivable	Provision as a proportion of other receivables
Within 1 year (inclusive)	1%~5%	1%~5%
1-2 years	5%~10%	5%~10%
2-3 years	5%~20%	5%~20%
3-4 years	30%	30%
4-5 years	30%~60%	30%~60%
Over 5 years	30%~100%	30%~100%

Due to the change in the accounts receivable bad debt accounting, the accounts receivable bad debt provision of RMB514,112.80 thousand was charged in 2017, thus reducing the total profit of RMB514,112.80 thousand.

IV. TAXES

1. The main applicable tax and rate to the Group as follows:

1.1Companies in the Group in China

Category of tax	Basis of tax computation	Tax rate
Corporate income tax	Taxable income	The Group normally is subject to a corporate income tax rate of 25%; Some subsidiaries can enjoy preferential corporate income tax rates: The company set up in the western region enjoys a preferential corporate income tax rate of 15%; From January 1, 2017 to December 31, 2019, the small-scale enterprise with minimal profits shall have its income reduced by 50% and shall pay enterprise income tax at 20% of the taxable income if its annual taxable income of less than RMB500,000.00 The Company qualifies for high and new technology enterprise is subject to the enterprise income tax rate of15%;

		For the newly established integrated circuit design enterprises and the qualified software enterprises in China, the calculated preferential period from the profit year to 31 Dec. 2017 has been calculated, and the corporate income tax is exempted from the first to second years, and the corporate income tax is levied in half on the basis of the legal tax rate of 25% from the third year to the fifth year, and the period is enjoyed to the expiration of the period.
Value added tax	Sales revenue or Purchase (Calculated the output tax after deducting the deductible withholding VAT at current period)	Sales of household appliances: 3% for small scale taxpayer,17% for general taxpayer; Transportation service: 11% for general taxpayer; Sales of Real Estate: for general taxpayer of basic telecommunication service, tax rate is 11%; Real estate development enterprises can choose to sell their own development of the previous real estate projects in accordance with the value-added tax rate of 5% ; Finance service:6% for general taxpayer; Mobile communication resale service: for general taxpayer of basic telecommunication service, tax rate is 11%; for general taxpayer of value-added telecommunication service, tax rate is 6%; Leasing of tangible movable property: 17% for general taxpayer; Other modern service industries(R & D and technical services, Information technology service, Advertising service, Logistics service,Consulting, Cultural and creative Services, Business Support Services and lease, Leasing services (except tangible movable property leasing)etc,): 6% for general taxpayer; 3% for small scale taxpayer in the service above .
Land appreciation tax	Property appreciation	According to the property appreciation rate, 30%-60% four level excess progressive tax rate.
City maintenance and construction tax	Value-added tax payables, business tax, consumption tax	7% for a company located in urban district; 5% for a company located in county town or town; 1% for a company not located in urban district, county town or town.
Education surcharge	Value-added tax payables, business tax, consumption tax	3%
Local education surcharge	Value-added tax payables, business tax, consumption tax	2%

1.2 Overseas companies

Category of tax	Basis of tax computation	Tax rate
Profits tax in Hong Kong	Gains from Hong Kong	16.5%
Cayman		At present, taxes on corporate profits, capital gains, wages and so on are not set up in Cayman.
Corporate income tax in Japan	Gains from Japan	30.86%
Corporate income tax in America	Gains from America	Federal tax: Taxable income by appropriate tax rate; State tax in California：8.84%

2. Tax Preference

2.1 Tax Preference　of Western China Development

According to the "Ministry of Finance, the general Administration of Customs, the State administration of taxation on the in-depth implementation of the Western Development strategy related to tax policy issues" notice (Finance [2011]58 No.) from 1 Jan. 2011 to 31 Dec. 2020, the western region of the industry to encourage industrial enterprises to reduce tax rate levied on corporate income tax to 15%. The encouraged industrial enterprises mentioned above refer to those enterprises whose main business is the industrial items specified in the Catalogue of Encouraged Industries in the Western Region, and whose Principal operating income accounts for more than 70% of the total income of the enterprises. The catalogue of encouraged industries in the western Region (National Development and Reform Commission decree [2014]15) has been formally implemented on 1Oct.2014: The catalogue of encouraged industries in the western Region includes the encouraged industries in the country's existing industry catalogue, and the new encouraged industries in the western region. After the publication of the catalogue of encouraging industries in the western regions, the original preferential enterprises can continue to enjoy the preferential policies of the Western development. At the same time, preferential enterprises are required to file annually with the local competent tax bureau, and the Group's subsidiaries have filed the corresponding records with the competent tax bureau.

The original approvals are still valid, and companies enjoying the tax preference are as follows:

On 13 Mar.2014, according to authorization of State Administration of Taxation of the Qin Du District, Xianyang, Xianyang Suning Commerce Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period 2013.

On 5 Jun.2012, according to Tax reduction [2012]147 of Chongqing China, approved by State Tax Bureau of Yuzhong District, Chongqing, Chongqing Suning Commerce Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period from 2011 to 2020.

On 15 Jan.2013, according to Tax reduction [2013]43 of Ji China, approved by State Tax Bureau of Jishou, Xiangxi Suning Appliance Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period from 2011 to 2020.

On 24 Jan.2013, according to authorization of National Tax Bureau of the Northern New Area of Chongqing, Chongqing Suning Purchasing Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period from 2011 to 2020.

On 19 May.2014, according to Nation Tax [2014]21 of Yu China, approved by State Tax Bureau of Yuzhou District,Yulin, Yulin Suning Commerce Co., Ltd. enjoys a preferential corporate income tax preference since the period 2013.

On 10 Jun.2014, according to Nation Tax [2014]9 of Chang China, approved by State Tax Bureau of Changzhou District,Wuzhou, Wuzhou Suning Commerce Co., Ltd. enjoys a preferential corporate income tax preference since the period 2013.

On 30 Apr.2014, according to Tax reduction [2014]1410 of Wei China, approved by State Tax Bureau of Weibin, Baoji Suning Commerce Co., Ltd. enjoys a preferential corporate income tax preference for the period 2013.

On 21 Apr.2014, according to Nation Tax [2014]3 of Wei China, approved by State Tax Bureau of Linwei District,Weinan, Weinan Suning Commerce Co., Ltd. enjoys a preferential corporate income tax preference since the period 2013.

On 14 May.2013, according to authorizationof of State Taxation Bureau of Dongpo District, Meishan, Sichuan, Meishan Suning Commerce Co., Ltd. enjoys a preferential corporate income tax preference for the period 2012.

On 14 May.2013, according to Nation Tax [2013]1 of Xiang China, approved by National Taxation of Xiangshan District, Guilin, Guilin Suning Commerce Co., Ltd. enjoys a preferential corporate income tax preference for the period 2012. After the publication of the “Catalogue of Encouraged Industries in The Western Region”, if the conditions of the company do not meet the requirements, redeclaration of income tax by appropriate tax rate should be conducted.

On 31 May.2012, according to Nation Tax [2012]2 of Chengzhong China, approved by National Taxation of Haicheng District, Beihai, Liuzhou Suning Commerce Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period 2011. After the publication of the “Catalogue of Encouraged Industries in The Western Region”, if the conditions of the company do not meet the requirements, redeclaration of income tax by appropriate tax rate should be conducted.

On 16 Jun.20123, according to Nation Tax [2013]62 of Southwest China, approved by National Taxation of Xixiangtang District, Nanning, Guangxi Suning Commerce Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period 2012. After the publication of the “Catalogue of Encouraged Industries in The Western Region”, if the conditions of the company do not meet the requirements, redeclaration of income tax by appropriate tax rate should be conducted.

On 11 Jul.2012, according to Chuan Jing Xin Industrial Letter [2012]881 approved by Sichuan economic and Information Committee, Sichuan Suning Commerce Co., Ltd. belongs to a state-encouraged industrial project.

On 5 Jul.2012, according to Chuan Jing Xin Industrial Letter [2012]843 approved by Sichuan economic and Information Committee, Mianyang Suning Commerce Co., Ltd. belongs to a state-encouraged industrial project.

On 16 Aug.2012,according to Chuan Jing Xin Industrial Letter [2012]1027 approved by Sichuan economic and Information Committee, Suining Suningyun Co., Ltd. and Nanchong Suning Commerce Co., Ltd.belong to a state-encouraged industrial project.

On 16 Aug.2012,according to Chuan Jing Xin Industrial Letter [2012]1026 approved by Sichuan economic and Information Committee, Guang'an Suningyun Co. Ltd.and Guangyuan Suning Commerce Co., Ltd.belong to a state-encouraged industrial project.

On 16 Jan.2013, according to GUI Shang Business Letter [2013]6 approved by Business Office of the Guangxi Zhuang Autonomous Region, Beihai Suning Commerce Co., Ltd.belong to a state-encouraged industrial project.

On 8 Aug.2012, according to GUI Shang Business Letter [2012]126 approved by Business Office of the Guangxi Zhuang Autonomous Region, Qinzhou Suning Commerce Co., Ltd.belong to a state-encouraged industrial project.

On 12 May.2014, according to [2014]248 approved by xi 'an municipal Development and Reform Commission, Shanxi Suning Commerce Co., Ltd.belong to a state-encouraged industrial project.

On 22 Apr.2013, according to Chuan Jing Xin Industrial Letter [2013]409 approved by Sichuan economic and Information Committee, Sichuan Suning Logistics Co. LTD. belong to a state-encouraged industrial project.

According to the "circular of the people's Government of the Tibet Autonomous Region on the issue of the tax rate of enterprises in our district "(Tibetan political issue [2011]14), all kinds of enterprises located in the Tibet Autonomous Region (including foreign enterprises in Tibet), continue to levy the enterprise income tax at the rate of 15% from 2011 to 2020, Therefore, Tibet Suning Commerce Co., Ltd. can enjoy 15% of the Western Development Preferential tax policy

On 30 Dec.2015, according to [2015]61 approved by Guigang municipal Development and Reform Commission, Guigang Suning Commerce Co., Ltd.belong to a state-encouraged industrial project.

On 24 Mar.2016, according to [2016]40 approved by Guangyuan municipal Development and Reform Commission, Guangyuan Suning Commerce Co., Ltd.belong to a state-encouraged industrial project.

On 16 Aug.2012,according to Chuan Jing Xin Industrial Letter [2012]1027 approved by Sichuan economic and Information Committee, Deyang Suning Commerce Co., Ltd.,Zigong Suing Appliance Co., Ltd.and Dazhou Suning Commercial Co., Ltd. belong to National incentive industrial project.

On 26 Mar, 2015, Chongqing Suning Logistics Co., Ltd. was recognized by the Chongqing Yubei District Development and Reform Commission as a state-encouraged industrial project

ON 20 Nov. 2017, Chongqing Suning Yuning Commerce Co., Ltd. was recognized as a state-encouraged industrial project by the Chongqing Liang Jiang River New Area Industrial Promotion bureau Yu Jiang Liang Jiang production trial [2017]59 .

ON 20 Nov. 2017, Chongqing Suning microfinance Co., Ltd was recognized as a state-encouraged industrial project by the Chongqing Liang Jiang River New Area Industrial Promotion bureau Yu Jiang Liang Jiang production trial [2017]61 .

ON 20 Nov. 2017, Chongqing Maoning Electronic Commerce Co., Ltd. was recognized as a state-encouraged industrial project by the Chongqing Liang Jiang River New Area Industrial Promotion bureau Yu Jiang Liang Jiang production trial[2017]60 .

On 27 Oct, 2017, Chongqing Suning Redbaby Trading Co., Ltd. was recognized as a state-encouraged industrial project by the Chongqing Liang Jiang River New Area Industrial Promotion bureau Yu Jiang Liang Jiang production trial[2017]57 .

On 17 Jan. 2018, Yunnan Suning Commerce Co., Ltd. obtained the return of the filing form for preferential items of enterprise income tax of the Second Taxation Bureau of the State Taxation Bureau of Wuhua District,Kunming City, Yunnan Province. In 2017, the company will temporarily pay enterprise income tax in accordance with 15%.

On 19 Jan. 2018, Panzhihua Suning Commerce Co., Ltd. received the return of the filing form of preferential items of enterprise income tax from the State Taxation Bureau of the Eastern District of Panzhihua City, and the company temporarily paid enterprise income tax in accordance with 15% in fiscal 2017.

On 9 Mar.2018, Anshun Suning Commerce Co., Ltd. ,by the Anshun Xixiu District state Taxation tax relief Words [2018]1506 approved, 2018 to 2020 enjoy the West development tax concessions by 15% to pay enterprise income tax.

On 17 Jan. 2018, Yuxi Suning Commerce Co., Ltd. received the return of the filing form of preferential items of enterprise income tax from the State Taxation Bureau of Hongta District, Yuxi City. In 2017, the company temporarily paid enterprise income tax in accordance with 15%.

On 18 Jan. 2018, Honghe Suning Commerce Co., Ltd. received the return of the filing form for preferential items of enterprise income tax from the State Taxation Bureau of Mengzi City, Yunnan Province. In 2017, the company will temporarily pay enterprise income tax in accordance with 15%.

On 24 Jan. 2018, Dehong Suning Commerce Co., Ltd. received the receipt of the filing form for preferential items of enterprise income tax from the State Taxation Bureau of Mong City, Dehong Prefecture. In 2017, the company will temporarily pay enterprise income tax in accordance with 15%.

On 26 Feb. 2018, Qujing Suning CommerceSu Co., Ltd. obtained Qujing State Tax Office Enterprise Income tax Preferential record form receipt. In 2017, the company will temporarily pay enterprise income tax in accordance with 15%.

On 30 Nov. 2017, Kunming Suning Logistics Co., Ltd. obtained the return of the filing form for preferential items of enterprise income tax of the Taxation Bureau of the State Taxation Bureau of Wuhua District,Kunming City, Yunnan Province. In 2017, the company will temporarily pay enterprise income tax in accordance with 15%.

V. Notes to items in the Consolidated Financial Statements

(Unless specified, the currency is in RMB)

1、Cash and bank balances

（1）classification

Items	Closing balance	Opening balance
Cash	24,382,070.20	22,065,078.97
Bank balance	23,617,290,617.10	20,111,845,881.91
Other currency funds	15,570,953,416.64	12,887,619,587.29
Total	39,212,626,103.94	33,021,530,548.17

（2）As at 31Dec.2017, funds with use restrictions (as they are collateralised, pledged as security or frozen, etc) are as follows:

About RMB 8.605 billion of other currency funds pledged to the bank for bank acceptance notes;

About RMB 9.94 million bank deposits pledged to the bank for short-term loans and bonds payable;

About RMB 2.2billion of other currency funds pledged for guarantee deposits;

The reserve payment account regulated by the People's Bank of China is about RMB 1.653 billion, of which there are about RMB 1.646 billion of Yi Bao account recharge balance (including the corresponding 15% risk reserve from the Reserve Payment Bank account interest), About the RMB 3.62 million yuan collection and payment of funds and about 3.49 million Huaxia card recharge balance.

Other currency funds include the in-transit payment of approximately RMB 177 million for bank card transactions and RMB 2.93 billion for deposits deposited in Suning Consumer FinanceCo., Ltd.

2. Financial assets at fair value through profit or loss

Items	Closing balance	Opening balance
Financing products (Note1)	2,830,539,908.69	2,227,388,791.09
Priority bankruptcy liquidation and redemption (Note2)	50,654,000.00	-
Convertible bonds (Note3)	48,917,000.00	-
Reservation of new shares(Note4)	-	1,244,000.00
Total	2,930,110,908.69	2,228,632,791.09

Note1: As at 31Dec.2017, for the Group subsidiary-Suning Commerce Group Co., Ltd.(Renamed as Suning.com Co., Ltd.)financial assets at fair value through profit or loss refer to financing products at floating interest rate with derivatives.According to income clauses of contracts, the income-related tools of financing products are SHIBOR, exchange rate of Euro or dollar,etc. Therefore, fair value of the financing products are determined by the value of those income-related tools as at Dec. 31, 2017.

Note2: On 3 Jan.2017, Suning.com Co., Ltd. signed the D-round Preferred Stock Purchase Agreement with WangZhi Technology Limited (hereinafter referred to as "hot mom") to subscribe 43,254,721 D-round preferred shares, representing 10% of hot mom's registered capital, to hot mom in US dollars for the equivalent of RMB 100 million, while Suning.com Co., Ltd. holds a board seat on hot mom's eight board of directors. In addition, according to the agreement, Suning.com Co., Ltd. enjoys priority bankruptcy liquidation and redemption rights. On 31 Dec. 2017, Suning.com Co., Ltd. recognized the investment in hot mom as a long-term equity investment in an associated company, and at the same time confirm that the derivative instruments arising from the priority bankruptcy liquidation and redemption rights are included in the financial assets at fair value through profit or loss. The fair value of this priority bankruptcy liquidation and redemption right is determined by the professional evaluation agency using the equity allocation model.

Note3: On 31 Oct. 2017, Suning.com Co., Ltd. signed a convertible bond investment agreement with Beijing Putike Technology Co. Ltd. Suning eBay plans to purchase a total of RMB 180 million convertible bonds from Beijing Putike Technology Co. Ltd. As of 31 Dec. 2017, Suning.com Co., Ltd. has purchased the first issue of convertible bond in amount of RMB 48 million, the date of debt-to-equity conversion was 24 months after the payment of the first convertible bond and meet the agreed conditions. In addition, according to the agreement, Suning.com Co., Ltd. enjoys the right of first refusal, joint sale and redemption etc. On 31 Dec. 2017, Suning.com Co., Ltd. recognized the investment in Beijing Putike Technology Co. Ltd. as financial assets at fair value through profit or loss. The fair value of the investment is determined by the professional evaluation agency using the equity allocation model.

Note4:According to the agreement made on 16 Mar, 2015 between the group and Japan LAOX Corporation ("Japan LAOX") about the new-share reservation right, the Group subscribed for the 350 new-share reservation rights of LAOX issued by Japan.Then the Group have the right to subscribe for 35 million shares at the agreed price within the period from 6 Apr.2015 to 3 Apr.2018(inclusive)).Fair value of the new-share reservation right is determined by using Monte Carlo simulation method.

3. Notes receivable

（1）Categories of notes receivable

Items	Closing balance	Opening balance
Bank acceptances	2,742,000.00	12,030,000.00
Commercial acceptances	19,427,395.95	28,051,411.81
Total	22,169,395.95	40,081,411.81

（2）As at 31 Dec.2017, there was no notes receivable with right of recourse pledged as security, endorsed or discounted but not due.

4.Accounts receivable

（1）Aging analysis

Aging	Closing balance			Opening balance		
	Amount	%	Bad debt provision	Amount	%	Bad debt provision
Within 1 year	3,460,385,281.58	93.05%	186,020,948.35	1,822,568,657.73	89.75%	-
1 to 2 years	172,735,931.58	4.64%	42,025,983.36	126,906,420.27	6.25%	-
2 to 3 years	40,687,472.89	1.09%	24,563,872.58	39,123,704.75	1.93%	-
3 to 4 years	17,921,694.80	0.48%	8,010,240.74	25,662,443.59	1.26%	-
4 to 5 years	9,451,826.76	0.25%	5,557,379.39	8,020,202.14	0.39%	-
Over 5 years	18,195,928.54	0.49%	15,497,903.28	8,426,520.23	0.42%	-
Total	3,719,378,136.15	100.00%	281,676,327.70	2,030,707,948.71	100.00%	-

（2）As at 31 Dec.2017, 1.074 billion accounts receivable was pledged to the bank as guarantee for short-term debts.

（3）As at 31 Dec.2017,the accounts receivable actually wtitten-off was about RMB 14.502 million, and no significant accounts receivable was written off.

（4）No accounts receivable was derecognized due to transfer of financial assets during the year.

（5）The Group has no accounts receivable assigned to financial institutions without recourse during the year.

5. Prepayments

Aging	Closing balance		Opening balance	
	Amount	%		Amount
Within 1 year	8,965,344,429.93	98.12%	10,155,624,220.31	94.61%
1 to 2 years	81,264,019.72	0.89%	383,440,402.75	3.57%
2 to 3 years	38,892,602.34	0.43%	96,684,498.53	0.90%
3 to 4 years	13,258,564.45	0.15%	79,910,946.51	0.74%
4 to 5 years	23,011,551.39	0.25%	15,188,929.06	0.14%
Over 5 years	14,854,094.07	0.16%	3,768,416.94	0.04%
Total	9,136,625,261.90	100.00%	10,734,617,414.10	100.00%

6. Interest receivable

Item	Closing balance	Opening balance
Security deposit and fixed term deposit at the bank	145,722,241.74	72,680,869.57
Financing products with guaranteed principal and income	102,641,478.88	42,484,405.83
Interest on loans and advances to customers	72,874,997.46	14,604,508.12
others	1,463,706,034.42	1,694,870,993.77
Total	1,784,944,752.50	1,824,640,777.29

7. Other receivables and long-term receivables

（1）Aging analysis

Aging	Closing balance			Opening balance		
	Amount	%	Bad debt provision	Amount	%	Bad debt provision
Within 1 year	34,570,412,890.50	94.85%	75,435,651.65	16,581,188,357.69	66.27%	-
1 to 2 years	921,753,295.20	2.53%	55,284,410.15	7,212,051,041.11	28.82%	-
2 to 3 years	227,599,783.01	0.62%	14,657,672.62	225,475,188.66	0.90%	-
3 to 4 years	146,964,651.60	0.40%	13,392,246.02	224,583,856.17	0.90%	-
4 to 5 years	154,976,701.71	0.43%	24,147,513.86	166,233,262.11	0.66%	-
Over 5 years	424,795,582.34	1.17%	49,519,036.33	612,313,055.89	2.45%	-
Total	36,446,502,904.36	100.00%	232,436,530.63	25,021,844,761.63	100.00%	-

（2）As at 31 Dec.2017, the principal of financing products with guaranteed principal and income is about RMB5.967billion, which will all expire with all relevant income received within one year according to group-purchasing contracts.

As at 31 Dec.2017, about RMB 2.244billion financing products with guaranteed principal and income was pledged to the bank as guarantee for short-term debts.

（3）Other receivable actually wtitten-off was about RMB 38.436million, and no other significant other receivable was written off during the period.

8. Inventories

（1）Categories of inventories

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Properties under development	16,167,293,343.90	-	16,167,293,343.90	25,527,707,019.71	-	25,527,707,019.71
Completed properties for sale	3,515,479,688.79	-	3,515,479,688.79	6,820,186,110.33	-	6,820,186,110.33
Low-value consumable	55,059.76	-	55,059.76	4,040,709.58	-	4,040,709.58
Inventory goods	18,513,434,839.93	415,665,598.12	18,097,769,241.81	13,527,262,326.35	410,655,766.93	13,116,606,559.42
Total	38,196,262,932.38	415,665,598.12	37,780,597,334.26	45,879,196,165.97	410,655,766.93	45,468,540,399.04

（2）Properties under development are presented as follows:

Project name	Closing balance	Opening balance
Shanghai north bund project	3,207,760,100.31	2,979,778,743.06
Zhenjiang Suning Square project	2,970,959,127.48	2,156,413,169.68
Xuzhou Suning Square project	2,165,621,642.74	3,572,797,820.73
Suning Huigu project	1,541,455,790.26	2,126,643,121.19
Xinhua news agency project	1,143,399,635.91	1,031,061,998.07
Fuzhou Suning real estate	1,056,244,741.79	2,429,218,325.29
Tianjin project	756,932,149.51	756,508,264.93
Foshan New Town project	514,561,151.69	1,307,294,974.51
Suqian Suning Square project	282,477,089.76	955,872,678.36
Langfang Real Estate project	219,476,965.25	900,913,850.85
Olympic Sports CBD project	101,448,142.80	1,543,882,079.80
Panjin Oil Street Square project	-	203,649,749.98
Taihu New Town homes project in Wuxi	-	1,981,532,931.21
Shijiazhuang Suning Square project	-	714,121,889.85

Chunxi road Suning Square project	-	315,519,133.71
Huai'an Suning Square project	-	406,405,445.05
Gaochun homes project	-	442,265,579.52
Oher projects	2,206,956,806.40	1,703,827,263.92
Total	16,167,293,343.90	25,527,707,019.71

（3）Provision for decline in value of inventories

Item	Opening carrying amount	Increase in the current period	Decrease in the current period		Closing carrying amount
			Reversals	Write-off	
Inventory goods	410,655,766.93	264,758,831.19	-	259,749,000.00	415,665,598.12

9、Other current assets

Items	Closing balance	Opening balance
available-for-sale financial assets	3,494,282,561.76	17,821,905,000.00
Financial products	12,649,230,257.48	422,701,249.67
Prepaid rent	1,761,718,971.75	1,664,675,997.13
Prepaid insurance fee	20,520,404.45	9,978,900.06
Advance tax and vat input tax to be deducted	1,768,014,936.22	959,055,185.78
other	288,090,551.11	348,467,135.06
Total	19,981,857,682.77	21,226,783,467.70

10、Loans and advances to customers

Item	Closing balance		Opening balance	
	Amount	Loan loss reserves	Amount	Loan loss reserves
Loans and advances to customers	10,510,817,832.42	82,704,746.37	4,224,668,556.43	3,542,769.79

As at 31 Dec.2017, loans and advances to customers refer to company loans, advances, personal consumption credit, etc. were issued by the group subsidiary - Chongqing Suning microfinance Co., Ltd and Suning factoring business Co., Ltd.

As at 31 Dec.2017, RMB 352 million of Loans and advances to customers has been overdue, with provision for impairment of 58.19million.

11. Available-for-sale financial assets

（1）Available-for-sale financial assets

Item	Closing balance	Opening balance
Measured at fair value method:		

Including : Financial products	6,081,306,152.48	25,268,149,852.87
Available-for-sale equity instruments	28,637,847,794.07	17,735,002,371.24
Measured at cost method:		
Including : Available-for-sale equity instruments	22,189,336,039.06	1,204,959,622.03
Less: Provision for available-for-sale financial assets impairment	-	-
Less: Available-for-sale financial assets disclosed as other current assets(Note)	3,494,283,000.00	17,821,905,000.00
Total	53,414,206,985.61	26,386,206,846.14

Note1: As at 31 Dec.2017, the Group has a number of floating-income finiancial products that have not yet expired, of which approximately RMB 3.494 billion will expire within one year, accounting for other current assets; the Group pledged approximately 190 million yen (equivalent to approximately 10.21 million yuan) of availabale-for-sale financial assets at fair value to banks as collateral for short-term loans with a book value of approximately 230 million yen (equivalent to approximately RMB 13.24 million) and bonds payable with a book value of approximately 2.2 billion yen (equivalent to approximately RMB 130 million)

Note2: As at 31 Dec.2017, the Group has not pledged the shares of Alibaba Group Holdings limited to banks as collateral for short-term borrowings; the Group pledged 585,651,537 shares (equivalent to approximately RMB3.707 billion) of China United Network Communications Corporation Limited's restricted circulation shares to the Bank as collateral for the long-term loan of RMB2.8 billion.

（2）Available-for-sale financial assets measured at fair value method

Categories of available-for-sale financial assets	Closing balance	Opening balance
Financial products：		
Fair value	6,081,306,152.48	25,268,149,852.87
Cost	6,016,901,152.48	25,012,322,000.00
FV accumulated change recognized in other comprehensive income	64,405,000.00	255,827,852.87
Provision for impairment	-	-
Available-for-sale equity instruments：		
Fair value	28,637,847,794.07	17,735,002,371.24
Cost	16,210,297,904.67	15,114,164,885.77
FV accumulated change recognized in other comprehensive income	12,427,549,889.40	2,620,837,485.47
Provision for impairment	-	-

Total :		
Fair value	34,719,153,946.55	43,003,152,224.11
Cost	22,227,199,057.15	40,126,486,885.77
FV accumulated change recognized in other comprehensive income	12,491,954,889.40	2,876,665,338.34
Provision for impairment	-	-

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

Investee	Book value				Provision for impairment				Shareholding proportion among the investees	Cash bonus of the period
	Opening balance	increase	decrease	Closing balance	Opening balance	increase	decrease	Closing balance		
Nubia Technology Co., Ltd	283,710,000.00	-	47,768,000.00	235,942,000.00	-	-	-	-	4.08%	-
Suzhou eight-day online network technology Co., Ltd.	73,000,000.00	-	-	73,000,000.00	-	-	-	-	10.00%	-
Smartisan Technology (Beijing)Co., Ltd.	-	50,382,000.00	-	50,382,000.00	-	-	-	-	1.54%	
Kibou Found L.P.	5,898,000.00	643,000.00	-	6,541,000.00	-	-	-	-	7.66%	-
Beijing Tongzhou Guokai Rural Bank Co., Ltd.	9,000,000.00	-	-	9,000,000.00	-	-	-	-	9.00%	-
Nanjing xiaoYi information technology Co., Ltd	27,000.00	-	-	27,000.00	-	-	-	-	0.25%	-
LingZhong household air conditioning system (Shanghai) Co., Ltd.	4,800,000.00	-	4,800,000.00	-	-	-	-	-	-	-
Others	-	712,000.00	5,000.00	707,000.00	-	-	-	-	-	-
Nanjing Overseas business Investment (LP)	10,457,474.51	-	2,614,400.00	7,843,074.51	-	-	-	-	26.14%	-
Jiangsu Zijin Rural Commercial Bank Co., Ltd.	57,390,754.20	-	-	57,390,754.20	-	-	-	-	1.10%	3,028,774.98
Fugang electronic（Yancheng）Co., Ltd	3,838,920.00	-	-	3,838,920.00	-	-	-	-	5.00%	-
Beijing Julin Investment Management Centre（LP）	20,200,000.00	-	-	20,200,000.00	-	-	-	-	24.18%	-
Nongyin Wuxi Equity Investment Fund（LP）	98,056,111.56	-	2,903,225.81	95,152,885.75	-	-	-	-	16.67%	-
Huatai Ruitong Investment Management Co., Ltd	300,000.00	-	-	300,000.00	-	-	-	-	6.00%	-
Shanghai Star Capital Co., Ltd.	800,000.00	-	800,000.00	-	-	-	-	-	-	-
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited partnership)	80,052,645.50	-	4,469,850.00	75,582,795.50	-	-	-	-	7.50%	-

China Minsheng Investment Co., Ltd	300,000,000.00	-	-	300,000,000.00	-	-	-	-	1.11%	30,000,000.00
Jiangsu Suning real estate brokerage Co., Ltd.	5,000,107.16	-	5,000,107.16	-	-	-	-	-	-	-
Jiangsu Suning sports industry Co., Ltd.	100,000,000.00	-	-	100,000,000.00	-	-	-	-	10.00%	-
Hangzhou Hanyunxinling Equity Investment Fund（LP）	-	1,000,000.00	-	1,000,000.00	-	-	-	-	6.49%	-
Evergrande Group(Nanchang) Co., Ltd.	-	1,000,000,000.00	-	1,000,000,000.00	-	-	-	-	1.7875%	-
pointguard Venture Capital Fund	147,897,198.58	-	-	147,897,198.58	-	-	-	-	32.04%	-
CEC healthcare fund	4,531,410.52	-	-	4,531,410.52	-	-	-	-	4.29%	1,343,173.90
Evergrande Real Estate Group Limited	-	20,000,000,000.00	-	20,000,000,000.00	-	-	-	-	4.7038%	-
Total	1,204,959,622.03	21,052,737,000.00	68,360,582.97	22,189,336,039.06	-	-	-	-		34,371,948.88

Note: The available-for-sale financial assets measured at cost value are mainly non-listed equity investments held by the Group. These investments do not have active market quotations, their fair value estimates have a wide range of changes. The probability cannot be reasonably determined, so its fair value cannot be reliably measured. The Group has no plans to dispose of these investments.

12.Long-term equity investments

Investee	Opening balance	increase	Decrease	Gains and losses recognized under the equity method	other comprehensive income	Change of other equity	Provision for impairment	Others	Closing balance
Joint ventures:									
Suning gold stone (Tianjin) fund management Co., Ltd.(Note1)	20,343,215.65	-	-	2,663,784.58	-	-	-	-	23,007,000.23
Beijing Juhe travel consulting Co., Ltd(Note 2)	5,139,617.57	-	-	-537,401.92	-	-	4,602,215.65	-	-
Subtotal	25,482,833.22	-	-	2,126,382.66	-	-	4,602,215.65	-	23,007,000.23

Associated enterprises :									
Jiangsu Suning Bank Co., Ltd. (Note 3)	-	1,200,000,000.00	-	56,663.21	-	-	-	-	1,200,056,663.21
Suning Consumer Finance Co., Ltd.	170,955,479.87	-	-	106,251,776.87	-	-	-	-	277,207,256.74
Greenland and Laox Investment Limited("Greenland")	152,615,000.00	-	-	-21,803,000.00	-	-	-	-	130,812,000.00
Hot mom(Note4)	-	47,276,526.06	-	3,800,272.39	-	-	-	-	51,076,798.45
Beijing Qili Software Technology Co., Ltd. (Note5)	-	50,407,723.89	-	623,640.31	-	-	-	-	51,031,364.20
Maruetsu (Hong Kong) Co., Limited	25,188,044.86	-	-	-1,531,740.04	-	-	-	-	23,656,304.82
Lingzhong air conditioner(Note7)	-	-	-	593,601.47	-	4,800,000.00	-	-	5,393,601.47
Onward J Bridge Co., Ltd.	5,560,288.45	-	-	-596,992.92	-	-	-	-	4,963,295.53
Smartisan Technology(Beijing) Co., Ltd(Note7).	37,245,907.47	-	-	-1,947,465.77	-	-	-	-35,298,441.70	-
Hisense (Nanjing) Electric Co.,Ltd.	52,083,195.55	-	-	-1,341,878.97	-	-	-	-	50,741,316.58
Shanghai YiGuo E-Commerce Co., Ltd.	1,331,201,930.01	-	-	-253,271,880.01	-4,794,008.01	228,816,130.70			1,301,952,172.69
Nanjing Suning ShangTong enterprise management service Co., Ltd	5,000,016.35	-	-	34.46	-	-	-	-	5,000,050.81
Jiangsu Suning Commercial Management Company Limited	310,676.63	-	-	-100,781.82	-	-	-	-	209,894.81
Subtotal	1,780,160,539.19	1,297,684,249.95	-	-169,267,750.82	-4,794,008.01	233,616,130.70	-	-35,298,441.70	3,102,100,719.31
Total	1,805,643,372.41	1,297,684,249.95	-	-167,141,368.16	-4,794,008.01	233,616,130.70	4,602,215.65	-35,298,441.70	3,125,107,719.54

Note 1: In July 2015, Suning .com Group Co.,Ltd. participated in the establishment of Suning Gold Stone,with subscribing RMB 20 million, which accounts for 40% of the total registered capital. At the same time, Suning Commerce Group Co.,Ltd. has two board seats on the board of four directors of Suning gold stone.

Note 2: In June 2016, Suning.com Group Co.,Ltd. , Beijing travel culture Co., Ltd and PPLive Corporation established Beijing Juhe Travel Consulting Co., Ltd. Suning.com Group Co.,Ltd. subscribed RMB 6 million, which accounts for 20% of the total registered capital. According to the articles of Beijing Juhe Travel Consulting Co., Ltd., the company's board resolution must be approved by at least two thirds of directors. Suning .com Group Co.,Ltd. has two board seats on the board of five directors of Beijing juhe travel.

In 17 Aug.2017, Suning.com Group Co.,Ltd. and other shareholders passed the resolution of the shareholder meeting to dissolve Beijing Juhe Travel Consulting Co., Ltd. and conduct liquidation and cancellation. Suning.com Group Co.,Ltd. decided that it would be difficult to recover the original investment after the liquidation, so it made full provision for impairment of the long-term equity investment on December 31, 2017.

Note 3: In June 2017, Suning.com Group Co.,Ltd. participated in the establishment of Jiangsu Suning Bank Co., Ltd. (hereinafter referred to as "Suning Bank"), and Suning.com Group Co.,Ltd. subscribed a contribution of RMB 1.2 billion, accounting for 30% of the total registered capital. At the same time, Suning.com Group Co.,Ltd. has two seats in the board of directors composed of five directors of Suning Bank. On December 31, 2017, Suning.com Group Co.,Ltd. has completed the payment of all subscribed capital.

Note4: In January 2017, Suning.com Group Co.,Ltd. bought 10% of hot mom's shares and held a seat on the board of eight directors of the hot mom.

Note5: In July 2017, Suning.com Group Co.,Ltd. invested RMB 50 million to acquire a 19.23% stock in Beijing Qili Software Technology Co., Ltd. At the same time, Suning.com Group Co.,Ltd. took a seat on the board of seven directors of Beijing Qili Software Technology Co., Ltd. .As of December 31, 2017, Suning.com Group Co.,Ltd. has completed the payment of all investment funds.

Note6: Suning.com Group Co.,Ltd. 's shareholding in Lingzhong Air Conditioning (15%) is less than 20%, but one of the 4 directors of Lingzhong Air-conditioning Board is appointed by the Group and Suning.com Group Co.,Ltd. can exert significant influence on Lingzhong Air-Conditioning, so accouting for the investment as investment in associated enterprises.

Note7: In July 2017, Smartisan Technology(Beijing) Co., Ltd. carried out D-round financing, the proportion of Suning.com Group Co.,Ltd. shares from 1.89% passively diluted to 1.54%, and withdrew the directors appointed on the board. Therefore, Suning.com Group Co.,Ltd. no longer has a major impact on Smartisan Technology (Beijing) Co., Ltd., this investment has been classified to be available-for-sale of financial assets.

13. Investment properties

Item	Opening balance	Current year addition			Current year disposal				
		Outso-urcing	Transferred from Fixed asset-original cost\ Inventories	Enterprise combination increase	Disposal	Transferred to fixed assets	Other (Note)	Changes in fair value	Closing balance
Houses and buildings	24,240,730,421.55	-	9,131,971,923.42	-	3,391,473.40	3,398,235,748.69	3,187,881,400.00	396,451,391.90	27,179,645,114.78

Note:Items not been consolidated in current period.

14. Fixed assets

Item	Houses and buildings	Operating equipment	Transportation facilities	Electronic equipment	Other Equipment	Biological assets	Total
I. Total original carrying amount							
1. Opening balance	15,147,674,275.73	516,368,109.59	594,084,246.36	2,032,256,443.85	1,069,844,165.76	2,865,472.90	19,363,092,714.19
2. Increase							
(1)Purchase	736,221,988.55	588,725,013.04	42,818,169.74	587,129,965.55	129,053,694.28	4,933,614.81	2,088,882,445.97
(2)Transferred from Investment properties	4,919,698,905.99	-	-	-	-	-	4,919,698,905.99
(3)Transfer from CIP	1,731,448,000.00	-	-	-	-	-	1,731,448,000.00
(4) Acquisition increase	101,556,000.00	97,414,000.00	20,300,000.00	56,059,000.00	2,413,000.00	-	277,742,000.00
3. Decrease							
(1) Disposal	18,635,548.45	9,813,749.00	12,265,370.00	70,931,439.50	23,792,254.60	-	135,438,361.55
(2)Other decrease(Note)	544,445,883.34	1,810,257.43	984,401.71	2,655,099.61	1,578,486.15	-	551,474,128.24
(3)Transferred to	999,622,443.84	-	-	-	-	-	999,622,443.84

Investment properties							
(4)Decrease due to foreign currency conversion	14,654,000.00	370,000.00	104,000.00	4,814,000.00	292,000.00	-	20,234,000.00
4. Closing balance	21,059,241,294.64	1,190,513,116.20	643,848,644.39	2,597,044,870.29	1,175,648,119.29	7,799,087.71	26,674,095,132.52
II. Total accumulated depreciation							
1. Opening balance	1,867,120,508.03	250,202,988.43	298,551,641.52	1,365,341,267.55	646,068,805.91	1,195,428.92	4,428,480,640.36
2. Increase							
(1)Additions	427,475,378.19	132,375,105.04	67,531,728.73	309,559,610.75	127,363,168.60	273,451.40	1,064,578,442.71
(2)Transferred from Investment properties	503,059,513.26	-	-	-	-	-	503,059,513.26
3. Decrease							
(1) Disposal	2,492,622.70	6,962,811.55	8,699,751.50	55,625,336.66	22,387,732.98	-	96,168,255.39
(2)Other decrease(Note)	46,688,422.05	530,038.55	341,065.91	1,404,454.62	886,573.57	-	49,850,554.70
(3)Transferred to Investment properties	52,760,849.72	-	-	-	-	-	52,760,849.72
(4)Decrease due to foreign currency conversion	5,715,000.00	177,000.00	129,000.00	2,556,000.00	261,000.00	-	8,838,000.00
4. Closing balance	2,689,998,505.01	374,908,243.37	356,913,552.84	1,615,315,087.02	749,896,667.96	1,468,880.32	5,788,500,936.52
III.Impairment Reserve							
1. Opening balance	46,511,006.18	-	-	-	8,262,494.64	-	54,773,500.82
2. Increase							
(1)Additions	17,741,758.29	-	-	3,011,000.00	79,000.00	-	20,831,758.29
3. Decrease							
(1) Disposal	999,000.00	-	-	32,000.00	-	-	1,031,000.00

(4)Decrease due to foreign currency conversion	2,074,000.00	-	-	297,000.00	35,000.00	-	2,406,000.00
4. Closing balance	61,179,764.47	-	-	2,682,000.00	8,306,494.64	-	72,168,259.11
IV. Total carrying amount							
1. Closing carrying amount	18,308,063,025.16	815,604,872.83	286,935,091.55	979,047,783.27	417,444,956.69	6,330,207.39	20,813,425,936.89
2. Opening carrying amount	13,234,042,761.52	266,165,121.16	295,532,604.84	666,915,176.30	415,512,865.21	1,670,043.98	14,879,838,573.01

Note: Items not been consolidated in current period.

15. Construction in progress

Items	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Net carrying amount	Carrying amount	Provision for impairment losses	Net carrying amount
South China e-commerce operation center project	96,169,000.00	-	96,169,000.00	20,593,461.00	-	20,593,461.00
Wuhan logistics base	34,300,000.00	-	34,300,000.00	-	-	-
Xiamen logistics center phase I project	33,263,000.00	-	33,263,000.00	24,206,396.00	-	24,206,396.00
Dalian logistics base	31,021,000.00	-	31,021,000.00	-	-	-
Nanning phase I logistics base	25,458,000.00	-	25,458,000.00	14,533,213.00	-	14,533,213.00
Shaoxing phase II logistics base	20,698,000.00	-	20,698,000.00	-	-	-
Fuzhou phase II logistics base	19,040,000.00	-	19,040,000.00	-	-	-
Urumqi phase II logistics base	16,596,000.00	-	16,596,000.00	-	-	-
Shangdong phase II logistics base	16,513,000.00	-	16,513,000.00	-	-	-
Kunming logistics base	11,907,000.00	-	11,907,000.00	-	-	-

Xi'an jingyang logistics base	10,482,000.00	-	10,482,000.00	164,409,077.00	-	164,409,077.00
Wenzhou phase II logistics base	5,947,000.00	-	5,947,000.00	-	-	-
Tianjin B2C automatic sorting center	1,689,000.00	-	1,689,000.00	1,408,545.00	-	1,408,545.00
Lanzhou logistics base	1,367,000.00	-	1,367,000.00	-	-	-
Chengdu phase II logistics base	1,089,000.00	-	1,089,000.00	-	-	-
Suzhou phase II logistics base	574,000.00	-	574,000.00	-	-	-
Shijiazhuang phase II logistics base	402,000.00	-	402,000.00	-	-	-
Zhuhai logistics base	398,000.00	-	398,000.00	-	-	-
Guiyang logistics base	104,000.00	-	104,000.00	-	-	-
Chuzhou Suning appliance square project	-	-	-	324,287,608.54	-	324,287,608.54
Rizhao Suning appliance square project	-	-	-	285,078,347.00	-	285,078,347.00
Ezhou logistics base	-	-	-	112,252,622.74	-	112,252,622.74
Yuhua logistics base	-	-	-	415,659,254.00	-	415,659,254.00
Other projects	144,900,631.91	-	144,900,631.91	206,842,008.13	-	206,842,008.13
Total	471,917,631.91	-	471,917,631.91	1,569,270,532.41	-	1,569,270,532.41

16. Intangible assets

Item	Trademark use rights	Land use rights	Software use cost	Trademarks and customer relations	other	Total
I. Total original carrying amount						
1. Opening balance	10,052,494.00	4,957,965,936.09	1,174,163,790.78	685,094,350.17	248,000.00	6,827,524,571.04
2. Increase						
(1)Purchase	91,000.00	706,517,275.60	46,215,058.53	-	-	752,823,334.13
(2)Increased by combination not under common control	1,718,566,222.86	111,650,000.00	11,231,000.00	1,128,484,000.00	-	2,969,931,222.86

(3)Increased from development expenditure	-	-	5,519,000.00	-	-	5,519,000.00
3. Decrease						
(1)Disposal	-	-	1,979,839.20	-	-	1,979,839.20
(2)Transferred to development expenditure	-	44,525,019.99	-	-	-	44,525,019.99
(3) Disposal of subsidiaries	-	415,432,090.42	-	-	-	415,432,090.42
(4) Transferred to Investment properties	-	419,521,852.61	-	-	-	419,521,852.61
(5) Decreased due to foreign currency conversion	-	3,547,000.00	634,000.00	148,000.00	-	4,329,000.00
4 .Closing balance	1,728,709,716.86	4,893,107,248.67	1,234,515,010.11	1,813,430,350.17	248,000.00	9,670,010,325.81
II. Total cumulative amortization						
1. Opening balance	710,849.12	439,359,570.09	909,198,846.70	345,147,822.30	53,511.67	1,694,470,599.88
2. Increase						
(1) Additions	127,140,270.84	150,313,496.61	142,972,225.64	84,906,000.00	-	505,331,993.09
3. Decrease						
(1)Disposal	-	-	86,000.00	-	-	86,000.00
(2)Transferred to development expenditure	-	8,218,493.12	-	-	-	8,218,493.12
(3) Disposal of subsidiaries	-	4,218,834.49	-	-	-	4,218,834.49
(4) Decreased due to foreign currency conversion	-	68,000.00	-	391,000.00	-	459,000.00
4 .Closing balance	127,851,119.96	577,167,739.09	1,052,085,072.34	429,662,822.30	53,511.67	2,186,820,265.36

III. Impairment Reserve						
1. Opening balance	-	-	-	7,540,226.65	-	7,540,226.65
2. Increase						
(1) Additions	-	-	-	-	-	-
3. Decrease						
(1)Disposal	-	-	-	-	-	-
4 .Closing balance	-	-	-	7,540,226.65	-	7,540,226.65
IV. Total carrying amount						
1. Closing carrying amount	1,600,858,596.90	4,315,939,509.58	182,429,937.77	1,376,227,301.22	194,488.33	7,475,649,833.80
2. Opening carrying amount	9,341,644.88	4,518,606,366.00	264,964,944.08	332,406,301.22	194,488.33	5,125,513,744.51

Note: Items not been consolidated in current period.

17. Goodwill

items	Opening balance	Increase in the current period	Decrease in the current balance	Decrease due to foreign currency conversion	Ending balance
TTK Express	-	1,970,322,760.14	-	-	1,970,322,760.14
Redbaby Maternal and infant and cosmetics business	270,670,000.00	-	-	-	270,670,000.00
Japan LAOX Corporation	187,481,938.33	-	-	1,579,367.59	185,902,570.74
Manzuo business	33,372,000.00	-	-	-	33,372,000.00
Allyes Advertising technical plate business	25,109,000.00	-	-	-	25,109,000.00
Citical Retain Management Limited Wholesale and retail business	616,018.87	-	-	-	616,018.87
Wuxi Shengli Gate Suning Electrical Appliance Co., Ltd.	569,360.24	-	-	-	569,360.24
Nanjing Dingchen Architectural Design Co.,Ltd	7,113,296.93	-	-	-	7,113,296.93

Total	524,931,614.37	1,970,322,760.14	-	1,579,367.59	2,493,675,006.92
Less :Impairment reserve - Japan LAOX Corporation	90,499,059.79	-	-	-762,381.33	91,261,441.12
-Citical Retain Management Limited Wholesale and retail business	617,090.20	-	-	-	617,090.20
Total	433,815,464.38	1,970,322,760.14	-	2,341,748.92	2,401,796,475.60

18. Long-term prepaid expenses

Item	Opening balance	Increase in the period	Amortization for the period	Transferred to other current assets	Other decrease （Note 2）	Closing balance
Improvement of fixed assets from operating lease	560,135,594.00	327,445,794.35	393,763,711.48	-	-	493,817,676.87
Deferred extended warranty service fee （Note）	436,850,284.65	183,081,914.61	148,233,414.08	-	-	471,698,785.18
Prepaid long-term housing rent	83,847,821.56	50,155,591.58	21,285,402.91	16,126,000.00	-	96,592,010.23
Usage fee of water and electricity facilities	253,119.60	-	253,119.60	-	-	-
Renovation costs	46,423,641.98	70,570,813.65	40,508,943.78	-	10,380,118.26	66,105,393.59
Other	45,652,025.21	69,175,766.82	47,061,856.82	-	-	67,765,935.21
Total	1,173,162,487.00	700,429,881.01	651,106,448.67	16,126,000.00	10,380,118.26	1,195,979,801.08

Note 1: Suning.com Group Co.,Ltd. provided extended appliance warranty service for customers, and made an insurance service agreement with the third party insurance cpmpany on the extended warranty service. Suning.com Group Co.,Ltd. paid insurance fee according to the agreement to ensure elevant compensation received from the insurance company when providing extended warranty service in the future. As at 31 Dec. 2017,

deferred extended warranty service revenue received is about RMB 1.435 billion, and unamortizated prepaid insurance fee is about RMB 472 million.

Note 2：Items not been consolidated in current period.

19. Deferred tax assets/ Deferred income tax liabilities

（1）Deferred tax assets had not been off-set.

Item	Closing balance		Opening balance	
	Temporary difference	Deferred tax assets	Temporary difference	Deferred tax assets
Unpaid advertising fee	957,516,247.88	239,379,061.97	1,642,408,554.72	410,602,138.68
Provision for impairment of assets	646,458,286.12	161,614,571.53	318,985,136.60	79,746,284.15
Integral plan	88,358,568.24	22,089,642.06	97,978,071.60	24,494,517.90
Government subsidy relevant to assets	928,974,956.04	232,243,739.01	624,328,830.16	156,082,207.54
Unrealized profit from internal transaction	4,073,090,022.68	1,018,272,505.67	4,159,410,654.12	1,039,852,663.53
Amortization of long-term prepaid expenses	32,034,820.96	8,008,705.24	26,417,476.08	6,604,369.02
Pre-sale revenue of real estate enterprise	476,716,682.68	119,179,170.67	319,656,243.84	79,914,060.96
Long-term equity investments	9,100,858.28	2,275,214.57	9,100,858.28	2,275,214.57
Accrued rental expense	671,935,455.40	167,983,863.85	549,628,817.36	137,407,204.34
Deductible loss in subsequent years	10,558,454,886.92	2,639,613,721.73	9,445,421,349.80	2,361,355,337.45
Advertising expense and business propagandize fee	456,526,952.64	114,131,738.16	1,112,536,392.16	278,134,098.04
Other	1,691,865,888.92	422,966,472.23	1,098,269,626.92	274,567,406.73
Total	20,591,033,626.76	5,147,758,406.69	19,404,142,011.64	4,851,035,502.91

（2）Deferred tax liabilities had not been off-set.

Item	Closing balance		Opening balance	
	Temporary difference	Deferred income tax liabilities	Temporary difference	Deferred income tax liabilities
Fair value of investment properties	14,169,833,592.92	3,542,458,398.23	12,308,975,189.08	3,077,243,797.27
Business combination not under common control	3,183,532,000.00	795,883,000.00	465,964,000.00	116,491,000.00
Fair value of available-for-sale financial assets	1,606,181,110.36	401,545,277.59	1,180,215,510.00	295,053,877.50
other	657,016,000.00	164,254,000.00	710,851,211.08	177,712,802.77

Total	19,616,562,703.28	4,904,140,675.82	14,666,005,910.16	3,666,501,477.54

（3）Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset:

Item	Closing balance		Opening balance	
	Offset amount	Balance after offset	Offset amount	Balance after offset
Deferred tax assets	317,308,000.00	4,830,450,406.69	305,971,000.00	4,545,064,502.91
Deferred income tax liabilities	317,308,000.00	4,586,832,675.82	305,971,000.00	3,360,530,477.54

20. Other non-current liabilities

Item	Closing balance	Opening balance
Prepayment for land and building	119,896,100.11	378,583,101.37
Prepayment for engineering equipment	83,724,000.00	567,921,000.00
Investment to be collected	478,892,915.77	478,892,915.77
Other	1,357,404,803.57	566,873,912.51
Total	2,039,917,819.45	1,992,270,929.65

21. Short-term borrowings

Categories	Closing balance	Opening balance
Credit loan	4,438,652,000.00	603,617,090.31
Guaranteed loan	8,703,759,052.88	5,200,000,000.00
Pledge loan	3,061,239,774.71	6,043,900,000.00
Mortgage loan	199,099,246.85	1,000,000,000.00
Guaranteed loan and mortgage loan	-	30,000,000.00
Guaranteed loan and plegde loan	1,000,000,000.00	-
Total	17,402,750,074.44	12,877,517,090.31

22. Financial liabilities at fair value through profit or loss

Categories	Closing balance	Opening balance
Investors sell back options(Note)	50,889,000.00	38,650,000.00

Note : Investors sell back options refer to liquidity support obligation bore by Suning .com Group Co.,Ltd. in the asset support special plan, fair value of which is determined by using Bermuda interest rate swaption Option Pricing Model.

23. Notes payable

Category	Closing balance	Opening balance
Bank acceptance notes	27,230,832,194.21	25,580,459,520.75
Commercial acceptance notes	507,098,615.19	723,513,648.50
Total	27,737,930,809.40	26,303,973,169.25

24. Accounts payable

（1）Categories

Item	Closing balance	Opening balance
Goods payments	13,235,059,937.64	13,125,782,185.56
Project payments	4,228,295,719.72	4,591,866,995.71
Total	17,463,355,657.36	17,717,649,181.27

（2）As at 31 Dec. 2017, accounts payable aged more than one year is RMB 2,313,113,901.35, which mainly comprise payables for goods. As suppliers did not settle with the group in time.

25. Receipts in advance

（1）Categories

Item	Closing balance	Opening balance
Advances from real estate	4,226,661,020.27	4,468,204,342.60
Advances from goods sales	1,275,427,034.75	1,107,517,325.53
Advances from rent revenue	245,832,375.26	202,909,453.70
Other	187,236,723.27	42,053,128.49
Total	5,935,157,153.55	5,820,684,250.32

（2）As at 31 Dec. 2017, accounts received in advance aged more than one year is RMB 1,870,847,120.28, which mainly comprise balance not settled with customers.

26. Employee benefits payable

Items	Opening balance	increase in the period	decreased in the period	Other decrease(Note)	Closing balance
Wages and salaries, bonuses, allowances and subsidies	420,751,999.68	8,345,824,963.25	7,874,189,198.70	2,481,142.66	889,906,621.57
Staff welfare	11,228,129.51	251,854,061.28	250,680,691.83	-	12,401,498.96
Social insurance	10,788,127.28	844,148,489.14	847,782,391.14	-	7,154,225.28
Housing funds	811,008.80	173,967,956.87	173,197,294.63	-	1,581,671.04
Labor union fund and employee education fee	10,874,146.31	29,439,635.77	28,656,333.78	-	11,657,448.30
Non-monetary benefits	-	9,359,293.06	9,359,293.06	-	-
Dismission welfare	-	28,532,691.13	28,532,691.13	-	-

Total	454,453,411.58	9,683,127,090.50	9,212,397,894.27	2,481,142.66	922,701,465.15

Note : Items not been consolidated in current period.

27. Taxes payable

Items	Closing balance	Opening balance
Land value increment tax and land use tax	1,846,079,210.90	999,232,805.00
Enterprise income tax	1,819,339,035.35	1,204,860,348.62
Individual income tax	28,637,506.86	25,946,038.54
Business tax	134,043,794.64	29,463,940.00
City maintenance and construction tax	65,774,040.56	52,677,473.61
Education surcharge	44,726,652.86	33,195,145.19
Value-added tax	705,480,548.55	612,917,235.83
other	64,764,100.00	35,682,070.54
Total	4,708,844,889.72	2,993,975,057.33

28. Interest payable

Items	Closing balance	Opening balance
Interest on bank loan	145,988,082.70	113,728,704.00
Interest on corporation bonds	27,665,500.66	191,326,441.50
Interest on Corporation funds	90,099,213.11	-
Total	263,752,796.47	305,055,145.50

29. Other payables

（1）Categories of other payables

Items	Closing balance	Opening balance
Project payment	2,445,254,101.49	2,883,387,000.00
Amount due to	9,178,175,829.51	1,732,496,621.85
Cash pledge and security deposit	1,478,382,939.44	1,462,088,270.45
Investment fund payable	1,763,102,000.00	14,636,000.00
Customer Refund	57,862,546.54	63,962,348.13
Advertising expense and marketing promotion fee payable	2,165,679,000.00	1,781,629,000.00
Yifubao account provision fund payable	1,016,703,000.00	1,045,208,000.00
Others	1,977,836,224.68	1,349,811,882.69
total	20,082,995,641.66	10,333,219,123.12

（2）As at 31 Dec. 2017, other payables aged more than 1 year was RMB 3,552,400,547.21, which mainly comprise Cash pledge and security deposit.

30. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Deferred revenue of advertising space	14,240,637.18	70,978,714.99
Non-current loans due within one year	8,580,992,381.00	8,870,360,655.29
Non-current bonds due within one year	23,597,625,954.63	19,800,944,438.87
Long-term payables due within one year	833,580,811.23	-
Total	33,026,439,784.04	28,742,283,809.15

31. Other current liabilities

Items	Closing balance	Opening balance
Accrued rent	870,792,543.06	882,529,251.41
Custom points plan（Note）	88,358,568.25	97,978,071.58
Accrued utilities fee	103,046,093.28	116,275,435.71
other	132,201,344.24	77,276,516.85
Totals	1,194,398,548.83	1,174,059,275.55

Note: Deferred income in Integral plan is recognized at fair value on the basis of the custom points plan method and expected redemption rate announced by Suning.com Group Co.,Ltd.

32. Long-term borrowings

Categories	Closing balance	Opening balance
Guaranteed loan and mortgage	13,718,673,102.13	13,318,308,695.06
Guaranteed loan and plegde	8,121,000,000.00	1,180,000,000.00
Mortgage loan	1,859,959,000.00	1,860,539,935.08
Guaranteed loan	2,487,000,000.00	4,221,000,000.00
Credit loan	67,821,456.26	13,253,000.00
Plegde loan	6,678,000,000.00	4,187,585,700.00
Less: long-term borrowings due	-8,580,992,381.00	-8,870,360,655.29
Totals	24,351,461,177.39	15,910,326,674.85

33. Bonds payable

（1）Classification

Item	Opening balance	Addition issues current period	Accrued interest at face value	Amortization of premium and discount	Foreign currency statement translation difference	Interest paid current period	Transferred to non-current liabilities due within one year	Closing balance
Corporate bond -phase two	3,500,020,831.73	-	208,250,000.00	-25,831.73	-	208,250,000.00	-	3,499,995,000.00
Corporation Bonds-Ogitsu Social Bond	-	143,291,000.00	-	-	-2,841,000.00	2,261,000.00	138,189,000.00	-
15 Suning PPN001	1,011,266,666.67	-	45,515,888.88	-4,078,608.67	-	622,000,000.00	430,703,946.88	-
15 Suning 01	10,028,125,000.00	-	675,000,000.00	-23,280,267.27	-	675,000,000.00	10,004,844,732.73	-
16 Suning 01	6,160,534,444.44	-	388,600,000.00	-8,361,058.41	-	388,600,000.00	-	6,152,173,386.03
16Suning 02	4,350,908,333.33	-	273,000,000.00	-9,391,391.57	-	273,000,000.00	-	4,341,516,941.76
Wuxi Suning No. 1	739,440,324.77	255,000,000.00	58,311,877.67	3,137,234.61	-		780,140,170.05	275,749,267.00
GuangJin zhirong SuZhi No.1	256,573,383.56	500,000,000.00	19,253,328.98		-	775,826,712.54	-	-
17Suning 01	-	3,870,000,000.00	215,967,500.00	-6,188,820.11	-	-	-	4,079,778,679.89
17 Suning 03	-	1,160,000,000.00	41,325,000.01	-3,883,728.92	-	-	-	1,197,441,271.09
17 Suning 04	-	800,000,000.00	27,740,000.01	-1,621,830.01	-	-	-	826,118,170.00
17 Suning 05	-	1,100,000,000.00	30,020,833.34	-3,839,064.73	-	-	-	1,126,181,768.61
17 Suning 06	-	600,000,000.00	15,938,333.34	-1,301,582.45	-	-	-	614,636,750.89
17 Suning 07	-	1,040,000,000.00	4,006,888.89	-4,050,598.50	-	-	-	1,039,956,290.39
GuangJin zhirong Appliance No.1	-	97,894,000.00	2,648,825.50	-819,779.43	-	-	99,723,046.07	-
Guangjiao Suning Real Estate	-	700,000,000.00	22,991,864.04	-	-	104,605,901.01	-	618,385,963.03

NO.2								
Wuxi NO.1701	-	945,000,000.00	44,849,756.93	-17,332,386.66	-	-	-	972,517,370.27
Gulou Outsourcing 1701	-	815,416,000.00	30,796,845.45	-12,303,965.90	-	-	-	833,908,879.55
Galaxy NO.1	-	400,000,000.00	22,606,526.39	-6,330,589.86	-	-	-	416,275,936.53
PPN-real estate NO.1701 product	-	5,700,000,000.00	189,779,369.77	-	-	-	5,700,000,000.00	189,779,369.77
PPN-Nan jin jiao.Ningfuwen[2017]NO.21	-	2,405,148,000.00	23,667,198.78	-	-	-	2,405,148,000.00	23,667,198.78
Suning Appliance Group NO.1	-	52,658,000.00	3,177,032.64	-	-	-	55,835,032.64	-
PPN-Appliance 1701	-	2,355,475,000.00	69,973,443.93	-18,925,653.61	-	-	2,406,522,790.32	-
PPN-Fuzhou Suning NO.2	-	1,500,000,000.00	79,120,559.55	-2,601,323.61	-	-	1,576,519,235.94	-
Total	26,046,868,984.50	24,439,882,000.00	2,492,541,074.10	-121,199,246.83	-2,841,000.00	3,049,543,613.55	23,597,625,954.63	26,208,082,243.59

（2）Specified classification

Item	Par value	Issue date	Bond maturity	Issue amount
Corporate bond -phase two(Note 1)	3,500,000,000.00	13 Nov.2013	6 years	3,500,000,000.00
15 Suning PPN001(Note 2)	1,000,000,000.00	15 Oct.2015	3 years	1,000,000,000.00
15 Suning 01(Note3)	10,000,000,000.00	17 Dec.2015	5 years	10,000,000,000.00
16 Suning 01(Note 4)	5,800,000,000.00	2 Feb.2016	5 years	5,800,000,000.00
16Suning 02(Note 5)	4,200,000,000.00	16 Jun. 2016	5 years	4,200,000,000.00
Wuxi Suning No. 1(Note6)	1,000,000,000.00	9 Sep.2016-7 Mar. 2017	730 days	1,000,000,000.00
GuangJin zhirong SuZhi No.1(Note 7)	755,000,000.00	21 Oct. 2016-8 Mar. 2017	730 days	755,000,000.00
8th Guaranteed Social Bond(Note 8)	23,152,000.00	22 Mar.2013	5 years	23,152,000.00
9th Guaranteed Social Bond(Note 8)	173,640,000.00	28 Jun.2013	5 years	173,640,000.00
11th Guaranteed Social Bond(Note 8)	8,682,000.00	22 Jan.2014	4 years	8,682,000.00

12th Guaranteed Social Bond(Note 8)	17,364,000.00	30 Jun.2014	4 years	17,364,000.00
13th Guaranteed Social Bond(Note 8)	17,364,000.00	29 Feb.2016	5 years	17,364,000.00
17Suning 01(Note 9)	3,870,000,000.00	20 Mar.2017-21 Mar.2017	5 years	3,870,000,000.00
17Suning 03(Note 10)	1,160,000,000.00	14 Jul.2017-17 Jul.2017	5 years	1,160,000,000.00
17Suning 04(Note 11)	800,000,000.00	14 Jul.2017-17 Jul.2017	5 years	800,000,000.00
17Suning 05(Note 12)	1,100,000,000.00	21 Aug.2017-22 Aug.2017	5 years	1,100,000,000.00
17Suning 06(Note 13)	600,000,000.00	21 Aug.2017-22 Aug.2017	5 years	600,000,000.00
17Suning 07(Note 14)	1,040,000,000.00	13 Dec.2017-14 Dec.2017	5 years	1,040,000,000.00
Guangjin Zhirong Appliance NO.1 (Note 15)	97,894,000.00	3 Aug.2017-7 Aug.2017	365 days	97,894,000.00
Guangjiao Suning Real Estate NO.2(Note 16)	700,000,000.00	2 Jun.2017-14 Jul.2017	No mre than 730 days	700,000,000.00
Wuxi NO.1701(Note 17)	945,000,000.00	7 Mar.2017-9 May 2017	730 days	945,000,000.00
Gulou Outsourcing 1701(Note 18)	815,416,000.00	24 Mar.2017-16 Jun.2017	730 days	815,416,000.00
Galaxy NO.1 (Note 19)	400,000,000.00	31 Jan.2017-28 Feb.2017	730 days	400,000,000.00
PPN-real estate NO.1701product (Note 20)	5,700,000,000.00	2 Mar.2017	365 days	5,700,000,000.00
PPN-Nan jin jiao.Ningfuwen[2017]NO.21(Note 21)	2,405,148,000.00	25 Dec.2017	365 days	2,405,148,000.00
Suning Appliance Group NO.1(Note 22)	52,658,000.00	Nov.2016-Jan.2017	365 days	52,658,000.00
PPN-Appliance 1701 (Note 23)	2,355,475,000.00	17 May 2017-26 Oct.2017	365 days	2,355,475,000.00
PPN-Fuzhou Suning NO.2(Note 24)	1,500,000,000.00	7 Feb.2017-23 Feb.2017	365 days	1,500,000,000.00
Total	50,036,793,000.00			50,036,793,000.00

Note1: Approved by China Securities Regulatory Commission [2012] No. 1419, Suning.com Group Co.,Ltd. issued the phase 2 Corporate Bonds on 13 Nov. 2013, fixed annual interest rate of 5.95% calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal.

Note2: On 15 Oct.2015,the Group issued Private Placement Notes, fixed annual interest rate of 5.20% calculated on simple annual interest basis , interests to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal.

Note 3: Approved by Shanghai Stock Exchange ShangZhengHan [2015] NO. 2103, the group issued private corporation bonds on 17 Dec. 2015, fixed annual interest rate of 6.75% calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal.

Note 4: Approved by Shenzhen Stock Exchange ShenZhengHan[2015] No. 570, the group issued the private phase 1 Corporate Bonds on 2 Feb. 2016 term 5 years,with the option of issuers to adjust coupon rate and option of investors to put back, fixed annual interest rate of 6.70% calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal.

Note 5: Approved by Shenzhen Stock Exchange ShenZhengHan[2015] No. 570, the group issued the private phase 2 Corporate Bonds on 16 Jun. 2016, term 5 years,with the option of issuers to adjust coupon rate and option of investors to put back, fixed annual interest rate of 6.50% calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal.

Note 6: Wuxi Suning Real Estate Co. Ltd, subsidiary of the Group, issued Private Placement Notes from 9 Sep. 2016 to 7 Mar. 2017, total 27 series, fixed annual interest rate of 5.60%,5.80%,6.00%,6.20%,6.40%, calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal.

Note 7: Wuxi Suning Real Estate Co. Ltd, a subsidiary of the Group, issued Private Placement Notes from 21 Oct. 2016 to 8 Mar. 2017, total 6 series, fixed annual interest rate of 7.20%,6.50%, calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal.

Note8: In Jul 2017, the Group acquired 100% equity of Ogitsu. Ogitsu issued five corporate bonds between 2013 and 2016, fixed annual interest rate between 0.1% and 0.49% calculated on simple annual interest basis, interest paid quarterly or semi-annually, principal to be repaid at maturity, the last interest to be paid together with the principal. The total amount of the bonds is approximately 2.4 billion yen (approximately RMB 140 million), pledged by bank deposits with a carrying value of 58.48 million yen (equivalent to approximately RMB 3.44 million) and available-for-sale financial assets measured at fair value with a carrying value of approximately 190 million yen (equivalent to approximately RMB 10.21 million), at the same time by the housing and buildings with a book value of about RMB 53.39 million and the land with a book value of about RMB 65.96 million as a joint mortgage guarantee.

Note9: The Group issued Private Placement Notes from 20 Mar. 2017 to 21 Mar. 2017, term 5 years,fixed annual interest rate of 7.00%,calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal, with the option to the issuer of the 2nd and 4th year-end to adjust the coupon interest rate and investors to put back.

Note10: The Group issued Private Placement Notes from 14 Jul. 2017 to 17 Jul. 2017, term 5 years, fixed annual interest rate of 7.50%, calculated on simple annual interest basis, interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal, with the option to the issuer of the third year-end to adjust the coupon interest rate and investors to put back.

Note11: The Group issued Private Placement Notes from 14 Jul. 2017 to 17 Jul. 2017, term 5 years, fixed annual interest rate of 7.50%, calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal, with the option to the issuer of the 2nd and 4th year-end to adjust the coupon interest rate and investors to put back.

Note12: The Group issued Private Placement Notes from 21 Aug. 2017 to 22 Aug. 2017, term 5 years, fixed annual interest rate of 7.50%, calculated on simple annual interest basis, interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal, with the option to the issuer of the third year-end to adjust the coupon interest rate and investors to put back.

Note13: The Group issued Private Placement Notes from 21 Aug. 2017 to 22 Aug. 2017, term 5 years, fixed annual interest rate of 7.30%, calculated on simple annual interest basis, interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal, with the option to the issuer of the 2nd and 4th year-end to adjust the coupon interest rate and investors to put back.

Note14: The Group issued Private Placement Notes from 13 Dec. 2017 to 14 Dec. 2017, term 5 years, fixed annual interest rate of 7.30%, calculated on simple annual interest basis, interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal, with the option to the issuer of the third year-end to adjust the coupon interest rate and investors to put back.

Note15: The Group issued Private Placement Notes from 3 Aug. 2017 to 7 Aug. 2017, fixed annual interest rate of 6.50%, calculated on simple annual interest basis, interest to be paid once a year, principal to be repaid at maturity, the last interest to be paid together with the principal.

Note 16: Wuxi Suning Real Estate Co. Ltd, a subsidiary of the Group, issued Private Placement Notes from 2 Jun. 2017 to 14 Jul. 2017, fixed annual interest rate of 6.96%,6.95%,7.00%,7.01%,7.02%,7.03%,7.95%, calculated on simple annual interest basis ,total 12 issues, the total interests and principal to be repaid at maturity.

Note 17: Wuxi Suning Real Estate Co. Ltd, a subsidiary of the Group, issued Private Placement Notes from 7 Mar. 2017 to 9 May 2017, fixed annual interest rate of 5.6%,5.8%,6.00%,6.2%, calculated on simple daily interest basis ,total 13 issues, the total interests and principal to be paid at maturity, no additional interest beyond the due date.

Note 18: Nanjing Gulou International Software and service Outsourcing Industrial Park Co., Ltd., a subsidiary of the Group, issued Private Placement Notes from 24 Mar. 2017 to 16 Jun. 2017, fixed annual interest rate of 6.2%, calculated on simple daily interest basis, the total interests and principal to be paid at maturity, no additional interest beyond the due date.

Note 19: Nanjing Galaxy Real Estate Co., Ltd., a subsidiary of the Group, issued Private Placement Notes from 31 Jan. 2017 to 28 Feb. 2017, total 12 issues,fixed daily interest rate, calculated on simple interest basis, the total interests and principal to be paid at maturity. Interest rate is subject to each issue announcement.

Note 20: Suning Real Estate Group Co., Ltd., a subsidiary of the Group, issued Private Placement Notes on 2 Mar. 2017, fixed daily interest rate, calculated on simple interest basis, the total interests and principal to be paid at maturity. Interest rate is subject to each issue announcement.

Note 21: Suning Real Estate Group Co., Ltd., a subsidiary of the Group, issued Private Placement Notes on 25 Dec. 2017, fixed annual interest rate between 6.10% and 8.00%, calculated on simple daily interest basis, the total interests and principal to be paid at maturity.

Note 22: The Group issued Private Placement Notes from Nov. 2016 to Jan. 2017, fixed daily interest rate, calculated on simple interest basis, the total interests and principal to be paid at maturity. Interest rate is subject to each issue announcement.

Note 23: The Group issued Private Placement Notes from 17 May 2017 to 26 Oct. 2017, fixed daily interest rate, calculated on simple interest basis, the total interests and principal to be paid at maturity. Interest rate is subject to each issue announcement.

Note 24: Fuzhou Suning Real Estate Co., Ltd.,a subsidiary of the Group, issued Private Placement Notes from 7 Feb. 2017 to 23 Feb. 2017, fixed daily interest rate, calculated on simple interest basis. When the Private Placement Notes expire in advance, interest is paid on a daily basis according to the actual period of use. The interest rate are determined by the underwriters' and issuers' market inquiries and subject to each issue announcement. The principal and interest are to be paid to the investors within three working days after the due date. The total interests and principal are to be paid at maturity.

34. Provisions

Item	Opening balance	increase in the period	decreased in the period	foreign currency statement translation difference	Closing balance
Obligation to restore rental housing to its original state	56,234,584.26	20,893,634.63	7,450,000.00	1,810,000.00	67,868,218.89
other	133,000.00	-	131,000.00	2,000.00	-
Total	56,367,584.26	20,893,634.63	7,581,000.00	1,812,000.00	67,868,218.89

35. Long-term employee benefits payable

Category	Closing	Opening
Pension plan	44,013,929.35	25,124,577.34

36. Deferred income

（1）Categories

Item	Opening balance	increase in the period	decreased in the period	Closing balance	Reason
Deferred extended warranty service revenue	1,333,109,005.16	537,372,000.00	435,868,000.00	1,434,613,005.16	Deferred extended warranty service revenue from customers
Government grants	628,538,750.03	77,843,540.00	32,369,056.32	674,013,233.71	Government grants for project construction of subsidiaries where they located
Deferred franchise fee	-	15,228,000.00	9,383,000.00	5,845,000.00	Franchise fee income received in advance from customers
Total	1,961,647,755.19	630,443,540.00	477,620,056.32	2,114,471,238.87	

（2）List of government grants

Item	Opening balance	Increase	Amount included in Non-operating income	Other change	Closing balance	Related to assets/ Related to income
Shenyang logistics base	60,359,000.00	-	1,497,000.00	-	58,862,000.00	Related to assets
Ezhou logistics base	55,529,000.00	-	1,139,000.00	-	54,390,000.00	Related to assets
Harbin logistics base	44,789,000.00	-	1,033,000.00	-	43,756,000.00	Related to assets
Jiangsu suning logistics base	40,000,000.00	-	3,000,000.00	-	37,000,000.00	Related to assets
Beijing logistics base	34,943,000.00	-	862,000.00	-	34,081,000.00	Related to assets
Hefei logistics base	32,550,000.00	-	816,000.00	-	31,734,000.00	Related to assets

Changchun logistics base	32,337,000.00	-	718,000.00	-	31,619,000.00	Related to assets
Nantong logistics base	30,430,000.00	-	680,000.00	-	29,750,000.00	Related to assets
East West Lake logistics base	28,230,000.00	-	638,000.00	-	27,592,000.00	Related to assets
Boning Suning logistics base	27,886,000.00	-	629,000.00	-	27,257,000.00	Related to assets
Xi'an jingyang logistics base	26,604,000.00	-	552,000.00	-	26,052,000.00	Related to assets
Foshan Suning yida logistics base	25,387,000.00	-	525,000.00	-	24,862,000.00	Related to assets
Zhongshan logistics base	24,703,000.00	-	560,000.00	-	24,143,000.00	Related to assets
Linshui landscape base	19,689,000.00	-	409,000.00	-	19,280,000.00	Related to assets
Baotou Suning quare	19,033,000.00	11,270,000.00	585,000.00	-	29,718,000.00	Related to assets
Yancheng yanning logistics base	15,305,000.00	-	345,000.00	-	14,960,000.00	Related to assets
Lanzhou logistics base	14,527,000.00	800,000.00	329,000.00	-	14,998,000.00	Related to assets
Shaoxing logistics base	12,281,000.00	-	256,000.00	-	12,025,000.00	Related to assets
Chongqing phase ii logistics base	10,524,000.00	-	250,000.00	-	10,274,000.00	Related to assets
Changzhou Suning yida logistics base	9,767,000.00	-	202,000.00	-	9,565,000.00	Related to assets
Zhuhai logistics base	9,333,000.00	-	200,000.00	-	9,133,000.00	Related to assets
Guiyang jinyang xinqu logistics base	9,239,000.00	-	208,000.00	-	9,031,000.00	Related to assets
Neijiang logistics project	7,669,000.00	-	157,000.00	-	7,512,000.00	Related to assets
Shanghai logistics base	7,133,000.00	-	866,000.00	-	6,267,000.00	Related to assets
Urumqi Suning logistics base	6,489,000.00	-	144,000.00	-	6,345,000.00	Related to assets
Qingdao Jiaoning Suning logistics base	5,319,000.00	-	5,319,000.00	-	-	Related to assets

Zhengzhou logistics base	4,944,000.00	-	125,000.00	-	4,819,000.00	Related to assets
Jining Suning appliance square	3,868,000.00	-	97,000.00	-	3,771,000.00	Related to assets
Chengdu small piece logistics base	2,490,000.00	-	62,000.00	-	2,428,000.00	Related to assets
Foshan logistics base	1,800,416.62	-	-	-	1,800,416.62	Related to assets
Large Data Intelligent Analysis System project	-	44,137,000.00	5,855,000.00	-	38,282,000.00	Related to assets
Shijiazhuang logistics base	-	4,800,000.00	30,000.00	-	4,770,000.00	Related to assets
Xuzhou logistics base	-	2,660,000.00	6,000.00	-	2,654,000.00	Related to assets
Hunan Suning logistics base	-	2,000,000.00	-	-	2,000,000.00	Related to assets
Xi'an Suning life plaza project	-	2,000,000.00	22,000.00	-	1,978,000.00	Related to assets
Automated warehouse project	-	1,736,000.00	-	-	1,736,000.00	Related to assets
Beijing Suning logistics base	-	1,657,000.00	30,000.00	-	1,627,000.00	Related to assets
Guangxi logistics base	-	1,000,000.00	25,000.00	-	975,000.00	Related to assets
Jiangsu Suning logistics city joint distribution project	-	840,000.00	-	-	840,000.00	Related to assets
Jiangsu Suning logistics sky eye project	-	840,000.00	-	-	840,000.00	Related to assets
Shenzhen Suning chain store construction project	-	532,000.00	22,000.00	-	510,000.00	Related to assets
Other projects	2,148,000.00	-	587,104.49	-	1,560,895.51	Related to assets
Internet of Things intelligent home project	3,233,333.41	3,571,540.00	3,588,951.83	-	3,215,921.58	Related to assets
Total	628,538,750.03	77,843,540.00	32,369,056.32	-	674,013,233.71	

37. Other non-current liabilities

Category	Closing balance	Opening balance
Annuity withdrawal liabilities	76,830,150.06	-
Loss on fair value of foreign exchange forward	965,655.92	15,005,092.59
Tibet trust-shunJing 34 collection fund trust plan	500,000,000.00	500,000,000.00
Tibet trust-shunJing 53 collection fund trust plan	500,000,000.00	500,000,000.00
Tibet trust-laiwo 6 collection fund trust plan	500,000,000.00	500,000,000.00
Tibet trust-laiwo 10 collection fund trust plan	300,000,000.00	300,000,000.00
Zhonghai Huiyu2017-140 Suning Yunchuang Investment Collection Fund Trust plan	4,345,500,000.00	-
Total	6,223,295,805.98	1,815,005,092.59

38. Paid-in capital

Item	Opening balance		increase in the period	decreased in the period	期末余额		
	Amount	Proportion			The proportion of subscribed capital	Amount	Proportion of paid-in Capital contribution
Jindong Zhang	95,000,000.00	39.75%	32,565,000.00	-	50.00%	127,565,000.00	53.37%
Weiming Sun	48,000,000.00	20.08%	-	48,000,000.00	-	-	-
Yang Bu	96,000,000.00	40.17%	15,435,000.00	-	50.00%	111,435,000.00	46.63%
Total	239,000,000.00	100.00%	48,000,000.00	48,000,000.00	100.00%	239,000,000.00	100.00%

On 10 Apr.2017, according to the shareholders' committee resolution and the amending Articles of Association:Weimin Sun transferred the total shareholding of the company to Jindong Zhang and Yang Bu. Then the ownership structure of the company was: Jindong Zhang invested RMB 857.145million, accounting for 50% of the registered capital; Yang Bu invested RMB 857.145million, accounting for 50% of the registered capital.

39. Capital reserve

Items	Opening balance	increase in the period	decreased in the period	Closing balance
Other capital reserve	2,582,772,579.16	389,654,216.31	-	2,972,426,795.47

40. Surplus reserve

Items	Opening balance	increase in the period	decreased in the period	Closing balance
Statutory surplus reserves	100,000,000.00	10,389,614.39	-	110,389,614.39

41. Retained profits

Item	Amount
Before adjustment: Retained profits at the end of prior year	2,245,116,385.03
Adjustment: Total Retained profits at beginning of year	-
After adjustment: Retained profits at beginning of year	2,245,116,385.03
Add: Net profit attributable to parent company report year	1,799,040,239.79
Less: statutory surplus reserves	10,389,614.39
Less: general risk reserve	128,003,559.41
Retained profits at the end of the current year	3,905,763,451.02

42. Operating income and operationg costs

（1）Classification

Items	Amount incurred in the current period		Amount incurred in the prior period	
	income	cost	income	cost
Principal operating income	195,478,227,280.09	168,626,785,040.71	153,678,392,385.11	132,114,426,099.08
Other operating income	5,267,711,271.46	1,859,273,219.45	4,018,595,768.65	1,408,722,876.28
Total	200,745,938,551.55	170,486,058,260.16	157,696,988,153.76	133,523,148,975.36

（2）List of principal operating activities classified by industries

Items	Amount incurred in the current period		Amount incurred in the prior period	
	Principal operating income	Principal operating cost	Principal operating income	Principal operating income
Income from goods retailed and wholesaled	178,832,745,557.81	157,301,235,658.63	143,967,051,963.06	125,622,273,770.58
Income from installation and maintance	1,296,713,272.57	1,093,910,623.85	1,045,118,434.70	891,288,000.00
Income from real estate	6,443,856,966.11	4,954,004,989.56	6,263,586,601.02	4,797,889,168.73
Inome from catering and room of hotel	488,976,187.92	94,406,155.11	427,539,471.35	136,570,277.89
Income from property management	210,541,776.52	140,760,978.02	75,109,661.66	58,622,600.69
Income from financial service	1,425,639,009.83	270,266,060.17	-	-
Income from other industries（Note）	6,779,754,509.33	4,772,200,575.37	1,899,986,253.32	607,782,281.19
Total	195,478,227,280.09	168,626,785,040.71	153,678,392,385.11	132,114,426,099.08

Note: Income from other industries mainly include commission from YiGou web platform, Freight transportation , real estate sales,,and Agency services.

（3）List of other operating income

Item	Amount incurred in the current period	Amount incurred in the prior period

	Other operating income	Other operating loss	Other operating income	Other operating loss
Income from chain service（Note 1）	713,998,894.96	-	613,970,092.38	-
Rental income	969,127,716.69	229,477,878.60	887,761,505.76	381,670,562.89
Income from advertising space usage	170,436,203.84	-	112,980,983.17	-
Income from agency	365,564,396.82	-	582,590,864.99	-
Field rental income	35,797,928.96	-	38,526,659.07	-
Interest income	2,048,509,462.92	1,359,135,209.48	1,557,886,310.64	976,299,311.66
Other income(Note 2)	964,276,667.27	270,660,131.37	224,879,352.64	50,753,001.73
Total	5,267,711,271.46	1,859,273,219.45	4,018,595,768.65	1,408,722,876.28

Note 1: Income from chain service referred to advertising promotion service fee and advertising service fee paid by suppliers.

Note 2: Other income mainly contain income from site use service and value-added logistics service provided for suppliers and third-parties.

43.Taxes and levies

Item	Amount incurred in the current period	Amount incurred in the prior period
Business tax	40,461,766.35	187,740,739.20
City construction tax	231,063,938.19	201,817,683.06
Education fee and surcharges	170,709,299.47	146,829,603.77
Property tax	244,707,461.52	115,879,195.78
Consumption tax	2,854,276.21	4,815,858.41
Land value increment tax	937,718,113.75	534,632,324.28
Stamp duty	127,925,377.47	80,347,000.00
Land use tax	62,140,891.45	34,178,000.00
Flood control, water conservancy and security funds	25,088,602.66	32,316,000.00
Other	68,182,809.09	29,856,169.05
Total	1,910,852,536.16	1,368,412,573.55

44. Financial expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Interest expenses	4,670,230,179.54	3,851,103,152.86
less：interest income	942,887,341.07	792,266,439.20
Service charge	614,793,465.71	396,910,835.73
Exchange losses	-122,637,619.30	-358,484,788.09
Other	163,815,955.53	171,043,690.93

Total	4,383,314,640.41	3,268,306,452.23

45. Investment income

Item	Amount incurred in the current period	Amount incurred in the prior period
Investment income received from long-term equity measured by equity method	-167,141,368.16	-126,248,773.52
Gains on holding available-for-sale financial assets	62,433,625.75	5,818,700.00
Gains on disposal of long-term equity investments	8,436,775,337.23	1,891,671,499.72
Gains on disposal of financial assets at fair value through profit or loss	56,248,031.77	24,290,654.61
Gains on disposal available-for-sale financial assets	4,117,691,273.19	173,234,739.91
Bank financial products interest	49,958,881.66	107,428,361.31
Total	12,555,965,781.44	2,076,195,182.03

46.Other income

Item	Amount incurred in the current period	Amount incurred in the prior period
Government Grants	582,200,154.79	-

47. Non-operating income

Item	Amount incurred in the current period	Amount incurred in the prior period
Government grants	-	1,508,481,079.32
Income from fines and liquidated damages	75,462,866.81	27,785,258.25
Negative goodwill	79,104,000.00	31,306,429.96
Other	271,281,757.81	94,347,646.39
Total	425,848,624.62	1,661,920,413.92

48. Non-operating expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Donation	22,846,476.79	16,363,280.97
Funds	-	653,827.07
Fines and penalties	70,828,058.44	36,157,704.94

Other	110,075,432.81	113,713,096.07
Extraordinary loss	1,642,558.08	384,138.73
Total	205,392,526.12	167,272,047.78

49. Income tax expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Current tax expense calculated according to tax laws and relevant requirements	1,897,294,063.42	1,120,994,455.39
Adjustments to deferred tax	-152,892,005.26	-449,453,038.67
Total	1,744,402,058.16	671,541,416.72

VI. Change in consolidation scope

1. Subsidiaries acquired through a business combination not under common control

（1）Business combinations not under common control

Name of the acquiree	Equity acquisition date	Equity acquisition cost	Equity acquisition ratio (%)	Equity acquisition method	Combination date	Basis of acquisition date	Revenue from acquisition date to year end	Net profit from acquisition date to year end	Net cash flow from operating activities from acquisition date to year end	Net increase in cash and cash equivalents from acquisition date to year end
TTK Express（Note1）	30 Apr.2017	417,683	100%	Purchase	30 Apr.2017	Transfer controlling power	142,928	-58,051	18,423	-9,062
Aidu Communicatios（Note2）	1 Jul.2017	211	100%	Purchase	1 Jul.2017	Transfer controlling power	379	60	-135	188
Ogitsu（Note3）	1 Oct.2017	2,630	100%	Purchase	1 Oct.2017	Transfer controlling power	11,477	5,068	21,669	1,932

Note1 :In Apr.2017, Suning.com Group Co.,Ltd. acquired 100%shareholding of TTK Express from its original shareholders. The equity acquisition date of this transaction is 30 Apr.2017, which is the date of getting the control over financial and operating decisions of TTK Express.

Note2 :In Jul.2017, Suning.com Group Co.,Ltd. acquired 100%shareholding of Aidu Communicatios from its original shareholders. The equity acquisition date of this transaction is 1 Jul.2017, which is the date of getting the control over financial and operating decisions of Aidu Communicatios.

Note3 :In Oct.2017, Suning.com Group Co.,Ltd. acquired 100%shareholding of Ogitsu from its original shareholders. The equity acquisition date of this transaction is 1 Oct.2017, which is the date of getting the control over financial and operating decisions of Ogitsu.

（2）Consideration and Goodwill

（Unit:rmb 10,000 yuan）

Item	TTK Express business	Aidu Communicatios business	Ogitsu business
Equity acquisition cost:			
Cash:			
Cash paid during the period	249,472.10	211.20	2,629.50
Discounted cash consideration not yet paid	46,025.80	-	-
Total cash consideration	295,497.90	211.20	2,629.50
Discounted equity consideration payable	122,185.10	-	-
Total equity acquisition cost	417,683.00	211.20	2,629.50
Less: share of fair value of identifiable net assets obtained	220,650.70	273.20	10,477.90
Goodwill（Note）	197,032.30	-62.00	-7,848.40

Note: The equity acquisition cost is lower than fair value of identifiable net assets obtained in Aidu Communicatios business and Ogitsu business, and the difference of RMB 0. 62 million and 78.48million have been recognized in non-operating income.

（3）Assets and liabilities of acquiree at acquisition date

（Unit:rmb 10,000 yuan）

Item	TTK Express business		Aidu Communicatios business		Ogitsu business	
	Fair value at	Book value at	Fair value at	Book value at	Fair value at	Book value at

	acquisition date	acquisition date	acquisition date	acquisition date	acquisition date	acquisition date
Cash and bank balances	17,995.60	17,995.60	12.00	12.00	12,223.60	12,223.60
Accounts (Other) receivable	163,548.90	163,548.90	14.20	14.20	3,420.30	3,420.30
Inventories	797.00	769.00	-	-	17,885.30	17,885.30
Other current assets	12,869.50	12,869.50	7.20	7.20	1,565.20	1,565.20
Available-for-sale financial assets	30.00	30.00	-	-	6,090.50	6,090.50
Fixed assets	20,657.70	18,856.80	54.50	54.50	7,062.00	6,532.60
Intangible assets	289,296.20	6,076.2	644.10	-	7,052.80	7,261.00
Construction in progress	3,173.50	3,066.4	-	-	-	-
Long-term prepaid expenses	1,778.60	2,139.80	15.70	15.70	16.00	16.00
Deferred tax assets	4,674.90	4,674.90	-	-	714.30	174.00
Long-term receivables	-	-	-	-	4,057.80	2,682.00
Other non-current assets	75.80	75.80	12.00	12.00	-	-
Less:Short-term borrowings	129,287.00	129,287.00	31.10	31.10	5,773.00	5,773.00
Employee benefits payable	5,053.30	5,053.30	-	-	2,071.90	2,071.90
Bonds payable due within one year	-	-	-	-	14,329.10	14,329.10
Long-term borrowing	-	-	123.80	123.80	11,172.50	11,172.50
Deferred tax liabilities	71,198.70	-	212.90	-	1,743.40	48.30
Other liabilities	90,820.80	90,820.80	118.70	118.70	13,462.30	13,462.30
Net assets	218,537.90	4,941.80	273.20	-158.00	11,535.60	10,993.40
Add: Minority interests	2,112.80	2,112.80	-	-	-1,057.70	-1,057.70
Acquired net assets	220,650.70	7,054.60	273.20	-158.00	10,477.90	9,935.70

Note: Valuation techniques are adopted by the Group to determine fair value of the identifiable assets and liabilities of the business.The main evaluation methods and key assumptions are as follows:
(I)To evaluate the fair value of trademarks and domain names and distribution networks by using the future revenue discount method in the Income approach;
(II)The state's current relevant laws, regulations and policies have made no major changes in the national macroeconomic situation; no significant change in the political, economic and social environment of the parties in this transaction; no other significant unpredictable and force majeure factors;
(III) The basic assumption of valuation techniques is that the valuation result will attribute to accounting treatment and reporting of business combination in accordance with Accounting Standards for Business Enterprises.

2. Change in consolidation scope due to other reasons

（1）During the year 2017, 61 new established subsidiaries are consolidated by the Group,including Shanghai Changning Suning Xinning Trading Co., Ltd., Nanjing Suning Weibao Information Consulting Co., Ltd. etc., and 9 subsidiaries are no longer in consolidation scope because of cancellation,including Zhenjiang Suning After-sales Service Co., Harbin Suning Commerce Purchasing Co., Ltd.,etc.

（2）In November 2017, the Group became a Class C beneficiary of the Zhonghai Huiyu 2017-140 Suning Yunchuang Investment Collection Fund Trust plan. The benefits enjoyed by Class C beneficiaries are inferior to Class A and B beneficiaries, and the Group is directly responsible for providing liquidity support and margin compensation, so the Group incorporates the structured entity. into the consolidation scope

VII. Equity in other entities

1. Equity of subsidiaries

Organization structure of group company

Name of subsidiaries	Main business address	Registered address	Business nature	Shareholding(%)		Obtaining method
				Direct	Direct	
Nanjing Suning Galaxy International Shopping Plaza Co., Ltd.	Nanjing	Nanjing	Commerce	90%	-	Set-up
Suning International Co., Ltd.	Hong kong	Hong kong	Services	100%	-	Set-up

GRANDA GALAXY LIMITED	Cayman	Cayman	-	-	100%	Set-up
Qingdao Suning appliance industrial park Co., Ltd	Qingdao	Qingdao	Appliance sales	100%	-	Set-up
Zhuhai Suning appliance industry base Co., Ltd	Zhuhai	Zhuhai	Appliance sales	100%	-	Set-up
Beijing China chamber of commerce conference center Co., Ltd.	Beijing	Beijing	Services	100%	-	Set-up
Wuxi Suning commercial management Co., Ltd	Wuxi	Wuxi	Services	100%	-	Set-up
Nanjing Heng Hao enterprise management consulting partnership (limited partnership)	Nanjing	Nanjing	Investment consulting	99%	-	Set-up
Nanjing Hengrun Corporate Management Ltd.	Nanjing	Nanjing	Business Management Consulting	100%	-	Set-up
Suning Real Estate Group Co.,Ltd.	Nanjing	Nanjing	Development and sales of real estate	25%	-	Set-up
Zhenjiang Suning real estate Co.,Ltd.	Zhenjiang	Zhenjiang	Real estate development and sales	-	52%	Set-up
Changchun Suning real estate Co.,Ltd.	Changchun	Changchun	Real estate development and sales	-	100%	Set-up
Jiangsu Suning Building Materials Co., Ltd.	Nanjing	Nanjing	Sales of building materials and equipment	-	100%	Set-up
Huai'an Suning real estate Co.,Ltd.	Huai'an	Huai'an	Real estate development and sales	-	100%	Set-up
Qingdao Suning real estate Co.,Ltd.	Qingdao	Qingdao	Real estate development and sales	-	100%	Set-up

Shanghai Suning real estate development Co., Ltd	Shanghai	Shanghai	Real estate development and sales	-	100%	Set-up
Tianjin Suning real estate Co.,Ltd.	Tianjin	Tianjinshi	Real estate development and sales	-	100%	Set-up
Xuzhou Suning real estate Co.,Ltd.	Xuzhou	Xuzhou	Real estate development and sales	-	60%	Set-up
Yancheng Suning real estate Co.,Ltd.	Yancheng	Yancheng	Real estate development and sales	-	100%	Set-up
Chengdu Suning real estate Co.,Ltd.	Chengdu	Chengdu	Real estate development and sales	-	100%	Set-up
Yangzhou Suning real estate Co.,Ltd.	Yangzhou	Yangzhou	Real estate development and sales	-	100%	Set-up
Nanjing Hu'nan road Suning real estate Co.,Ltd.	Nanjing	Nanjing	Real estate development and sales	-	100%	Set-up
Huai'an qingpu Suning real estate Co.,Ltd.	Huaian	Huaian	Real estate development and sales	-	100%	Set-up
Nanjing xuanwu Suning real estate Co.,Ltd.	Nanjing	Nanjing	Real estate development and sales	-	100%	Set-up
Chengdu wuhou Suning real estate Co.,Ltd.	Chengdu	Chengdu	Real estate development and sales	-	100%	Set-up
Jiangsu hengxun information consultant Co.,Ltd.	Nanjing	Nanjing	Real estate development and sales	-	100%	Set-up
Wuxi Suning real estate Co.,Ltd.	Wuxi	Wuxi	Real estate development and sales	-	100%	Business combination under common control
Beijing Suning real estate Co.,Ltd.	Beijing	Beijing	Real estate development and	-	100%	Business combination under

			sales			common control
Anshan Suning real estate Co.,Ltd.	Anshan	Anshan	Real estate development and sales	-	100%	Business combination under common control
Nanjing Galaxy Real Estate Co., Ltd.	Nanjing	Nanjing	Real estate development and sales	-	100%	Business combination not under common control
Nanjing Mucheng Real Estate Development Co., Ltd.	Nanjing	Nanjing	Real estate development and sales	-	100%	Business combination not under common control
Jiangsu galaxy property management Co., Ltd	Nanjing	Nanjing	Real estate development and sales	-	100%	Business combination not under common control
Nanjing gulou international software and service outsourcing industrial park Co., Ltd	Nanjing	Nanjing	Real estate development and sales	-	100%	Business combination not under common control
Nanjing Dingchen Architectural Design Co., Ltd.	Nanjing	Nanjing	Housing construction engineering design	-	100%	Business combination not under common control
Jiangsu Suning galaxy hotel management Co., Ltd	Nanjing	Nanjing	Food and beverages service	-	70%	Business combination under common control
Jiaxing Suning real estate Co.,Ltd.	Jiaxing	Jiaxing	Real estate development and sales	-	100%	Set-up
Nanchang Suning real estate Co.,Ltd.	Nanchang	Nanchang	Real estate development and sales	-	100%	Set-up
Rizhao Suning Novotel Hotel Management Co., Ltd.	Rizhao	Rizhao	Catering Services	-	100%	Set-up
Nanjing Dingchenyu building materials Co.,Ltd.	Nanjing	Nanjing	building materials and equipment sales	-	100%	Set-up

Shanghai Bellagio Hotel Management Co., Ltd.	Shanghai	Shanghai	Catering Services	-	100%	Set-up
Nanjing Liuhe Suning real estate Co.,Ltd.	Nanjing	Nanjing	Real estate development and sales	-	100%	Set-up
Jiangsu Yuexining Property Services Co., Ltd.	Nanjing	Nanjing	Property management services	-	100%	Set-up
Suning.com Group Co., Ltd.	Nanjing	Nanjing	Sales of appliances and consumer electronics	19.99%	-	Set-up
Beijing Suning Commerce Co.,Ltd.	Beijing	Beijing	Sales of appliances and consumer electronics	-	100%	Set-up
Shanghai Suning Commerce Co.,Ltd.	Shanghai	Shanghai	Sales of appliances and consumer electronics	-	100%	Set-up
Chongqing Suning Commerce Co.,Ltd.	Chongqing	Chongqing	Sales of appliances and consumer electronics	-	100%	Set-up
Sichuan Suning Commerce Co.,Ltd.	Chengdu	Chengdu	Sales of appliances and consumer electronics	-	100%	Set-up
Suning financial services (Shanghai) Co., Ltd. （Note ）	Shanghai	Shanghai	Sales of appliances and consumer electronics	-	60%	Set-up
Guangdong Suning Commerce Co.,Ltd.	Guangzhou	Guangzhou	Sales of appliances and consumer electronics	-	100%	Set-up
Fujian Suning Commerce Co.,Ltd	Fuzhou	Fuzhou	Sales of appliances and consumer electronics	-	100%	Set-up
Shenyang Suning Commerce Co.,Ltd	Shenyang	Shenyang	Sales of appliances and consumer electronics	-	100%	Set-up
Shanxi Suning Commerce Co.,Ltd	Xian	Xian	Sales of appliances and consumer electronics	-	100%	Set-up

Zhejiang Suning Commerce Co.,Ltd	Hangzhou	Hangzhou	Sales of appliances and consumer electronics	-	100%	Set-up
Shenzhen Suning Commerce Co.,Ltd	Shenzhen	Shenzhen	Sales of appliances and consumer electronics	-	100%	Set-up
Wuhan Suning Commerce Co.,Ltd	Wuhan	Wuhan	Sales of appliances and consumer electronics	-	100%	Set-up
Xiamen Suning Commerce Co.,Ltd	Xiamen	Xiamen	Sales of appliances and consumer electronics	-	100%	Set-up
Yunnan Suning Commerce Co.,Ltd	Kunming	Kunming	Sales of appliances and consumer electronics	-	100%	Set-up
Suning commercial factoring Co., Ltd.	Tianjin	Tianjin	commercial factoring	-	60%	Set-up
Chongqing Suning micro loan Co., Ltd	Chongqing	Chongqing	micro loan	-	60%	Set-up
Beijing Suning cloud technology Co., Ltd	Beijing	Beijing	Local living services	-	70%	Set-up
Jiangsu SuningYida logistics investment Co., Ltd	Nanjing	Nanjing	logistics investment	-	100%	Set-up
Jiangsu Changqi trading Co., Ltd.	Nanjing	Nanjing	engineering project development	-	100%	Business combination under common control
LAOX corporation of Japan	Japan	Japan	Sales of appliances and consumer electronics	-	49.22%	Business combination not under common control
Wuxi Shenglimen Suning electric appliance Co., Ltd	Wuxi	Wuxi	Sales of appliances and consumer electronics	-	100%	Business combination not under common control
Nanjing redbaby enterprise management Co., Ltd.	Nanjing	Nanjing	Enterprise management services and information consulting services	-	100%	Business combination not under common control

Beijing redbaby interconnection technology Co., Ltd	Beijing	Beijing	Enterprise management services and information consulting services	-	100%	Business combination not under common control
Chongqing MaoNing e-commerce Co., Ltd.	Chongqing	Chongqing	Sales of appliances and consumer electronics	-	51%	Set-up
TTK Express	Hangzhou	Hangzhou	Logistics Express	-	100%	Business combination not under common control

2. Equity in Joint Venture Arrangement or Associated Enterprise

（1）Main information of significant joint venture arrangement or associated enterprise

Name	Main business address	Registered address	Business nature	Strategic or not to the Group business	Shareholding(%)	
					Direct	Direct
Joint Venture:						
Suing Golden Stone (Tianjin) Fund Management Co., Ltd.	Tianjin	Tianjin	Investment and management consulting	Strategic	-	40.00%
Associated Enterprise:						
Maruetsu (Hong Kong) Co.,Ltd.	Hong Kong	Hong Kong	Food chains	Strategic	-	30.00%
Suning Consumer Fiinance Co. Ltd.	Nanjing	Nanjing	Consumer loans	Strategic	-	49.00%

Hot mon	Shenzhen	Shenzhen	Online mother and baby platform	Strategic	-	10.00%
Jiangsu Suning Bank Co., Ltd.	Nanjing	Nanjing	Private Bank	Strategic	-	30.00%
Beijing Qili Software Technology Co., Ltd.（Note 2）	Beijing	Beijing	O2OPlatform Service	Strategic	-	19.23%
Greenland and Laox Investment Limited	Japan	Japan	Retail	Strategic	-	35.00%

Note1: Suning.com Co. Ltd. adopts equity accounting method for the above equity investment;

Note 2: Although Suning.com Co. Ltd. 's stocks in Beijing Qili is less than 20%, one of the seven directors on Beijing Qili's board is appointed by Suning.com Co. Ltd., which is able to exert significant influence over Beijing Qili and accounts for it as a joint venture.

（2）Main financial information of significant Joint Venture:

Item	Suing Golden Stone (Tianjin) Fund Management Co., Ltd.	
	Closing balance	Opening balance
Current assets	48,290,000.00	41,159,000.00
Non-current assets	82,000.00	364,000.00
Total assets	48,372,000.00	41,523,000.00
Current liabilities	854,000.00	665,000.00
Equity	47,518,000.00	40,858,000.00
Proportions of net assets according to the shareholding percentage(Note)	19,007,000.00	16,343,000.00
Adjusting events-others(Note)	4,000,000.00	4,000,000.00
Book value of equity investment of	23,007,000.00	20,343,000.00

joint venture		
	Year 2017	Year 2016
Operating income	9,414,000.00	4,926,000.00
Net profit	6,659,000.00	1,285,000.00
Total comprehensive income	6,659,000.00	1,285,000.00
The current dividends received from joint ventures	-	-

Note:As at 31 Dec.2017 and 31 Dec.2016, book value of long-term investment in Suing Golden Stone (Tianjin) Fund Management Co., Ltd. is higher than proportions of net assets according to the shareholding percentage, because other shareholders of Suing Golden Stone (Tianjin) Fund Management Co., Ltd. have not paid the subscribed capital.

（3）Main financial information of significant Associated Enterprises:

Item	Maruetsu (Hong Kong) Co.,Ltd.	Suning Consumer Fiinance Co. LTD.	Hot mon	Jiangsu Suning Bank Co., Ltd.	Beijing Qili Software Technology Co., Ltd.	Greenland and Laox Investment Limited
	Closing balance					
Current assets	95,673,000.00	5,612,393,000.00	254,578,000.00	14,286,345,000.00	85,250,000.00	2,086,000.00
Non-current assets	16,431,000.00	171,243,000.00	189,337,000.00	748,191,000.00	4,174,000.00	371,756,000.00
Total assets	112,104,000.00	5,783,636,000.00	443,915,000.00	15,034,536,000.00	89,424,000.00	373,842,000.00
Current liabilities	33,249,000.00	5,217,908,000.00	112,883,000.00	11,034,346,000.00	8,810,000.00	93,000.00
Non-current liabilities	-	-	19,895,000.00	-	-	-
Total liabilities	33,249,000.00	5,217,908,000.00	132,778,000.00	11,034,346,000.00	8,810,000.00	93,000.00
Equity	78,855,000.00	565,728,000.00	311,137,000.00	4,000,190,000.00	80,614,000.00	373,749,000.00
Proportions of net assets according to	23,657,000.00	277,207,000.00	31,114,000.00	1,200,057,000.00	15,503,000.00	130,812,000.00

the shareholding percentage(Note)						
Adjusting events-goodwill	-	-	19,963,000.00	-	35,526,000.00	-
Book value of equity investment of associated enterprises	23,657,000.00	277,207,000.00	51,077,000.00	1,200,057,000.00	51,029,000.00	130,812,000.00
	Year 2017					
Operating income	182,407,000.00	383,796,000.00	150,862,000.00	139,298,000.00	131,729,000.00	3,377,000.00
Net profit	-5,104,000.00	216,840,000.00	38,003,000.00	189,000.00	3,243,000.00	-62,294,000.00
Total comprehensive income	-5,104,000.00	216,840,000.00	38,003,000.00	189,000.00	3,243,000.00	-62,294,000.00
The current dividends received from joint ventures	-	-	-	-	-	-

Item	Maruetsu (Hong Kong) Co.,Ltd.	Suning Consumer Fiinance Co. LTD.	Smartisan Technology (Beijing) Co. Ltd.	Greenland and Laox Investment Limited
	Opening balance			
Current assets	89,318,000.00	1,606,131,000.00	391,302,000.00	241,000.00
Non-current assets	20,462,000.00	67,064,000.00	28,879,000.00	436,148,000.00
Total assets	109,780,000.00	1,673,195,000.00	420,181,000.00	436,389,000.00
Current liabilities	25,818,000.00	1,324,307,000.00	663,149,000.00	346,000.00
Equity	83,962,000.00	348,888,000.00	-242,968,000.00	436,043,000.00
Proportions of net assets according to the shareholding percentage(Note)	25,188,000.00	170,955,000.00	-4,592,000.00	152,615,000.00
Adjusting events-goodwill	-	-	41,838,000.00	-
Book value of equity investment of associated enterprises	25,188,000.00	170,955,000.00	37,246,000.00	152,615,000.00

	Year 2016			
Operating income	143,584,000.00	105,800,000.00	809,235,000.00	315,000.00
Net profit	-9,719,000.00	-189,424,000.00	-427,620,000.00	-2,359,000.00
Total comprehensive income	-9,719,000.00	-189,424,000.00	-427,620,000.00	-2,359,000.00
The current dividends received from joint ventures	-	-	-	-

Note: The group calculated the share of the assets in joint ventures according to the amount of the company in the consolidated financial statements, which considering the fair value of identifiable net assets and liabilities and the impact of the unified accounting policy of the joint venture when the investment is made.

VIII. Related party and related party transactions

1. Subsidiaries of the Group

Please see Note (VII.1) for details of subsidiaries of the Group.

2. Joint Ventures of the Group

Please see Note (VII.2) for details of joint ventures of the Group.

3. Associated Enterprises of the Group

Please see Note (VII.2) for details of associated enterprises of the Group.

4. Other related parties of the Group.

Names of other related parties	The relationship between other related parties and the Group
Jingong Zhang	Holding 50.00% of the Group
Jiangsu Suning Global Group Co. LTD. and its subsidiaries	The ultimate controller is Jindong Zhang's family member
Nanjing Zhongshan International Golf Property Co. Ltd. and its subsidiary	The ultimate controller is Jindong Zhang's family member
Suning Holdings Group Co. Ltd. and its subsidiary	The ultimate controller is Jindong Zhang
Suning Consumer Finance Co. Ltd.	The ultimate controller is Jindong Zhang
Nanjing Zeding Business Management Consulting Center (limited partnership)	The related parties of the directors, supervisors and senior management of the Group
ALIBABA GROUP	The ultimate holding company and its subsidiaries that hold more than 5% of Suning.com Group Co. Ltd.'s shareholding
Tao Bao (China) Software Co., Ltd.	Holding 5% of Suning.com Group Co. Ltd.'s shareholding

5. Related party transactions

（1）Sales of goods/ labour services provision

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Nanjing Zhongshan International Golf Property Co. Ltd.	1,550.09	2,649.02
Suning Holdings Group Co. Ltd. and its subsidiaries	5,724.40	3,959.30
Jiangsu Suning Bank Co., Ltd.	1,107.60	-
Total	8,382.09	6,608.32

（2）Merchandise procurement

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	91,552.50	73,837.60
ALIBABA GROUP	960.30	-
Lingzhong air condition	33,596.10	-
Total	126,108.90	73,837.60

（3）Logistics after-sales service provide by related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	1,014.90	68.70
ALIBABA GROUP	48,443.70	-
Total	49,458.60	68.70

（4）Information and Technology consulting service provide by related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Consumer Finance Co. Ltd.	152.60	49.50
Suning Holdings Group Co. Ltd. and its subsidiaries	817.30	1,215.00
Jiangsu Suning Bank Co., Ltd.	96.20	-
Total	1,066.10	1,264.50

（5）Marketing services provision

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Consumer Finance Co. Ltd.	742.40	286.60
ALIBABA GROUP	4,126.60	5,306.50
Jiangsu Suning Bank Co., Ltd.	100.50	-
Suning Holdings Group Co. Ltd. and its subsidiaries	4,368.60	-
Total	9,338.10	5,593.10

(6) Loans to related parties

(unit: rmb 10,000 yuan)

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	1,966,046.44	10,000.00
ALIBABA GROUP	195,000.00	-
Nanjing Zhongshan International Golf Property Co. Ltd. and its subsidiaries	48,815.00	-
Total	2,209,861.44	10,000.00

(7) Borrowing from related parties

(unit: rmb 10,000 yuan)

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	2,090,274.51	882,990.63
Nanjing Zhongshan International Golf Property Co. Ltd. and its subsidiaries	22,064.00	36,470.00
Total	2,112,338.51	919,460.63

(8) Interest expense

(unit: rmb 10,000 yuan)

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	74.90	37.50
ALIBABA GROUP	2,343.20	-
Total	2,418.10	37.50

(9) Interest income

(unit: rmb 10,000 yuan)

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Consumer Finance Co. Ltd.	11,849.60	3,574.90
Jiangsu Suning Bank Co., Ltd.	20.80	-
Nanjing Zhongshan International Golf Property Co. Ltd. and its subsidiaries	25,889.08	23,381.27
Suning Holdings Group Co. Ltd. and its subsidiaries	180,253.16	132,199.21
Total	218,012.64	159,155.38

（10）Leases where a group entity is the lessor

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	972.00	29.70
Suning Consumer Finance Co. Ltd.	281.50	136.90
Total	1,253.50	166.60

（11）Leases where a group entity is the Lessee

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	2,261.10	1,086.2
Nanjing Zhongshan International Golf Property Co. Ltd. and its subsidiaries	6.20	-
Total	2,267.30	1,086.2

（12）Catering service provided by related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Nanjing Zhongshan International Golf Property Co. Ltd. and its subsidiaries	156.40	248.20

（13）Market promotion provided by related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
ALIBABA GROUP	29,020.40	10,412.90
Suning Consumer Finance Co. Ltd.	5,260.10	4,622.80
Suning Holdings Group Co. Ltd. and its subsidiaries	31,413.50	12,514.60
Tao Bao (China) Software Co., Ltd.	1,876.40	47.00
Total	67,570.40	27,597.30

（14）Share transferring to related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	-	802,706.96
Nanjing Zeding Business Management Consulting Center (limited partnership)	83,333.00	-
Total	83,333.00	802,706.96

（15）Available-for-sale assets transferring to related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	-	152.20

（16）Acquisition of Available-for-sale assets held by related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	-	28,371.00

（17）Trademark license agreement

（i）On 20 Apr.2002，approved by Sunning.com Group Co. Ltd. 2001 annual shareholders meeting, Jiangsu Suning Global Co. Ltd.,together with its wholly-owned, holding companies and companies with actual control were allowed to use the Serial registered trademark of “蘇寧”、“苏宁” and “NS” in specified investment industries for free.

（ii）On 22 Apr.2016, approved by Sunning.com Group Co. Ltd. 2015 annual shareholders meeting about “Motion on related transactions involving partial trademark transfer and licensing”, Sunning.com Group Co. Ltd. allowed Suning Holdings Group Co. Ltd. and its subsidiaries to use the trademark with the word “Suning” globally within non-main business scope, including but not restricted to the form of a single or combination or design of “苏宁”, “s 苏宁”, “S+苏宁”, “S+Suning”, “S+苏宁+Suning”,“苏宁+S+SUNING”,“SUNING 苏宁” ,“蘇寧”,and some specific trademarks can be registered or/and used in the United States, Hong Kong, Macao and Japan, North Korea, Brunei, Australia, EU and other countries and regions. Sunning.com Group Co. Ltd. allowed

Suning Holdings Group Co. Ltd. and its subsidiaries to register and use the trademarks of "苏宁控股", "苏宁影业", "苏宁投资" which have not been registered in business activities because the use of areas of those trademark are not within the scope of Suning Holdings Group Co. Ltd's main business.

Suning Holdings Group Co. Ltd. shall pay RMB 2million each year to Sunning.com Group Co. Ltd. for use of such trademarks and the subsidiaries of it shall not pay additionally.

Suning Holdings Group Co. Ltd. has paid RMB 2million on the trademark royalty for year 2017.

（18）Financial advisory services received

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	8,301.85	-

（19）Other service received

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Nanjing Zhongshan International Golf Property Co. Ltd. and its subsidiaries	2,708.27	-

（20）Financial assets at fair value through profit or loss purchased

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Jiangsu Suning Bank Co., Ltd.	49,000.00	-

5. Amounts due from / to related parties

（unit：rmb 10,000 yuan）

Item	Names of the related parties	Closing Balance	Opening Balance
Accounts receivable	Nanjing Zhongshan International Golf Property Co. Ltd.	2,390.80	2,947.82
	ALIBABA GROUP	474.50	1,531.80
	Suning Consumer Finance Co. Ltd.	-	86.70

	Suning Holdings Group Co. Ltd. and its subsidiaries	5,485.65	4,397.90
	Jiangsu Suning Bank Co., Ltd.	532.80	-
	Subtotal	8,883.75	8,964.22
Other receivables	Nanjing Zhongshan International Golf Property Co. Ltd. and its subsidiaries	198,124.12	200,037.21
	Suning Holdings Group Co. Ltd. and its subsidiaries	1,910,016.14	1,677,390.79
	Subtotal	2,108,140.26	1,877,428.00
Prepayment	Smartisan Technology (Beijing)Co., Ltd.	-	218.70
	ALIBABA GROUP	8.10	15.70
	Suning Holdings Group Co. Ltd. and its subsidiaries	58.36	-
	Subtotal	66.46	234.40
Interest receivable	Suning Consumer Finance Co. Ltd.	7,852.00	550.40
	Nanjing Zhongshan International Golf Property Co. Ltd.	27,442.42	24,784.14
	Suning Holdings Group Co. Ltd. and its subsidiaries	107,663.92	140,131.16
	Jiangsu Suning Bank Co., Ltd.	20.80	-
	Subtotal	142,979.14	165,465.70
Other current assets	Suning Consumer Finance Co. Ltd.	-	25.30
	Suning Holdings Group Co. Ltd. and its subsidiaries	2,998.50	-
	Subtotal	2,998.50	25.30
Accounts payable	Nanjing Zhongshan International Golf Property Co. Ltd.	10.05	-
	Suning Holdings Group Co. Ltd. and its subsidiaries	16,176.60	11,795.60
	Subtotal	16,186.65	11,795.60
Receipts in advance	Suning Consumer Finance Co. Ltd.	344.50	-
	Suning Holdings Group Co. Ltd. and its subsidiaries	863.93	-
	Subtotal	1,208.43	-
Interest payable	Suning Holdings Group Co. Ltd. and its subsidiaries	-	37.50
	ALIBABA GROUP	2,343.20	-
	Subtotal	2,343.20	37.50
Other payables	Suning Consumer Finance Co. Ltd.	151.60	905.50
	Nanjing Zhongshan International Golf Property Co. Ltd.	1,754.55	8.70
	Suning Holdings Group Co. Ltd. and its subsidiaries	23,147.96	652.40
	ALIBABA GROUP	6.60	6.60
	Subtotal	25,060.71	1,573.20
Current	Suning Consumer Finance Co. Ltd.	60.90	60.90

liabilities	Nanjing Zhongshan International Golf Property Co. Ltd.	-	175.60
	Suning Holdings Group Co. Ltd. and its subsidiaries	121.60	3.80
	Subtotal	182.50	240.30

6、Deposit in related parties

（unit：rmb 10,000 yuan）

Name of the item	Name of the related party	Closing Balance	Opening Balance
Other currency funds	Suning Consumer Finance Co. LTD.	293,000.00	89,000.00
Bank deposit	Jiangsu Suning Bank Co., Ltd.	14.80	-

IX. Contingencies

As of 31 Dec. 2017, the Group does not have any other contingencies for disclosure.

X. Commitments

1. Capital commitments

The capital commitments of the Group which has been signed and not required to be listed on the balance sheet are as follows:

Item	Closing Balance	Opening Balance
Houses and buildings, Operating equipment	2,017,419,000.00	1,993,948,000.00

2. Operating lease commitments

Total future minimal lease payments under contracts irrevocable with lessor are as follow:

Item	Closing Balance	Opening Balance
Within 1 year	6,843,714,000.00	5,801,998,000.00
1 to 2 years	6,253,378,000.00	5,224,150,000.00
2 to 3 years	5,081,099,000.00	4,655,380,000.00
Over 3 year	17,208,509,000.00	18,262,152,000.00
Total	35,386,700,000.00	33,943,680,000.00

XI. Events after the balance sheet date

Significant events after the balance sheet date without adjustments

Items	Contents	The amount of impacts on financial status and operating results	Reasons for the inability to estimate the amount
Investment in in Dalian Wanda Commercial Real Estate Co. Ltd. by a subsidiary of the Group,Suning.com Group Co. Ltd.	On 29 Jan. 2018, the Group's subsidiary, Suning.com Group Co. Ltd. signed the Strategic Cooperation Agreement with Dalian Wanda Commercial Real Estate Co., Ltd. and Dalian Wanda Group Co. Ltd. According to theagreement, Suning.com Co. Ltd. plans to contribute 9.5 billion yuan or Hong Kong dollars equivalent to purchase about 3.91 percent of shares of Wanda Commercial Real Estate Co. Ltd.	Unable to estimate the amount	As of 29 Mar. 2018, The deal has not yet been completed.
Share repurchase to implement the equity incentive plan.	Suning.com Group Co. Ltd., a subsidiary of the Group, held the 14th meeting of the 6th Board of Directors on 9 Feb. 2018 and the 3rd Extraordinary General Meeting in 2018 on 27 Feb. 2018.The meetings both approved "”The repurchase of shares of the company for the implementation of an equity incentive scheme". The company intends to use the after-tax profit to repurchase the company's shares in a centralized bidding transaction for the implementation of equity incentives	Unable to estimate the amount	As of 29 Mar. 2018, the share buyback has not been completed.

XII. Notes to company fianacial statements

（The following disclosure are in the currency unit RMB on this financial statement without special indication, with）

1.Accounts receivable

（1）Aging analysis

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	%		Bad debt provision	%	
Within 1 year	1,362,946.32	100.00%	13,629.46	2,439,332.64	100.00%	-

2. Other receivables

（1）Aging analysis

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	%		Amount	%	
Within 1 year	34,517,130,701.14	99.78%	50,854.11	20,434,869,131.30	70.92%	-
1 to 2 years	66,406,304.62	0.19%	17,969.40	7,924,533,525.40	27.50%	-

2 to 3 years	8,771,246.47	0.03%	39,968.32	36,265,123.66	0.12%	-
3 to 4 years	455,000.00	0.00%	136,500.00	39,776,918.64	0.14%	-
4 to 5 years	27,591.00	0.00%	8,277.30	63,097,903.55	0.22%	-
Over 5 years	1,571,700.00	0.00%	471,510.00	316,844,754.98	1.10%	-
Total	34,594,362,543.23	100.00%	725,079.13	28,815,387,357.53	100.00%	-

（2）Categories of other payables（classified by nature）:

Nature	Closing book balance	Opening book balance
Amount due to	33,922,475,027.85	28,789,615,302.15
Others	398,900,515.38	1,617,055.38
Guarantee deposits	272,987,000.00	24,155,000.00
Total	34,594,362,543.23	28,815,387,357.53

3. Long-term equity investments

（1）Classification of long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Investment in subsidiaries	14,325,275,483.34	-	14,325,275,483.34	14,034,644,548.53	-	14,034,644,548.53
Investment in joint ventures	50,741,316.58	-	50,741,316.58	52,083,195.55	-	52,083,195.55
Total	14,376,016,799.92	-	14,376,016,799.92	14,086,727,744.08	-	14,086,727,744.08

（2）Investment in subsidiaries

Investee	Opening balance	Increase	Decrease	Closing balance
Nanjing Suning Galaxy International Shopping Plaza Co., Ltd.	4,500,000.00	-	-	4,500,000.00
Suning International Co., Ltd.	283,323,704.12	-	-	283,323,704.12
Qingdao Suning appliance industrial park Co., Ltd	75,000,000.00	-	-	75,000,000.00
Zhuhai Suning appliance industry base Co., Ltd	45,000,000.00	-	-	45,000,000.00
Beijing China chamber of commerce conference center Co., Ltd.	10,000,000.00	-	-	10,000,000.00
Wuxi Suning commercial management Co., Ltd	5,000,000.00	-	-	5,000,000.00
Suning.com Group Co.,Ltd.	10,245,295,309.69	-	69,065.19	10,245,226,244.50
Suning Real Estate Co.,Ltd.	220,305,534.72	-	-	220,305,534.72
Tibet trust – Shunjing No.34 collecting fund trust plan	500,000,000.00	-	-	500,000,000.00
Tibet trust – Shunjing No.53collecting fund trust plan	500,000,000.00	-	-	500,000,000.00

Tibet trust – Laiwo No.6 collecting fund trust plan	500,000,000.00	-	-	500,000,000.00
Tibet trust – Laiwo No.10 collecting fund trust plan	300,000,000.00	-	-	300,000,000.00
Nanjing Heng Hao enterprise management consulting partnership (limited partnership)	1,346,220,000.00	-	-	1,346,220,000.00
Zhonghai Huiyu2017-140 Suning Yunchuang Investment Collection Fund Trust plan	-	140,700,000.00	-	140,700,000.00
Nanjing Hengrun Corporate Management Ltd.	-	100,000,000.00	-	100,000,000.00
Jiangsu Suning real estate brokerage Co., Ltd.	-	50,000,000.00	-	50,000,000.00
Total	14,034,644,548.53	290,700,000.00	69,065.19	14,325,275,483.34

（3）Investment in joint ventures

Investee	Opening balance	Increase/Decrease								Closing balance	Closing balance of provision for impairme-nt
		Increas-e	Decre-ase	Gains and losses recognized under the equity method	Adjustment of other comprehen d-sive income	Chang e of other equitie-s	Declaration of cash bonus	Provisio-n for impairm ent	other		
Hisense (Nanjing) Electric Co.,Ltd.	52,083,195.55	-	-	-1,341,878.97	-	-	-	-	-	50,741,316.58	-

4. Operating income and operating costs

（1）Classification

Items	Amount incurred in the current period		Amount incurred in the prior period	
	Income	Cost	Income	Cost
Principal operating income	58,635,439.18	5,546,574.24	55,142,995.99	5,087,612.32
Other operating income	3,550,187,180.16	1,919,907,122.77	3,708,134,701.65	2,282,857,743.49
Total	3,608,822,619.34	1,925,453,697.01	3,763,277,697.64	2,287,945,355.81

（2）Classification of principal operating income

Item	Amount incurred in the current period		Amount incurred in the prior period	
	Principal operating income	Principal operating cost	Principal operating income	Principal operating cost

Item	Amount incurred in the current period		Amount incurred in the prior period	
	Principal operating income	Principal operating cost	Principal operating income	Principal operating cost
Income from hotel	58,635,439.18	5,546,574.24	55,142,995.99	5,087,612.32

（3）Classification of other operating income

Items	Amount incurred in the current period		Amount incurred in the prior period	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Interest income	3,441,078,994.72	1,909,446,434.27	3,604,158,115.25	2,267,977,168.83
Rental income	105,722,998.47	7,719,140.33	101,728,417.82	13,732,650.42
Property management Income	-	-	650,162.82	-
Other	3,385,186.97	2,741,548.17	1,598,005.76	1,147,924.24
Total	3,550,187,180.16	1,919,907,122.77	3,708,134,701.65	2,282,857,743.49

5. Investment income

Item	Amount incurred in the current period	Amount incurred in the prior period
Investment income received from long-term equity measured by equity method	-1,341,878.97	-1,896,575.34
Investment income received from long-term equity measured by cost method	109,510,638.93	87,260,373.72
Gains on disposal available-for-sale financial assets	1,784,382.12	-47,172,032.50
Gains on holding available-for-sale financial assets	34,371,948.88	1,953,734.01
Bank financial products interest	17,379,554.82	105,345,584.83
Suning Yunxiang Asset Support Program Dividend	9,742,611.32	-
Total	171,447,257.10	145,491,084.72

Suning Appliance Group Co.,Ltd
20 Apr. 2018

AUDITOR'S REPORT

Report No.Talent (zhuan)（2017）00918

Suning Appliance Group Co., Ltd:

We have audited the accompanying financial statements of Suning Appliance Group Co., Ltd, which comprise the company's and consolidated balance sheet as at 31 December 2016, the company's and consolidated income statement, the company's and consolidated statement of changes in owners' equity and the company's and consolidated cash flow statement for the year then ended, and the notes to the financial statements.

1. Management's responsibility for the financial statements

Management of Suning Appliance Group Co., Ltd is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. Opinion

In our opinion, the financial statements of Suning Appliance Group Co., Ltd present fairly, in all material respects, the company's and consolidated financial position as of 31 December 2016, and the company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

4. Basis of preparation of financial statements

We remind the users of financial statements to note the notes to the accounting statements on the basis of preparation of financial statements. The consolidated financial statements are prepared for Suning Appliance Group Co., Ltd. to provide relevant information.

Talent Certified Public Accountants
（Special General partnership）

Chinese Certified Public Accountant:

Nanjing, China

Chinese Certified Public Accountant:

27 Apr. 2017

Consolidated Balance Sheet

At 31 December 2016

Prepared by Suning Appliance Group Co.,Ltd | Unit: RMB

Assets	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	V.1	33,021,530,548.17	29,415,921,015.57
Balances with clearing agencies			
Placements with banks and other financial institutions			
Financial assets at fair value through profit or loss	V.2	2,228,632,791.09	678,871,139.32
Notes receivable	V.3	40,081,411.81	24,304,603.32
Accounts receivable	V.4	2,030,707,948.71	1,197,629,144.75
Prepayments	V.5	10,734,617,414.10	7,895,347,152.41
Premiums receivable			
Amounts receivable under reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Interest receivable	V.6	1,824,640,777.29	210,853,131.36
Dividends receivable		5,818,700.00	
Other receivables	V.7	24,314,081,051.10	15,152,816,528.29
Financial assets purchased under resale agreements			
Inventories	V.8	45,468,540,399.04	47,100,145,408.17
Non-current assets due within one year			
Other current assets	V.9	21,226,783,467.70	9,859,994,680.20
Total Current Assets		140,895,434,509.01	111,535,882,803.39
Non-current Assets:			
Loans and advances to customers	V.10	4,221,125,786.64	1,311,668,162.00
Available-for-sale financial assets	V.11	26,386,206,846.14	3,162,394,343.68
Held-to-maturity investments			
Long-term receivables	V.7	707,763,710.53	630,401,636.52
Long-term equity investments	V.12	1,805,643,372.41	274,525,773.87
Investment properties	V.13	24,240,730,421.55	21,230,067,585.20
Fixed assets	V.14	14,879,838,573.01	15,832,634,604.51
Construction in progress	V.15	1,569,270,532.41	1,803,989,276.81
Materials for construction of fixed assets		4,692,743.68	38,086,602.55
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets	V.16	5,125,513,744.51	7,989,344,556.68
Development expenditure		2,967,464.76	9,063,416.51
Goodwill	V.17	433,815,464.38	589,522,096.73
Long-term prepaid expenses	V.18	1,173,162,487.00	1,389,952,482.63
Deferred tax assets	V.19	4,545,064,502.91	4,048,313,351.28
Other non-current assets	V.20	1,992,270,929.65	875,428,233.29
Total Non-current Assets		87,088,066,579.58	59,185,392,122.26
Total Assets		227,983,501,088.59	170,721,274,925.65

Legal Representative:Yang Bu   Person in Charge of the Accounting Body:Qing Wang   Chief Accountant:Xiaobing Liu

Consolidated Balance Sheet(Continued)

At 31 December 2016

Prepared by Suning Appliance Group Co.,Ltd | Unit: RMB

Liabilities and Owners' Equity	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	V.21	12,877,517,090.31	17,160,812,693.03
Loans from the central bank			
Customer deposits and deposits from banks and other financial institutions			
Taking from banks and other financial institutions			
Financial liabilities at fair value through profit or loss	V.22	38,650,000.00	14,910,000.00
Notes payable	V.23	26,303,973,169.25	25,319,907,755.39
Accounts payable	V.24	17,717,649,181.27	14,130,118,438.23
Receipts in advance	V.25	5,820,684,250.32	3,250,198,660.95
Financial assets sold under repurchase agreements			
Fees and commissions payable			
Employee benefits payable	V.26	454,453,411.58	407,231,208.22
Taxes payable	V.27	2,993,975,057.33	1,986,911,378.14
Interest payable	V.28	305,055,145.50	212,824,455.54
Dividends payable		3,104,008.99	3,104,008.99
Other payables	V.29	10,333,219,123.12	9,153,177,943.45
Amounts payable under reinsurance contracts			
Insurance contract reserves			
Funds from securities trading agency			
Funds from underwriting securities agency			
Non-current liabilities due within one year	V.30	28,742,283,809.15	14,738,774,779.01
Other current liabilities	V.31	1,174,059,275.55	929,503,966.66
Total Current Liabilities		106,764,623,522.37	87,307,475,287.61
Non-current Liabilities:			
Long-term borrowings	V.32	15,910,326,674.85	17,274,347,092.98
Bonds payable	V.33	26,046,868,984.50	19,016,486,691.17
Long-term payables		2,780,607,365.07	164,971,970.31
Special payables			
Provisions	V.34	56,367,584.26	42,460,208.79
Deferred income	V.35	1,961,647,755.19	1,805,638,103.90
Long-term employee benefits payable	V.36	25,124,577.34	20,853,583.52
Deferred income tax liabilities	V.19	3,360,530,477.54	3,467,541,212.70
Other non-current liabilities	V.37	1,815,005,092.59	20,498,957.84
Total non-current liabilities		51,956,478,511.34	41,812,797,821.21
Owners' Equity			
Paid-in capital	V.38	239,000,000.00	239,000,000.00
Capital reserve	V.39	2,582,772,579.16	2,932,365,251.35
Less: Treasury shares			
Other comprehensive income		44,281,632.34	718,256,206.85
Surplus reserve	V.40	100,000,000.00	100,000,000.00
Special reserve			
General risk reserve		131,476,605.60	27,863,850.34
Retained profits	V.41	2,245,116,385.03	1,911,745,885.98
Total owners' equity attributable to equity holders of the Company		5,342,647,202.13	5,929,231,194.52
Minority interests		63,919,751,852.75	35,671,770,622.31
Total Owners' Equity		69,262,399,054.88	41,601,001,816.83
Total Liabilities and Owners' Equity		227,983,501,088.59	170,721,274,925.65

Legal Representative:Yang Bu   Person in Charge of the Accounting Body:Qing Wang   Chief Accountant:Xiaobing Liu

Consolidated Income Statement

For the year ended 31 December 2016

Prepared by Suning Appliance Group Co.,Ltd | Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total operating income		157,696,988,153.76	139,639,097,253.68
Including: Operating income	42	157,696,988,153.76	139,639,097,253.68
Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		161,195,166,472.02	143,450,828,310.43
Including: Operating costs	42	133,523,148,975.36	118,720,456,194.62
Interest expenses			
Fee and commission expenses			
Surrenders			
Claims and policyholder benefits (net of mounts recoverable from reinsurers)			
Changes in insurance contract reserves (net of reinsurers' share)			
Insurance policyholder dividends			
Expenses for reinsurance accepted			
Business taxes and levies	43	1,368,412,573.55	1,417,849,657.69
Selling expenses		17,758,403,896.40	16,799,585,909.66
Administrative expenses		4,935,455,426.04	5,061,966,326.22
Financial expenses	44	3,268,306,452.23	1,281,173,974.28
Impairment losses of assets		341,439,148.44	169,796,247.96
Add: Gains from changes in fair values (Losses are indicated by " - ")		808,324,147.53	706,917,047.40
Investment income (Loss is indicated by " - ")	45	2,076,195,182.03	1,699,524,526.29
Including: Income from investments in associates and joint ventures		-126,248,773.52	-45,078,231.17
Foreign exchange gains (Losses are indicated by " - ")			
III. Operating profit (Loss is indicated by " - ")		-613,658,988.70	-1,405,289,483.06
Add: Non-operating income	46	2,201,937,318.15	1,816,739,239.64
Including: Gains from disposal of non-current assets		540,016,904.23	1,416,347,314.30
Less: Non-operating expenses	47	204,252,403.21	185,050,964.47
Including: Losses from disposal of non-current assets		36,980,355.43	18,101,154.06
IV. Total profit (Total loss is indicated by " - ")		1,384,025,926.24	226,398,792.11
Less: Income tax expenses	48	671,541,416.72	7,751,958.52
V. Net profit (Net loss is indicated by " - ")		712,484,509.52	218,646,833.59
Including: Net profit achieved by the merged party before the merger		4,089,186.81	
Net profit attributable to owners of the Company		31,730,188.11	-818,709,393.31
Profit or loss attributable to minority interests		676,665,134.60	1,037,356,226.90
VI. After-tax net amount of other comprehensive incomes		1,116,300,751.38	2,734,619,274.62
(I) Other comprehensive incomes that will not be reclassified into gains and losses			
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement			
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity			
(II) Other comprehensive incomes that will be reclassified into gains and losses		1,116,300,751.38	2,734,619,274.62
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity			
2. Gains and losses on fair value changes of available-for-sale financial assets		1,617,341,037.87	38,678,978.91
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets			
4. Effective hedging gains and losses on cash flows			
5. Foreign-currency financial statement translation difference		472,616,686.72	75,201,865.69
6.The fair value of Investment properties measured on the basis of fair value greater than that of book value on conversion day		-973,656,973.21	2,620,738,430.02
VII.Total comprehensive income:		1,828,785,260.90	2,953,266,108.21
Including: Comprehensive income achieved by the merged party before the merger			
Total comprehensive income attributable to owners of the Company		-638,155,199.59	-334,896,865.11
Total comprehensive income attributable to minority interests		2,466,940,460.49	3,288,162,973.32
VIII.Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2016

Prepared by Suning Appliance Group Co.,Ltd | Unit: RMB

Item	Amount for the current period										
	Attributable to owners of the Company									Minority interests	Total owners' equity
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Special reserve	General risk reserve	Retained profits	Others		
I. Closing balance of the preceding year	239,000,000.00	2,932,365,251.35		718,256,206.85	100,000,000.00		27,863,850.34	1,911,745,885.98		35,671,770,622.31	41,601,001,816.83
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	239,000,000.00	2,932,365,251.35		718,256,206.85	100,000,000.00		27,863,850.34	1,911,745,885.98		35,671,770,622.31	41,601,001,816.83
III. Changes for the year (Losses are indicated by "－")		-349,592,672.19		-673,974,574.51			103,612,755.26	333,370,499.05		28,247,981,230.44	27,661,397,238.05
(I) Net profit								31,730,188.11		676,665,134.60	708,395,322.71
(II) Other comprehensive income				-673,974,574.51						1,790,275,325.89	1,116,300,751.38
Subtotal of (I) and (II)				-673,974,574.51				31,730,188.11		2,466,940,460.49	1,824,696,074.09
(III) Owners' contributions and reduction in capital		-349,592,672.19						-57,178,721.68		26,148,847,602.80	25,742,076,208.93
1. Capital contribution from owners		-2,483,102,189.13								29,297,193,296.44	26,814,091,107.31
2. Share-based payment recognised in owners' equity											
3. Others		2,133,509,516.94						-57,178,721.68		-3,148,345,693.64	-1,072,014,898.38
(IV) Profit distribution							103,612,755.26	358,819,032.62		-367,806,832.85	94,624,955.03
1. Transfer to surplus reserve											
2. Distributions to owners										-367,806,832.85	-367,806,832.85
3.Others							103,612,755.26	358,819,032.62			462,431,787.88
(V) Transfers within owners' equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Others											
(VI) Special reserve											
1. Transfer to special reserve in the period											
2. Amount utilised in the period											
(VII) Others											
IV. Closing balance of the current year	239,000,000.00	2,582,772,579.16		44,281,632.34	100,000,000.00		131,476,605.60	2,245,116,385.03		63,919,751,852.75	69,262,399,054.88

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Consolidated Statement of Changes in Owners' Equity(Continued)

For the year ended 31 December 2016

Prepared by Suning Appliance Group Co.,Ltd | Unit: RMB

Item	Amount for the same period of last year										
	Attributable to owners of the Company									Minority interests	Total owners' equity
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Special reserve	General risk reserve	Retained profits	Others		
I. Closing balance of the preceding year	239,000,000.00	2,496,706,251.83		234,443,678.64	100,000,000.00		10,320,267.49	2,747,998,862.14		30,415,571,407.32	36,244,040,467.42
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	239,000,000.00	2,496,706,251.83		234,443,678.64	100,000,000.00		10,320,267.49	2,747,998,862.14		30,415,571,407.32	36,244,040,467.42
III. Changes for the year (Losses are indicated by "－")		435,658,999.52		483,812,528.21			17,543,582.85	-836,252,976.16		5,256,199,214.99	5,356,961,349.41
(I) Net profit								-818,709,393.31		1,037,356,226.90	218,646,833.59
(II) Other comprehensive income				483,812,528.21						2,250,806,746.42	2,734,619,274.63
Subtotal of (I) and (II)				483,812,528.21				-818,709,393.31		3,288,162,973.32	2,953,266,108.22
(III) Owners' contributions and reduction in capital		435,658,999.52								2,284,450,616.15	2,720,109,615.67
1. Capital contribution from owners		214,994,083.79								1,787,235,320.33	2,002,229,404.12
2. Share-based payment recognised in owners' equity											
3. Others		220,664,915.73								497,215,295.82	717,880,211.55
(IV) Profit distribution							17,543,582.85	-17,543,582.85		-316,414,374.48	-316,414,374.48
1. Transfer to surplus reserve											
2. Distributions to owners										-316,414,374.48	-316,414,374.48
3.Others							17,543,582.85	-17,543,582.85			
(V) Transfers within owners' equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Others											
(VI) Special reserve											
1. Transfer to special reserve in the period											
2. Amount utilised in the period											
(VII) Others											
IV. Closing balance of the current year	239,000,000.00	2,932,365,251.35		718,256,206.85	100,000,000.00		27,863,850.34	1,911,745,885.98		35,671,770,622.31	41,601,001,816.83

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Consolidated Cash Flow Statement

For the year ended 31 December 2016

Prepared by Suning Appliance Group Co.,Ltd — Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		183,234,897,464.01	160,816,732,833.67
Net increase in customer deposits and deposits from banks and other financial institutions			
Net increase in loans from the central bank			
Net increase in taking from banks and other financial institutions			
Cash receipts from premiums under direct insurance contracts			
Net cash receipts from reinsurance business			
Net cash receipts from policyholders' deposits and investment contract liabilities			
Net cash receipts from disposal of financial assets held for trading			
Cash receipts from interest, fees and commissions			
Net increase in taking from banks			
Net increase in financial assets sold under repurchase arrangements			
Receipts of tax refunds			
Other cash receipts relating to operating activities		11,916,530,361.31	6,318,070,099.71
Sub-total of cash inflows from operating activities		195,151,427,825.32	167,134,802,933.38
Cash payments for goods purchased and services received		153,668,791,498.18	136,837,853,883.48
Net increase in loans and advances to customers		2,911,490,331.18	807,247,604.23
Net increase in balance with the central bank and due from banks and other financial institutions			
Cash payments for claims and policyholders' benefits under direct insurance contracts			
Cash payments for interest, fees and commissions			
Cash payments for insurance policyholder dividends			
Cash payments to and on behalf of employees		6,807,021,022.60	7,002,652,467.87
Payments of various types of taxes		4,970,824,251.31	4,819,603,720.67
Other cash payments relating to operating activities		21,836,702,917.41	23,855,595,939.22
Sub-total of cash outflows from operating activities		190,194,830,020.68	173,322,953,615.47
Net Cash Flow from Operating Activities		4,956,597,804.64	-6,188,150,682.09
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		177,490,014,803.28	73,558,790,501.93
Cash receipts from investment income		79,423,303.85	96,036,010.36
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,789,332,198.99	3,270,296,921.03
Net cash receipts from disposals of subsidiaries and other business units		1,793,919,758.68	845,730,860.88
Other cash receipts relating to investing activities			
Sub-total of cash inflows from investing activities		181,152,690,064.80	77,770,854,294.20
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		3,180,321,673.18	6,328,121,357.46
Cash payments to acquire investments		222,737,552,940.28	77,250,337,381.35
Net increase in pledged loans receivables			
Net cash payments for acquisitions of subsidiaries and other business units		72,116,914.86	2,017,912,204.12
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		225,989,991,528.32	85,596,370,942.93
Net Cash Flow from Investing Activities		-44,837,301,463.52	-7,825,516,648.73
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		35,416,387,222.94	1,519,598,775.37
Including: cash receipts from capital contributions from minority owners of subsidiaries		35,416,387,222.94	1,519,598,775.37
Cash receipts from borrowings		59,370,148,776.85	43,516,406,576.02
Cash receipts from issue of bonds		11,000,000,000.00	17,227,391,000.00
Other cash receipts relating to financing activities		3,100,000,000.00	
Sub-total of cash inflows from financing activities		108,886,535,999.79	62,263,396,351.39
Cash repayments of borrowings		57,859,677,062.33	42,141,573,602.74
Cash payments for distribution of dividends or profits or settlement of		8,352,403,634.83	2,888,400,949.21
Including: payments for distribution of dividends or profits to minority		367,806,832.85	316,414,374.48
Other cash payments relating to financing activities		228,501,008.00	42,090,461.44
Sub-total of cash outflows from financing activities		66,440,581,705.16	45,072,065,013.39
Net Cash Flow from Financing Activities		42,445,954,294.63	17,191,331,338.00
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash		101,844,384.78	-78,903,702.03
V. Net Increase in Cash and Cash Equivalents		2,667,095,020.53	3,098,760,305.15
Add: Opening balance of Cash and Cash Equivalents		18,922,012,429.45	15,823,252,124.30
VI. Closing Balance of Cash and Cash Equivalents		21,589,107,449.98	18,922,012,429.45

Legal Representative:Yang Bu   Person in Charge of the Accounting Body:Qing Wang   Chief Accountant:Xiaobing Liu

Balance Sheet of the Company

At 31 December 2016

Prepared by Suning Appliance Group Co.,Ltd　　Unit: RMB

Assets	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances		3,228,159,440.07	762,761,255.75
Financial assets at fair value through profit or loss			
Notes receivable			
Accounts receivable	XII.1	2,439,332.64	2,677,117.65
Prepayments		595,821.41	750,586.47
Interest receivable		3,761,929,121.44	2,702,045,533.74
Dividends receivable			
Other receivables	XII.2	28,815,387,357.53	31,040,429,950.99
Inventories		857,511.02	671,971.68
Non-current assets due within one year			
Other current assets		299,427,450.63	5,726,829,010.68
Total Current Assets		36,108,796,034.74	40,236,165,426.96
Non-current Assets:			
Available-for-sale financial assets		789,797,804.39	812,357,660.27
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XII.3	14,086,727,744.08	5,957,263,756.82
Investment properties		4,011,183,600.00	2,901,519,500.00
Fixed assets		973,785,966.36	946,073,123.40
Construction in progress			
Materials for construction of fixed assets			
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets		59,037,585.11	62,471,424.27
Development expenditure			
Goodwill			
Long-term prepaid expenses		1,632,450.95	3,300,936.67
Deferred tax assets		21,446,254.16	8,902,758.66
Other non-current assets		1,045,766,828.28	262,667,274.13
Total Non-current Assets		20,989,378,233.33	10,954,556,434.22
Total Assets		57,098,174,268.07	51,190,721,861.18

Legal Representative:Yang Bu　　Person in Charge of the Accounting Body:Qing Wang　　Chief Accountant:Xiaobing Liu

Balance Sheet of the Company(Continued)

At 31 December 2016

Prepared by Suning Appliance Group Co.,Ltd — Unit: RMB

Liabilities and Owners' Equity	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings		6,688,000,000.00	13,033,970,980.32
Financial liabilities at fair value through profit or loss			
Notes payable			
Accounts payable		6,460,032.75	5,418,045.23
Receipts in advance		270,754.06	507,589.88
Employee benefits payable		3,007,924.82	2,626,927.62
Taxes payable		187,296,018.83	137,570,358.99
Interest payable		124,642,511.88	128,475,865.27
Dividends payable			
Other payables		1,986,495,146.24	1,726,964,421.58
Non-current liabilities due within one year		12,509,342,000.00	7,693,591,820.00
Other current liabilities			153,149.60
Total Current Liabilities		21,505,514,388.58	22,729,279,158.49
Non-current Liabilities:			
Long-term borrowings		7,478,000,000.00	11,168,000,000.00
Bonds payable		21,550,834,444.42	11,039,391,666.67
Long-term payables			
Special payables			
Provisions			
Deferred income tax liabilities		272,883,017.00	197,361,340.49
Other non-current liabilities			
Total non-current liabilities		29,301,717,461.42	22,404,753,007.16
Owners' Equity			
Paid-in capital		239,000,000.00	239,000,000.00
Capital reserve		1,818,018,783.89	1,818,018,783.89
Less: Treasury shares			
Other comprehensive income		150,992,324.60	85,291,460.59
Surplus reserve		100,000,000.00	100,000,000.00
Special reserve			
General risk reserve			
Retained profits		3,982,931,309.58	3,814,379,451.05
Total Owners' Equity		6,290,942,418.07	6,056,689,695.53
Total Liabilities and Owners' Equity		57,098,174,268.07	51,190,721,861.18

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Income Statement of the Company

For the year ended 31 December 2016

Prepared by Suning Appliance Group Co.,Ltd Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Operating income	XII.4	3,763,277,697.64	2,881,143,872.88
Less:Operating costs	XII.4	2,287,945,355.81	1,769,870,348.05
Business taxes and levies		39,379,625.84	172,609,062.55
Selling expenses		20,326,394.86	21,238,333.68
Administrative expenses		74,065,861.55	55,552,225.97
Financial expenses		1,420,851,317.55	980,373,775.43
Impairment losses of assets			
Add: Gains from changes in fair values (Losses are indicated by "－")		143,985,444.21	88,039,800.00
Investment income (Loss is indicated by "－")	XII.5	145,491,084.72	185,735,197.21
Including: Income from investments in associates and joint ventures			
II. Operating profit (Loss is indicated by "－")		210,185,670.96	155,275,124.41
Add: Non-operating income		3,712,297.77	72,290.91
Less: Non-operating expenses		4,268,217.20	543,340.86
Including: Losses from disposal of non-current assets			
III.Total profit (Total loss is indicated by "－")		209,629,751.53	154,804,074.46
Less: Income tax expenses		41,077,893.00	29,913,840.99
IV. Net profit (Net loss is indicated by "－")		168,551,858.53	124,890,233.47
VAfter-tax net amount of other comprehensive incomes			
(I) Other comprehensive incomes that will not be reclassified into gains and losses			
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement			
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method			
(II) Other comprehensive incomes that will be reclassified into gains and losses			
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method			
2. Gains and losses on fair value changes of available-for-sale financial assets			
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets			
4. Effective hedging gains and losses on cash flows			
5. Foreign-currency financial statement translation difference			
VI.Total comprehensive income:		168,551,858.53	124,890,233.47
VII.Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Statement of Changes in Owners' Equity of the Company

For the year ended 31 December 2016

Prepared by Suning Appliance Group Co.,Ltd | Unit: RMB

Item	Amount for the current period									
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Special reserve	General risk reserve	Retained profits	Others	Total owners' equity
I. Closing balance of the preceding year	239,000,000.00	1,818,018,783.89		85,291,460.59	100,000,000.00			3,814,379,451.05		6,056,689,695.53
Add: Changes in accounting policies										
Corrections of prior period errors										
II. Opening balance of the current year	239,000,000.00	1,818,018,783.89		85,291,460.59	100,000,000.00			3,814,379,451.05		6,056,689,695.53
III. Changes for the year (Losses are indicated by "－")				65,700,864.01				168,551,858.53		234,252,722.54
(I) Net profit								168,551,858.53		168,551,858.53
(II) Other comprehensive income				65,700,864.01						65,700,864.01
Subtotal of (I) and (II)				65,700,864.01				168,551,858.53		234,252,722.54
(III) Owners' contributions and reduction in capital										
1. Capital contribution from owners										
2. Share-based payment recognised in owners' equity										
3. Others										
(IV) Profit distribution										
1. Transfer to surplus reserve										
2. Distributions to owners										
3.Others										
(V) Transfers within owners' equity										
1. Capitalisation of capital reserve										
2. Capitalisation of surplus reserve										
3. Loss offset by surplus reserve										
4. Others										
(VI) Special reserve										
1. Transfer to special reserve in the period										
2. Amount utilised in the period										
(VII) Others										
IV. Closing balance of the current year	239,000,000.00	1,818,018,783.89		150,992,324.60	100,000,000.00			3,982,931,309.58		6,290,942,418.07

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Statement of Changes in Owners' Equity of the Company(Continued)

For the year ended 31 December 2016

Prepared by Suning Appliance Group Co.,Ltd

Unit: RMB

Item	Amount for the same period of last year									
	Paid-in capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Special reserve	General risk reserve	Retained profits	Others	Total owners' equity
I. Closing balance of the preceding year	239,000,000.00	1,830,696,251.16			100,000,000.00			3,689,489,217.58		5,859,185,468.74
Add: Changes in accounting policies										
Corrections of prior period errors										
II. Opening balance of the current year	239,000,000.00	1,830,696,251.16			100,000,000.00			3,689,489,217.58		5,859,185,468.74
III. Changes for the year (Losses are indicated by "—")		-12,677,467.27		85,291,460.59				124,890,233.47		197,504,226.79
(I) Net profit								125,097,208.55		125,097,208.55
(II) Other comprehensive income				85,291,460.59						85,291,460.59
Subtotal of (I) and (II)				85,291,460.59				125,097,208.55		210,388,669.14
(III) Owners' contributions and reduction in capital		-12,677,467.27								-12,677,467.27
1. Capital contribution from owners										
2. Share-based payment recognised in owners' equity										
3. Others		-12,677,467.27								-12,677,467.27
(IV) Profit distribution										
1. Transfer to surplus reserve										
2. Distributions to owners										
3.Others										
(V) Transfers within owners' equity										
1. Capitalisation of capital reserve										
2. Capitalisation of surplus reserve										
3. Loss offset by surplus reserve										
4. Others										
(VI) Special reserve										
1. Transfer to special reserve in the period										
2. Amount utilised in the period										
(VII) Others								-206,975.08		-206,975.08
IV. Closing balance of the current year	239,000,000.00	1,818,018,783.89		85,291,460.59	100,000,000.00			3,814,379,451.05		6,056,689,695.53

Legal Representative:Yang Bu Person in Charge of the Accounting Body:Qing Wang Chief Accountant:Xiaobing Liu

Cash Flow Statement of the Company

At 31 December 2016

Prepared by Suning Appliance Group Co.,Ltd　　Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		270,768,411.45	70,850,840.98
Receipts of tax refunds			
Other cash receipts relating to operating activities		24,467,086,564.29	1,872,207,092.86
Sub-total of cash inflows from operating activities		24,737,854,975.74	1,943,057,933.84
Cash payments for goods purchased and services received		52,719,674.44	6,335,259.86
Cash payments to and on behalf of employees		26,108,631.85	23,600,692.84
Payments of various types of taxes		167,372,185.47	181,247,152.27
Other cash payments relating to operating activities		20,221,320,805.42	9,985,071,597.66
Sub-total of cash outflows from operating activities		20,467,521,297.18	10,196,254,702.63
Net Cash Flow from Operating Activities		4,270,333,678.56	-8,253,196,768.79
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		35,316,323,450.74	8,573,143,000.64
Cash receipts from investment income		105,345,584.83	59,426,376.82
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets			67,000.00
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities			
Sub-total of cash inflows from investing activities		35,421,669,035.57	8,632,636,377.46
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		813,876,177.93	269,553,935.45
Cash payments to acquire investments		40,087,366,618.24	13,940,559,802.80
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		40,901,242,796.17	14,210,113,738.25
Net Cash Flow from Investing Activities		-5,479,573,760.60	-5,577,477,360.79
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions			
Cash receipts from borrowings		25,783,297,204.70	30,139,801,966.58
Cash receipts from issue of bonds		14,458,784,777.75	14,039,391,666.67
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		40,242,081,982.45	44,179,193,633.25
Cash repayments of borrowings		34,950,860,005.02	29,360,295,378.29
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,556,653,711.07	2,509,424,325.10
Other cash payments relating to financing activities			
Sub-total of cash outflows from financing activities		38,507,513,716.09	31,869,719,703.39
Net Cash Flow from Financing Activities		1,734,568,266.36	12,309,473,929.86
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
V. Net Increase in Cash and Cash Equivalents		525,328,184.32	-1,521,200,199.72
Add: Opening balance of Cash and Cash Equivalents		578,431,255.75	2,099,631,455.47
VI. Closing Balance of Cash and Cash Equivalents		1,103,759,440.07	578,431,255.75

Legal Representative:Yang Bu　　Person in Charge of the Accounting Body:Qing Wang　　Chief Accountant:Xiaobing Liu

Suning Appliance Group Co.Ltd

Notes to the financial statements

Ⅰ. Basic Information About The Company

Suning Appliance Group Co.,Ltd(the "Company") (Former Jiangsu Suning Appliance Co., Ltd.) was established on 24 Nov. 1999. The registered capital was RMB 30 million. Jiangsu Suning Home Appliance Co., Ltd. held 88.44% shareholding (RMB 26.532 million) and Jiangsu Suning Science and Technology Industry Investment Co., Ltd. held 11.56% shareholding (RMB 3.468 million). The registered capital had been verified by Nanjing Sanlian Certified Public Accountants, and had been issued the capital verification report Sanlianyanzi [1999]105.

On 26 Jun. 2000, Jiangsu Suning Science and Technology Industry Investment Co., Ltd. transferred 11.56% shareholding of the company to Jiangsu Suning Investment Development Co., Ltd.

On 16 Jul. 2000, Jiangsu Suning Investment Development Co., Ltd. transferred the 11.56% shareholding of the company to Jiangsu Wantai Investment and Development Co. Ltd.

On 22 Dec. 2000, Jiangsu Suning Home Appliance Co., Ltd. (Renamed as "Suning Home Appliance (Group) Co., Ltd.")reached a transfer agreement with Jiangsu Wantai investment and Development Co. Ltd. and Xiaomeng Liu: Jiangsu Suning Home Appliance Co., Ltd. transferred the 83.44% shareholding held to Jiangsu Wantai Investment and Development Co. Ltd. and the 5% shareholding held to Xiaomeng Liu.Both of transferations were priced at original capital contribution.

On 31 Mar. 2002, Jiangsu Wantai Investment and Development Co. Ltd. transferred RMB 15.3 million of the original capital contribution to Jindong Zhang, RMB 4.5 million to Weimin Sun, RMB 4.2 million to Jinfeng Chen, RMB 4.5 million to Xiaomeng Liu.

On 17 Dec. 2002, according to the shareholders' committee resolution and the amending Articles of Association, the company increased registered capital by RMB 40 million with Cash and bank, the registered capital was increased to 70 million. The details of increased registered capital:Jindong Zhang offered RMB 4.3 million; Xiaomeng Liu offered RMB 23.4 million; Weimin Sun offered RMB 8.1 million; Jinfeng Chen offered RMB 4.2 million. The registered capital had been verified by Nanjing Tianzheng Certified Public Accountants, and had been issued the capital verification report Tianzhengyanzi [2002]1858.

On 14 Aug. 2004, according to the shareholders' committee resolution and the amending Articles of Association, the company increased registered capital by RMB 40 million with retained profits. The company's registered capital was increased to RMB 110 million. The registered capital had been verified by Jiangsu Dahua Certified Public Accountants, and had been issued the capital verification report Dahuayanzi [2004]49.

On 24 Apr. 2006, according to the shareholders' committee resolution and the amending Articles of Association, the company increased registered capital by RMB 90 million with retained profits. The company's registered capital was increased to RMB 200 million. The registered capital had been verified by Jiangsu Zhongxing Certified Public Accountants, and had been issued the capital verification report Dahuayanzi [2006]21.

On 3 Jun. 2008, according to the shareholders' committee resolution and the amending Articles of Association, Jinfeng Chen transferred the 6% shareholding of the company to Xiaomeng Liu, and 6% shareholding of the company to Weimin Sun. After that transferation, the ownership structure of the company was Xiaomeng Liu invested RMB 96 million, accounting for 48% of the registered capital; Jindong Zhang invested RMB 56 million, accounting for 28% of the registered capital; and Weimin Sun invested RMB 48 million, accounting for 24% of the registered capital.

On 27 Sep. 2008, Jiangsu Suning Appliance Co., Ltd. was renamed Jiangsu Suning Appliance Group Co., Ltd.

On 17 Nov. 2009, Jiangsu Suning Appliance Group Co., Ltd. was renamed Suning Appliance Group Co., Ltd.

On 28 Feb. 2013, Jindong Zhang reached a Debt-to-equity Agreement of RMB 39 million monetary obligation with Suning Appliance Group Co., the company's total registered capital increased to RMB 239 million. The registered capital had been verified by Jiangsu Tianning Certified Public Accountants, and had been issued the capital verification report Sutianningyanzi [2013]V-30.

On 24 Oct. 2013, according to the shareholders' committee resolution and the amending Articles of Association, Xiaomeng Liu transferred the total shareholding of the company to Yang Bu. Then the ownership structure of the company was: Yang Bu invested RMB 96 million, accounting for40.17% of the registered capital; Jindong Zhang invested RMB 95 million, accounting for 39.75% of the registered capital; and Weimin Sun invested RMB 48 million, accounting for 20.08% of the registered capital.

On 18 Jun. 2015, according to the shareholders' committee resolution and the amending Articles of Association, the company increased registered capital by RMB 1,475.29 million. The company's registered capital was increased to RMB 1,714.29 million. Then the ownership structure of the company was: Yang Bu invested RMB 841.71 million, accounting for49.10% of the registered capital; Jindong Zhang invested RMB 824.58 million, accounting for 48.10% of the registered capital; and Weimin Sun invested RMB 48 million, accounting for 2.80% of the registered capital. The above registered capital has been completed on 23 Jun. 2015.

Business scope: manufacturing, selling, and after-sale servicing appliances and accessories; special lighting appliance for vehicles; electronic component; manufacturing electrical equipment and electrical signal equipment; leasing and repairing plants; estate management; indoor decoration; landscaping; economic information consultation; industrial investment; hotel management; car rental; health service; ticket service; parking lot service; Department store, jewelry, Arts, flower, Domestic and imported cosmetics, elevator; selling electrical products, construction equipment, computer equipment and office equipment; laundry service; leasing site; Domestic commodity display service, corporate image planning; human resources training; importing and exporting goods and technology; developing and selling computer software; enterprise management services; convention services; the manufacture and sale of Chinese and Western-style food ,audio-visual products; cigarettes, tobacco and cigars retail; books and periodicals; food; accommodation; bar; bath; swimming; telecommunications services.

Legal Representative: Yang Bu

Unified social credit code: 91320000714092103D

Registered address: No. 68, Huaihailu Road, Nanjing

For consolidation scope of the year, please refer to Notes VII "Equity in other entities" in detail. The new subsidiaries had been consolidated in the year 2016 were:Xinxing Shoemaking Industrial Co., Ltd. and SHIN-EI Co., Ltd.（“Xinxing shoemaking”）, Chongqing maoNing e-commerce Co., Ltd., etc. For detail of changes in consolidation scope of the year, please refer to Notes VI"Change in consolidation scope".

II. Basis Of Preparation Of Consolidated Financial Statements

The main shareholder of the company is Jindong Zhang. The scope of consolidated financial statements: companies controlled by Jindong Zhang while invested by the company.

III. The Company’s Significant Accounting Policies, Accounting Estimates, and Prior Period Errors

1. Statement of compliance with Accounting Standard for Business Enterprise

The financial statements of the Company have been prepared in accordance with Accounting Standard for Business Enterprise, and present truly and completely, the position as of 31 December 2016, and the results of operations and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Functional currency

The Group adopts RMB as functional currency.

4. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

4.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and (the carrying amount of the consideration paid for the combination or the aggregate face value of shares issued as consideration) is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. The "combining date" refers to the date on which the combining party actually obtains control on the combined party.

4.2 Business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, the equity securities issued by the acquirer in exchange for control of the acquire, the expenses for audit, legal services and assessment, and other administrative expenses, which are recorded into the profits and losses in the current period. The trading expenses for the equity securities or debt securities issued by the acquirer as the combination consideration shall be recorded into the amount of initial measurement of the equity securities or debt securities. The "combining date" refers to the date on which the combining party actually obtains control on the combined party.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

5. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is the group and subsidiaries controlled by Jindong Zhang while invested by the group. Consolidation of subsidiaries starts from the control on the subsidiaries by the Group and ends at the loss of control on the subsidiaries by the Group.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiaries acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements. Adjustments shall be made to subsidiaries’s financial statements based on the fair value of its all identifiable assets, liability or contingent liability on the acquisition date.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company. All significant intra-group balances, transactions and unrealized profits are eliminated on consolidation. If there is evidence that the loss is related to the impairment of assets and not offset should be made.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within owners' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiaries exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiaries, the excess amount are still allocated against minority interests.

6. Recognition criteria of cash and cash equivalents

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

7. Translation of transactions and financial statements denominated in foreign currencies

7.1 Transactions denominated in foreign currencies

Foreign currency transactions are translated at the spot exchange rate issued by People’s Bank of China on the 1st day of the year. Monetary assets and liabilities in foreign currencies are translated into RMB at the exchange rate prevailing at the end of each month. Exchange differences arising from the settlement of monetary items are charged as in profit or loss for the period. Exchange differences of specific borrowings related to the acquisition or construction of a fixed asset should be capitalized as occurred, before the relevant fixed asset being acquired or constructed is ready for its intended uses.

7.2 Translation of financial statements denominated in foreign currencies

The asset and liability items in the foreign currency balance sheet should be translated at a spot exchange rate at the balance sheet date. Among the owner's equity items except "retained profit", others should be translated at the spot exchange rate when they are incurred. The income and expense should be translated at spot exchange rate when the transaction incurs. Translation difference of foreign currency financial statements should be presented separately under the other comprehensive income title. Foreign currency cash flows are translated at the spot exchange rate on the day when the cash flows incur. The amounts resulted from change of exchange rate are presented separately in the cash flow statement.

8. Financial instruments

Financial instruments refer to contracts that form financial assets of a company and form financial liabilities or equity instruments of other companies.

8.1 Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognized directly in equity, is recognized in profit or loss.

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

8.2 Classification, recognition and measurement of financial assets

(i) On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(ii) Financial assets are initially measured at fair value. For financial assets at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets, transaction costs are included in their initial recognised amounts.

(iii) The subsequent measurement of financial assets

A. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss. A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term. (2) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

B. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

C. Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including accounts receivable and other receivables.

D. Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale financial assets are subsequently measured at fair value. Interests for the period in which the assets are held as investment in debt instrument is calculated using the effective interest method and is charged to profit or loss for the period as 'Investment.income'. Gains or losses arising from changes in the fair value are recognised as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss. Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains.

(IV) Impairment of financial assets

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

A．Impairment of financial assets measured at amortised cost. If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

B. When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

8.3 Classification, recognition and measurement of financial liabilities

(i) Financial liabilities of an entity are classified at initial recognition as “financial liabilities at fair value through profit or loss” and “other financial liabilities” on initial recognition.

(ii) As for a financial liability measured at fair value and whose changes are recorded in current gains and losses, the relevant trading expense is directly recorded in the profits and losses for the current period. As for other financial liabilities, the relevant trading expenses are recorded in the initially recognized amounts.

(iii) The subsequent measurement of financial liabilities

A. Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition. Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss.

B. Other financial liabilities are measured at amortised cost using the effective interest method.

8.4 Determination of the fair value of Financial instruments

(i) As for the financial instruments for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof.

(ii) Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques.

8.5 Transfer of financial assets

It refers to the transfer or transfer of financial assets to the other party outside the issuer of the financial asset (the transferee)

The Group derecognises a financial asset if the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; The Group should not derecognize a financial asset if substantially all the risks and rewards of ownership of the financial asset is retained.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, there are two following conditions: (i) If it has retained control of the financial asset, it should recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. (ii) If it has not retained control of the financial asse, it should derecognise the financial asset.

9. Inventories

9.1 The Group's inventories mainly include raw materials, work in progress, properties under development, finished goods, completed properties for sale, goods on hand, low-valuable consumable, etc.

9.2 Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

9.3 For goods on hand using selling price method, the difference between the selling price and the sales cost of the sold goods sold at the end of the period should be adjusted to reflect the actual cost.

9.4 Packaging materials and low cost and short-lived consumable items are amortised using the immediate write-off method.

9.5 The perpetual inventory system is maintained for significant inventories. For insignificant inventories, the periodic inventory system is used. At the end of the period, the group conducts a comprehensive inventory, and check the inventory results with the inventory record book under perpetual inventory system.Differences between the results of the on-the-spot inventory and accounts should be treated as administrative expense, non-operating income or non-operating expense according to different causes of differences.

9.6 At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

9.7 Development cost of properties comprises costs for acquiring the land use rights, expenditures of support infrastructure, expenditures of construction, etc.

9.8 The cost of acquiring the land use rights should be included in the development cost of properties according to the proportion of actual cost of the commercially available house.

Expenditures of support infrastructure include non-operating support infrastructure of culture and education, administrative management, municipal public facilities, which should be included in the development cost of properties according to proportion of the sales area of residential quarters. If expenditures of support infrastructure have not yet or unpaid , accrued expenditures should be made.

9.9 The construction cost is included in the development cost according to the actual payment of the project and materials.

9.10 Costs of completed properties for rental , turnover houses should be amortised in the period of return.

10. Long-term equity investments

10.1 Determination of investment cost

(i) For a long-term equity investment acquired through a business combination, investment cost is determined in the following ways:

A. For a long-term equity investment acquired under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the owners' equity of the acquiree at the date of combination. The trading expenses relating to the business combination are recorded into the profits and losses in the current period.

B. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition.

(ii) Other long-term equity investments acquired from other than acquisitions, the investment cost is determined in the following methods:

A. The cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid.

B. For long-term equity investment acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued.

C. For long-term equity investment injected to the entity by the investor, the investment cost is the consideration as specified in the relevant contract or agreement.

10.2 Subsequent measurement and recognition of profit or loss

(i)Investment in subsidiaries

In consolidated financial statements, please refer to notes III.5 to financial statements.

In parent’s financial statements, cost method should be accounted for investment in subsidiaries, Cash dividend or profit declared by investee shall be recognized as investment gain/loss for the period based on the proportion share in the investee.

(ii) Investment in associates and joint ventures

The Group adopts equity method for investment in associates and joint ventures.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profit or loss of the investee for the period as investment income or loss for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period.

Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

For long-term equity investments in associates and joint ventures which had been held by the Group before its first-time adoption of Accounting Standards for Business Enterprises, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the investee's net assets at the time of acquisition, the excess is amortised and is recognised in profit or loss on a straight line basis over the original remaining life.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as other comprehensive income which is included in the capital reserve. For a long-term equity investment accounted for using the equity method, the amount included in the owners' equity attributable to the percentage interest disposed is transferred to profit or loss for the period.

(iii) Other long-term equity investments

Under the cost method, a long-term equity investment is measured at initial investment cost, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

10.3 Basis for determining joint control and significant influence over investee

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control.

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

11. Investment properties

An investment property is measured initially at cost, and subsequently measured using the fair value model. The basis of adopting the fair value model by the group:

(i) There is an active property market in the location in which the Group's investment property is situated.

(ii) The Group can obtain the market price and other relevant information regarding the same or similar type of property from the property market so as to reasonably estimate the fair value of the investment property.

The Group uses the fair value model for subsequent measurement of the investment property, with changes in the fair value included in profit or loss for the period in which they arise.

When there is an objective evidence that investment property is converted to the self-use property, entry value of the self-use property is the fair value of that investment property on the conversion date, with changes in the fair value included in profit or loss for the period. When the self-use property or inventory converts to investment property with fair value method, the investment property is measured at fair value on conversion date. If fair value on conversion date is less than carrying amount of the self-use property or inventory, the difference should be included in profit or loss for the period. If carrying amount of the self-use property or inventory is less than fair value on conversion date, the difference should be included in owner’s equity.

12. Fixed assets

12.1 Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year.

12.2 A fixed asset is recognised only when both of the conditons are satisfied:

(i) It is probable that economic benefits associated with the asset will flow to the Group;

(ii) The cost of the asset can be measured reliably.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if they meet those conditions above. Otherwise they are recognised in profit or loss for the period.

12.3 A fixed asset is depreciated over its useful life using the straight-line method, the useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period (years)	Annual depreciation rate (%)
Buildings	8～40	11.875～2.375
Machinery and equipment	3～10	31.67～9.70
Transportation vehicles	5～10	19.00～9.50
Electronic equipment	3～5	32.33～19.00
Biological assets	10	9.50
Others equipment	5	19.04～19.00

12.4 The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

13. Construction in progress

Construction in progress is measured at its actual costs. Construction in progress is transferred to a fixed asset when it is ready for intended use.

14. Borrowing Costs

14.1The borrowing cost includes the interest expenses of the borrowing, amortization of underflow or overflow from borrowings, additional expenses and the foreign exchange profit and loss because of foreign currency borrowings. Borrowing costs directly attributable to the construction or production of qualifying asset are capitalised Other borrowing costs are recognised as an expense in the period in which they are incurred.

14.2 When expenditures for such asset and borrowing costs are incurred and activities relating to the construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs is suspended during periods in which the construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. The borrowing costs shall stop to be capitalized when the assets come into the expected condition of use or available for sale. The borrowing costs subsequently incurred should be recorded into profit and loss when occurred.

14.3The method of borrowing costs capitalisation

(i) Where funds are borrowed under a specific-purpose borrowing, the amount of interest (the interest expenses of the borrowing, amortization of underflow or overflow from borrowings) to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

(ii) Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest (the interest expenses of the borrowing, amortization of underflow or overflow from borrowings, additional expenses and the foreign exchange profit and loss because of foreign currency borrowings) to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

14.4 Where funds are borrowed for development of property, borrowing costs directly attribute to the cost of the development of property before completion. The borrowing costs subsequently incurred should be recorded into profit and loss when the property comes into the expected condition of use or available for sale.

15. Intangible assets

Intangible assets include land use rights, software, rights for lease lower than market price,etc.

15.1 Land use rights

The original cost of land use rights is amortised over its estimated useful life of 40 to 50 years using the straight-line method. If the price of purchased land and buildings can not be reasonably allocated between land use rights and buildings, all of which are recorded as fixed assets.

15.2 Software

The original cost of software is amortised over its estimated useful life 5 years using the straight-line method

15.3 Rights for lease lower than market price

It is an intangible asset recognized in business combination because of the consideration paid by the Group for lease lower than market prices. Rights for lease lower than market price are measured at fair value, and amortised over estimated useful life using the straight-line method.

15.4 Brand

It is an intangible asset recognized in business combination。Brand are measured at fair value, and amortised over estimated useful life using the straight-line method.

15.5 For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

15.6 Research and development expenditure

The expenditures for internal research and development of system software in the Group shall be classified into research expenditures and development expenditures.

Expenditure during the research phase is recognised as an expense in the period in which it is incurred; Expenditure during the development phase that meets all of the following conditions at the same time is recognised as intangible asset:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- the Group has the intention to complete the intangible asset and use or sell it;
- the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditure during development phase that does not meet the following conditions is recognised in profit or loss for the period. The expenditure during development phase that has been included in profit and loss during the previous period is not reconfirmed as assets later. Expenditure during development phase that has been capitalised in the development stage are shown on the balance sheet as development expenditures, and become intangible assets from the date that the project comes into the expected condition of use.

16. Impairment of long-term assets

For non-current financial Assets of long-term equity investment, investment property with cost model, fixed assets, construction in progress, intangible assets with limited service life,etc, the Company should judge whether decrease in value exists on the date of balance sheet. Recoverable amounts should be tested for decrease in value if it exists. Goodwill arising in a business combination, intangible asset with infinite useful life and other non-accessible intangible assets are tested for impairment annually no matter there is any indication of impairment or not.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount shall be impaired and the difference is recognised as an impairment loss and charged to profit or loss for the period.

Estimate of recoverable amount is the higher of its fair value of asset(assets group or assets portfolio)less costs to sell and the present value of the future cash flows expected to be derived from the asset.

Asset fair value should be determined according to negotiated sales price of fair trade. If no sales agreement exists but with asset active market, fair value should be determined according to the buyer's price of the asset. If no sales agreement or asset active market exists, asset fair value could be acquired on the basis of best information available. Present value of predicted asset cash flow should be determined by the proper discount rate according to assets in service and predicted cash flow of final disposal. Asset depreciation reserves should be calculated on the basis of single Assets. If it is difficult to predict the recoverable amounts for single Assets, recoverable amounts should be determined according to the belonging asset group. Asset group is the minimum asset combination producing cash flow independently.

Impairment loss amount of assets group or assets portfolio should firstly be deducted and shared to the book value of business goodwill of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business goodwill.The book value of the assets after deducton should not be lower than the highest of fair value of assets less costs to sell , the present value of the future cash flows expected to be derived from the asset and zero.

Once an impairment loss on the assets is recognised, it is not reversed in a subsequent period.

17. Long-term prepaid expenses

Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived. If the deferred expense cannot take benefit for the future accounting period, the unamortized balance of the deferred expenses should be transferred into the current profit or loss.

18. Employee benefits

Employee's benefit comprises short-term benefit, post-employment benefit, termination benefit and other long-term employee's benefit. The employee benefits actually happened during the accounting period in which the employees provide service should be recognized as liabilities.

Social insurances such as primary endowment insurance,medical insurance, injury insurance and housing funds, etc, are recognised as relevant liability in the period in which the employees provide service, in accordance with the regulated recognition basis and percentage. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

Welfare after demission mainly includes basic endowment insurance and unemployment insurance and welfare plans after demission include setting drawing plan. Where the setting drawing plan is adopted, the corresponding payable and deposit amount should be included into the relevant assets cost or charged to profit or loss in the period when they are incurred.
When providing termination benefits to employees, the Group recognise employee benefits payroll resulting from termination benefits at the earlier of: the Group cannot unilaterally withdraw from the termination plan or the redundancy offer; the Group recognise relevant costs and expenses related to the payment of termination benefits in reconstructuring.

19. Provisions

19.1 Provisions are recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.
19.2 The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

20. Revenue

20.1 Revenue from sale of goods is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.
20.2 Revenue from rendering of services is recognised when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably.
20.3 Revenue from a alienating the right of use assets is recognized when satisfying requirements related economic benefit flows in very possibly, income can be measured reliably.
20.4 Revenue from sale of properties is recognized when(1) The sales contract has been signed; (2) The project of properties has been completed; (3) the associated costs incurred or to be incurred can be measured reliably;(4) The conditions for the transfer of completed and developed products agreed upon in the contract have been reached;(5) the Group has transferred to the buyer the significant risks and rewards of ownership of the properties; (6) the amount of revenue has been collected or assured that it can be obtained.
20.5 Revenue from rental property, property managemenis recognized according to the rental and management fees in the agreements on time.

21. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, excluding the capital that the government invests as the investor who enjoys the corresponding owner's equity. Assets-related government grant is the government fund obtained by the company for the purpose of long-term assets purchase and construction or establishment in the other forms.Income-related grants are the grant given by the government apart from the assets-related grants.If no grant objective indicated clearly in the government documents, the following ways shall be adopted :

(1)The government document clears the specific project for the grant, it shall divide according to the relative ratio of asset expenditure amount and entry cost expenditure amount to be formed in the budget of specific project, review according to the division ratio at each balance sheet date, and change when necessary.

(2) The government document only makes the general expression on the usage without indicated specific project, it shall be the income-related government grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

A government grant shall be recognized when the company complies with the conditions attaching to the grant and when the company is able to receive the grant.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

22. Deferred tax assets/ deferred tax liabilities

22.1 The group adopts the balance sheet liability method for income tax accounting.

22.2 Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in owner's equity;

22.3 The amount of the income tax payable which is based by the calculation of the current income tax expenses, are according to the result measured from the corresponding adjustment of the pre-tax accounting profit of this Reporting Period which in accord to the relevant regulations of the tax law.

22.4 Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

22.5 However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

22.6 At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

22.7 When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

23. Operating leases

23.1 The Group as lessee

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

23.2 The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs are recognised in profit or loss on the same basis as rental income over the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

24. Share-based payments

A share-based payment is a transaction which the Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees. The Group's share-based payments include equity-settled share-based payments and cash-settled share-based payments.

Stock option plan in the Group is the equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date.Employees will not be allowed to exercise that option unless specified performance conditions are met. The fair value of stock option is determined by using Black-Scholes Option Pricing Model.

On each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the stock option on the date of the grant. On the balance sheet date, the subsequent information indicates that the number of vested stock option is different from the previous estimate, an adjustment shall be made and on the vesting date, the estimate shall be adjusted to equal the number of the actually vested equity instruments. The Group shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been confirmed.On the vesting date, when the group issues new shares,the Group shall, based on the number of the equity instruments of which the right is actually exercised, calculate and confirm the amount of the paid-in capital and capital reserve to be transferred in, and which should deducte any transaction costs directly attributable to the group, and capital reserve recognized during the vesting period also should be reversed.

IV. TAXES

1. The main applicable tax and rate to the Group as follows:

1.1Companies in the Group in China

Category of tax	Basis of tax computation	Tax rate
Corporate income tax	Taxable income	The Group normally is subject to a corporate income tax rate of 25%; The company set up in the western region enjoys a preferential corporate income tax rate of 15%; The small-scale enterprise with minimal profits enjoys a preferential corporate income tax rate of 20% if taxable income is no more than RMB0.3million, the number of employees no more than 80 and total assets no more than RMB 10million; From 1 Oct.2015 to 31 Dec.2017, the small-scale enterprise with minimal profits enjoys a preferential corporate income tax rate of 20% based on 50% taxable income if taxable income is between RMB0.2million and RMB0.3million(include 0.3million). The Company qualifies for high and new technology enterprise is subject to the enterprise income tax rate of15%; For the newly established integrated circuit design enterprises and the qualified software enterprises in China, the calculated preferential period from the profit year to the year 31 Dec, 2017 has been calculated, and the corporate income tax is exempted from the first to second years, and the corporate income tax is levied in half on the basis of the legal tax rate of 25% from the third year to the fifth year, and the period is enjoyed to

		the expiration of the period.
Value added tax	Sales revenue or Purchase (Calculated the output tax after deducting the deductible withholding VAT at current period)	Sales of household appliances: 3% for small scale taxpayer,17% for general taxpayer; Transportation service: 11% for general taxpayer; Sale of real estate after 1 May.2016:11% for general taxpayer; real estate development enterprise saling old real estate project developed by self enjoy an easy value-added tax rate of 5%. Financial service after 1 May.2016: 11% for general taxpayer; Mobile communication resale service: for general taxpayer of basic telecommunication service, tax rate is 11%; for general taxpayer of value-added telecommunication service, tax rate is 6%; Leasing of tangible movable property: 17% for general taxpayer; Other modern service industries(R & D and technical services, Information technology service, Advertising service, Logistics service, Cultural and creative services, Commercial assistance service, Consulting service and Lease service after 1 May 2016 (exclude lease of tangible personal property), Cultural and sports services）:6% for general taxpayer; 3% for small scale taxpayer in the service above .
Business tax City maintenance	Taxable sales revenue or Purchase	3% for Training revenue, Installation of business revenue before 1 May.2016. 5% for Agency revenue, Rental revenue(except tangible movable property), Chain store service revenue, Advertising position revenue, Real estate revenue(in advance) and loan business revenue before 1 May.2016.
Land appreciation tax	Property appreciation	According to the property appreciation rate, 30%-60% four level excess progressive tax rate.
City maintenance and construction tax	Value-added tax payables, business tax, consumption tax	7% for a company located in urban district; 5% for a company located in county town or town; 1% for a company not located in urban district, county town or town.
Education surcharge	Value-added tax payables, business tax, consumption tax	3%
Local education surcharge	Value-added tax payables, business tax, consumption tax	2%

（2）Overseas companies

Category of tax	Basis of tax computation	Tax rate
Profits tax in Hong Kong	Gains from Hong Kong	16.5%
Cayman		At present, taxes on corporate profits, capital gains, wages and so on are not set up in Cayman.
Corporate income tax in Japan	Gains from Japan	33.06%
Corporate income tax in America	Gains from America	Federal tax: Taxable income by appropriate tax rate; State tax in California：8.84%

2. Tax Preference

2.1 Tax Preference of Western China Development

According to the "Ministry of Finance, the general Administration of Customs, the State administration of taxation on the in-depth implementation of the Western Development strategy related to tax policy issues" notice (Finance [2011]58 No.) from 1 Jan. 2011 to 31 Dec. 2020, the western region of the industry to encourage industrial enterprises to reduce tax rate levied on corporate income tax to 15%. The encouraged industrial enterprises mentioned above refer to those enterprises whose main business is the industrial items specified in the Catalogue of Encouraged Industries in the Western Region, and whose Principal operating income accounts for more than 70% of the total income of the enterprises. The catalogue of encouraged industries in the western Region (National Development and Reform Commission decree [2014]15) has been formally implemented on 1Oct.2014: The catalogue of encouraged industries in the western Region includes the encouraged industries in the country's existing industry catalogue, and the new encouraged industries in the western region. After the publication of the catalogue of encouraging industries in the western regions, the original preferential enterprises can continue to enjoy the preferential policies of the Western development. At the same time, preferential enterprises are required to file annually with the local competent tax bureau, and the Group's subsidiaries have filed the corresponding records with the competent tax bureau.

The original approvals are still valid, and companies enjoying the tax preference are as follows:

On 13 Mar.2014, according to authorization of State Administration of Taxation of the Qin Du District, Xianyang,Xianyang Suning Commerce Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period 2013.

On 5 Jun.2012, according to Tax reduction [2012]147 of Chongqing China, approved by State Tax Bureau of Yuzhong District, Chongqing, Chongqing Suning Commerce Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period from 2011 to 2020.

On 15 Jan.2013, according to Tax reduction [2013]43 of Ji China, approved by State Tax Bureau of Jishou, Xiangxi Suning Appliance Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period from 2011 to 2020.

On 24 Jan.2013, according to authorization of National Tax Bureau of the Northern New Area of Chongqing, Chongqing Suning Purchasing Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period from 2011 to 2020.

On 19 May.2014, according to Nation Tax [2014]21 of Yu China, approved by State Tax Bureau of Yuzhou District,Yulin, Yulin Suning Commerce Co., Ltd. enjoys a preferential corporate income tax preference since the period 2013.

On 10 Jun.2014, according to Nation Tax [2014]9 of Chang China, approved by State Tax Bureau of Changzhou District,Wuzhou, Wuzhou Suning Commerce Co., Ltd. enjoys a preferential corporate income tax preference since the period 2013.

On 30 Apr.2014, according to Tax reduction [2014]1410 of Wei China, approved by State Tax Bureau of Weibin, Baoji Commerce Suning Co., Ltd. enjoys a preferential corporate income tax preference for the period 2013.

On 21 Apr.2014, according to Nation Tax [2014]3 of Wei China, approved by State Tax Bureau of Linwei District,Weinan, Weinan Suning Commerce Co., Ltd. enjoys a preferential corporate income tax preference since the period 2013.

On 8 Apr.2013, according to authorizationof of State Taxation Bureau of Deyang economic and Technological Development Zone, Sichuan, Deyang Suning Commerce Co., Ltd. enjoys a preferential corporate income tax preference for the period 2012.

On 14 May.2013, according to authorizationof of State Taxation Bureau of Dongpo District, Meishan, Sichuan, Meishan Suning Commerce Co., Ltd. enjoys a preferential corporate income tax preference for the period 2012.

On 14 May.2013, according to Nation Tax [2013]1 of Xiang China, approved by National Taxation of Xiangshan District, Guilin, Guilin Suning Commerce Co., Ltd. enjoys a preferential corporate income tax preference for the period 2012. After the publication of the “Catalogue of Encouraged Industries in The Western Region”, if the conditions of the company do not meet the requirements, redeclaration of income tax by appropriate tax rate should be conducted.

On 31 May.2012, according to Nation Tax [2012]2 of Chengzhong China, approved by National Taxation of Haicheng District, Beihai, Liuzhou Suning Commerce Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period 2011. After the publication of the “Catalogue of Encouraged Industries in The Western Region”, if the conditions of the company do not meet the requirements, redeclaration of income tax by appropriate tax rate should be conducted.

On 29 May.2013, according to Nation Tax [2013]3 of Gangbei China, approved by National Taxation of Gangbei District, Guigang, Guigang Suning Commerce Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period 2012. After the publication of the “Catalogue of Encouraged Industries in The Western Region”, if the conditions of the company do not meet the requirements, redeclaration of income tax by appropriate tax rate should be conducted.

On 6 May.2013, Panzhihua Suning Commerce Co., Ltd. has obtained a notice of acceptance of tax matters National Tax Tong [2013]04 of the State Tax Bureau of the Eastern District of Panzhihua City, which is granted to apply for preferential tax for Western China Development.

On 16 Jun.2013, according to Nation Tax [2013]62 of Southwest China, approved by National Taxation of Xixiangtang District, Nanning, Guangxi Suning Commerce Co., Ltd. enjoys a preferential corporate income tax rate of 15% for the period 2012. After the publication of the “Catalogue of Encouraged Industries in The Western Region”, if the conditions of the company do not meet the requirements, redeclaration of income tax by appropriate tax rate should be conducted.

On 11 Jul.2012,according to Chuan Jing Xin Industrial Letter [2012]881 approved by Sichuan economic and Information Committee, Sichuan Suning Commerce Co., Ltd. belongs to National incentive industrial project.

On 5 Jul.2012,according to Chuan Jing Xin Industrial Letter [2012]843 approved by Sichuan economic and Information Committee, Mianyang Suning Commerce Co., Ltd. belongs to National incentive industrial project.

On 16 Aug.2012,according to Chuan Jing Xin Industrial Letter [2012]1027 approved by Sichuan economic and Information Committee, Suining Suning Commerce Co., Ltd. and Nanchong Suning Commerce Co., Ltd.belong to National incentive industrial project.

On 16 Aug.2012,according to Chuan Jing Xin Industrial Letter [2012]1026 approved by Sichuan economic and Information Committee, Guang’an Suning Commerce Co. Ltd.and Guangyuan Suning Commerce Co., Ltd.belong to National incentive industrial project.

On 16 Jan.2013,according to GUI Shang Business Letter [2013]6 approved by Business Office of the Guangxi Zhuang Autonomous Region, Beihai Suning Commerce Co., Ltd.belong to National incentive industrial project.

On 8 Aug.2012,according to GUI Shang Business Letter [2012]126 approved by Business Office of the Guangxi Zhuang Autonomous Region, Qinzhou Suning Commerce Co., Ltd.belong to National incentive industrial project.

On 22 Apr.2013,according to Chuan Jing Xin Industrial Letter [2013]409 approved by Sichuan economic and Information Committee, Sichuan Suning Logistics Co. LTD. belong to National incentive industrial project.

On 13 May.2014,according to [2014]248 approved by xi 'an municipal commission of development and reform, Shanxi Suning Commerce Co., Ltd.belong to National incentive industrial project.

According to the “Notice of People's government of Tibet autonomous region on issues concerning local enterprise income tax rate” (ZangZhengFa[2011]No.14), all enterprises established in Tibet autonomous region (including Tibet enterprises located outside)，enjoy the corporate income tax rate of 15% between year 2011 and 2020. So Tibet Suning Commerce Co., Ltd.can enjoy the preferential corporate income tax rate of 15%.

V. Notes to items in the Consolidated Financial Statements

(Unless specified, with the currency unit RMB.)

1．Cash and bank balances

（1）classification

Items	Closing balance	Opening balance
Cash	22,065,078.97	22,732,360.30
Bank balance	20,111,845,881.91	17,613,521,496.74
Other currency funds	12,887,619,587.29	11,779,667,158.53
Total	33,021,530,548.17	29,415,921,015.570

（2）As at 31Dec, 2016, funds with use restrictions (as they are collateralised, pledged as security or frozen, etc) are as follows:

RMB 8.376billion of other currency funds pledged for bank acceptance notes;

RMB 26.10million of other currency funds pledged for opening the L/C by the Group, RMB 2.4784 billion of other currency funds pledged for guarantee deposit;

RMB 0.551 billion of other currency funds are the balance of Yi FuBao account(ie. reserve account) and under the supervision of the People's Bank of China,which have included 10% risk reserve from interest on reserve account;

RMB 0.556 billion of other currency funds are in-transit sales received from different banks, and RMB 0.89 billion of other currency funds are on deposit in Suning Consumer Finance Co., Ltd.

2．Financial assets at fair value through profit or loss

Items	Closing balance	Opening balance
Financing products(Note1)	2,227,388,791.09	657,495,139.32
Reservation of new	1,244,000.00	21,376,000.00

Items	Closing balance	Opening balance
shares(Note2)		
Total	2,228,632,791.09	678,871,139.32

Note1: As at Dec. 31, 2016, Financial assets at fair value through profit or loss refer to financing products at floating interest rate with derivatives.According to income clauses of contracts, the income-related tools of financing products are SHIBOR, exchange rate of Euro or dollar,etc. Therefore, fair value of the financing products are determined by the value of those income-related tools as at Dec. 31, 2016.

Note2: According to the agreement made on 16 Mar. 2015 between Suning Commerce Group Co.,Ltd. ,a subsidiary of the Group, and Japan LAOX Corporation ("Japan LAOX") about the new-share reservation right, Suning Commerce Group Co.,Ltd. subscribed for the 350 new-share reservation rights of LAOX issued by Japan.Then the Group have the right to subscribe for 35 million shares at the agreed price within the period from 6 Apr.2015 to 3 Apr.2018(inclusive)).Fair value of the new-share reservation right is determined by using Monte Carlo simulation method.

3. Notes receivable

（1）Categories of notes receivable

Items	Closing balance	Opening balance
Bank acceptances	12,030,000.00	19,452,960.23
Commercial acceptances	28,051,411.81	4,851,643.09
Total	40,081,411.81	24,304,603.32

（2）As at 31 Dec.2016, there was no notes receivable pledged as security.

（3）As at 31 Dec.2016, there was no notes receivable endorsed or discounted but not due.

4.Accounts receivable

（1）Aging analysis

Aging	Closing balance			Opening balance		
	Amount	%	Bad debt provision	Amount	%	Bad debt provision
Within 1 year	1,822,568,657.73	89.75%	-	866,643,680.05	72.36%	-
1 to 2 years	126,906,420.27	6.25%	-	180,050,796.43	15.03%	-
2 to 3 years	39,123,704.75	1.93%	-	100,496,321.29	8.39%	-
3 to 4 years	25,662,443.59	1.26%	-	33,459,734.21	2.79%	-
4 to 5 years	8,020,202.14	0.39%	-	8,653,406.48	0.72%	-
Over 5 years	8,426,520.23	0.42%	-	8,325,206.29	0.71%	-
Total	2,030,707,948.71	100.00%	-	1,197,629,144.75	100.00%	-

（2）As at 31 Dec.2016, RMB 0.99 billion of accounts receivable was pledged to the bank as guarantee for 0.7 billion short-term debts.

（3）As at 31 Dec.2016,the amount of accounts receivable actually wtitten-off was about RMB 1.07 million, and no significant accounts receivable written-off.

（4）No accounts receivable was derecognized due to transfer of financial assets in the current period.

（5）The group did not transfer any accounts receivable without resource to financial institutions during the current period.

5. Prepayments

Aging	Closing balance		Opening balance	
	Amount	%	Amount	%
Within 1 year	10,155,624,220.31	94.61%	7,458,587,803.48	94.47%
1 to 2 years	383,440,402.75	3.57%	282,412,078.52	3.58%
2 to 3 years	96,684,498.53	0.90%	135,090,493.31	1.71%
3 to 4 years	79,910,946.51	0.74%	15,456,869.06	0.20%
4 to 5 years	15,188,929.06	0.14%	3,452,511.84	0.04%
Over 5 years	3,768,416.94	0.04%	347,396.20	0.00%
Total	10,734,617,414.10	100.00%	7,895,347,152.41	100.00%

6. Interest receivable

Item	Closing balance	Opening balance
Security deposit and fixed term deposit at the bank	72,680,869.57	63,262,057.38
Financing products with guaranteed principal and income	42,484,405.83	18,795,970.00
Interest on loans and advances to customers	14,604,508.12	12,275,123.53
others	1,694,870,993.77	116,519,980.45
Total	1,824,640,777.29	210,853,131.36

7. Other receivables and long-term receivables

（1）Aging analysis

Aging	Closing balance			Opening balance		
	Amount	%	Bad debt provision	Amount	%	Bad debt provision
Within 1 year	16,581,188,357.69	66.27%	-	14,238,024,816.08	90.21%	-

1 to 2 years	7,212,051,041.11	28.82%	-	344,979,128.31	2.19%	-
2 to 3 years	225,475,188.66	0.90%	-	273,369,933.06	1.73%	-
3 to 4 years	224,583,856.17	0.90%	-	246,874,976.66	1.56%	-
4 to 5 years	166,233,262.11	0.66%	-	377,322,983.30	2.39%	-
Over 5 years	612,313,055.89	2.45%	-	302,646,327.40	1.92%	-
Total	25,021,844,761.63	100.00%	-	15,783,218,164.81	100.00%	-

（2）As at 31 Dec.2016, the principal of financing products with guaranteed principal and income is about RMB 3.15 billion, which will all expire with all relevant income received within one year according to group-purchasing contracts.

（3）The other receivable actually wtitten-off was about RMB 6.02 million , and no other significant other receivables was written off.

8. Inventories

（1）Categories of inventories

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Properties under development	25,527,707,019.71	-	25,527,707,019.71	29,027,020,448.06	-	29,027,020,448.06
Completed properties for sale	6,820,186,110.33	-	6,820,186,110.33	5,170,837,661.00	-	5,170,837,661.00
Low-value consumable	4,040,709.58	-	4,040,709.58	-	-	-
Inventory goods	13,527,262,326.35	410,655,766.93	13,116,606,559.42	13,202,591,743.34	300,304,444.23	12,902,287,299.11
Total	45,879,196,165.97	410,655,766.93	45,468,540,399.04	47,400,449,852.40	300,304,444.23	47,100,145,408.17

（2）Properties under development are presented as follows:

Project name	Closing balance	Opening balance
Wuxi Suning Square project	-	1,657,477,742.15
Suning Huigu project	2,126,643,121.19	2,241,022,000.58
Shanghai north bund project	2,979,778,743.06	2,487,871,018.97
Taihu New Town homes project in Wuxi	1,981,532,931.21	3,173,423,117.40
Xuzhou Suning Square project	3,572,797,820.73	3,167,825,602.62
Zhenjiang Suning Square project	2,156,413,169.68	2,532,438,932.24

Fuzhou Suning real estate	2,429,218,325.29	2,310,794,888.66
Suqian Suning Square project	955,872,678.36	1,268,215,324.67
Panjin Oil Street Square project	203,649,749.98	1,378,287,659.73
Olympic Sports CBD project	1,543,882,079.80	1,452,207,470.90
Qingjiang Square project	-	1,116,227,759.02
Foshan New Town project	1,307,294,974.51	1,192,658,054.05
Hunan Road 0405 block project in Nanjing	-	136,560,790.43
Xinhua news agency project	1,031,061,998.07	926,161,024.95
Langfang Real Estate project	900,913,850.85	779,777,423.49
Tianjin project	756,508,264.93	760,523,456.25
Shijiazhuang Suning Square project	714,121,889.85	575,178,710.04
Chunxi road Suning Square project	315,519,133.71	361,853,456.16
Huai'an Suning Square project	406,405,445.05	24,028,145.50
Gaochun homes project	442,265,579.52	490,489,814.15
Gucheng lake hotel project in Gaochun	27,818,624.15	30,407,259.86
Gaochun mart block project	78,850,102.09	113,247,519.32
Oher projects	1,597,158,537.68	850,343,276.92
Total	25,527,707,019.71	29,027,020,448.06

（3）Provision for decline in value of inventories

Item	Opening carrying amount	Increase in the current period	Decrease in the current period		Closing carrying amount
			Reversals	Write-off	
Inventory goods	300,304,444.23	265,381,322.70	-	155,030,000.00	410,655,766.93

9．Other current assets

Items	Closing balance	Opening balance
available-for-sale financial assets	17,821,905,000.00	1,502,959,000.00
Financial products	422,701,249.67	6,036,000,452.05
Prepaid rent	1,664,675,997.13	1,603,223,839.67
Prepaid insurance fee	9,978,900.06	1,648,181.61
Advance tax and vat input tax to be deducted	959,055,185.78	540,337,000.00
other	348,467,135.06	175,826,206.87
Total	21,226,783,467.70	9,859,994,680.20

10. Loans and advances to customers

Item	Closing balance		Opening balance	
	Amount	Loan loss reserves	Amount	Loan loss reserves
Loans and advances to customers	4,224,668,556.43	3,542,769.79	1,313,178,225.25	1,510,063.25

As at 31 Dec.2016, loans and advances to customers refer to company loans, advances, personal consumption credit, etc. issued by the group subsidiary - Chongqing Suning microfinance Co., Ltd and Suning factoring business Co., Ltd.

As at 31 Dec.2016, RMB 40.58 million of Loans and advances to customers has been overdue. However, the group believed the amount can be returned and did not make provision for impairment based on the financial situation and past credit record of the customers.

11. Available-for-sale financial assets

（1）Available-for-sale financial assets

Item	Closing balance	Opening balance
Measured at fair value method:		
Including : Financial products	25,268,149,852.87	2,425,438,405.07
Available-for-sale equity instruments	17,735,002,371.24	1,103,678,081.85
Measured at cost method:		
Including : Available-for-sale equity instruments	1,204,959,622.03	1,136,236,856.76
Less: Provision for available-for-sale financial assets impairment	-	-
Less: Available-for-sale financial assets disclosed as other current assets	17,821,905,000.00	1,502,959,000.00
Total	26,386,206,846.14	3,162,394,343.68

（2）Available-for-sale financial assets measured at fair value method

Categories of available-for-sale financial assets	Closing balance	Opening balance
Financial products：		
Fair value	25,268,149,852.87	2,425,438,405.07
Cost	25,012,322,000.00	2,422,000,000.00
FV accumulated change recognized in other comprehensive income	255,827,852.87	3,438,405.07
Provision for impairment	-	-
Available-for-sale equity instruments：		

Fair value	17,735,002,371.24	1,103,678,081.85
Cost	15,114,164,885.77	868,780,473.83
FV accumulated change recognized in other comprehensive income	2,620,837,485.47	234,897,608.02
Provision for impairment	-	-
Total :		
Fair value	43,003,152,224.11	3,529,116,486.92
Cost	40,126,486,885.77	3,290,780,473.83
FV accumulated change recognized in other comprehensive income	2,876,665,338.34	238,336,013.09
Provision for impairment	-	-

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

Investee	Book value				Provision for impairment				Shareholding proportion among the investees	Cash bonus of the reporting period
	Opening balance	increase	decrease	Closing balance	Opening balance	increase	decrease	Closing balance		
Beijing Tongzhou Guokai Rural Bank Co., Ltd.	9,000,000.00	-	-	9,000,000.00	-	-	-	-	9.00%	-
LingZhong household air conditioning system (Shanghai) Co., Ltd.	4,800,000.00	-	-	4,800,000.00	-	-	-	-	15.00%	-
Suning Rundong Equity investment Management Co., Ltd.	1,500,000.00	-	1,500,000.00	-	-	-	-	-	-	-
Kibou Found L.P.	3,579,000.00	2,319,000.00	-	5,898,000.00	-	-	-	-	6.39%	-
Nubia Technology Co., Ltd	-	283,710,000.00	-	283,710,000.00	-	-	-	-	4.90%	5,819,000.00
Suzhou eight-day online network technology Co., Ltd.	-	73,000,000.00	-	73,000,000.00	-	-	-	-	10.00%	-
Nanjing xiaoYi information technology Co., Ltd	-	27,000.00	-	27,000.00	-	-	-	-	0.25%	-
Nanjing Overseas business Investment (LP)	13,071,874.51	-	2,614,400.00	10,457,474.51	-	-	-	-	26.14%	-
Jiangsu Zijin Rural Commercial Bank Co., Ltd.	57,390,754.20	-	-	57,390,754.20	-	-	-	-	0.84%	-
Shanghai Xinghao Equity Investment Centre(LP)	100,000,000.00	-	100,000,000.00	-	-	-	-	-	-	-
Fugang electronic（Yancheng）Co., Ltd	3,838,920.00	-	-	3,838,920.00	-	-	-	-	5.00%	-
Beijing Julin Investment Management	20,200,000.00	-	-	20,200,000.00	-	-	-	-	24.18%	-

Centre（LP）										
Nongyin Wuxi Equity Investment Fund （LP）	98,056,111.56	-	-	98,056,111.56	-	-	-	-	16.13%	-
Huatai Ruitong Investment Management Co., Ltd	4,000,000.00	-	3,700,000.00	300,000.00	-	-	-	-	6.00%	-
Shanghai Star Capital Co., Ltd.	800,000.00	-	-	800,000.00	-	-	-	-	1.00%	-
Minsheng Bulesky Holding shares Co., Ltd	30,000,000.00	-	30,000,000.00	-	-	-	-	-	-	-
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited partnership)	150,000,000.00	-	69,947,354.50	80,052,645.50	-	-	-	-	7.50%	-
China Minsheng Investment Co., Ltd	300,000,000.00	-	-	300,000,000.00	-	-	-	-	0.88%	-
Jiangsu suning real estate brokerage Co., Ltd.	5,000,107.16	-	-	5,000,107.16	-	-	-	-	10.00%	-
Jiangsu suning sports industry Co., Ltd.	-	100,000,000.00	-	100,000,000.00	-	-	-	-	10.00%	-
pointguard Venture Capital Fund	147,897,198.58	-	-	147,897,198.58	-	-	-	-	34.35%	-
CEC healthcare fund	2,446,790.75	2,084,619.77	-	4,531,410.52	-	-	-	-	4.29%	-
Zhongchao Liansai Co., Ltd.	184,656,100.00	-	184,656,100.00	-	-	-	-	-	-	-
Total	1,136,236,856.76	461,140,619.77	392,417,854.50	1,204,959,622.03	-	-	-	-		5,819,000.00

12.Long-term equity investments

Investee	Opening balance	increase	Decrease	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Closing balance
Joint ventures:						
Suning gold stone (Tianjin) fund management Co., Ltd.（Note 1）	19,829,260.07	-	-	513,955.58	-	20,343,215.65

Beijing Juhe travel consulting Co., Ltd（Note 2）	-	6,000,000.00	-	-860,382.43	-	5,139,617.57
Subtotal	19,829,260.07	6,000,000.00	-	-346,426.85	-	25,482,833.22
Associated enterprises :						
Suning Consumer Finance Co., Ltd.	116,773,420.36	147,000,000.00	-	-92,817,940.49	-	170,955,479.87
Smartisan Technology(Beijing) Co., Ltd.	45,327,920.07	-	-	-8,082,012.60	-	37,245,907.47
Maruetsu (Hong Kong) Co., Limited	28,103,877.96	-	-	-2,915,833.10	-	25,188,044.86
Onward J Bridge Co., Ltd.	9,344,000.00	-	-	-3,783,711.55	-	5,560,288.45
Hearts Hire Co., Ltd.	418,000.00	-	-	-418,000.00	-	-
Greenland and Laox Investment Limited(“Greenland”)（Note 3）	-	153,441,000.00	-	-826,000.00	-	152,615,000.00
Hisense (Nanjing) Electric Co.,Ltd.	53,979,770.89	-	-	-1,896,575.34	-	52,083,195.55
Jiangsu Guoxin Parma Football Development Co.,LTD.	749,524.52	-	749,524.52	-	-	-
Shanghai YiGuo E-Commerce Co., Ltd.	-	1,346,220,000.00	-	-15,018,069.99	-	1,331,201,930.01
Nanjing Suning ShangTong enterprise management service Co., Ltd	-	4,999,987.24	-	29.11	-	5,000,016.35
Jiangsu Suning Commercial Management Company Limited	-	454,909.34	-	-144,232.71	-	310,676.63
Subtotal	254,696,513.80	1,652,115,896.58	749,524.52	-125,902,346.67	-	1,780,160,539.19
Total	274,525,773.87	1,658,115,896.58	749,524.52	-126,248,773.52	-	1,805,643,372.41

Note 1: In July 2015, Suning Commerce Group Co.,Ltd. participated in the establishment of Suning gold stone (Tianjin) fund management Co., Ltd.,with subscribing RMB 20 million, which accounts for 40% of the total registered capital. At the same time, Suning Commerce Group Co.,Ltd. has two board seats on the board of four directors of Suning gold stone (Tianjin) fund management Co., Ltd..

Note 2: In June 2016, Suning Commerce Group Co.,Ltd. , Beijing travel culture Co., Ltd and PPLive Corporation established Beijing Juhe Travel Consulting Co., Ltd. Suning Commerce Group Co.,Ltd. subscribed RMB 6 million, which accounts for 20% of the total registered capital. According to the articles of Beijing Juhe Travel Consulting Co., Ltd., the company’s board resolution must be approved by at least two thirds directors. Suning Commerce Group Co.,Ltd. and Beijing travel culture Co., Ltd have two board seats on the board of five directors of Beijing juhe travel and PPLIVE has one. As at 31 Dec. 2016, payment of all subscribed capital has been completed by Suning Commerce Group Co.,Ltd.

Note 3：In Mar. 2016, Suning Commerce Group Co.,Ltd. participated in the establishment of Greenland，with subscribing USD 21million,about RMB 0.153 billion, accounting for 35% of Greenland's total registered capital. At the same time, Suning Commerce Group Co.,Ltd. has two board seats on the board of five directors of Greenland. As at 31 Dec. 2016, Suning Commerce Group Co.,Ltd. has completed the payment of all subscribed capital.

13. Investment properties

Item	Opening balance	Current year addition			Current year disposal			Changes in fair value	Closing balance
		Outso-urcing	Transferred from Fixed asset-original cost\ Inventories	Enterprise combination increase	Disposal	Transferred to fixed assets	Other (Note)		
Houses and buildings	21,230,067,585.20	-	5,664,190,251.58	-	14,349,403.45	450,662,397.90	3,026,810,700.00	838,295,086.12	24,240,730,421.55

Note:Items not been consolidated in current period.

14. Fixed assets

Items	Opening carrying amount	Increase in the current period	Transferred from Investment properties	Transferred from construction-in -progress	Decrease in the current period	Decrease due to foreign currency conversion	Other decrease(Note)	Transferred to investment properties	Ending carrying amount
Total original carrying amount									
Houses and buildings	15,830,838,425.77	1,382,600,060.59	450,662,397.90	1,694,832,946.93	1,129,143,000.00	-27,419,000.00	561,679,000.00	2,547,856,555.46	15,147,674,275.73
Operating	448,414,952.88	78,406,870.42	-	-	9,529,297.20	-834,000.00	1,758,416.51	-	516,368,109.59

equipment									
Transportation facilities	633,975,190.92	14,128,464.32	-	-	49,637,154.00	-677,000.00	5,059,254.88	-	594,084,246.36
Electronic equipment	1,759,299,222.85	322,031,617.59	-	-	56,069,290.20	-9,644,000.00	2,649,106.39	-	2,032,256,443.85
Other Equipment	948,442,765.37	148,551,619.67	-	-	26,973,702.82	-1,748,000.00	1,924,516.46	-	1,069,844,165.76
Biological assets	2,865,472.90	-	-	-	-	-	-	-	2,865,472.90
Total	19,623,836,030.69	1,945,718,632.59	450,662,397.90	1,694,832,946.93	1,271,352,444.22	-40,322,000.00	573,070,294.24	2,547,856,555.46	19,363,092,714.19
Accumulated depreciation									
Houses and buildings	1,615,429,626.77	433,802,881.26	36,946,000.00	-	135,714,000.00	-13,724,000.00	14,608,000.00	82,460,000.00	1,867,120,508.03
Operating equipment	189,122,014.76	66,388,790.18	-	-	4,787,532.81	-580,000.00	1,100,283.70	-	250,202,988.43
Transportation facilities	275,414,496.00	64,799,756.27	-	-	39,999,464.39	-186,000.00	1,849,146.36	-	298,551,641.52
Electronic equipment	1,132,955,164.81	272,944,027.01	-	-	43,834,645.74	-4,810,000.00	1,533,278.53	-	1,365,341,267.55
Other Equipment	534,368,850.20	130,029,672.81	-	-	18,939,203.84	-1,154,000.00	544,513.26	-	646,068,805.91
Biological assets	921,977.52	273,451.40	-	-	-	-	-	-	1,195,428.92
Total	3,748,212,130.06	968,238,578.93	36,946,000.00	-	243,274,846.78	-20,454,000.00	19,635,221.85	82,460,000.00	4,428,480,640.36
Impairment reserve									
Houses and buildings	34,319,006.18	9,659,000.00	-	-	1,703,000.00	-4,236,000.00	-	-	46,511,006.18

Operating equipment	-	-	-	-	-	-	-	-	-
Transportation facilities	-	-	-	-	-	-	-	-	-
Electronic equipment	311,000.00	93,000.00	-	-	404,000.00	-	-	-	-
Other Equipment	8,359,289.94	201,000.00	-	-	410,000.00	-112,204.70	-	-	8,262,494.64
Biological assets	-	-	-	-	-	-	-	-	-
Total	42,989,296.12	9,953,000.00	-	-	2,517,000.00	-4,348,204.70	-	-	54,773,500.82
Book value									
Houses and buildings	14,181,089,792.82								13,234,042,761.52
Operating equipment	259,292,938.12								266,165,121.16
Transportation facilities	358,560,694.92								295,532,604.84
Electronic equipment	626,033,058.04								666,915,176.30
Other Equipment	405,714,625.23								415,512,865.21
Biological assets	1,943,495.38								1,670,043.98
Total	15,832,634,604.51								14,879,838,573.01

Note ： Items not been consolidated in current period.

15. Construction in progress

Items	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Net carrying amount	Carrying amount	Provision for impairment losses	Net carrying amount
Yuhua logistics base	415,659,254.00	-	415,659,254.00	342,121,000.00	-	342,121,000.00
Baotou Suning appliance square project	-	-	-	236,867,021.63	-	236,867,021.63
Rizhao Suning appliance square project	285,078,347.00	-	285,078,347.00	234,901,000.00	-	234,901,000.00
Jining Suning appliance square project	-	-	-	191,575,673.80	-	191,575,673.80
Chuzhou Suning appliance square project	324,287,608.54	-	324,287,608.54	174,364,880.30	-	174,364,880.30
Qingdao household appliance industrial park	-	-	-	98,703,754.69	-	98,703,754.69
Suzhou logistics base	-	-	-	68,220,000.00	-	68,220,000.00
Meishan logistics base	-	-	-	77,164,000.00	-	77,164,000.00
Shaoxing logistics base	-	-	-	73,857,000.00	-	73,857,000.00
Zhengzhou logistics base	-	-	-	63,519,670.90	-	63,519,670.90
Chongqing phase II logistics base	-	-	-	33,431,600.00	-	33,431,600.00
Ezhou logistics base	112,252,622.74	-	112,252,622.74	32,197,000.00	-	32,197,000.00
Qingdao office district purchase housing project	-	-	-	31,529,000.00	-	31,529,000.00
Zhongshan logistics base	-	-	-	29,831,000.00	-	29,831,000.00
Nanning phase I logistics base	14,533,213.00	-	14,533,213.00	27,193,000.00	-	27,193,000.00
Lanzhou logistics base	-	-	-	27,392,044.37	-	27,392,044.37
Xiamen logistics center phase I project	24,206,396.00	-	24,206,396.00	23,202,000.00	-	23,202,000.00
Shenyang logistics base	-	-	-	12,083,210.49	-	12,083,210.49
Shanghai Suning appliance square project	-	-	-	1,266,000.00	-	1,266,000.00
Xi'an jingyang logistics base	164,409,077.00	-	164,409,077.00	10,323,546.00	-	10,323,546.00

Neijiang logistics project	36,149,081.00	-	36,149,081.00	495,872.00	-	495,872.00
Changzhou logistics base	34,719,676.45	-	34,719,676.45	-	-	-
Shijiazhuang logistics base	32,154,007.00	-	32,154,007.00	7,144,790.00	-	7,144,790.00
South China e-commerce operation center project	20,593,461.00	-	20,593,461.00	1,879,592.00	-	1,879,592.00
Ningbo logistics base	18,656,923.00	-	18,656,923.00	131,486.00	-	131,486.00
Xuzhou phase II logistics center	15,671,414.00	-	15,671,414.00	-	-	-
Subway connection project of Suning headquarters concept shop	8,142,661.00	-	8,142,661.00	-	-	-
Taiyuan logistics base	3,912,211.00	-	3,912,211.00	697,154.00	-	697,154.00
Tianjin B2C automatic sorting center	1,408,545.00	-	1,408,545.00	1,041,739.00	-	1,041,739.00
Other projects	57,436,034.68	-	57,436,034.68	2,856,241.63	-	2,856,241.63
Total	1,569,270,532.41	-	1,569,270,532.41	1,803,989,276.81	-	1,803,989,276.81

16. Intangible assets

Item	Opening carrying amount	Increased in the current period	Transferred from Investment properties	Decreased in the current period	Other decrease(Note)	Decreased due to foreign currency conversion	Closing carrying amount
Total original carrying amount							
Trademark use rights	52,494.00	10,000,000.00	-	-	-	-	10,052,494.00
Land use rights	7,393,957,807.97	138,647,917.49	1,249,159,789.37	294,583,000.00	1,031,952,000.00	-1,055,000.00	4,957,965,936.09
Software use cost	1,135,333,351.74	38,105,248.21	-	-	405,809.17	-1,131,000.00	1,174,163,790.78

Trademarks and customer relations	677,481,352.17	7,549,000.00	-	-	-	-63,998.00	685,094,350.17
other	399,654,890.00	1,169,969,834.98	-	69,161,249.86	1,500,215,475.12	-	248,000.00
Total	9,606,479,895.88	1,364,272,000.68	1,249,159,789.37	363,744,249.86	2,532,573,284.29	-2,249,998.00	6,827,524,571.04
Total cumulative amortization							
Trademark use rights	44,182.45	666,666.67	-	-	-	-	710,849.12
Land use rights	583,578,420.24	154,461,011.38	154,401,861.53	30,763,000.00	113,515,000.00	-	439,359,570.09
Software use cost	747,975,724.67	161,051,432.60	-	-	175,310.57	-347,000.00	909,198,846.70
Trademarks and customer relations	243,363,822.30	101,754,000.00	-	-	-	-30,000.00	345,147,822.30
other	35,419,741.49	298,762,692.87	-	68,313,788.02	265,815,134.67	-	53,511.67
Total	1,610,381,891.15	716,695,803.52	154,401,861.53	99,076,788.02	379,505,445.24	-377,000.00	1,694,470,599.88
Provision for impairment							
Trademark use rights	-	-	-	-	-	-	-
Land use rights	-	-	-	-	-	-	-
Software use cost	-	-	-	-	-	-	-
Trademarks and customer relations	6,753,448.05	749,000.00	-	-	-	-37,778.60	7,540,226.65
other	-	-	-	-	-	-	-
Total	6,753,448.05	749,000.00	-	-	-	-37,778.60	7,540,226.65

Total carrying amount of intangible assets							
Trademark use rights	8,311.55						9,341,644.88
Land use rights	6,810,379,387.73						4,518,606,366.00
Software use cost	387,357,627.07						264,964,944.08
Trademarks and customer relations	427,364,081.82						332,406,301.22
other	364,235,148.51						194,488.33
Total	7,989,344,556.68						5,125,513,744.51

Note ： Items not been consolidated in current period.

17. Goodwill

items	Opening balance	Increase in the current period	Decrease in the current balance	Decrease due to foreign currency conversion	Ending balance
Japan LAOX Corporation	169,497,237.28	-	-	-17,984,701.05	187,481,938.33
Citical Retain Management Limited Wholesale and retail business	616,018.87	-	-		616,018.87
Wuxi Shengli Gate Suning Appliance Co., Ltd.	569,360.24	-	-		569,360.24
Redbaby Maternal and infant and cosmetics business	270,670,000.00	-	-		270,670,000.00
Manzuo business	33,372,000.00	-	-		33,372,000.00
Allyes Advertising technical plate business	25,109,000.00	-	-		25,109,000.00
Nanjing Dingchen Architectural Design Co.,Ltd	7,113,296.93	-	-	-	7,113,296.93

Jiangsu Suning Football Club Co., Ltd	114,146,243.20	-	114,146,243.20	-	-
Total	621,093,156.52	-	114,146,243.20	-17,984,701.05	524,931,614.37
Less :Impairment reserve - Japan LAOX Corporation	31,571,059.79	55,578,000.00	-	-3,350,000.00	90,499,059.79
- Citical Retain Management Limited Wholesale and retail business	-	617,090.20	-	-	617,090.20
Total	589,522,096.73	56,195,090.20	114,146,243.20	-14,634,701.05	433,815,464.38

18. Long-term prepaid expenses

Item	Opening balance	Increase in the period	Amortization for the period	Impairment reserve write-off	Transferred to other current assets	Other decrease （Note 2）	Closing balance
Improvement of fixed assets from operating lease	797,929,000.00	200,476,000.00	445,536,000.00	7,266,594.00	-	-	560,135,594.00
Deferred extended warranty service fee （Note）	349,407,000.00	214,011,851.52	126,568,566.87	-	-	-	436,850,284.65
Prepaid long-term housing rent	117,404,000.00	31,818,996.54	-	-	65,375,174.98	-	83,847,821.56
Usage fee of water and electricity facilities	1,272,000.00	-	1,018,880.40	-	-	-	253,119.60
Renovation costs	90,890,307.27	32,645,714.38	47,681,653.86	-	-	29,430,725.81	46,423,641.98
Other	33,050,175.36	55,492,308.92	29,879,185.83	-	-	13,011,273.24	45,652,025.21
Total	1,389,952,482.63	534,444,871.36	650,684,286.96	7,266,594.00	65,375,174.98	42,441,999.05	1,173,162,487.00

Note 1: Suning Commerce Group Co.,Ltd. provided extended appliance warranty service for customers, and made an insurance service agreement with the third party insurance cpmpany on the extended warranty service. Suning Commerce Group Co.,Ltd. paid insurance fee according

to the agreement to ensure elevant compensation received from the insurance company when providing extended warranty service in the future. As at 31 Dec. 2016, deferred extended warranty service revenue received is about RMB 1.333 billion, and unamortizated prepaid insurance fee is about RMB 0.44 billion.

Note 2：Items not been consolidated in current period.

19. Deferred tax assets/ Deferred income tax liabilities

（1）Deferred tax assets had not been off-set.

Item	Closing balance		Opening balance	
	Temporary difference	Deferred tax assets	Temporary difference	Deferred tax assets
Unpaid advertising fee	1,642,408,554.72	410,602,138.68	1,110,443,137.12	277,610,784.28
Provision for impairment of assets	318,985,136.60	79,746,284.15	282,217,622.64	70,554,405.66
Integral plan	97,978,071.60	24,494,517.90	43,030,592.44	10,757,648.11
Government subsidy relevant to assets	624,328,830.16	156,082,207.54	585,299,455.76	146,324,863.94
Unrealized profit from internal transaction	4,159,410,654.12	1,039,852,663.53	3,198,903,778.76	799,725,944.69
Amortization of long-term prepaid expenses	26,417,476.08	6,604,369.02	14,420,582.68	3,605,145.67
Pre-sale revenue of real estate enterprise	319,656,243.84	79,914,060.96	101,988,493.20	25,497,123.30
Long-term equity investments	9,100,858.28	2,275,214.57	9,100,858.28	2,275,214.57
Accrued rental expense	549,628,817.36	137,407,204.34	430,245,469.24	107,561,367.31
Deductible loss in subsequent years	9,445,421,349.80	2,361,355,337.45	9,451,819,852.92	2,362,954,963.23
Advertising expense and business propagandize fee	1,112,536,392.16	278,134,098.04	581,586,776.88	145,396,694.22
Other	1,098,269,626.92	274,567,406.73	825,980,785.20	206,495,196.30
Total	19,404,142,011.64	4,851,035,502.91	16,635,037,405.12	4,158,759,351.28

（2）Deferred tax liabilities had not been off-set.

Item	Closing balance		Opening balance	
	Temporary difference	Deferred income tax liabilities	Temporary difference	Deferred income tax liabilities
Fair value of investment properties	12,308,975,189.08	3,077,243,797.27	12,152,135,550.80	3,038,033,887.70
Business combination not under common control	465,964,000.00	116,491,000.00	1,040,725,300.00	260,181,325.00
Fair value of available-for-sale financial assets	1,180,215,510.00	295,053,877.50	366,008,000.00	91,502,000.00
other	710,851,211.08	177,712,802.77	753,080,000.00	188,270,000.00

Total	14,666,005,910.16	3,666,501,477.54	14,311,948,850.80	3,577,987,212.70

（3）Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset:

Item	Closing balance		Opening balance	
	Offset amount	Balance after offset	Offset amount	Balance after offset
Deferred tax assets	305,971,000.00	4,545,064,502.91	110,446,000.00	4,048,313,351.28
Deferred income tax liabilities	305,971,000.00	3,360,530,477.54	110,446,000.00	3,467,541,212.70

20. Other non-current liabilities

Item	Closing balance	Opening balance
Prepayment for land and building	378,583,101.37	472,679,553.59
Prepayment for engineering equipment	567,921,000.00	389,816,000.00
Investment to be collected	478,892,915.77	-
Other	566,873,912.51	12,932,679.70
Total	1,992,270,929.65	875,428,233.29

21. Short-term borrowings

Categories	Closing balance	Opening balance
Credit loan	603,617,090.31	714,592,572.70
Guaranteed loan	5,200,000,000.00	7,720,000,000.00
Pledge loan	6,043,900,000.00	435,000,000.00
Mortgage loan	1,000,000,000.00	2,737,249,140.00
Guaranteed loan and mortgage loan	30,000,000.00	3,175,000,000.00
Guaranteed loan and plegde loan	-	849,200,000.00
Credit securities account financing	-	1,529,770,980.33
Total	12,877,517,090.31	17,160,812,693.03

22. Financial liabilities at fair value through profit or loss

Categories	Closing balance	Opening balance
Investors sell back options(Note)	38,650,000.00	14,910,000.00

Note : Investors sell back options refer to liquidity support obligation bore by Suning Commerce Group Co.,Ltd. in the asset support special plan, fair value of which is determined by using Bermuda interest rate swaption Option Pricing Model.

23. Notes payable

Category	Closing balance	Opening balance
Bank acceptance notes	25,580,459,520.75	23,831,188,187.59
Commercial acceptance notes	723,513,648.50	1,488,719,567.80
Total	26,303,973,169.25	25,319,907,755.39

24. Accounts payable

（1）Categories

Item	Closing balance	Opening balance
Goods payments	13,125,782,185.56	9,336,544,607.09
Project payments	4,591,866,995.71	4,793,573,831.14
Total	17,717,649,181.27	14,130,118,438.23

（2）As at 31 Dec. 2016, accounts payable aged more than one year is RMB 1,640,451,242.36, which mainly comprise payables for goods. As suppliers did not settle with the group in time.

25. Receipts in advance

（1）Categories of receipts in advance

Item	Closing balance	Opening balance
Advances from real estate	4,468,204,342.60	2,296,867,113.19
Advances from goods sales	1,107,517,325.53	782,201,000.00
Advances from rent revenue	202,909,453.70	143,520,602.64
Other	42,053,128.49	27,609,945.12
Total	5,820,684,250.32	3,250,198,660.95

（2）As at 31 Dec. 2016, accounts received in advance aged more than 1 year is RMB 1,219,371,820.79, which mainly comprise balance not settled with customers.

26. Employee benefits payable

Items	Opening balance	increase in the period	decreased in the period	Other decrease(Note)	Closing balance
Wages and salaries, bonuses, allowances and subsidies	318,501,595.99	6,346,673,371.61	6,233,753,613.61	10,669,354.31	420,751,999.68
Staff welfare	61,148,773.07	185,114,981.60	235,035,625.16	-	11,228,129.51
Social insurance	6,878,031.40	766,436,339.84	762,526,243.96	-	10,788,127.28
Housing funds	4,898,531.85	154,756,347.72	158,843,870.77	-	811,008.80

Labor union fund and employee education fee	13,675,120.23	27,910,607.06	30,711,580.98	-	10,874,146.31
Non-monetary benefits	-	10,441,088.01	10,441,088.01	-	-
Dismission welfare	2,129,155.68	78,714,059.64	80,843,215.32	-	-
Total	407,231,208.22	7,570,046,795.48	7,512,155,237.81	10,669,354.31	454,453,411.58

Note : Items not been consolidated in current period.

27. Taxes payable

Items	Closing balance	Opening balance
Land value increment tax and land use tax	999,232,805.00	831,885,493.32
Enterprise income tax	1,204,860,348.62	642,306,370.04
Individual income tax	25,946,038.54	30,347,927.27
Business tax	29,463,940.00	75,569,252.99
City maintenance and construction tax	52,677,473.61	38,996,924.05
Education surcharge	33,195,145.19	27,734,092.85
Value-added tax	612,917,235.83	317,472,631.33
other	35,682,070.54	22,598,686.29
Total	2,993,975,057.33	1,986,911,378.14

28. Interest payable

Items	Closing balance	Opening balance
Interest on bank loan	113,728,704.00	116,298,317.55
Interest on corporation bonds	191,326,441.50	96,526,137.99
Total	305,055,145.50	212,824,455.54

29. Other payables

（1）Categories

Items	Closing balance	Opening balance
Project payment	2,883,387,000.00	2,595,028,000.00
Amount due to	1,732,496,621.85	2,532,277,248.42
Cash pledge and security deposit	1,462,088,270.45	1,129,878,029.36
Investment fund payable	14,636,000.00	14,636,000.00
Customer Refund	63,962,348.13	238,675,243.13
Advertising expense and marketing promotion fee payable	1,781,629,000.00	1,166,416,000.00
Others	2,395,019,882.69	1,476,267,422.54
total	10,333,219,123.12	9,153,177,943.45

（2）As at 31 Dec. 2016, other payables aged more than 1 year was RMB

6,544,619,654.07, which mainly comprise Cash pledged and security deposit.

30. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Deferred revenue of advertising space usage	70,978,714.99	82,232,624.95
Non-current loans due within one year	8,870,360,655.29	8,021,252,387.23
Non-current bonds due within one year	19,800,944,438.87	6,545,289,766.83
Long-term payables due within one year	-	90,000,000.00
Total	28,742,283,809.15	14,738,774,779.01

31. Other current liabilities

Items	Closing balance	Opening balance
Accrued rent	882,529,251.41	755,550,058.29
Custom points plan（Note）	97,978,071.58	43,022,486.76
Accrued utilities fee	116,275,435.71	109,465,115.94
other	77,276,516.85	21,466,305.67
Totals	1,174,059,275.55	929,503,966.66

Note: Deferred income in Integral plan is recognized at fair value on the basis of the custom points plan method and expected redemption rate announced by Suning.com Group Co.,Ltd. .

32. Long-term borrowings

Categories	Closing balance	Opening balance
Guaranteed loan and mortgage	13,318,308,695.06	18,504,889,260.73
Guaranteed loan and plegde loan	1,180,000,000.00	66,660,000.00
Mortgage loan	1,860,539,935.08	1,388,255,399.48
Guaranteed loan	4,221,000,000.00	4,686,000,000.00
Credit loan	13,253,000.00	14,189,000.00
Plegde loan	4,187,585,700.00	635,605,820.00
Less: long-term borrowings due	-8,870,360,655.29	-8,021,252,387.23
Totals	15,910,326,674.85	17,274,347,092.98

33. Bonds payable

（1）Classification

Item	Opening balance	Addition issues current period	Accrued interest at face value	Amortization of premium and discount	Interest paid current period	Transferred to non-current liabilities due within one year	Closing balance
Corporate bond -phase one(Note 1)	4,485,260,068.32	-	233,999,956.25	7,342,000.00	233,999,956.25	4,492,602,068.32	-
Corporate bond -phase two(Note 2)	3,491,834,956.18	-	208,249,956.25	8,185,875.55	208,249,956.25	-	3,500,020,831.73
15 Suning PPN001	1,011,266,666.67	-	50,844,444.45	-	50,844,444.45	-	1,011,266,666.67
15 Suning 01	10,028,125,000.00	-	656,250,000.00	-	656,250,000.00	-	10,028,125,000.00
16 Suning 01	-	5,800,000,000.00	360,534,444.44	-	-	-	6,160,534,444.44
16Suning 02	-	4,200,000,000.00	150,908,333.33	-	-	-	4,350,908,333.33
Wuxi Suning No. 1	-	745,000,000.00	8,653,473.25	-14,213,148.48	-	-	739,440,324.77
GuangJin zhirong SuZhi No.1	-	255,000,000.00	1,573,383.56	-	-	-	256,573,383.56
Total	19,016,486,691.17	11,000,000,000.00	1,671,013,991.53	1,314,727.07	1,149,344,356.95	4,492,602,068.32	26,046,868,984.50

（2）Specified classification

Item	Par value	Issue date	Bond maturity	Issue amount
Corporate bond -phase one(Note 1)	4,500,000,000.00	14 Dec.2012	5 years	4,500,000,000.00
Corporate bond -phase two(Note 2)	3,500,000,000.00	13 Nov.2013	6 years	3,500,000,000.00
15 Suning PPN001	1,000,000,000.00	15 Oct.2015	3 years	1,000,000,000.00
15 Suning 01	10,000,000,000.00	17 Dec.2015	5 years	10,000,000,000.00

16 Suning 01	5,800,000,000.00	2 Feb.2016	5 years	5,800,000,000.00
16Suning 02	4,200,000,000.00	16 Jun. 2016	5 years	4,200,000,000.00
Wuxi Suning No. 1	745,000,000.00	9 Sep.2016-7 Dec. 2016	730 days	745,000,000.00
GuangJin zhirong SuZhi No.1	255,000,000.00	21 Oct. 2016-9 Dec.2016	730 days	255,000,000.00
Total	30,000,000,000.00			30,000,000,000.00

Note1: Approved by China Securities Regulatory Commission [2012] No. 1419, Suning Commerce Group Co.,Ltd. issued the phase 1 Corporate Bonds on 14 Dec. 2012, fixed annual interest rate of 5.20% calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest is to be paid together with the principal.

Note2: Approved by China Securities Regulatory Commission [2012] No. 1419, Suning Commerce Group Co.,Ltd. issued the phase 2 Corporate Bonds on 13 Nov. 2013, fixed annual interest rate of 5.95% calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest is to be paid together with the principal.

Note3: On 15 Oct.2015,the Group issued Private Placement Notes, fixed annual interest rate of 5.20% calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest is to be paid together with the principal.

Note 4: Approved by Shanghai Stock Exchange ShangZhengHan [2015] NO. 2103, the group issued private corporation bonds on 17 Dec. 2015, fixed annual interest rate of 6.75% calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest is to be paid together with the principal.

Note 5: Approved by Shenzhen Stock Exchange ShenZhengHan[2015] No. 570, the group issued the private series1 Corporate Bonds on 2 Feb. 2016 with the option to issuers of the third year-end to adjust coupon rate and option of investors to put back, fixed annual interest rate of 6.70% , calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest is to be paid together with the principal.

Note 6: Approved by Shenzhen Stock Exchange ShenZhenHan[2015] No. 570, the group issued the private series2 Corporate Bonds on 16 Jun. 2016 with the option to issuers of the third year-end to adjust coupon rate and option of investors to put back, fixed annual interest rate of 6.50% calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest is to paid together with the principal.

Note 7: Wuxi Suning real estate Co. Ltd, a subsidiary of the Group, issued Private Placement Notes from 9 Sep. 2016 to 7 Dec. 2016, total 15 series, fixed annual interest rate of 5.80%,6.00%,6.20%,6.40%, calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest is to be paid together with the principal.

Note 8: Wuxi suning real estate Co. Ltd, a subsidiary of the group, issued Private Placement Notes from 21 Oct. 2016 to 9 Dec. 2016, total 3 series, fixed annual interest rate of 7.20%,6.50%, calculated on simple annual interest basis , interest to be paid once a year, principal to be repaid at maturity, the last interest is to be paid together with the principal.

34. Provisions

Item	Opening balance	increase in the period	decreased in the period	Closing balance
Obligation to restore rental housing to its original state	42,340,208.79	16,063,375.47	2,169,000.00	56,234,584.26
other	120,000.00	13,000.00	-	133,000.00
Total	42,460,208.79	16,076,375.47	2,169,000.00	56,367,584.26

35. Deferred income

（1）Categories

Item	Opening balance	increase in the period	decreased in the period	Closing balance	Reason
Deferred extended warranty service revenue	1,214,614,103.90	504,690,901.26	386,196,000.00	1,333,109,005.16	Deferred extended warranty service revenue from customers
Government grants	591,024,000.00	102,846,750.03	65,332,000.00	628,538,750.03	Government grants for project construction of subsidiaries where they located
Total	1,805,638,103.90	607,537,651.29	451,528,000.00	1,961,647,755.19	

（2）List of government grants

Item	Opening balance	Increase	Amount included in Non-operating income	Other change	Closing balance	Related to assets / Related to income
Shenyang logistics base	61,699,000.00	-	1,340,000.00	-	60,359,000.00	Related to assets
Ezhou logistics base	56,668,000.00	-	1,139,000.00	-	55,529,000.00	Related to assets
Harbin logistics base	40,725,000.00	5,000,000.00	936,000.00	-	44,789,000.00	Related to assets
Beijing logistics base	35,768,000.00	-	825,000.00	-	34,943,000.00	Related to assets
Linshui landscape base	20,098,000.00	-	409,000.00	-	19,689,000.00	Related to assets
Hefei logistics base	33,311,000.00	-	761,000.00	-	32,550,000.00	Related to assets
Changchun logistics base	33,049,000.00	-	712,000.00	-	32,337,000.00	Related to assets
Nantong logistics base	31,110,000.00	-	680,000.00	-	30,430,000.00	Related to assets

East West Lake logistics base	28,861,000.00	-	631,000.00	-	28,230,000.00	Related to assets
Boning Suning logistics base	28,515,000.00	-	629,000.00	-	27,886,000.00	Related to assets
Xi'an jingyang logistics base	27,500,000.00	-	896,000.00	-	26,604,000.00	Related to assets
Jiangxi Nanchang logistics base	26,547,000.00	-	26,547,000.00	-	-	Related to assets
Foshan Suning yida logistics base	26,000,000.00	-	613,000.00	-	25,387,000.00	Related to assets
Yancheng yanning logistics base	15,650,000.00	-	345,000.00	-	15,305,000.00	Related to assets
Lanzhou logistics base	14,842,000.00	-	315,000.00	-	14,527,000.00	Related to assets
Sunan logistics base	13,270,000.00	-	13,270,000.00	-	-	Related to assets
Shaoxing logistics base	12,538,000.00	-	257,000.00	-	12,281,000.00	Related to assets
Zhongshan logistics base	12,419,000.00	12,650,000.00	366,000.00	-	24,703,000.00	Related to assets
Chongqing phase ii logistics base	10,774,000.00	-	250,000.00	-	10,524,000.00	Related to assets
Changzhou Suning yida logistics base	10,000,000.00	-	233,000.00	-	9,767,000.00	Related to assets
Zhuhai logistics base	9,533,000.00	-	200,000.00	-	9,333,000.00	Related to assets
Guiyang jinyang xinqu logistics base	9,447,000.00	-	208,000.00	-	9,239,000.00	Related to assets
Baotou suning square	8,298,000.00	10,897,000.00	162,000.00	-	19,033,000.00	Related to assets
Urumqi Suning logistics base	6,633,000.00	-	144,000.00	-	6,489,000.00	Related to assets
Qingdao Jiaoning Suning logistics base	5,439,000.00	-	120,000.00	-	5,319,000.00	Related to assets
Zhengzhou logistics base	4,500,000.00	500,000.00	56,000.00	-	4,944,000.00	Related to assets
Guangzhou logistics base	3,803,000.00	-	3,803,000.00	-	-	Related to assets
Sichuan logistics base	3,536,000.00	-	3,536,000.00	-	-	Related to assets

Wenzhou logistics base	491,000.00	-	23,000.00	-	468,000.00	Related to assets
Jining suning appliance square	-	3,896,000.00	28,000.00	-	3,868,000.00	Related to assets
Chengdu small piece logistics base	-	2,500,000.00	10,000.00	-	2,490,000.00	Related to assets
Jiangsu suning logistics base	-	40,000,000.00	-	-	40,000,000.00	Related to assets
Shanghai logistics base	-	8,000,000.00	867,000.00	-	7,133,000.00	Related to assets
Neijiang logistics project	-	7,800,000.00	131,000.00	-	7,669,000.00	Related to assets
Tianjin suning logistics base	-	2,570,000.00	890,000.00	-	1,680,000.00	Related to assets
Foshan logistics base	-	1,800,416.62	-	-	1,800,416.62	Related to assets
Internet of Things intelligent home project	-	7,233,333.41	4,000,000.00	-	3,233,333.41	Related to assets
Total	591,024,000.00	102,846,750.03	65,332,000.00	-	628,538,750.03	

36. Long-term employee benefits payable

Category	Closing balance	Opening balance
Pension plan	25,124,577.34	20,853,583.52

37. Other non-current liabilities

Category	Closing balance	Opening
Loss on fair value of foreign exchange forward transaction	15,005,092.59	20,498,957.84
Tibet trust-shunJing 34 collection fund trust plan	500,000,000.00	-
Tibet trust-shunJing 53 collection fund trust plan	500,000,000.00	-
Tibet trust-laiwo 6 collection fund trust plan	500,000,000.00	-
Tibet trust-laiwo 10 collection fund trust plan	300,000,000.00	-
Total	1,815,005,092.59	20,498,957.84

38. Paid-in capital

Item	Opening balance		increase in the period	decreased in the period	Closing balance	
	Amount	Proportion			Amount	Proportion
Jindong Zhang	95,000,000.00	39.75%	-	-	95,000,000.00	39.75%
Weiming Sun	48,000,000.00	20.08%	-	-	48,000,000.00	20.08%
Yang Bu	96,000,000.00	40.17%	-	-	96,000,000.00	40.17%
Total	239,000,000.00	100.00%	-	-	239,000,000.00	100.00%

Note : On 18 Jun. 2015, according to the shareholders' committee resolution and the amending Articles of Association, the company increased registered capital by RMB 1,475.29 million. The company's registered capital was increased to RMB 1,714.29 million. Then the ownership structure of the company was: Yang Bu invested RMB 841.71 million, accounting for49.10% of the registered capital; Jindong Zhang invested RMB 824.58 million, accounting for 48.10% of the registered capital; and Weimin Sun invested RMB 48 million, accounting for 2.80% of the registered capital. The above registered capital has been completed on 23 Jun. 2015.

39. Capital reserve

Items	Opening balance	increase in the period	decreased in the period	Closing balance
Other capital reserve	2,932,365,251.35	-	349,592,672.19	2,582,772,579.16

40. Surplus reserve

Items	Opening balance	increase in the period	decreased in the period	Closing balance
Statutory surplus reserves	100,000,000.00	-	-	100,000,000.00

41. Retained profits

Item	Amount
Before adjustment: Retained profits at the end of prior year	1,911,745,885.98
Adjustment: Total Retained profits at beginning of year	-
After adjustment: Retained profits at beginning of year	1,911,745,885.98
Add: Net profit attributable to parent company report year	436,983,254.31
Less: statutory surplus reserves	-
Less: general risk reserve	103,612,755.26
Retained profits at the end of the current year	2,245,116,385.03

42. Operating income and operationg costs

（1）Classification

Items	Amount incurred in the current period		Amount incurred in the prior period	
	income	cost	income	cost
Principal operating income	153,678,392,385.11	132,114,426,099.08	137,791,230,838.31	118,170,810,833.93
Other operating income	4,018,595,768.65	1,408,722,876.28	1,847,866,415.37	549,645,360.69
Total	157,696,988,153.76	133,523,148,975.36	139,639,097,253.68	118,720,456,194.62

（2）List of principal operating activities(classified by industries)

Items	Amount incurred in the current period		Amount incurred in the prior period	
	Principal operating income	Principal operating cost	Principal operating income	Principal operating income
Income from goods retailed and wholesaled	143,967,051,963.06	125,622,273,770.58	130,298,125,604.67	112,766,700,712.31
Income from installation and maintance	1,045,118,434.70	891,288,000.00	1,127,063,000.00	900,056,000.00
Income from real estate	6,263,586,601.02	4,797,889,168.73	4,659,257,460.20	2,985,740,674.47
Inome from catering and room of hotel	427,539,471.35	136,570,277.89	246,048,460.22	28,568,464.77
Income from property management	75,109,661.66	58,622,600.69	49,455,808.16	130,383,805.24
Income from other industries（Note）	1,899,986,253.32	607,782,281.19	1,411,280,505.06	1,359,361,177.14
Total	153,678,392,385.11	132,114,426,099.08	137,791,230,838.31	118,170,810,833.93

Note: Income from other industries mainly include commission from YiGou web platform, Information technology service, interest on petty loan and commercial factoring, mobile resale service and internet video business.

（3）List of other operating income

Item	Amount incurred in the current period		Amount incurred in the prior period	
	Other operating income	Other operating loss	Other operating income	Other operating loss
Income from chain service（Note 1）	613,970,092.38	-	458,594,000.00	-
Rental income	887,761,505.76	381,670,562.89	626,726,290.14	406,882,839.84
Income from advertising space usage	112,980,983.17	-	111,106,000.00	-
Income from agency	582,590,864.99	-	310,571,149.00	-
Field rental income	38,526,659.07	-	21,611,774.08	-
Interest income	1,557,886,310.64	976,299,311.66	102,288,548.69	56,956,923.18
Other income(Note 2)	224,879,352.64	50,753,001.73	216,968,653.46	85,805,597.67
Total	4,018,595,768.65	1,408,722,876.28	1,847,866,415.37	549,645,360.69

Note 1: Income from chain service referred to advertising promotion service fee and advertising service fee paid by suppliers.

Note 2: Other income mainly contain income from site use service and value-added logistics service provided for suppliers and third-parties.

43. Business taxes and levies

Item	Amount incurred in the current period	Amount incurred in the prior period
Business tax	187,740,739.20	620,215,085.69
City construction tax	201,817,683.06	221,878,002.66
Education fee and surcharges	146,829,603.77	180,954,604.04
Property tax	115,879,195.78	24,057,182.93
Consumption tax	4,815,858.41	3,956,379.01
Land value increment tax	534,632,324.28	366,788,403.36
Stamp duty	80,347,000.00	-
Land use tax	34,178,000.00	-
Flood control, water conservancy and security funds	32,316,000.00	-
Other	29,856,169.05	-
Total	1,368,412,573.55	1,417,849,657.69

44. Financial expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Interest expenses	3,851,103,152.86	1,715,859,722.34
less：interest income	792,266,439.20	861,239,494.84
Service charge	396,910,835.73	386,445,948.41
Exchange losses	-358,484,788.09	8,071,098.23
Other	171,043,690.93	32,036,700.14

Total	3,268,306,452.23	1,281,173,974.28

45. Investment income

Item	Amount incurred in the current period	Amount incurred in the prior period
Investment income received from long-term equity measured by equity method	-126,248,773.52	-45,078,231.17
Gains on holding available-for-sale financial assets	5,818,700.00	45,107,930.08
Gains on disposal of long-term equity investments	1,891,671,499.72	1,447,503,794.97
Gains on disposal of financial assets at fair value through profit or loss	24,290,654.61	183,096,555.38
Gains on disposal available-for-sale financial assets	173,234,739.91	63,374,624.84
Bank financial products interest	107,428,361.31	5,519,852.19
Total	2,076,195,182.03	1,699,524,526.29

46. Non-operating income

Item	Amount incurred in the current period	Amount incurred in the prior period
Government grants	1,508,481,079.32	302,704,201.05
gains on the disposal of non-current assets（Note）	540,016,904.23	1,416,347,314.30
Income from fines and liquidated damages	27,785,258.25	20,199,152.46
Donation	-	363,500.37
Negative goodwill	31,306,429.96	-
Other	94,347,646.39	77,125,071.46
Total	2,201,937,318.15	1,816,739,239.64

Note1: Gains on disposal of non-current assets mainly comprise non-operating income recognized from Sale-lease back transactions by Suning Commerce Group Co.,Ltd. In the year 2016, the sale price of the property of 6 stores is negotiated according to the evaluation of external independent appraisers, totaling about RMB1.814 billion. Book value of the property is about RMB1.248 billion on the transaction day, relevant tax and fee is about RMB56 million. Therefore,the difference between sale price and book value of the property, after deducting relevant tax and fee, is about RMB 0.51 billion which is recognized in non-operating income, after-tax net profit of about RMB 0.394 billion.

47. Non-operating expenses

Item	Amount incurred in the current period	Amount incurred in the prior period

Donation	16,363,280.97	21,759,662.59
Funds	653,827.07	40,668,015.25
Loss on the disposal of non-current assets	36,980,355.43	18,101,154.06
Fines and penalties	36,157,704.94	50,464,457.00
Other	113,713,096.07	51,398,724.56
Extraordinary loss	384,138.73	2,658,951.01
Total	204,252,403.21	185,050,964.47

48. Income tax expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Current tax expense calculated according to tax laws and relevant requirements	1,120,994,455.39	900,725,232.91
Adjustments to deferred tax	-449,453,038.67	-892,973,274.39
Total	671,541,416.72	7,751,958.52

VI. Change in consolidation scope

1. Subsidiaries acquired through a business combination not under common control

（1）Business combinations not under common control

（Unit:rmb 10,000 yuan）

Name of the acquiree	Equity acquisition date	Equity acquisition cost	Equity acquisition ratio (%)	Equity acquisition method	Combination date	Basis of acquisition date	Revenue from acquisition date to year end	Net profit from acquisition date to year end	Net cash flow from operating activities from acquisition date to year end	Net increase in cash and cash equivalents from acquisition date to year end
Xinxing Shoe making business	31 Aug. 2016	4,351.20	100%	Purchase	31 Aug. 2016	Transfer controlling power	6,110.70	1,448.80	27.80	9.40

Note :In Aug.2016, Suning Commerce Group Co.,Ltd. acquired 100%shareholding of Xinxing Shoemaking Corporation and SHIN-EI Corporation from its original shareholders. The equity acquisition date of this transaction is 31 Aug. 2016, which is the date of getting the control over financial and operating decisions of Xinxing Shoemaking business.

（2）Consideration and Goodwill

（Unit:rmb 10,000 yuan）

Item	Xinxing Shoemaking business.
Equity cquisition cost:	
Cash	4,351.20
Less: share of fair value of identifiable net	7,481.80

assets obtained	
Goodwill	3,130.60

Note: The equity acquisition cost is lower than fair value of identifiable net assets obtained in Xinxing Shoemaking business, and the difference of RMB 31.31 million has been recognized in non-operating income.

（3）Assets and liabilities of acquiree at acquisition date

（Unit:rmb 10,000 yuan）

Item	Xinxing Shoemaking business.	
	Fair value at acquisition date	Book value at acquisition date
Accounts (Other) receivable	1,581.10	1,581.10
Inventories	6,497.00	6,497.00
Fixed assets	1,214.70	842.10
Intangible assets	924.80	1,640.30
Other non-current assets	5.50	5.50
Less:borrowings	18.40	18.40
Accounts (Other) payable	2,722.90	2,722.90
Acquired net assets	7,481.80	7,824.70

Note : Valuation techniques are adopted by the Group to determine fair value of the identifiable assets and liabilities of the Xinxing Shoemaking Business.The main evaluation methods and key assumptions are as follows:
(I) The state's current relevant laws, regulations and policies have made no major changes in the national macroeconomic situation; no significant change in the political, economic and social environment of the parties in this transaction; no other significant unpredictable and force majeure factors;
(II)The basic assumption of valuation techniques is that the valuation result will attribute to accounting treatment and reporting of business combination in accordance with Accounting Standards for Business Enterprises.

2. Change in consolidation scope due to other reasons

During the year 2016, 36 new established subsidiaries are consolidated by the Group,including Chongqing MaoNing e-commerce Co., Ltd., Nanjing zining new century international trade Co., Ltd,etc., and 11 subsidiaries are no longer in consolidation scope because of cancellation,including Guangzhou Suning fine electrical appliance Co., Ltd, Guiyang Suning procurement Co., Ltd.,etc.

VII. Equity in other entities

1. Equity of subsidiaries

Organization structure of group company

Name of subsidiaries	Main business address	Registered address	Business nature	Shareholding(%)		Obtaining method
				Direct	Direct	
Nanjing Suning Galaxy International Shopping Plaza Co., Ltd.	Nanjing	Nanjing	Commerce	90%	-	Set-up
Suning International Co., Ltd.	Hong kong	Hong kong	Services	100%	-	Set-up
GRANDA GALAXY LIMITED	Cayman	Cayman	-	-	100%	Set-up
Qingdao Suning appliance industrial park Co., Ltd	Qingdao	Qingdao	Appliance sales	100%	-	Set-up
Zhuhai Suning appliance industry base Co., Ltd	Zhuhai	Zhuhai	Appliance sales	90%	-	Set-up
Beijing China chamber of commerce conference center Co., Ltd.	Beijing	Beijing	Services	100%	-	Set-up
Wuxi Suning commercial management Co., Ltd	Wuxi	Wuxi	Services	100%	-	Set-up
Nanjing Heng Hao enterprise management consulting partnership (limited partnership)	Nanjing	Nanjing	Investment consulting	99%	-	Set-up
Suning Real Estate Group Co.,Ltd.	Nanjing	Nanjing	Development and sales of real estate	25%	-	Set-up

Zhenjiang Suning real estate Co.,Ltd.	Zhenjiang	Zhenjiang	Real estate development and sales	-	100%	Set-up
Changchun Suning real estate Co.,Ltd.	Changchun	Changchun	Real estate development and sales	-	100%	Set-up
Jiangsu Suning Building Materials Co., Ltd.	Nanjing	Nanjing	Sales of building materials and equipment	-	100%	Set-up
Huai'an Suning real estate Co.,Ltd.	Huaian	Huaian	Real estate development and sales	-	100%	Set-up
Qingdao Suning real estate Co.,Ltd.	Qingdao	Qingdao	Real estate development and sales	-	100%	Set-up
Shanghai Suning real estate development Co., Ltd	Shanghai	Shanghai	Real estate development and sales	-	100%	Set-up
Shijiazhuang Suning real estate development Co., Ltd	Shijiazhuang	Shijiazhuang	Real estate development and sales	-	100%	Set-up
Tianjin Suning real estate Co.,Ltd.	Tianjin	Tianjinshi	Real estate development and sales	-	100%	Set-up
Xuzhou Suning real estate Co.,Ltd.	Xuzhou	Xuzhou	Real estate development and sales	-	100%	Set-up
Yancheng Suning real estate Co.,Ltd.	Yancheng	Yancheng	Real estate development and sales	-	100%	Set-up
Chengdu Suning real estate Co.,Ltd.	Chengdu	Chengdu	Real estate development and sales	-	100%	Set-up
Yangzhou Suning real estate Co.,Ltd.	Yangzhou	Yangzhou	Real estate development and sales	-	100%	Set-up
Nanjing hu'nan road Suning real estate Co.,Ltd.	Nanjing	Nanjing	Real estate development and sales	-	100%	Set-up

Gaochun Suning real estate Co.,Ltd.	Gaochun	Gaochun	Real estate development and sales	-	100%	Set-up
Suqian Suning real estate Co.,Ltd.	Suqian	Suqian	Real estate development and sales	-	100%	Set-up
Huai'an qingpu Suning real estate Co.,Ltd.	Huaian	Huaian	Real estate development and sales	-	100%	Set-up
Nanjing Xuanwu Suning real estate Co.,Ltd.	Nanjing	Nanjing	Real estate development and sales	-	100%	Set-up
Langfang Suning real estate development Co., Ltd	Nanjing	Nanjing	Real estate development and sales	-	100%	Set-up
Chengdu Wuhou Suning real estate Co.,Ltd.	Chengdu	Chengdu	Real estate development and sales	-	100%	Set-up
Jiangsu hengxun information consultant Co.,Ltd.	Nanjing	Nanjing	Real estate development and sales	-	100%	Set-up
Panjin Suning real estate Co.,Ltd.	Panjin	Panjin	Real estate development and sales	-	100%	Set-up
Foshan Suning real estate Co.,Ltd.	Foshan	Foshan	Real estate development and sales	-	100%	Set-up
Wuxi Suning real estate Co.,Ltd.	Wuxi	Wuxi	Real estate development and sales	-	100%	Business combination under common control
Lianyungang Suning real estate Co.,Ltd.	Lianyungang	Lianyungang	Real estate development and sales	-	100%	Business combination under common control
Beijing Suning real estate Co.,Ltd.	Beijing	Beijing	Real estate development and sales	-	100%	Business combination under common control
Anshan Suning real estate Co.,Ltd.	Anshan	Anshan	Real estate development	-	100%	Business combination under

			and sales			common control
Fuzhou Suning real estate Co.,Ltd.	Fuzhou	Fuzhou	Real estate development and sales	-	100%	Business combination under common control
Nanjing Galaxy Real Estate Co., Ltd.	Nanjing	Nanjing	Real estate development and sales	-	100%	Business combination under non-common control
Nanjing binJiang renJv forest property Co., Ltd.	Nanjing	Nanjing	Real estate development and sales	-	100%	Business combination under non-common control
Nanjing Mucheng real estate Development Co., Ltd.	Nanjing	Nanjing	Real estate development and sales	-	100%	Business combination under non-common control
Jiangsu galaxy property management Co., Ltd	Nanjing	Nanjing	Management services	-	100%	Business combination under non-common control
Nanjing gulou international software and service outsourcing industrial park Co., Ltd	Nanjing	Nanjing	Real estate development and sales	-	90%	Business combination under non-common control
Jiangsu Suning Galaxy Land Property Co., Ltd.	Nanjing	Nanjing	Real estate development and sales	-	90%	Business combination under non-common control
Nanjing Dingchen Architectural Design Co., Ltd.	Nanjing	Nanjing	Housing construction engineering design	-	100%	Business combination under non-common control
Jiangsu Suning galaxy hotel management Co., Ltd	Nanjing	Nanjing	Catering Services		70%	Business combination under common control
Jiaxing Suning real estate Co.,Ltd.	Jiaxing	Jiaxing	Real estate development and sales	-	100%	Set-up
Taiyuan Suning real estate Co.,Ltd.	Taiyuan	Taiyuan	Real estate development and sales	-	100%	Set-up
Suzhou Suning real estate Co.,Ltd.	Suzhou	Suzhou	Real estate development and sales	-	100%	Set-up

Suning Commerce Group Co.,Ltd.	Nanjing	Nanjing	Sales of appliances and consumer electronics	-	14.73%	Set-up
Beijing Suning Commerce Co.,Ltd.	Beijing	Beijing	Sales of appliances and consumer electronics	-	100%	Set-up
Shanghai Suning Appliance Co., Ltd..	Shanghai	Shanghai	Sales of appliances and consumer electronics	-	100%	Set-up
Chongqing Suning Commerce Co.,Ltd.	Chongqing	Chongqing	Sales of appliances and consumer electronics	-	100%	Set-up
Sichuan Suning Commerce Co.,Ltd.	Chengdu	Chengdu	Sales of appliances and consumer electronics	-	100%	Set-up
Suning financial services (Shanghai) Co., Ltd.（Note ）	Shanghai	Shanghai	Sales of appliances and consumer electronics	-	65%	Set-up
Guangdong Suning Commerce Co.,Ltd.	Guangzhou	Guangzhou	Sales of appliances and consumer electronics	-	100%	Set-up
Fujian Suning Commerce Co.,Ltd	Fuzhou	Fuzhou	Sales of appliances and consumer electronics	-	100%	Set-up
Shenyang Suning Commerce Co.,Ltd	Shenyang	Shenyang	Sales of appliances and consumer electronics	-	100%	Set-up
Shanxi Suning Commerce Co.,Ltd	Xian	Xian	Sales of appliances and consumer electronics	-	100%	Set-up
Zhejiang Suning Commerce Co.,Ltd	Hangzhou	Hangzhou	Sales of appliances and consumer electronics	-	100%	Set-up
Shenzhen Suning Commerce Co.,Ltd	Shenzhen	Shenzhen	Sales of appliances and consumer electronics	-	100%	Set-up
Wuhan Suning Commerce Co.,Ltd	Wuhan	Wuhan	Sales of appliances and consumer electronics	-	100%	Set-up

Xiamen Suning Commerce Co.,Ltd	Xiamen	Xiamen	Sales of appliances and consumer electronics	-	100%	Set-up
Yunnan Suning Commerce Co.,Ltd	Kunming	Kunming	Sales of appliances and consumer electronics	-	100%	Set-up
Suning commercial factoring Co., Ltd.	Tianjin	Tianjin	commercial factoring	-	65%	Set-up
Chongqing Suning micro loan Co., Ltd	Chongqing	Chongqing	micro loan	-	65%	Set-up
Beijing Suning cloud technology Co., Ltd	Beijing	Beijing	Local living services	-	70%	Set-up
Jiangsu SuningYida logistics investment Co., Ltd	Nanjing	Nanjing	logistics investment	-	100%	Set-up
Jiangsu Changqi trading Co., Ltd.	Nanjing	Nanjing	engineering project development	-	100%	Business combination under common control
LAOX corporation of Japan	Japan	Japan	Sales of appliances and consumer electronics	-	51%	Business combination under non-common control
Wuxi Shenglimen suning electric appliance Co., Ltd	Wuxi	Wuxi	Sales of appliances and consumer electronics	-	100%	Business combination under non-common control
Nanjing redbaby enterprise management Co., Ltd.	Nanjing	Nanjing	Enterprise management services and information consulting services	-	100%	Business combination under non-common control
Beijing redbaby interconnection technology Co., Ltd	Beijing	Beijing	Enterprise management services and information consulting services	-	100%	Business combination under non-common control
Chongqing MaoNing e-commerce Co., Ltd.	Chongqing	Chongqing	Sales of appliances and consumer electronics	-	51%	Set-up

Note：On 26 oct. 2016, Suning gold investment Co., Ltd. increased registered capital by RMB 5.833 billion to Suning financial services (Shanghai) Co., Ltd., the subsidiary of Suning commerce. Then the ownership structure of the company was: the Group owns 65% shares of Suning financial services (Shanghai) Co., Ltd., and 35% shares of Suning gold investment Co., Ltd..

2. Equity in Joint Venture Arrangement or Associated Enterprise

（1）Main information of significant joint venture arrangement or associated enterprise

Name	Main business address	Registered address	Business nature	Strategic or not to the Group business	Shareholding(%)	
					Direct	Direct
Joint Venture:						
Suing Golden Stone (Tianjin) Fund Management Co., Ltd.	Tianjin	Tianjin	Investment and management consulting	Strategic	-	40.00%
Associated Enterprise:						
Maruetsu (Hong Kong) Co.,Ltd.	Hong Kong	Hong Kong	Food chains	Strategic	-	30.00%
Suning Consumer Fiinance Co. LTD.	Nanjing	Nanjing	Consumer loans	Strategic	-	49.00%
Smartisan Technology (Beijing) Co. Ltd.	Beijing	Beijing	Mobile internet	Strategic	-	1.89%

Note: Suning Commerce Group Co.,Ltd. has one board seat on the board of thirteen directors of Smartisan technology (Beijing) Co., Ltd. Suning Commerce Group Co.,Ltd. adopt equity accounting method for the above equity investment.

（2）Main financial information of significant Joint Venture:

Item	Suing Golden Stone (Tianjin) Fund Management Co., Ltd.	
	Closing balance	Opening balance
Current assets	41,159,000.00	39,291,000.00
Non-current assets	364,000.00	795,000.00
Total assets	41,523,000.00	40,086,000.00
Current liabilities	665,000.00	514,000.00
Non-current	-	-
Total liabilities	665,000.00	514,000.00
Equity	40,858,000.00	39,572,000.00
Proportions of net assets according to the shareholding percentage(Note)	16,343,000.00	15,829,000.00
Adjusting events-others(Note)	4,000,000.00	4,000,000.00
Book value of equity investment of joint venture	20,343,000.00	19,829,000.00
	Year 2016	Year 2015
Operating income	4,926,000.00	-
Net profit	1,285,000.00	-427,000.00
Other comprehensive income	-	-

Total comprehensive income	1,285,000.00	-427,000.00
The current dividends received from joint ventures	-	-

Note: As at 31 Dec.2015 and 31 Dec.2016, book value of long-term investment in Suing Golden Stone (Tianjin) Fund Management Co., Ltd. is higher than proportions of net assets according to the shareholding percentage because other shareholders of Suing Golden Stone (Tianjin) Fund Management Co., Ltd. have not paid the subscribed capital.

（3）Main financial information of significant Associated Enterprises:

Item	Maruetsu (Hong Kong) Co.,Ltd.	Suning Consumer Fiinance Co. LTD.	Smartisan Technology (Beijing) Co. Ltd.
	Closing balance		
Current assets	89,318,000.00	1,606,131,000.00	391,302,000.00
Non-current assets	20,462,000.00	67,064,000.00	28,879,000.00
Total assets	109,780,000.00	1,673,195,000.00	420,181,000.00
Current liabilities	25,818,000.00	1,324,307,000.00	663,149,000.00
Equity	83,962,000.00	348,888,000.00	-242,968,000.00
Proportions of net assets according to the shareholding percentage(Note)	25,188,000.00	170,955,000.00	-4,592,000.00
Adjusting events-goodwill	-	-	41,838,000.00
Book value of equity investment of associated enterprises	25,188,000.00	170,955,000.00	37,246,000.00
	Year 2016		
Operating income	143,584,000.00	105,800,000.00	809,235,000.00
Net profit	-9,719,000.00	-189,425,000.00	-427,620,000.00
Other comprehensive income	-	-	-
Total comprehensive income	-9,719,000.00	-189,425,000.00	-427,620,000.00
The current dividends received from joint ventures	-	-	-

Item	Maruetsu (Hong Kong) Co.,Ltd.	Suning Consumer Fiinance Co. LTD.	Smartisan Technology (Beijing) Co. Ltd.
	Opening balance		
Current assets	93,513,000.00	1,734,188,000.00	793,538,000.00
Non-current assets	24,258,000.00	14,461,000.00	23,865,000.00
Total assets	117,771,000.00	1,748,649,000.00	817,403,000.00
Current liabilities	24,090,000.00	1,510,336,000.00	632,752,000.00
Equity	93,681,000.00	238,313,000.00	184,651,000.00
Proportions of net assets according to the shareholding percentage(Note)	28,104,000.00	116,773,000.00	3,490,000.00
Adjusting events-goodwill	-	-	41,838,000.00

Book value of equity investment of associated enterprises	28,104,000.00	116,773,000.00	45,328,000.00
	Year 2015		
Operating income	79,057,000.00	81,005,000.00	1,187,244,000.00
Net profit	-16,783,000.00	-61,687,000.00	-247,200,000.00
Other comprehensive income	-3,105,000.00	-	-
Total comprehensive income	-19,888,000.00	-61,687,000.00	-247,200,000.00
The current dividends received from joint ventures	-	-	-

Note: The group calculated the share of the assets in joint ventures according to the amount of the company in the consolidated financial statements, which considering the fair value of identifiable net assets and liabilities and the impact of the unified accounting policy of the joint venture when the investment is made.

VIII. Related party and related party transactions

1. Subsidiaries of the Group

Please see Note (VII.1) for details of subsidiaries of the Group.

2. Joint Ventures of the Group

Please see Note (VII.2) for details of joint ventures of the Group.

3. Associated Enterprises of the Group

Please see Note (VII.2) for details of associated enterprises of the Group.

4. Other related parties of the Group.

Names of other related parties	The relationship between other related parties and the group
Jingong Zhang	Holding 48.1% of the Group
Jiangsu Suning Global Group Co. Ltd. and its subsidiaries	The ultimate controller is Jindong Zhang's family member
Nanjing Zhongshan International Golf Property Co. Ltd. and its subsidiaries	The ultimate controller is Jindong Zhang's family member
Suning Holdings Group Co. Ltd. and its subsidiaries	The ultimate controller is Jindong Zhang
Suning Consumer Finance Co. Ltd.	The ultimate controller is Jindong Zhang
ALIBABA GROUP	The ultimate holding company and its subsidiaries that hold more than 5% of Suning.com Group Co. Ltd.'s shareholding
Tao Bao (China) Software Co., Ltd.	Holding 5% of Suning.com Group Co. Ltd.'s shareholding

5. Related party transactions

（1）Sales of goods/ labour services provision

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Nanjing Zhongshan International Golf Property Co. Ltd.	2,649.02	1,600.87
Suning Holdings Group Co. Ltd. and its subsidiaries	3,959.30	-
Total	6,608.32	1,615.67

（2）Merchandise procurement

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	73,837.60	
Smartisan technology (Beijing) Co., Ltd.	716.80	-
Total	74,554.40	-

（3）Logistics after-sales service provide by related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	68.70	-

（4）Technology consulting service provide by related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	1,215.00	-

（5）Crowdfunding service provision

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	28.70	-

（6）Information services provision

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Consumer Finance Co. LTD.	49.50	172.70

（7）Marketing services provision

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Consumer Finance Co. Ltd.	286.60	125.80
ALIBABA GROUP	5,306.50	-
Total	5,593.10	125.80

（8）Borrowing from related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	10,000.00	-

（9）Loans to related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its	882,990.63	664,930.58

subsidiaries		
Nanjing Zhongshan International Golf Property Co. LTD. and its subsidiaries	36,470.00	189,819.14
Total	919,460.63	664,930.58

（10）Interest expense

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	37.50	-

（11）Interest income

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Consumer Finance Co. LTD.	3,574.90	563.50
Nanjing Zhongshan International Golf Property Co. LTD. and its subsidiaries	23,381.27	2,583.73
Suning Holdings Group Co. Ltd. and its subsidiaries	132,199.21	-
Total	159,155.38	3,147.23

（12）Leases where a group entity is the lessor

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	29.70	-
Suning Consumer Finance Co. LTD.	136.90	78.00
Total	166.60	78.00

（13）Catering service provided by related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Nanjing Zhongshan International Golf Property Co. LTD. and its subsidiaries	248.20	177.00

（14）Market promotion provided by related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
ALIBABA GROUP	10,412.90	-
Suning Consumer Finance Co. Ltd.	4,622.80	1,852.40
Suning Holdings Group Co. Ltd. and its subsidiaries	12,514.60	
Tao Bao (China) Software Co., Ltd.	47.00	-
Total	27,597.30	1,852.40

（15）Share transferring to related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	802,706.96	258,548.30

（16）Available-for-sale assets transferring to related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period
Suning Holdings Group Co. Ltd. and its subsidiaries	152.20	-

（17）Acquisition of Available-for-sale assets held by related parties

（unit：rmb 10,000 yuan）

Names of the related parties	Amount incurred in the current period	Amount incurred in the prior period

Suning Holdings Group Co. Ltd. and its subsidiaries	28,371.00	-

（18）Trademark license agreement

（i）On 20 Apr.2002，approved by Sunning Commerce Group Co. Ltd. annual shareholders meeting in 2001, Jiangsu Suning Global Co. LTD.,together with its wholly-owned, holding companies and companies with actual control were allowed to use the Serial registered trademark of “蘇寧”、“苏宁” and “NS” in specified investment industries for free.

（ii）On 22 Apr.2016, approved by Sunning.com Group Co. Ltd. 2015 annual shareholders meeting about “Motion on related transactions involving partial trademark transfer and licensing”, Sunning.com Group Co. Ltd. allowed Suning Holdings Group Co. Ltd. and its subsidiaries to use the trademark with the word “Suning” globally within non-main business scope, including but not restricted to the form of a single or combination or design of “苏宁”, “s 苏宁”, “S+苏宁”, “S+Suning”, “S+苏宁+Suning”,“苏宁+S+SUNING”,“SUNING 苏宁” ,“蘇寧”,and some specific trademarks can be registered or/and used in the United States, Hong Kong, Macao and Japan, North Korea, Brunei, Australia, EU and other countries and regions. Sunning.com Group Co. Ltd. allowed Suning Holdings Group Co. Ltd. and its subsidiaries to register and use the trademarks of “苏宁控股”, “苏宁影业”, “苏宁投资” which have not been registered in business activities because the use of areas of those trademark are not within the scope of Suning Holdings Group Co. Ltd’s main business.

Suning Holdings Group Co. Ltd. shall pay RMB 2million each year to Sunning.com Group Co. Ltd. for use of such trademarks and the subsidiaries of it shall not pay additionally.

Suning Holdings Group Co. Ltd. has paid RMB 2million on the trademark royalty for year 2016.

5. Amounts due from / to related parties

（unit：rmb 10,000 yuan）

Item	Names of the related parties	Closing Balance	Opening Balance
Accounts receivable	Nanjing Zhongshan International Golf Property Co. Ltd. and its subsidiaries	2,947.82	9,601.80
	ALIBABA GROUP	1,531.80	-
	Suning Consumer Finance Co. Ltd.	86.70	11.80
	Suning Holdings Group Co. Ltd. and its subsidiaries	4,397.90	2,388.70
	Subtotal	8,964.22	12,002.30
Other receivables	Nanjing Zhongshan International Golf Property Co. Ltd. and its subsidiaries	200,037.21	182,319.14
	Suning Holdings Group Co. Ltd. and its subsidiaries	1,677,390.79	803,571.7
	Subtotal	1,877,428.00	985,890.93

Prepayment	Smartisan Technology (Beijing)Co., Ltd.	218.70	1,057.30
	ALIBABA GROUP	15.70	-
	Suning Holdings Group Co. Ltd. and its subsidiaries	-	10.20
	Subtotal	234.40	1,067.50
Interest receivable	Suning Consumer Finance Co. Ltd.	550.40	653.50
	Nanjing Zhongshan International Golf Property Co. LTD. and its subsidiaries	24,784.14	2,248.12
	Suning Holdings Group Co. Ltd. and its subsidiaries	140,131.16	-
	Subtotal	165,465.70	2,901.62
Other current assets	Suning Consumer Finance Co. LTD.	25.30	-
Accounts payable	Suning Holdings Group Co. Ltd. and its subsidiaries	11,795.60	8,985.60
Receipts in advance	Suning Consumer Finance Co. Ltd.	-	10.40
Interest payable	Suning Holdings Group Co. Ltd. and its subsidiaries	37.50	-
Other payables	Suning Consumer Finance Co. LTD.	905.50	348.20
	Nanjing Zhongshan International Golf Property Co. LTD. and its subsidiaries	8.70	-
	Suning Holdings Group Co. Ltd. and its subsidiaries	652.40	1,063.30
	Tao Bao (China) Software Co., Ltd.	6.60	-
	Subtotal	1,573.20	1,411.50

6. Deposit in related party

（unit：rmb 10,000 yuan）

Name of the item	Name of the related party	Closing Balance	Opening Balance
Other currency funds	Suning Consumer Finance Co. LTD.	89,000.00	117,000.00

IX. Other major transactions and events - Sale and leaseback transactions

In year 2016, Sunning Commerce Group Co. Ltd., the subsidiary of the group, carried out after-sale leaseback transactions and transferred properties of 6 supply chain warehouse to CITIC Jinshi Fund Management Co., Ltd. Sunning Commerce Group Co. Ltd. set up China CITIC Huaxia Suning Yunxiang Asset Support Special Project ("Asset Support Special Plan") , which is provided with supporting service by Suning Jinshi (Tianjin) Fund Management Co., Ltd. and other professional organizations,and gained the right of long-term use of the store property with stable market rent and 10-year lease in the future. The transfer prices of the six supply chain storage properties are negotiated and determined based on the value of the assets assessed by external independent appraisers. The main parameters adopted for this asset assessment are market rent, rental growth rate, vacancy rate, and net operating income and discount rate of net income. The price of subsequent leaseback is determined by reference to the market rent of similar properties in the surrounding area and increases year by year in the first six rental years. Rents from the seventh to the tenth years are negotiated on the basis of market standards at that time, but not less than the rent for the first year. Sunning Commerce Group Co. Ltd., the subsidiary of the group, considered that the terms of the lease contract do not meet the criteria for determining the financial lease and determine the sale and leaseback transaction to be an operating lease based on fair value. The sale and leaseback transaction confirmed non-operating income of approximately RMB 510 million. At the same time, Sunning Commerce Group Co. Ltd., the subsidiary of the Group, invested RMB 194 million to subscribe for assets to support 30% of equity-grade asset-backed securities issued by the special plan and listed in available-for-sale financial assets.

In the sale and leaseback transactions carried out in 2016, Suning Jinshi Fund has introduced the Group to provide enhanced credit for financial products related to the asset support special plan. That is, according to the “Priority Acquisition Agreement” signed between the group, Sunning Commerce Group Co. Ltd., Ltd. and Suning Jinshi Fund, when the total transaction price of externally sold supply chain storage properties of private equity investment funds is lower than the total value of the property assessment, the Group shall make up the amount accordingly.

X. Commitments

1. Capital commitments

The capital commitments of the Group which has been signed and not required to be listed on the balance sheet are as follows:

Item	Closing Balance	Opening Balance
Houses and buildings, Operating equipment	1,993,948,000.00	2,336,887,000.00
Intangible Assets	-	390,625,000.00
Total	1,993,948,000.00	2,727,512,000.00

2. Operating lease commitments

Total future minimal lease payments under contracts irrevocable with lessor are as follow:

Item	Closing Balance	Opening Balance
Within 1 year	5,801,998,000.00	5,661,113,000.00
1 to 2 years	5,224,150,000.00	5,364,777,000.00
2 to 3 years	4,655,380,000.00	4,705,517,000.00
Over 3 year	18,262,152,000.00	20,331,855,000.00

Total	33,943,680,000.00	36,063,262,000.00

3. External Investment commitments

According to the equity transfer agreement signed on 30 Dec. 2016 by Jiangsu suning logistics co. LTD., the subsidiary of Sunning Commerce Group Co. Ltd., and the nature person shareholders of TianTian express Co., Ltd. such as Wenxiao He, Hongtao Zhang, Yanping Chen, Jianguo Xu and Dong Chen, and actual shareholders such as Chunyang Xi and Xiangyang agented by above-mentioned holders, Jiangsu suning logistics co. LTD. would pay the consideration of RMB 4.25 billion which contains equity transferring tax for 100% shares of TianTian express Co., Ltd. held by transferors. The group has not paid the amount as at 31 Dec, 2016. As at 29 Mar. 2017, the transaction was approved by ministry of commerce and the group has paid RMB 0.45 billion for equity transferring in accordance with the contract.

XI. Events after the balance sheet date

Significant events after the balance sheet date without adjustments

Items	Content	Impact on the financial position and operating results	Reason unable to be estimated
Sunning Commerce Group Co. Ltd., the subsidiaryies of the group invest in Wangzhi Technology Limited (“Wangzhi”)	On 3 Jan. 2017, Sunning Commerce Group Co. Ltd., the subsidiaries of the group signed “D round preferred stock purchase agreement” with Wangzhi. According to the agreement, Sunning Commerce Group Co. Ltd. would purchase 43,254,72shares of D round preferred stock from Wangzhi at consideration in USD equivalent to RMB 100 million at the time of delivery as stipulated in the contract. As at 29 Mar. 2017, the group has paid security deposit of RMB 100million.	unable to be estimated	As at 29 Mar.2017, the transaction has not completed delivery.

XII. Notes to company fianacial statements

（The following disclosure are in the currency unit RMB on this financial statement without special indication, with）

1.Accounts receivable

（1）Aging analysis

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	%		Amount	%	
Within 1 year	2,439,332.64	100.00%	-	1,200,437.50	44.84%	-
1 to 2 years	-	-	-	1,476,680.15	55.16%	-
Total	2,439,332.64	100.00%	-	2,677,117.65	100.00%	-

2. Other receivables

（1）Aging analysis

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	%		Amount	%	
Within 1 year	20,434,869,131.30	70.92%	-	17,881,342,569.59	57.61%	-
1 to 2 years	7,924,533,525.40	27.50%	-	5,479,652,800.95	17.65%	-
2 to 3 years	36,265,123.66	0.13%	-	5,503,146,394.11	17.73%	-
3 to 4 years	39,776,918.64	0.14%	-	1,859,443,431.36	5.99%	-
4 to 5 years	63,097,903.55	0.22%	-	316,844,754.98	1.02%	-
Over 5 years	316,844,754.98	1.10%	-	-	-	-
Total	28,815,387,357.53	100.00%	-	31,040,429,950.99	100.00%	-

（2）Categories of other payables（classified by nature）:

Nature	Closing book balance	Opening book balance
Amount due to	28,789,615,302.15	30,949,555,529.83
Other	1,617,055.38	40,282,421.16
Guarantee deposits	24,155,000.00	50,592,000.00
Total	28,815,387,357.53	31,040,429,950.99

（3）Entities with larger balances of other receivable

Name of entity	Relationship with the Company	Nature	Amount	Arrears period	Proportion of the amount to the total other receivables (%)
Suning Real Estate Group Co.,Ltd.	Related party	Current account receivable	8,743,607,338.53	Within 2 years	30.34%
Suning holding group Co., Ltd.	Related party	Current account receivable	8,583,986,689.16	Within 2 years	29.79%
Suning culture investment management Co., Ltd.	Related party	Current account receivable	4,983,699,140.00	Within 2 years	17.30%

Nanjing Zhongshan International Golf Real Estate Co. Ltd.	Related party	Current account receivable	1,998,593,883.34	Within 2 years	6.94%
Total			24,309,887,051.03		84.37%

3. Long-term equity investments

（1）Classification of long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Investment in subsidiaries	14,034,644,548.53	-	14,034,644,548.53	5,903,283,985.93	-	5,903,283,985.93
Investment in joint ventures	52,083,195.55	-	52,083,195.55	53,979,770.89	-	53,979,770.89
Total	14,086,727,744.08	-	14,086,727,744.08	5,957,263,756.82	-	5,957,263,756.82

（2）Investment in subsidiaries

Investee	Opening balance	Increase	Decrease	Closing balance
Nanjing Suning Galaxy International Shopping Plaza Co., Ltd.	4,500,000.00	-	-	4,500,000.00
Suning International Co., Ltd.	283,323,704.12	-	-	283,323,704.12
Qingdao Suning appliance industrial park Co., Ltd	75,000,000.00	-	-	75,000,000.00
Zhuhai Suning appliance industry base Co., Ltd	45,000,000.00	-	-	45,000,000.00
Beijing China chamber of commerce conference center Co., Ltd.	10,000,000.00	-	-	10,000,000.00
Wuxi Suning commercial management Co., Ltd	5,000,000.00	-	-	5,000,000.00
Suning Commerce Group Co.,Ltd.	4,736,910,747.09	5,508,384,562.60	-	10,245,295,309.69
Jiangsu Suning football club Co., Ltd	523,244,000.00	-	523,244,000.00	-
Jiangsu Suning real estate Co.,Ltd.	220,305,534.72	-	-	220,305,534.72
Beijing jingchao Suning appliance Co.,Ltd.	-	1,304,836,700.00	1,304,836,700.00	-
Tibet trust – Shunjing No.34 collecting fund trust plan	-	500,000,000.00	-	500,000,000.00
Tibet trust – Shunjing No.53collecting fund trust plan	-	500,000,000.00	-	500,000,000.00
Tibet trust – Laiwo No.6 collecting fund trust plan	-	500,000,000.00	-	500,000,000.00
Tibet trust – Laiwo No.10 collecting fund trust plan	-	300,000,000.00	-	300,000,000.00
Nanjing Heng Hao enterprise management	-	1,346,220,000.00	-	1,346,220,000.00

consulting partnership (limited partnership)				
Total	5,903,283,985.93	9,959,441,262.60	1,828,080,700.00	14,034,644,548.53

（3）Investment in joint ventures

Investee	Opening balance	Changes in the current period								Closing balance	Closing balance of provision for impairme-nt
		Increase	Decre-ase	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Change of other equities	Declaration of cash bonus	Provisio-n for impairment	other		
Hisense (Nanjing) Electric Co.,Ltd.	53,979,770.89	-	-	-1,896,575.34	-	-	-	-	-	52,083,195.55	-

4. Operating income and operating costs

（1）Classification

Items	Amount incurred in the current period		Amount incurred in the prior period	
	Income	Cost	Income	Cost
Principal operating income	55,142,995.99	5,087,612.32	49,474,092.03	4,430,618.60
Other operating income	3,708,134,701.65	2,282,857,743.49	2,831,669,780.85	1,765,439,729.45
Total	3,763,277,697.64	2,287,945,355.81	2,881,143,872.88	1,769,870,348.05

（2）Classification of principal operating income

Item	Amount incurred in the current period		Amount incurred in the prior period	
	Principal operating income	Principal operating cost	Principal operating income	Principal operating cost
Income from hotel	55,142,995.99	5,087,612.32	49,474,092.03	4,430,618.60

（3）Classification of other operating income

Items	Amount incurred in the current period		Amount incurred in the prior period	
	Other operating income	Other operating cost	Other operating income	Other operating cost

Items	Amount incurred in the current period		Amount incurred in the prior period	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Interest income	3,604,158,115.25	2,267,977,168.83	2,712,111,135.73	1,744,540,467.45
Rental income	101,728,417.82	13,732,650.42	118,437,700.43	20,899,262.00
Property management Income	650,162.82	-	1,120,944.69	-
Other	1,598,005.76	1,147,924.24	-	-
Total	3,708,134,701.65	2,282,857,743.49	2,831,669,780.85	1,765,439,729.45

5. Investment income

Item	Amount incurred in the current period	Amount incurred in the prior period
Investment income received from long-term equity measured by equity method	-1,896,575.34	-3,696,085.18
Investment income received from long-term equity measured by cost method	87,260,373.72	53,907,053.95
Gains on disposal available-for-sale financial assets	-47,172,032.50	3,147,800.00
Gains on disposal of long-term equity investments	-	91,280,810.40
Gains on holding available-for-sale financial assets	1,953,734.01	35,576,295.17
Bank financial products interest	105,345,584.83	5,519,322.87
Total	145,491,084.72	185,735,197.21

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27 Apr. 2017

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